Social Security Amendments of 1951-52 Volume 1

TABLE OF CONTENTS

Social Security Amendments of 1951-52 Volume 2

TABLE OF CONTENTS

♦Excerpts only

AMENDMENTS TO THE RAILROAD RETIREMENT ACT I.

Reported to and Passed House

A. Committee on Interstate and Foreign Commerce Report
House Report No. 976 (to accompany H.R. 3669)- *September 19, 1951*

B. Committee Bill Reported to the House
H.R. 3669 (reported with amendments)—*September 19, 1951*

C. House Debate—Congressional Record—*October* 4-5, *16-17, 1951*
(House passed Committee bill with an amendment)

See Amendment—Congressional Record—pp. 13305

II. Reported to and Passed Senate

A. Committee on Labor and Public Welfare Report
Senate Report No. 890 (to accompany S. 1347)—*October 4, 1951*

B. Committee Bill Reported to the Senate
S. 1347 (reported with amendments)—*October 4, 1951*

C. Senate Debate—Congressional Record— *October 12, 15, 17, 1951*
(Senate passed House-passed bill, amended. S. 1347 was vacated and the provisions substituted for the House-passed bill.)

See Amendments—Congressional Record—pp. 13H9-13124

D. House and Senate Conferees—Congressional Record—*October 17-18, 1951*

III. Conference Report (reconciling differences in the disagreeing votes of the two Houses)

A. House Report No. *1215-October 18, 1951*

B. House Debate—Congressional Record—*October 19, 1951*

C. Senate Debate—Congressional Record—*October 19, 1951*

IV. Public Law

A. Public Law 234-82d Congress-October *30, 1951*

B. President's Statement Upon Signing Railroad Retirement Act Amendments—
October 30, 1951

C. Directors Bulletin No. 176, New Railroad ~*Legislation--October 29, 1951*

D. Railroad Retirement Act Amendments of 1951: Benefit Provisions and Legislative History, by Robert J. Myers and Wilbur J. Cohen—Social Security Bulletin Reprint-*February, 1952*

E. Railroad Retirement Act Amendments of 1951: Financial and Actuarial Aspects, by Robert J. Myers-Social Security Bulletin *Reprint—March, 1952*

Listing of Reference Materials

Extension of time for Retroactive Coverage of Certain State and Local Employees I. Reported to and Passed House

A. Committee on Ways and Means Report
House Report No. 1999 (to accompany H.R. 6291) -*May 21, 1952*

B. Committee Bill Reported to the House
H.R. 6291 (reported without amendment)--*May 27, 1952*

C. House Debate—Congressional Record—*May 28, 1952*
(House passed Committee-reported bill).

II. Reported to and Passed Senate

A. Committee on Finance Report
Senate Report No. 1792 (to accompany H.R. *6291)--June 19, 1952*

B. Senate Debate—Congressional Record— *June 19, 1952*
(Committee reported and Senate passed House bill.)

III. Public Law

Public Law 420~82d Congress--*June 28, 1952*

Calendar No. 192

82D CONGRESS, 1st Session | SENATE | REPORT No. 214

IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

APRIL 11 (legislative day, MARCH 26), 1951.—Ordered to be printed

Mr. ELLENDER, from the Committee on Agriculture and Forestry, submitted the following

REPORT

[To accompany S. 984]

The Committee on Agriculture and Forestry, to whom was referred the bill (S. 984) to amend the Agricultural Act of 1949, having considered the same, report thereon with a recommendation that it do pass with amendments.

HISTORY OF LEGISLATION

Throughout World War II and since the termination of hostilities, it has been necessary to import agricultural workers from foreign countries in order to assist in the production of adequate supplies of food and fiber for domestic consumption in the United States and for export. Principal sources of foreign farm labor have been Canada, the British West Indies, and the Republic of Mexico, and many workers have been recruited in Puerto Rico. In 1948 the United States and Mexico reached an agreement on the method by which workers from Mexico would be imported for temporary employment in agriculture. In October 1948 Mexico terminated the 1948 agreement and a new agreement was approved and became effective August 1, 1949. The program of importing farm workers from Mexico is now operating under that agreement.

The 1948 agreement established a system of importing workers from Mexico without subsidization by the Federal Government. This system was continued by the present international agreement whereby the private employer, upon certification by the United States Employment Service that he cannot obtain adequate domestic farm labor, recruits workers in Mexico with the joint approval of United States and Mexican Government officials and under their direct supervision. Under the old and present agreement the employer pays the entire cost of transporting the worker from Mexico

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and return, and he pays for supplies and subsistence during the period of movement. He also makes other guaranties to the worker under the individual work contract and is required to post a bond of $25 for each worker to guarantee maintenance of status and departure of the alien agricultural worker.

In addition the 1948 agreement provided that 10 percent of the worker's salary be withheld and then returned to him upon termination of the contract. This provision was deleted in the 1949 agreement. The present agreement also differs from the 1948 agreement in that it contains detailed procedures for handling of complaints of workers against employers violating their contracts and cases of discrimination against Mexican workers.

Violation of contracts by the workers has caused considerable expense to the employers by forcing forfeiture of the departure bonds. Often the worker has returned to his home in Mexico, and while no expense may have been incurred by the Government or the employer in such return, failure by the worker to report his departure to the Immigration and Naturalization Service has caused unnecessary confusion and expense to agricultural producers in this country. On the other hand, many contract violators have been apprehended, and the costs of apprehension must be paid by the employer. In certain instances, this liability has amounted to considerable expense to the employer. Therefore, the agricultural producers in the United States have protested vigorously against the requirement for posting of bonds.

The program of importing farm laborers from Mexico is confronted with a major problem in the form of illegal immigration of workers commonly known as wetbacks. Instead of entering the country at official points and according to law, thousands of workers swim or wade across the Rio Grande River and enter illegally. Because they are often put to work by United States employers before their backs are dry, they have been commonly referred to as wetbacks. The wetback situation presents great economic and social problems. The illegal immigrant is always subject to deportation, and under such circumstances, the wetback will work for wages far below a level which will enable him to maintain a proper standard of living for himself or his family. At the same time, their employment undercuts the going wage of domestic farm labor and thus forces the latter to accept substandard wages also, or move on to other work.

This process not only provides the wetback and the domestic farm laborer with grossly inadequate incomes, but it also affects the status of Spanish-speaking citizens of the United States and retards their assimilation into the normal social and economic life of the country. While the present international agreement addresses itself to the wetback problem, illegal entry of Mexican citizens into the United States has increased greatly and conservative estimates place the number of wetbacks entering the country in 1950 at more than a million. The Immigration and Naturalization Service in the year ending June 30, 1950, deported nearly 500,000 aliens back to Mexico, and undoubtedly as many were never apprehended.

In connection with negotiations to modify the existing agreement, representatives of the United States and Mexico met in conference at Mexico City beginning January 26 of this year to discuss the various

problems noted above. During the course of the conference, the Mexican Government served notice that it was terminating the 1949 agreement.

The United States delegation to the conference was headed by Carl W. Strom, consul general of the United States in Mexico. Chairman Allen J. Ellender of the Committee on Agriculture and Forestry and Congressman W. R. Poage of the House Committee on Agriculture were appointed delegates from their respective committees and served as advisers to the United States delegation.

As an alternative method to the recruitment of farm workers in Mexico by private employers and subsequent posting of compliance bonds, it was suggested at the conference that an agency of the United States recruit such workers and that the Government of the United States guarantee compliance with the individual work contract. It was understood that the United States Government is not now authorized to undertake such a program. The United States delegation agreed to have such legislation introduced in the Congress, and since its enactment would require time for following legislative procedure, the Mexican Government agreed to continue the present international agreement until June 30, 1951.

The conferees then agreed to recommend to their respective governments that the following program be established:

1. The Mexican Government would establish migratory stations at such places in Mexico as might be agreed upon by the Mexican Government and the United States Government.

2. Recruiting teams consisting of Mexican and United States representatives would then recruit agricultural workers at places near the residences of the workers, and the workers would be brought to the migratory stations by the Mexican Government.

3. Following screening by the United States immigration officials, the workers would be transported to reception centers in the United States at the expense of the United States Government. Return transportation from the reception center to the migratory station by this Government would also be guaranteed.

4. At the reception center in the United States, the worker would be free to choose the type of agricultural work he desires, and the employer would be free to select the workers whom he desires. Proper supervision of these negotiations by representatives of both Governments would be maintained.

5. Transportation from the reception center to the place of employment and return would be at the expense of the employer, as well as subsistence and other guaranties as required by the individual work contract.

In accordance with the understanding at the conference, S. 984 was introduced on February 27 by Senator Ellender and referred to your committee. Hearings were conducted on the bill and testimony received from officials of the Department of Labor, Department of State, Department of Agriculture, farm organizations, employers of agricultural labor, and officials of labor unions. Two other bills, S. 949 and S. 1106, were also considered during the hearings and at subsequent executive sessions of the committee.

Evidence on several aspects of the problem was presented and discussed thoroughly during the sessions of the committee. More com-

plete utilization of domestic farm labor through Government subsidization, supplemented by the proposed program for importing agricultural workers, was recommended to the committee. However, a program providing Government transportation of domestic laborers within the country and establishment of overnight stops or additional reception centers would involve considerable expenditure by the Federal Government. At the same time, evidence was presented to the committee that the shortage of farm labor was usually in the supply of "stoop" labor, a term used because the worker is required to stoop or bend forward to do his work. The natural inclination of workers to accept higher paid or easier work than such labor often creates a shortage of these workers and agricultural producers have found it necessary to import foreign workers to make available an ample supply. This stoop labor is just as essential as other operations in the production of food and fiber and therefore, your committee believes that provision should be made at this time for supplying the foreign agricultural labor found necessary to supplement the domestic labor force, and the establishment of additional programs for recruitment, transportation, and placement of domestic farm laborers should be considered as the need arises.

ANALYSIS OF BILL

Section 501 authorizes the Secretary of Labor to—

1. Recruit workers in Mexico for temporary agricultural employment in the United States;
2. Establish and operate reception centers at or near the places of actual entry of such workers into the United States for the purpose of receiving and housing them while arrangements are being made for their employment in, or departure from, the United States;
3. Provide transportation from recruitment centers in Mexico to such reception centers and from such reception centers to recruitment centers after termination of employment;
4. Provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph 3 and while such workers are at reception centers;
5. Assist such workers and employers to negotiate contracts of employment; and
6. Guarantee the performance by employers of provisions of such contracts relating to payment of wages or the furnishing of transportation.

The bill also provides that the Secretary may recruit Mexicans already in the United States for agricultural employment. That provision has been amended, however, to require that such workers must have originally entered the country legally. S. 984 further provides that workers recruited under the program authorized by the bill will be free to accept or decline agricultural employment with any eligible employer, and to choose the type of agricultural employment they desire. Likewise, employers will be free to offer agricultural employment to any workers of their choice not under contract to other employers.

While the purpose of S. 984 is to authorize this country to carry out its part of the agreement reached with the Republic of Mexico, the bill as introduced authorized recruitment of agricultural workers from other countries in the Western Hemisphere, pursuant to arrangements between the United States and such countries, and from Hawaii and Puerto Rico. The bill as reported would confine the program to the Republic of Mexico, since extending it to other countries would change the present method of recruitment of farm workers in those countries for temporary employment in the United States.

Section 502 provides that no workers shall be made available to any employer unless such employer enters into an agreement with the United States to—

1. Indemnify the United States against any loss by reason of its guaranty of such employer's contracts.

2. Reimburse the United States for expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers in amounts not to exceed $20 per worker.

3. Pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the individual work contract, and is apprehended in the United States, an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to the reception center, less any portion thereof required to be paid by any other employers.

The bill as introduced provided that the employer pay for all expenses up to $20 incurred by the Government in recruitment and transportation of workers. The committee believes normal salary and other expenses of Government officials administering the program should not be charged to the individual employer of the workers recruited by such Government employee and recommends amending the bill accordingly.

S. 984 as introduced also provided that in the case of a worker violating his contract, the employer would pay the Federal Government an amount equal to the cost of returning such worker from his place of employment to the reception center. Your committee has amended the bill to require such reimbursement only when the contract violator has been apprehended within the United States and since the original provision was subject to the interpretation that the employer would have to pay the costs of apprehension, new language is recommended to clarify the intent of the bill that the employer pay only the normal cost of returning such worker from the place of employment to the reception center.

Section 503 provides that no workers recruited under this program shall be available for employment in any area unless the director of State employment security for such area has determined and certified that sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and that the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed. Your committee believes the State director will be in a position to respond immediately to any real needs in his area for additional workers and can protect the welfare of domestic farm laborers already in the area.

Section 504 provides that workers recruited in Mexico shall be admitted to the United States subject to the immigration laws, and that no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment. Section 504 also provides that workers already in the country and who otherwise would be eligible for admission to the United States may remain to accept agricultural employment pursuant to arrangements between the United States and the Republic of Mexico. The bill as introduced did not subject retention of such workers for agricultural employment to future arrangements between the two countries.

Section 505 exempts agricultural workers imported from Mexico from social security benefits and taxes, and withholding of, or payment of, such taxes by the employers of such workers. The section further provides that such workers shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917.

Section 506 authorizes the Secretary of Labor to utilize the facilities and services of other Federal and State agencies as may be agreed upon, to accept and utilize voluntary and uncompensated services, and to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the importation of agricultural workers from Mexico.

Section 507, as amended, defines the agricultural employment for which workers can be recruited as that covered by section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended. The bill, as introduced, provided that in addition to the work considered to be agricultural employment by the above-cited statutes, the term "agricultural employment" would include horticultural employment, cotton ginning and compressing, crushing of oilseeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products. Your committee believes it unwise to enact greatly different definitions of common terms in various statutes and therefore recommends the bill be amended accordingly.

Section 507 also defines "employer" to include an association or group of employers. This provision is designed to reduce the cost of administering the program by permitting the Secretary to deal with an association or group rather than with its individual members. However, the committee believes an amendment is necessary in order to protect the United States in dealing with associations or groups which might later prove financially irresponsible. The amendment would limit the provision to associations or groups which the Secretary of Labor deems financially responsible, or whose individual members are liable for the obligations of the association or group in the event of default by such association or group. The amendment would not require the Secretary to enter into individual contracts with member-employers of any association or group so long as its form of organization or its arrangement with its members is such that its members are liable on its obligations.

The bill is amended to provide in section 508 that nothing in the act shall be construed to limit the authority of the Attorney General to permit the importation of workers from any other country for agricultural employment, pursuant to the immigration laws, or to

permit any such alien who entered the United States legally to remain for employment on farms.

Section 509 provides that the program of importing foreign agricultural workers, as authorized by the act, shall terminate December 31, 1952.

CONCLUSIONS AND RECOMMENDATIONS

In considering this legislation, your committee has endeavored to work out a program which will make available an adequate supply of agricultural workers from Mexico as expeditiously as possible. At the same time, your committee has attempted to keep the cost to the Federal Government at a minimum. Under the program contemplated by S. 984 the Federal Government will assume financial responsibility for, first, costs of recruitment of workers in Mexico and transportation to reception centers within the United States exceeding $20 per worker; second, establishment and maintenance of reception centers in the United States; third, cost of apprehending contract violators; and, fourth, guaranteeing compliance by employers with the individual work contract with respect to payment of wages and furnishing of transportation.

It is expected that recruitment of Mexican farm laborers by a governmental agency, payment of their transportation to a reception center within the United States and return, and furnishing of subsistence during that time will not cost much more than $20 per worker. The Department of Labor has estimated that such cost might average nearly $35 per worker, but its estimates were based upon the recruitment of workers on the average as far as 500 miles south of the Mexico-United States border. It is hoped that adequate workers can be recruited closer to the border and if so, such costs to the Government will be less than those contained in the estimate. It must be kept in mind that the average cost up to $20 will be paid by the employer, and only where the average cost is more than $20 will the Federal Government pay for transportation and subsistence.

No estimate has been made by the Department of Labor as to the probable cost of establishing and maintaining reception centers in the United States by the Federal Government. However, in the agreement reached in Mexico City, the Mexican Government agreed to establish migratory stations in Mexico at its expense, and it appears fair and reasonable to your committee that the United States Government should bear its share of the program to the extent of establishing the necessary reception centers in the United States near the border. It was recommended by various witnesses in the hearings conducted on the legislation that several reception centers be established throughout the country. As the committee is reporting a bill which would make the employer pay practically all of the cost of importing workers from Mexico, your committee has agreed to authorize the establishment of only those stations absolutely required to furnish the necessary facilities at or near the border. Thus it will be possible to keep reception center costs at a minimum.

The expenses incurred in apprehending contract violators are not expected to add materially to the cost of the program. It is the intent of the legislation that such apprehension will be carried out by the presently constituted authorities in connection with their regular

duties, and in the case of workers not apprehended there should be no cost involved.

Finally, the bill authorizes the Federal Government to assume responsibility for compliance of employers with the individual work contract, with respect to the payment of wages and the furnishing of transportation. However, the bill further provides that the employer must agree to reimburse the Federal Government for any losses incurred by it by reason of its guaranty of employers' contracts. Thus, the contingent liability of the United States in this respect should not result in much loss to the Government.

The United States as well as Mexico must do everything possible to solve the wetback problem presented by great numbers of Mexicans entering the United States illegally every year. Both Governments agreed at the conference in Mexico City to intensify their efforts to control these violations of immigration laws. The program authorized by S. 984 whereby a governmental agency will recruit workers in Mexico in cooperation with officials of the Mexican Government is expected to provide a supply of workers for agricultural employment in compliance with the laws of both countries. While the program does not attempt to cover all phases of the wetback problem, it is expected to be helpful in alleviating the situation.

It is the opinion of the committee that the bill, as amended, will protect the financial interests of the United States and will provide an effective program of importing needed agricultural workers from Mexico. On the other hand, failure to enact legislation authorizing the United States Government to carry out its part of the agreement reached at Mexico City will mean the termination of the present international agreement and importation program as of June 30. Therefore, your committee recommends early enactment of S. 984, as amended.

CHANGES IN EXISTING LAW

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ACT OF 1949, AS AMENDED

* * * * * * *

TITLE V—AGRICULTURAL WORKERS

SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

(1) to recruit such workers (including any such workers temporarily in the United States under legal entry);

(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may

be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in amounts not to exceed $20 per worker; and

(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5) and is apprehended within the United States, an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

SEC. 503. No workers recruited under this title shall be available for employmen in any area unless the Director of State Employment Security for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed.

SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment.

SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917, (8 U. S. C., sec. 132).

SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

(2) to accept and utilize voluntary and uncompensated services; and

(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

SEC. 507. For the purposes of this title—

(1) The term "agricultural employment" includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended.

(2) The term "employer" shall include an association, or other group, of employers, but only if (A) those of its members for whom workers are being obtained are bound, in the event of its default, to carry out the obligations undertaken by it pursuant to section

502, or (B) the Secretary determines that such individual liability is not necessary to assure performance of such obligations.

SEC. 508. Nothing in this Act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 507, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

SEC. 509. No workers shall be made available under this title for employment after December 31, 1952.

SOCIAL SECURITY ACT, AS AMENDED

* * * * * * *

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)), by such employer during the preceding calendar quarter.

(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.

INTERNAL REVENUE CODE, AS AMENDED

SEC. 1426 * * *

(b) EMPLOYMENT.—The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while

the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.

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Calendar No. 192

82D CONGRESS
1st Session

SENATE

REPT. 214
Part 2

IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

APRIL 25 (legislative day, APRIL 17), 1951.—Ordered to be printed

Mr. HUMPHREY, from the Committee on Agriculture and Forestry, submitted the following

MINORITY VIEWS

[To accompany S. 984]

This bill, S. 984, was favorably reported by the committee, after hearings, but before the issuance of the report of the President's Commission on Migratory Labor on April 7, 1951.

The President's Commission was created in June 1950 to inquire, among other matters, into:

(*a*) social, economic, health and educational conditions among migratory workers, both alien and domestic, in the United States;

(*b*) problems created by the migration of workers, for temporary employment, into the United States, pursuant to the immigration laws or otherwise;

(*c*) whether sufficient numbers of local and migratory workers can be obtained from domestic sources to meet agricultural labor needs and, if not, the extent to which the temporary employment of foreign workers may be required to supplement the domestic labor supply.

The Commission held 12 public hearings in Brownsville, Tex.; El Paso, Tex.; Phoenix, Ariz.; Los Angeles, Calif.; Portland, Oreg.; Fort Collins, Colo.; Memphis, Tenn.; Saginaw, Mich.; Trenton, N. J.; West Palm Beach, Fla.; and two in Washington, D. C. The hearings comprised 26 volumes available to the public. The published report of the Commission comes to 188 pages.

The findings of the Commission bear directly upon the legislation under consideration.

There is no doubt but that it would be far preferable had the members of the committee and the Senate had opportunity to study the report of the Commission before voting and considering this bill.

The reason given for proceeding on this bill at this time is the urgency to enact legislation to enable importation of Mexican agricultural workers beyond June 31, 1951.

The minority, after considering this bill in the light of the Commission's report, believes that the problem of migratory labor is an interrelated one, and affects workers within the United States and

in other countries as well. It should be studied in its broad ramifications and comprehensively rather than by piecemeal legislation such as this. The Committee on Labor and Public Welfare through its Subcommittee on Labor and Labor-Management Relations, and in accordance with the Legislative Reorganization Act, has now begun such a study with a view to legislation. The interests of the United States and of American workers would be best protected were the Congress to approach the problem of migratory labor in such a perspective. We would far prefer, therefore, to have this bill delayed until the Congress is prepared to consider and enact comprehensive manpower legislation.

Within the limits of S. 984 and its limited objectives, the minority, in the light of the Commission report, has certain modifications and amendments to present which are presented here in topical form.

The fundamental legislative assumption behind this bill is that an agricultural labor shortage exists which requires the immediate importation of foreign labor for its relief. The majority in describing the background of the legislation under consideration observes that—

> Throughout World War II and since the termination of hostilities, it has been necessary to import agricultural workers from foreign countries in order to assist in the production of adequate supplies of food and fiber for domestic consumption in the United States and for export.

The report of the President's Commission bears this out, but the startling finding of the Commission in this matter is—

> From 1945 through 1948, we employed a continuously larger hired labor force even though our work requirement (total man-hours) was gradually declining. In other words, we have been using more workers to achieve the same or slightly less work, and have thereby been reducing the work contribution per worker. This fact is strikingly reflected in the amount of employment received per hired farm worker:

	Days of farm work per farm worker
1946	113
1947	106
1948	104
1949	90

The Commission comments, "The migratory worker gets so little work that for him, employment is only incidental to unemployment."

It is the view of the President's Commission that the human resource in agriculture is used extravagantly. However, the Commission recognizes that more efficient utilization of agricultural labor will take time, that it cannot be expected to occur in a few weeks or months. Accordingly, it make divergent recommendations with respect to the importation of foreign workers, one recommendation for the short-run and one recommendation for the long-run. For 1951, it recommends that "No special measures be adopted to increase the number of alien contract laborers beyond the number admitted in 1950." For the long-run it recommends that "Future efforts be directed toward supplying agricultural labor needs with our own workers and eliminating dependence on foreign labor."

The finding of the President's Commission with respect to the underutilization of agricultural manpower corroborates the research of the staff of the Joint Committee on the Economic Report which published its findings in a joint committee print, Underemployment of Rural Families, February 2, 1951. The staff of the Joint Committee on the Economic Report was concerned with farm workers as a whole

rather than primarily migrant workers. Through analysis of five groups of low-income farm workers it reached the conclusion:

> If the workers in these five groups of rural families could be employed at jobs where they would produce as much as the average worker on the medium-sized commercial family farm or the average rural nonfarm worker, the production and output of rural people would be increased 20 to 25 percent. This is the equivalent of adding 2,500,000 workers to the total labor force.

If there is any justification to the bill, therefore, it is to meet an immediate, temporary need. Considered in the restricted terms in which its sponsor put forward the bill, certain further changes may be made in S. 984 to incorporate certain of the findings of the President's Commission. It is believed that proposed changes might usefully be considered against four broad criteria:

(1) That the Mexican importation program be carried out in such a manner as to minimize detriment to American workers.

(2) That devices be strengthened for assuring that both parties to the individual work contract—employer and employee—will live up to their agreements.

(3) That more effective measures be taken to meet the wetback problem.

(4) That the cost to the public of the Mexican importation program be kept to a minimum.

With respect to the first proposition, certain further changes in S. 984 suggest themselves. Section 503 of the committee bill provides that foreign workers may be made available where the Director of State Employment Security for the area of use has determined and certified that willing, able and qualified domestic workers are not available for employment at the time and place needed.

In substituting the director of State employment for the United States Secretary of Labor, S. 984 makes an abrupt departure from past immigration policy. Under section 3 of the 1917 immigration law, contract laborers are not admissible to the United States except under discretionary powers granted the Commissioner General of Immigration with the approval of the Secretary of Labor. In our view, it would be a step backward to change this and to call for certification by the State director of employment. In our American economy we have a national market. This is true of labor in the same way it is true of automobiles and radios. To propose State determination labor shortage is the same as to propose State autonomy in tariff matters. A labor shortage must be determined from a national perspective.

In order that all interested groups may have the opportunity of effectively expressing their views as to the need for foreign workers, it is proposed that the Secretary of Labor hold public hearings in areas of alleged labor shortage. In this way he may receive the advice of all interested parties.

Inasmuch as a labor supply is necessarily determined in terms of the attractiveness or unattractiveness of the employment offer, it is clearly impossible to know whether or not a shortage of domestic workers exists until domestic workers have been offered the terms and conditions of employment extended to foreign workers. It might at first be thought that domestic workers customarily were offered terms and conditions of employment comparable to those offered foreign

and offshore workers. The finding of the President's Commission in this matter is quite the opposite. The Commission observes:

> * * * employers, *as a rule*, refuse to extend to * * * [domestic migratory workers] the guaranties they give to alien workers whom they import under contract. These include guaranties of employment, workmen's compensation, medical care, standards of sanitation, and payment of the cost of transportation. [Emphasis added.]

We believe further protection should be given domestic workers under the Mexican importation program by adding the requirement, before certifying the need for foreign workers, that reasonable efforts will have been made to secure American workers for the employment. This further emphasizes the important role of the Farm Placement Service of the United States Employment Service in assisting workers to find employment.

S. 984 exempts workers brought in under its provisions from the Federal old-age and survivors insurance provisions of the Social Security Act.

The bill amends the Internal Revenue Code so as to exclude the service performed by such workers from the contribution provisions of the law as well as from the benefit provisions of the insurance program under the Social Security Act. Both the employer and the employee are exempted from the social-security tax.

Under the amendments to the Social Security Act, enacted by the Congress in 1950, a limited group of "regularly employed" agricultural workers were brought in under the insurance provisions effective January 1, 1951. In order for an agricultural worker and his employer to become subject to the insurance contributions, an individual must work for one employer for at least 60 days each out of two consecutive quarters, before any of his agricultural work becomes subject to the contribution provisions of the insurance program. In most cases, it will be necessary for an individual to work 6 ot 8 months for one agricultural employer before any of his agricultural work will be subject to contributions under the insurance program. Due to the relatively short period of time that Mexican contract workers work for a single employer, very few of them will meet the stringent requirements of the new law and consequently very few of them and their employers will be subject to the social-security contributions. It is estimated that not more than 3,000 to 5,000 Mexican workers would become subject to the social-security provisions under the terms of the proposed program and, of course, if all of the Mexican agricultural labor brought into this country return to Mexico within about 5 or 6 months, there would be none of the Mexican nationals who would become subject to the contribution provisions of the insurance program.

But it is still true that the exclusion of Mexican workers from the insurance program could result in the hiring of such workers in preference to American workers since their employers would have the competitive advantage of not paying social-security contributions and it appears to be undesirable to give employers, as a matter of general congressional policy, a financial incentive to hiring foreign labor as against hiring domestic labor.

The major issue, therefore, that is raised by the provision exempting Mexican nationals from the social-security provisions of the law is a matter of fundamental principle and national policy. Since its enactment in 1935, the insurance program under the Social Security Act

has covered individuals in specific types of jobs in the United States without regard to the nationality of the individual. It should be noted that social-insurance systems in a number of foreign countries, including Mexico, do not discriminate against American nationals performing services in covered employment. This principle of nondiscrimination as between the United States nationals and the nationals of other countries has been advocated and endorsed by the International Labor Organization, by numerous representatives of social-security institutions of various countries, and by the Inter-American Committee on Social Security. A change in this policy which would establish the principle of exclusion because of nationality may eventually result in more harm than good because of the possibility of criticism arising against the United States for discrimination in the application of its social laws. Such criticism would not be in the long-run interest of the United States in world affairs.

One of the reasons given for supporting the exemption in the proposed bill is that the employee should not be required to pay the payroll tax if he is not going to become eligible for any social-security benefits. This difficulty can be overcome by the employer paying the employee contribution as well as his own, without deducting the employee contribution from the employee's wages. This policy is permitted under the present law.

It should be pointed out that that many Mexican nationals are already covered under the insurance program and will continue to be covered under the insurance program in the future. Mexican nationals who come to the United States for employment and work in jobs covered under the insurance system have been covered under the program since it first began in 1937. Many Mexican nationals employed in the manufacturing industry, canning, service trades, and domestic service are now contributing to the insurance system. The exemption of one group of Mexican workers while retaining coverage for other groups of Mexican workers would introduce undesirable discrimination. If the employment is rendered within the United States, the present law provides for contributions being paid on such service and benefits being paid to Mexican nationals and their families even though they may be residing in Mexico. At the present time, the Social Security Administration is making payments to Mexican nationals residing in Mexico based upon the employment contributions made for service under the law.

If, despite these various considerations, the Congress is of the opinion that some special arrangements should be made on behalf of Mexican nationals brought into the United States for short-term employment, it is suggested that consideration be given to the desirability of transferring the contributions made on behalf of the Mexican contract workers to the Mexican Social Insurance Institute. Such an arrangement would be consistent with a sound policy of international cooperation of nondiscrimination of nationals to other countries and eliminate any contention of giving an incentive to employment of foreign nationals to the detriment of domestic labor.

Before embarking upon a policy which may have far-reaching implications and adverse effects upon the insurance program and upon our foreign policy, it is recommended that the exemption provision in the bill be deleted pending the final determination of a long-run policy in keeping with the principles upon which our social insurance program has been based in the past.

"Notwithstanding any other provision of law or regulation" S. 984 exempts employers of Mexican workers from posting bond to guarantee departure of these workers. It is understandable how the committee recommended this step. It received much testimony on the expense and the frequent unfairness to employers of the bond requirement. Employers testified before the committee that under the existing provision of the law they were required to post bond to guarantee departure of the worker, yet they did not have it within their power to hold the worker to employment. If the worker took it in mind to walk off some night, there was no way that they could stop him.

Important as this factor is in determining policy on this question, certain other considerations need to be taken into account. While it is true that the employer does not have the power to compel the worker to remain in his employment, the President's Commission found that there tended to be correlation over a period of years in the rate of desertions from employers. The Commission found that—

> Desertions from individual contracting employers range from as low as 4 percent to as high as 50 percent. Moreover, it is noted that there is a tendency for those employers having a high desertion rate in 1 year also to have a high desertion rate the next. We interpret this to mean that desertions from contract vary with individual management and working conditions. Where these are good, the desertions are low.

While such correlation could not be taken to explain each individual desertion, the evidence of continuing high desertion rates from some employers and continuing low desertion rates from other employers is so striking, that a relationship between desertion and working conditions would seem inescapable. Accordingly, we are of the view that while it is appropriate to recognize that no employer has it wholly within his power to guarantee contract workers remaining in employment, that he does, however, have a measure of control in this respect.

In discussion of the Mexican contract, it is useful briefly to note practice with respect to the bond requirement for other foreign workers and for Mexican workers in earlier years. On this point, the President's Commission observes:

> These bonds, for British West Indians, have been as high as $500 per head. For Mexicans, the bond is now $25 per head. For Bahamians, it is $50; for Jamaicans, $100. In 1950, the bond for Mexicans was set at $50, but under pressure from employers, the amount was reduced to $25.

If the bond provision for Mexican workers were altogether removed, the present inequity in the differing sizes of these bond requirements would be further heightened.

Before considering abandonment of the bond requirement, it is appropriate to examine the thinking which led to the enactment of the provision originally. The 1917 immigration law was concerned with protecting the standards and conditions of work for American workers from the competition of cheaper immigrant labor. It, therefore, flatly prohibited admission of contract labor, but to provide for unusual or emergency situations granted discretionary authority to the Commissioner General of Immigration with the approval of the Secretary of Labor for temporary admission of such labor. In order to regulate and control the temporary admission of otherwise inadmissible aliens, the act called for the exaction of bonds. Inasmuch as we are today still vitally concerned with the protection of the standards for American workers, we believe that when exception is made and

emergency importation of contract labor permitted that it should be accompanied by regulatory and controlling devices. We are, therefore, convinced that it would be unwise to abandon this protection to American workers.

In order to assure effective and satisfactory contract operations, it is fundamental that both parties to a contract live up to the obligations assumed. One of the complaints of the Government of Mexico has been the unsatisfactoriness of measures taken in the past to assure that United States employers will live up to the terms of the individual work contract. Accordingly, it will be noted that S. 984 provides that the United States Government guarantee "performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation." We are of the view that this provision should be broadened to include other payments due under such contracts. Similarly, it is felt appropriate to ask the Government of Mexico to take such measures as it deems appropriate to assure that workers coming to the United States under this program, will honor their obligations under the contract.

In order to assure more satisfactory performance on the part of both parties to the individual work contracts, we believe that the grievance machinery should be materially strengthened. The President's Commission found that—

> The lack of an appropriate way of resolving employer-worker differences is one of the main reasons for a large proportion of Mexican nationals returning home before the completion of their contracts or simply deserting or "skipping" their contracts.

Existing conciliation machinery is not adequate. The President's Commission observes:

> Complaints alleging violation of the individual work contract may be initiated in three ways: Officially by the United States Employment Service or privately by either worker or employer. If an officially initiated complaint is not adjusted, the Mexican consulate is called in for a joint investigation. Complaints from workers may be received by the United States Employment Service or submitted through the appropriate Mexican consulate. Complaints by employers are received by the United States Employment Service. On all types of complaints the Mexican consulate may be called in for joint investigation and determination.
>
> As a matter of practice, we find that while employers may refer some complaints to the United States Employment Service, workers' complaints are ordinarily referred initially to the Mexican consulate. Let it be borne in mind that this conciliation procedure is contained in the international agreement (in English, which the typical Mexican worker cannot read) but is incorporated only by reference in the individual work contract (where the Spanish-reading Mexican worker finds out in Spanish that there is a conciliation procedure available to him if he could read English).

In 1950, the United States Employment Service had nine inspectors detailed to handle grievances under the Mexican program. This number has recently been increased to 15, but this still seems altogether inadequate. We again quote the report of the President's Commission:

> For the farm employer or association of farm employers, the conciliation provision may be somewhat more adequate than it is for the foreign workers with a language handicap in a strange land. To expect the Mexican contract worker to locate one of the nine United States Employment Service inspectors or to relay his complaint to them through the State employment service is to expect more than is within his capability. Consequently, if he can get in touch with the Mexican consulate, that is about the best he can do. This cumbersome and complicated procedure, involving several Government agencies in general and none in particular, encourages desertion in place of making a complaint because every complaint has the potentiality of being lost or ignored.

Accordingly, we recommend that the United States Employment Service expand its conciliation service.

We believe that S. 984 does not go far enough in meeting the serious social, economic, and security problem represented by the influx of hundreds of thousands of wetbacks over our southern border. The committee comments on "the great economic and social problems" which the wetbacks represent.

The concern of the committee with the wetback problem is fully shared by the President's Commission. The one difference between the two groups could be said to relate to the estimate concerning the magnitude of the recent "invasion," which the committee puts at 1,000,000. The President's Commission is more conservative in its estimate of the number of wetbacks. The Commission uses the figure of half a million.

The committee explicitly comments on the inadequacy of present measures to deal with the wetback problem. Its concern is reflected in the important amendment to section 501 of the bill prohibiting recruitment of wetbacks. Possibly through oversight, the comparable amendment to section 504 has not been made, so that as the bill currently stands it is inconsistent on this vital point. It is accordingly proposed that 504 be amended in the manner of 501. The term "vital" is used deliberately, for it is the view of the President's Commission that one of the most important factors in the recent acceleration of the wetback traffic is the legalization of illegals. It comments:

> The latest and probably worst stage in this erosion of immigration law was when, under the authority of the ninth proviso, Mexican wetbacks were legalized and placed under contract. The ninth proviso allows the temporary admission and return of otherwise inadmissible aliens—under rules and conditions. * * * In the contracting of wetbacks, we see the abandonment of the concept that the ninth proviso authority is limited to admission. A wetback is not admitted; he is already here, unlawfully. We have thus reached a point where we place a premium upon violation of the immigration law.

Prohibition of the legalization of workers illegally in the United States, while most important to the solution of the wetback problem, is not enough to meet the dimensions of the current "invasion." The President's Commission suggests other valuable steps which may be taken. It recommends that legislation be enacted making it unlawful to employ aliens illegally in the United States. It recommends that the Immigration and Naturalization Service be given clear statutory authority to enter places of employment to determine if illegal aliens are employed. We are of the view that these recommendations of the President's Commission are of utmost importance.

The fourth criterion which we proposed as guide to the measures to be included in a Mexican importation program, is that the cost of the program to the public be kept to a minimum. We view as unrealistic the figure of $20 to cover the round-trip cost of transportation of workers between recruitment centers in Mexico and reception centers in the United States as well as their subsistence during this period. In this connection, it is pertinent to bear in mind that it would be highly unusual if workers were hired by United States employers directly upon their arrival at the reception centers. Therefore, subsistence needs to be considered not only during the period of travel but for the period that they spend at the reception center awaiting employment.

HUBERT H. HUMPHREY.

APPENDIXES

APPENDIX A

RECOMMENDATIONS OF THE PRESIDENT'S COMMISSION ON MIGRATORY LABOR

I. FEDERAL COMMITTEE ON MIGRATORY FARM LABOR

We recommend that:

(1) There be established a Federal Committee on Migratory Farm Labor, to be appointed by and responsible to the President.

(2) The Committee be composed of three public members and one member from each of the following agencies:

Department of Agriculture,
Department of Labor,
Department of State,
Immigration and Naturalization Service, and
Federal Security Agency.

(3) The public members be appointed by the President. One public member should serve full time as chairman and the other two on a part-time basis. The Government representatives should be appointed by the President on the nomination of the heads of the respective agencies. The Committee should have authority, within the limits of its appropriation, to establish such advisory committees as it deems necessary.

(4) The Federal Committee on Migratory Farm Labor have the authority and responsibility, with adequate staff and funds to assist, coordinate, and stimulate the various agencies of the Government in their activities and policies relating to migratory farm labor, including such investigations and publications as will contribute to an understanding of migratory farm-labor problems, and to recommend to the President, from time to time, such changes in administration and legislation as may be required to facilitate improvements in the policies of the Government relating to migratory farm labor. The Committee should undertake such specific responsibilities as are assigned to it in the recommendations set forth in this report and as may be assigned to it by the President.

In general, however, the Committee should have no administrative or operating responsibilities; these should remain within the respective established agencies and departments.

(5) Similar agencies be established in the various States. The responsibilities and the activities of the Federal Committee on Migratory Farm Labor and those of the agencies established in the States should be complementary and not competitive. The State agencies should be encouraged to carry forward those programs in behalf of migratory farm workers which, by their nature, fall within the responsibility of individual States. The Federal Committee will have major concern with interstate, national, and international activities. But at all times there should be close consultation between the Federal and State agencies and a two-way flow of information, suggestions, and effective cooperation.

II. MIGRATORY FARM LABOR IN EMERGENCY

Our investigations of the present farm labor problem and our analysis of this country's experience during the years of World War II and since, point to certain conclusions which to us seem inescapable in the present emergency. We therefore recommend that:

(1) First reliance be placed on using our domestic labor force more effectively.

(2) No special measures be adopted to increase the number of alien contract laborers beyond the number admitted in 1950.

(3) To meet any supplemental needs for agricultural labor that may develop, preference be given to citizens of the offshore possessions of the United States, such as Hawaii and Puerto Rico.

(4) Future efforts be directed toward supplying agricultural labor needs with our own workers and eliminating dependence on foreign labor.

III. ALIEN CONTRACT LABOR IN AMERICAN AGRICULTURE

We recommend that—

(1) Foreign labor importation and contracting be under the terms of intergovernmental agreements which should clearly state the conditions and standards of employment under which the foreign workers are to be employed. These should be substantially the same for all countries. No employer, employer's representative or association of employers, or labor contractor should be permitted to contract directly with foreign workers for employment in the United States. This is not intended to preclude employer participation in the selection of qualified workers when all other requirements of legal importation are fulfilled.

(2) The United States-Mexican intergovernmental agreement be in terms that will promote immigration law enforcement. The Department of State should negotiate with the Government of Mexico such a workable international agreement as will assure its operation as the exclusive channel for the importation of Mexican nationals under contract, free from the competition of illegal migration.

(3) Administration of foreign labor recruiting, contracting, transporting, and agreements be made the direct responsibility of the Immigration and Naturalization Service. This should be the principal contracting agency, and private employers should secure their foreign workers exclusively from the Immigration and Naturalization Service.

(4) The Farm Placement Service of the United States Employment Service certify to the Immigration and Naturalization Service and to the Federal Committee on Migratory Farm Labor when and if labor requirements cannot be filled from domestic sources and the numbers of additional workers needed. On alien contract labor, the United States Employment Service and the various State employment services should be advised by the tripartite advisory council provided for in the Wagner-Peyser Act, or by tripartite subcommittees of the council. However, no certification of shortage of domestic labor should be made unless and until continental domestic labor has been offered the same terms and conditions of employment as are offered to foreign workers. After certifying the need for foreign workers, the United States Employment Service should have no administrative responsibilities in connection with any foreign labor program.

(5) In accordance with the policies of the Federal Committee on Migratory Farm Labor, the Immigration and Naturalization Service arrange, subject to the terms of the intergovernmental agreements then in force, for the importation of the number of qualified foreign agricultural workers certified as needed by the United States Employment Service, and transport them to appropriate reception and contracting centers in the United States.

(6) The Immigration and Naturalization Service deliver the imported workers to the farm employers who have submitted the necessary applications and bonds, and who have signed individual work agreements. Employment should be under the general supervision of the Immigration and Naturalization Service. An adequate procedure for investigating and resolving complaints and disputes originating from either party should be negotiated in the international agreements and should be incorporated in the standard work contracts. The Immigration and Naturalization Service should be authorized to terminate any contract of employment and remove the workers, and to refuse to furnish foreign workers to any employer or association of employers when there has been repeated or willful violation of previous agreements, or where there is reasonable doubt that the terms of the current agreement are being observed. The Immigration and Naturalization Service should, in the discharge of its obligations, receive such assistance from the United States Employment Service as it may request.

(7) Puerto Rico and Hawaii, as possessions of the United States, be recognized as part of the domestic labor supply, and workers from these Territories be accorded preference over foreign labor in such employment as they are willing and suited to fill.

(8) Where a government-to-government agreement provides for the payment of the prevailing wage to foreign contract workers, this wage be ascertained by public authority after a hearing. The policies, procedures, and responsibilities involved should be determined by the Federal Committee on Migratory Farm Labor.

IV. THE WETBACK INVASION—ILLEGAL ALIEN LABOR IN AMERICAN AGRICULTURE

We recommend that—

(1) The Immigration and Naturalization Service be strengthened by (*a*) clear statutory authority to enter places of employment to determine if illegal aliens are employed, (*b*) clear statutory penalties for harboring, concealing, or transporting illegal aliens, and (*c*) increased appropriations for personnel and equipment.

(2) Legislation be enacted making it unlawful to employ aliens illegally in the United States, the sanctions to be (*a*) removal by the Immigration and Naturalization Service of all legally imported labor from any place of employment on which any illegal alien is found employed; (*b*) fine and imprisonment; (*c*) restraining orders and injunctions; and (*d*) prohibiting the shipment in interstate commerce of any product on which illegal alien labor has worked.

(3) Legalization for employment purposes of aliens illegally in the United States be discontinued and forbidden. This is not intended to interfere with handling of hardship cases as authorized by present immigration laws.

(4) The Department of State seek the active cooperation of the Government of Mexico in a program for eliminating the illegal migration of Mexican workers into the United States by (*a*) the strict enforcement of the Mexican emigration laws, (*b*) preventing the concentration, in areas close to the border, of surplus supplies of Mexican labor, and (*c*) refraining from attempts to obtain legalization for employment in the United States of Mexican workers illegally in this country.

V. HOW MIGRATORY WORKERS FIND EMPLOYMENT

We recommend that:

(1) Federal legislation be enacted to prohibit interstate recruitment of farm labor by crew leaders, labor contractors, employers, employers' agents, and other private recruiting agents except when such agents are licensed by the Department of Labor. The Federal Committee on Migratory Farm Labor should develop appropriate standards for regulating and licensing such private agents.

(2) States enact legislation and establish enforcement machinery to regulate and license labor contractors, crew leaders, and other private recruiting agents operating intrastate, such legislation to include private solicitors or recruiters operating on a fee or nonfee basis, either part time or year round. The standards of regulation should at least equal those established by the Federal Committee on Migratory Farm Labor. The recommendations of the Governor's Committee of California suggest the form and content of such State legislation.

(3) The United States Employment Service and the State employment services adopt a policy of refusing to refer workers to crew leaders, labor contractors, or private recruiting agents for employment.

(4) The United States Employment Service adopts regulations and administrative procedures to safeguard interstate recruiting and transporting of workers, by providing that—

(*a*) Terms of employment be reduced to writing, such written terms to contain a provision for the adjustment of grievances.

(*b*) Housing and transportion arrangements available to workers meet the minimum standards established by the Federal Committee on Migratory Farm Labor.

(*c*) State employment services shall not recruit farm workers outside their States or assist in bringing farm workers in from other States unless the United States Employment Service is assured that the State does not have the necessarv labor available within its own borders.

(5) Neither the United States Employment Service nor State employment services join with employers, employers' associations, or other private recruiting agents in mass advertising for interstate recruitment.

(6) In order to achieve better utilization of the national domestic farm-labor supply, States having legislation restricting recruitment of workers for out-of-State employment (emigrant agent laws) undertake repeal of such legislation.

(7) The Federal Committee on Migratory Farm Labor establish transportation standards of safety and comfort (including in-transit rest camps). States should be guided by the transportation standards of the Federal Committee on Migratory Farm Labor as minimum conditions to govern intrastate transportation of migratory farm workers.

(8) The United States Employment Service and the State employment services be advised on farm-labor questions by the tripartite advisory councils as provided for in the Wagner-Peyser Act or by tripartite subcommittees of the councils.

VI. EMPLOYMENT MANAGEMENT AND LABOR RELATIONS

We recommend that:

(1) The Agricultural Extension Service, through its Federal office and in those States where migratory labor has significant proportions, make instruction in farm-labor management and labor relations available to farm employers and to farm employees. The Agricultural Extension Services should also make available advice and counsel for the organizing of farm-employer associations similar to those sponsored during World War II, which associations should have the purpose of pooling their joint labor needs to promote orderly recruiting, better employer-worker relations, and more continuous employment.

(2) The Labor-Management Relations Act of 1947 be amended to extend coverage to employees on farms having a specified minimum employment.

VII. EMPLOYMENT, WAGES, AND INCOMES

We recommend that:

(1) The Congress enact minimum-wage legislation to cover farm laborers, including migratory laborers.

(2) State legislatures give serious consideration to the protection of agricultural workers, including migratory farm workers, by minimum-wage legislation.

(3) Federal and State unemployment compensation legislation be enacted to cover agricultural labor.

(4) Because present unemployment compensation legislation is not adapted to meeting the unemployment problems of most migratory farm workers, the Federal Social Security Act be amended to provide matching grants to States for general assistance on the condition that no needy person be denied assistance because of lack of legal residence status.

VIII. HOUSING

We recommend that:

(1) The United States Employment Service not recruit and refer out-of-State agricultural workers and the Immigration and Naturalization Service not import foreign workers (pursuant to certifications of labor shortage) unless and until:

(*a*) The State in which the workers are to be employed has established minimum housing standards for such workers together with a centralized agency for administration and enforcement of such minimum standards on the basis of periodic inspections. These State housing standards, in their terms and in administration, should not be less than the Federal standards hereinafter provided.

(*b*) The employer or association of employers has been certified as having available housing, which at recent inspection has been found to comply with minimum standards for housing then in force in that State.

(2) Federal minimum standards covering all types of on-job housing for migratory workers moving in interstate or foreign commerce be established and promulgated by the Federal Committee on Migratory Farm Labor. These standards, administered through a State license system, should govern site, shelter, space, lighting, sanitation, cooking equipment, and other facilities relating to maintenance of health and decency.

(3) Any State employment service requesting aid of the United States Employment Service in procuring out-of-State workers submit, with such request, a statement that the housing being offered meets the Federal standards.

(4) The Agricultural Extension Service in those States using appreciable numbers of migratory workers undertake an educational program for growers concerning design, materials, and lay-out of housing for farm labor.

(5) The Department of Agriculture be empowered to extend grants-in-aid to States for labor camps in areas of large and sustained seasonal labor demand provided the States agree to construct and operate such camps under standards promulgated by the Federal Committee on Migratory Farm Labor. Since such projects are to be constructed and operated for the principal purpose of housing agricultural workers and their families, preference of occupancy should be given those engaged in seasonal agricultural work. Costs should be defrayed by charges to occupants.

(6) When housing is deficient in areas where there is large seasonal employment of migratory farm workers, but where the seasonal labor need is of short duration, the Department of Agriculture establish transit camp sites without individual housing. These camp sites should be equipped with water, sanitary facilities including showers, laundry, and cooking arrangements. They should be adequately supervised.

(7) The Department of Agriculture be authorized, and supplied with the necessary funds, to extend carefully supervised credit in modest amounts to assist migratory farm workers to acquire or to construct homes in areas where agriculture is in need of a considerable number of seasonal workers during the crop season.

(8) States be encouraged to enact State housing codes establishing minimum health and sanitation standards for housing in unincorporated areas.

(9) The Public Housing Administration of the Housing and Home Finance Agency develop a rural nonfarm housing program to include housing needs of migrants in their home-base situation.

IX. HEALTH, WELFARE, AND SAFETY

We recommend that:

(1) In amending the Social Security Act to provide matching grants to States for general assistance (as we recommend in chapter 7), provision be made to include medical care on a matching-grant basis for recipients of public assistance on the condition that no person be denied medical care because of the lack of legal residence status.

(2) The Public Health Service Act be amended to provide, under the supervision of the Surgeon General, matching grants to States, to conduct health programs among migratory farm laborers to deal particularly with such diseases as tuberculosis, venereal disease, diarrhea, enteritis, and dysentery, and to conduct health clinics for migratory farm workers.

(3) The United States Employment Service make no interstate referrals of migratory farm workers unless the representative of the State requesting the labor shall give evidence in writing that neither the State nor the counties concerned will deny medical care on the grounds of nonresidence, and that migratory workers will be admitted to local hospitals on essentially the same basis as residents of the local community.

(4) The Federal Committee on Migratory Farm Labor and the appropriate State agencies undertake studies looking toward the extension of safety and workmen's compensation legislation to farm workers.

(5) The Federal Social Security Act be amended to include migratory farm workers as well as other agricultural workers not now covered under the Old-Age and Survivors Insurance program.

X. CHILD LABOR

We recommend that—

(1) The 1949 child-labor amendment to the Fair Labor Standards Act be retained and vigorously enforced.

(2) The Fair Labor Standards Act be further amended to restrict the employment of children under 14 years of age on farms outside of school hours.

(3) State child-labor laws be brought to a level at least equal to the present Fair Labor Standards Act and made fully applicable to agriculture.

(4) The child-labor provisions of the Sugar Act be vigorously enforced.

XI. EDUCATION

We recommend that:

(1) The Federal Committee on Migratory Farm Labor, through the cooperation of public and private agencies, including the United States Office of Education, State educational agencies, the National Education Association, universities, and the American Council on Education, develop a plan which will provide an adequate program of education for migratory workers and their children. This may include Federal grants-in-aid to the States.

(2) The Agricultural Extension Services, in fuller discharge of their statutory obligations to the entire farm population, provide educational assistance to agricultural laborers, especially migratory workers, to enable these people to increase their skills and efficiency in agriculture and to improve their personal welfare. The Extension Services should also give instructions to both farm employers and farm workers on their respective obligations and rights, as well as the opportunities for constructive joint planning in their respective roles as employers and employees.

The Agricultural Extension Services should expand their home-demonstration work to supply the families of farm workers, particularly migratory farm workers, instruction in nutrition, homemaking, infant care, sanitation, and similar subjects.

In substance, the Commission recommends that the Agricultural Extension Services assume the same responsibility for improving the welfare of farm workers as for helping farm operators.

(3) The Federal Government, in accordance with the long-standing policy that agricultural extension work is a joint responsibility of the Federal Government and the several States, share in the cost of the proposed educational program for farm workers and their families.

APPENDIX B

EXCERPT FROM UNDEREMPLOYMENT OF RURAL FAMILIES

MIGRATORY FARM LABOR

Some underemployed farm families leave their farms during the harvest season and supplement their farm incomes by picking cotton, fruit, potatoes, tomatoes, or other crops; others forsake their farms entirely and attempt to make a living by following the crop harvest. Through years of varying economic conditions relatively permanent groups of workers have developed who meet the peak-season labor needs in various parts of the country. These are principally but not exclusively from farm sources. They have developed rather definite paths of movement from the winter work areas in Florida, south Texas, Arizona, and southern California to summer harvest areas in the north.

The number of people in this migratory work force has varied with crop conditions, prices of farm products, displacement by mechanization, and the general level of nonagricultural employment. It has also changed with the opportunity to go into urban occupations. According to a Nation-wide survey made in 1949 there were slightly more than 1,000,000 people over 14 years of age in this work force at that time.[6] This number includes several hundred thousand workers from across the Mexican border who compete with domestic labor for the work that is available.

Farm people who go into the migratory labor force do so from lack of better opportunity and then merely change to another and less secure type of underemployment. According to the survey previously mentioned, the average number of days of employment for migratory workers over the country in 1949 was 101, 70 days in farm work and 31 more in nonfarm employment.

Three factors enter into this underemployment. First, a period of several slack months when there is little seasonal employment to be found. Second, irregular and intermittent employment during the harvest season. Some harvests are oversupplied with workers, others last for such a brief period that the amount of work obtained by a worker is small. The third factor is too large a supply of workers for the amount of work available. Migratory workers compete with local seasonal and year-round workers for employment. The latter, too, then suffer from underemployment; during 1949, they had a total of 120 days' employment of which 91 days were in farm work and 29 in nonfarm jobs.[7]

The earnings from the 101 days of farm work which the migratory workers obtained in 1949 amounted to an average of $514.[7] The value of housing, transportation, and other perquisites amounts to $36 more.[8] At an average of two workers per family, total family incomes averaged $1,028 cash or $1,100 with perquisites. This amount had to feed, clothe, shelter, and educate a family of four.

Underemployment and low earnings are not the only problems among migratory farm workers. Poor housing, lack of sanitation and medical care, child labor, and educational retardation of the children, all tend to make them a disadvantaged group. They have little voice either in community, State, or national affairs and are unable to make effective demands to relieve their situation.

Although they are most essential to meet peak season demands for gathering in the national food supply, they are explicitly excluded from national legislation which protects and advances the rights of workers. Their position is the most precarious of any in our economy. They have no definable job rights and are so far removed from the employer group that they are unable to obtain redress for grievances.

Rather than hire seasonal and migratory workers directly and individually, it is a widespread practice among farm employers to hire in crews through labor contractors, crew chiefs, or labor recruiters. In many areas it is virtually impossible for a worker to obtain a job directly from the farm employer. As a consequence of these practices, a farm worker has to pay heavily from his already-too-low earnings for the privilege of getting work to do.

[6] Migratory Farm Workers in 1949, Louis J. Ducoff, Bureau of Agricultural Economics, 1950.
[7] Migratory Farm Workers in 1949, Louis Ducoff, Bureau of Agricultural Economics, 1949.
[8] Perquisites Furnished Hired Farm Workers, Barbara B. Reagan, Bureau of Agricultural Economics, 1945.

O

SUPPLYING OF AGRICULTURAL WORKERS FROM MEXICO

Mr. McFARLAND. Mr. President, I move that the Senate proceed to the consideration of Senate bill 984, Calendar No. 192.

The PRESIDING OFFICER. The bill will be reported by title, for the information of the Senate.

The LEGISLATIVE CLERK. A bill (S. 984), Calendar No. 192, to amend the Agricultural Act of 1949.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Arizona.

The motion was agreed to; and the Senate proceeded to consider the bill,

* * * * *

Mr. President, section 505 exempts agricultural workers imported from Mexico from social security benefits and taxes, and withholding of, or payment of, such taxes by the employers of such workers. The section further provides that such workers shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917.

The PRESIDING OFFICER. The bill having been read the third time, the question is, Shall it pass?

The bill (S. 984) was passed, as follows:

Be it enacted, etc., That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:

"TITLE V—AGRICULTURAL WORKERS

"SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"(1) to recruit such workers (including any such workers temporarily in the United States under legal entry);

"(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

"(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in amount not to exceed $20 per worker; and

"(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5) and is apprehended within the United States, an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

"SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Secretary of Labor for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed, and (3) reasonable efforts have been made to attract domestic workers for such employment at wages and standard hours of work comparable to those offered to foreign workers.

"SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, by virtue of legal entry and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment: *Provided*, That no workers shall be made available under this title to, nor shall any workers made available under this title be permitted to remain in the employ of, any employer who has in his employ any Mexican alien when such employer knows or has reasonable grounds to believe or suspect or by reasonable inquiry could have ascertained that such Mexican alien is not lawfully within the United States.

"SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"(2) to accept and utilize voluntary and uncompensated services; and

"(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"SEC. 507. For the purposes of this title—

"(1) The term 'agricultural employment' includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended.

"(2) The term 'employer' shall include an association, or other group, of employers, but only if (A) those of its members for whom workers are being obtained are bound, in the event of its default, to carry out the obligations undertaken by it pursuant to section 502, or (B) the Secretary determines that such individual liability is not necessary to assure performance of such obligations.

"SEC. 508. Nothing in this act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 507, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, may specify.

"SEC. 509. Any person who shall employ any Mexican alien not duly admitted by an immigration officer or not lawfully entitled to enter or to reside within the United States

under the terms of this act or any other law relating to the immigration or expulsion of aliens, when such person knows or has reasonable grounds to believe or suspect or by reasonable inquiry could have ascertained that such alien is not lawfully within the United States, or any person who, having employed such an alien without knowing or having reasonable grounds to believe or suspect that such alien is unlawfully within the United States and who could not have obtained such information by reasonable inquiry at the time of giving such employment, shall obtain information during the course of such employment indicating that such alien is not lawfully within the United States and shall fail to report such information promptly to an immigration officer, shall be guilty of a felony, and upon conviction thereof shall be punished by a fine not exceeding $2,000, or by imprisonment for a term not exceeding 1 year, or both, for each alien in respect to whom any violation of this section occurs.

"SEC. 510. No workers will be made available under this title for employment after December 31, 1952."

Mr. ELLENDER. Mr. President, I ask unanimous consent that the bill be printed as passed.

The PRESIDING OFFICER. Without objection, it is so ordered.

82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 326

IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

APRIL 16, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. COOLEY, from the Committee on Agriculture, submitted the following

REPORT

[To accompany H. R. 3283]

The Committee on Agriculture, to whom was referred the bill (H. R. 3283) to amend the Agricultural Act of 1949, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

STATEMENT

The purpose of this bill is to assist farmers in obtaining the agricultural labor needed to produce the increased quantities of food and fiber required for national defense and civilian needs.

To carry out this purpose, the Secretary of Labor would be authorized to recruit agricultural workers in Mexico and to transport them to and from the United States. The workers would be placed in reception centers where domestic employers holding certificates from the Department of Labor could employ them.

Under the acreage guides announced by the Department of Agriculture for 1951, the farmers of the Nation are being called upon for the greatest agricultural production in our entire history. The task facing the farmers in further increasing production is all the more formidable, in view of the fact that our farm production in 9 of the past 12 years has either set a new record for production or has equaled the record then existing. The 1951 goal for total farm output is about 45 percent above the pre-World War II level. In 1950 total farm output was about 37 percent above prewar, and the labor force was inadequate to meet farmers' needs.

According to the latest figures of the Department of Agriculture, there were approximately 300,000 fewer farm operators and members of their families at work on the farms in March of this year than there were during the same period in 1950. The number of hired

workers employed on farms in late March was about 4 percent under a year earlier. With further increases in farm production needed and with a dwindling domestic farm labor supply because of the needs of the Armed Forces, and the movement of farm workers into industry, it is necessary that steps be taken to augment the domestic labor force through the importation of agricultural workers from Mexico.

During World War II the need for farm labor was so acute that it was necessary to establish an emergency farm labor supply program, under which the Department of Agriculture through the extension service employed workers in the British West Indies and Mexico and brought them to the United States for temporary employment in agriculture. In addition, relatively large numbers of prisoners of war were utilized in agricultural employment. The emergency farm labor supply program was terminated in 1947 and the farm placement functions of the United States Employment Service of the Department of Labor again became operative. Since the termination of the emergency farm labor supply program, it has been necessary for farmers to import agricultural workers from foreign countries in order to assist in the production and harvesting of their crops. The principal sources of such foreign farm labor have been Canada, the British West Indies, and the Republic of Mexico. Workers have also been recruited in Puerto Rico for work in the continental United States.

In order to facilitate the recruitment and employment of agricultural workers in Mexico for temporary employment in the United States, Mexico and the United States entered into an international agreement. This agreement has been amended from time to time and the present program of importing farm workers from Mexico is operating pursuant to such an agreement. Under the present arrangement farmers seeking agricultural workers from Mexico must first obtain a certification by the Department of Labor that adequate domestic farm labor is not available. The farmer is then permitted to recruit workers in Mexico with the joint approval of the United States and the Mexican Government. Such recruitment, however, is necessarily conducted under the supervision of the respective Governments. The entire cost of the recruitment and transportation of Mexican agricultural workers rests entirely upon the employers. Before domestic employers are permitted to bring Mexican agricultural workers into the United States, they are required to post a bond of $25 for each worker, to guarantee the departure of the worker from the United States at the termination of the employment.

A number of problems have arisen in connection with the operation of the present program which have caused dissatisfaction among the farmers employing such workers as well as on the part of the Mexican Government. There have been instances in which the Mexican workers have voluntarily left the places of employment in violation of the terms of their contract. Farmers cannot prevent a worker from leaving the place of employment at any time the worker so desires, but under the present arrangement, the farmer is liable to a forfeiture under the departure bond, even though he is wholly without fault and is powerless to prevent the worker from leaving. In some instances the workers have returned to their homes in Mexico without any expense to the Federal Government, but nevertheless, in such cases the agricultural employers have been liable under their bonds.

In other instances, Mexican workers who have left their places of employment in violation of their contracts have been apprehended many miles distant from the border and the employers have been called upon to defray the costs of returning such workers from the places where they have been apprehended. Agricultural producers in the United States have, therefore, protested vigorously against the posting of bonds which impose liability when there has been no fault on their part.

Another matter that has been a source of considerable controversy relates to the places or points of recruitment of the workers. The Mexican Government has insisted that the recruitment of workers take place at points below the border and in the interior of Mexico, in order to avoid having large numbers of workers converging upon the cities, towns, and villages adjacent to the border. On the other hand, farmers of this Nation have found it exceedingly difficult and expensive to recruit workers at points south of the border.

One of the major problems confronting the two Governments which has added to the difficulties of the functioning of the program, is the problem of the illegal immigration of workers commonly referred to as wetbacks, so known because such workers usually enter the country illegally by swimming or wading across the Rio Grande. Mexican workers wanting employment in the United States have for a long period of time entered the country in this manner. No accurate figures are available as to the number of workers who have entered in this manner. Although the Mexican Government has consistently taken the position that it does not desire to have its citizens leave Mexico and enter this country illegally for the purposes of obtaining employment, it apparently is powerless to prevent such emigration. The Government of the United States has cooperated and is cooperating with the Government of Mexico in meeting this problem by greatly strengthening its efforts to prevent illegal entry and to apprehend and deport all alien workers found to have entered illegally. In the 12 months ending June 30, 1950, the Department of Justice deported nearly 500,000 Mexicans who had entered this country illegally.

During 1949 and 1950 many Mexican agricultural workers found to have entered the United States illegally have been recruited and brought within the program. This action was taken in cooperation with the Government of Mexico and, as a consequence, relatively few Mexican workers were actually imported from Mexico during this period.

Mexican workers recruited in accordance with the terms of the international agreement receive wages equal to the wages paid to domestic agricultural workers engaged in similar work. The illegal immigrant, however, because he is in this country illegally and always subject to deportation, will often work for wages below the prevailing wage in the community. This makes it difficult for him to maintain a proper standard of living and likewise tends to affect adversely the wages and working conditions of those workers who have entered legally, as well as domestic agricultural workers. It is to the interest of both nations that illegal immigration be held to a minimum, and it is believed that the accompanying bill will be of material assistance in the establishment of a program under which needed agricultural workers may be permitted to enter the United States legally, and in retarding illegal immigration.

Negotiations between the United States and Mexico were conducted at Mexico City in January of this year, to consider proposals to modify provisions of the existing international agreement. The United States delegation to the conference was headed by Carl W. Strom, consul general of the United States in Mexico. Representative W. R. Poage, vice chairman of the House Committee on Agriculture, and Senator Allen J. Ellender, chairman of the Senate Committee on Agriculture and Forestry, were appointed delegates and served as advisers to the United States delegation. In the course of the negotiations to modify the existing agreement, representatives of the Mexican Government served notice that unless certain changes were made, it would terminate the present agreement.

It was proposed by representatives of the Mexican Government that instead of the present method of having the employers do the recruiting, the recruitment function should be performed by an agency of the United States Government. It was also the position of the Mexican Government that the Government of the United States should guarantee compliance with the individual work contracts. In support of its position the Mexican Government presented claims in which it was alleged that its citizens who had performed agricultural work in this country under individual work contracts had not received payment in accordance with the provisions of the contracts and that its diplomatic representatives were presently engaged in negotiating a settlement of such claims. The United States delegation had no authority to accede to these proposals of the Mexican Government, but it did agree, however, to present the question to the Congress. In order to allow a reasonable opportunity for these proposals to be considered, the Mexican Government agreed to continue under the present international agreement until June 30, 1951.

H. R. 3048 was introduced by Representative W. R. Poage, of Texas, and referred to your committee. Hearings were conducted on this bill and testimony was received from officials of the Department of State, the Department of Agriculture, the Department of Labor, farm organizations, employers of agricultural labor, representatives of labor unions, and others.

Following the hearings, a clean bill, H. R. 3283, was introduced and is reported herewith.

In essence, the bill H. R. 3283 authorizes the Secretary of Labor to recruit Mexican agricultural workers in Mexico and to transport such workers to reception centers in the United States located at or near the places of the actual entry of such persons into the United States, and to receive and house such workers at the reception centers while arrangements are being made for their employment in, and departure from, the continental United States. During the time such workers are being actually transported by the United States or are being held at reception centers, the United States is to provide such subsistence, emergency medical care, and burial expenses (not exceeding $150 in any one case), as may be necessary. The Secretary of Labor is authorized and directed to assist workers and employers in negotiating contracts for agricultural employment. The Mexican workers are to be free to accept or decline any agricultural employment offered and to choose their individual employers and the type of agricultural employment desired, and the employers are likewise free to offer agricultural employment to any worker of their choice not

already under contract to other employers and are free to decline to employ any individual without the necessity of assigning any reason. The Secretary of Labor is authorized to guarantee the performance by employers of the provisions of the contracts of employment relating to the payment of wages and the furnishing of transportation.

Before any employer is eligible to employ Mexican workers recruited under this program, he must first enter into an agreement with the United States to indemnify it against loss by reason of its guaranty. The employer is also required to reimburse the United States for essential expenses incurred by it for the transportation and subsistence of workers, not exceeding $10 per worker.

It is intended that the farmer shall pay all expenses and the $10 limit is included in the bill in order to keep administrative officials from spending excessive sums in the transportation and maintenance of the workers. Testimony before the committee indicates that private employers are able to transport Mexican workers from the contracting points of Monterrey, Chihuahua, and Hermosillo, to the border and return, for about $5 per individual worker. Allowing another $5 per worker for the expense of maintaining the worker in a reception center in the United States, it is believed that the sum of $10 should cover all necessary expenses for the function to be performed by the United States Government of transporting the workers from the points of recruitment in Mexico and maintaining such workers in reception centers in the United States. The committee recognizes the tendency of Government agencies to expend more money to accomplish a given result than private industry would spend for the same purpose. The committee is further of the belief that the farmers who use Mexican labor should pay all necessary expenses. The committee does not propose subsidizing American farmers, but it does desire to protect farmers from inefficient or wasteful governmental expenditures, and it is the hope of the committee that the administrative officials will be able to keep the transportation and subsistence costs within the sum of $10 per worker.

The employer is also required to pay to the United States in case any agricultural worker is not returned to the reception center in accordance with the contract, an amount determined by the Secretary of Labor to be equivalent to the expense that the employer would have incurred if the employee had, in fact, been returned by the employer, less any portion thereof required to be paid by other employers.

Another very important provision of the bill is the provision (sec. 503) which is designed to protect domestic workers and to assure domestic workers that foreign agricultural labor will not be imported into the United States if domestic labor is available. This provision of the bill provides that no workers may be made available under this bill for employment in any area of the United States, unless the regional director, Bureau of Employment Security of the United States Department of Labor for such area has first determined and certified that (1) sufficient domestic workers who are able, willing, and qualified, will not be available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed. Under this provision domestic agricultural work-

ers are assured that no foreign agricultural workers will be admitted unless there is such a shortage of domestic workers as to warrant such importation. Furthermore, domestic agricultural workers are assured that the wages and working conditions offered to foreign agricultural workers will not adversely affect the wages or working conditions of domestic agricultural workers.

A further safeguard for domestic agricultural workers, and one which does not rest upon any administrative determination, is the economic safeguard which is inherently a part of the bill. Under the provisions of the bill farmers seeking to employ foreign agricultural workers must not only provide working conditions and pay wages comparable to working conditions and wages of domestic agricultural workers, but they must pay for the recruitment and transportation expenses from the place of recruitment in Mexico and return. Thus, foreign agricultural labor will be substantially more expensive and uneconomic for farmers to employ. Farmers are, therefore, unlikely to seek foreign agricultural workers unless they are clearly convinced that domestic labor will not be available, and that the employment of foreign agricultural workers is necessary to produce or harvest their crops.

In the absence of legislation of this type, the safeguards, referred to above, cannot be given to domestic workers. It is possible, of course, to state that no Mexican workers can legally enter the United States, but it is not possible to keep Mexican workers from crossing the border to fill a labor vacuum in this country. Experience has demonstrated that these workers are going to come to this country. The whole question is, Will they come in legally and receive the prevailing wage? Will they come into this country in an orderly manner, and in a way which will not destroy United States labor standards and which will enable them to go to the points where their labor is needed, or will they come in illegally and destroy all wage standards in certain areas without affording any relief in many areas of labor shortage? The committee believes that it is preferable from every standpoint that the entry of these Mexican workers be in an orderly legal manner.

CONCLUSIONS

In its consideration of this legislation the committee has been cognizant of the importance of farm production to our entire defense and stabilization efforts. Although it may be unnecessary, the committee wishes to point out, lest it be momentarily forgotten, that an adequate production of food and fiber is as essential to victory as planes, tanks, ships, and guns. The adequacy of the supply of food and fiber bears directly upon the effectiveness of the fighting man, the productiveness of the civilian worker, and is vital to the maintenance and stability of our economy. Only through an abundant production of food and fiber may the forces of inflation be held in check. Adequate farm manpower is one of the principal keys to production.

While seeking to provide a program for obtaining the foreign agricultural labor necessary to produce the crops, the committee has also been mindful of the necessity of providing a program that involves a minimum of expense to the Government. Practically all the farmers and their representatives who testified at the hearings took the position that they were not asking for a labor subsidy, and the bill reported

herewith is designed to be substantially self-sustaining. Farmers who find it necessary to use foreign agricultural labor recruited under this bill will be required to pay all of the costs of the program.

In the first instance the Federal Government will be responsible for the costs of the recruitment of workers in Mexico, transporting them to reception centers within the United States, maintaining the workers in the reception centers and returning them to the place of recruitment in Mexico at the termination of the period of employment. The employer, however, will be required to reimburse the Government for such costs up to $10 per worker. Accurate information as to the costs of recruitment, maintenance, and transportation is not available. Such costs will depend to a large degree upon the location of points in Mexico where the recruiting is to be performed. The further south it is done, the greater the cost will be. It is contemplated, however, that the workers can be recruited at three points in Mexico, Monterrey, Chihuahua, and Hermosillo. These were the recruitment points discussed in the recent negotiations conducted in Mexico. As indicated above, one of the reasons why the Government of Mexico has objected to border recruitment and insisted on recruitment at interior points has been to avoid having large numbers of workers converging upon the towns adjacent to the border. But the very fact that relatively large numbers of agricultural workers have such a strong desire to obtain employment in the United States that they will voluntarily migrate north to the border indicates that little trouble should be experienced by the Government of Mexico in obtaining an adequate supply of workers at the three recruitment centers mentioned above, which are located approximately 150 miles below the border.

Under the proposed program the Government will undertake to guarantee the payment of wages and the furnishing of transportation called for under the individual work contracts. Although, such an undertaking might initially involve some expense to the Government, it is anticipated that any expense so incurred will be recoverable by the United States from the employer under his contract to indemnify the Government against loss by reason of the guaranty. Thus, the only nonrecoverable expense which the Government will be called upon to bear under the proposed program will be the payment of salaries of regular departmental agency personnel, the cost of establishing and maintaining reception centers in the United States, and the cost of apprehending and deporting contract violators which is in excess of the normal cost which the employer would have been required to bear had the worker returned in accordance with the provisions of the contract of employment. The expenses incurred in apprehending contract violators are not expected to increase because it is contemplated that there will be fewer illegal Mexican workers entering the United States.

It is the belief of the committee that this bill will further encourage cooperation between this Government and the Government of Mexico, and will enable both countries to make a greater contribution to the common defense. The attainment of the production goals in this country is of just as much concern to the people of Mexico as it is to the people of the United States. Unless this Nation is able to obtain the necessary production of food and fiber, it will be less able to play its part in its international efforts to obtain peace. The accompany-

ing bill represents a genuine effort to meet the major objections raised to the present program by the Government of Mexico, and it is the belief of the committee that under this measure the Government of Mexico can and will supply, if needed, larger numbers of agricultural workers than have been obtained in the past.

The failure to enact this legislation will result in a termination of the present program and a loss of an orderly flow of agricultural workers from Mexico needed to supplement domestic agricultural manpower.

ANALYSIS OF THE BILL

Agricultural Act of 1949

This bill would amend the Agricultural Act of 1949 by adding a new title to read: "Title V—Agricultural Workers."

Section 501: This section provides for supplying agricultural workers from Mexico in order to assist in the production of agricultural products and commodities deemed necessary by the Secretary of Agriculture. The employment of such workers would be permitted only pursuant to arrangements between the United States and the Republic of Mexico. In connection therewith the Secretary of Labor would be authorized—

(1) To recruit agricultural workers (including, with the consent of the Mexican Government, Mexican agricultural workers temporarily in the United States);

(2) To establish and operate reception centers at or near the actual places of entry into the United States, where such workers may be received and housed until arrangements have been made for their employment in, or their departure from, the United States;

(3) To provide transportation for these workers between the recruitment centers in Mexico and the reception centers in the United States. All transportation beyond the reception centers in the United States is to be provided and paid for by the employers;

(4) To provide subsistence, emergency medical care, and limited burial expenses while these workers are being transported by the Government or being maintained in the reception centers in the United States;

(5) To assist in negotiating contracts between employers and the workers. The employers would have the right of selection of workers at the reception centers and the workers have the right to accept or decline agricultural employment and to choose the type of agricultural employment they desire. Any worker not recruited for employment would be returned at Government expense to the recruitment center in Mexico;

(6) To guarantee the performance by employers of provisions of the individual work contracts relating to the payment of wages or the furnishing of transportation. Under this provision the Government would be authorized to pay the worker any amount due him as wages which the employer has failed to pay and to furnish, or reimburse him for any transportation which the employer is required, but fails, to furnish.

Section 502: This section prohibits contracting for the services of any worker under this act unless the employer enters into an agreement with the United States to indemnify the United States against loss by reason of its guaranty of the performance by employers of

those provisions of contracts with Mexican workers relating to the payment of wages or the furnishing of transportation.

The employer must also agree to reimburse the United States for essential expenses (not including salaries or expenses of regular department agency personnel) incurred by it for transportation and subsistence of workers between the recruitment center in Mexico and the reception center in the United States and while such workers are at reception centers, in an amount not to exceed $10 per worker.

The employer is further required to agree to pay to the United States, in any case in which the worker does not return to the reception center in accordance with the contract provisions, an amount determined by the Secretary of Labor to be equivalent to that which the employer would have incurred had the worker returned in accordance with such provisions. If the worker is employed by more than one employer, this cost is to be apportioned among the employers in accordance with any agreement that may have been reached among such employers with respect to the payment of the cost of return transportation.

Section 503: This section provides that no worker recruited under the act shall be available for employment in any area unless the regional director of the Bureau of Employment Security, United States Department of Labor, for such area, has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed.

Section 504: This section directs the Attorney General to admit to the United States, subject to the immigration laws, workers recruited under this act. It also authorizes the Attorney General to permit Mexican agricultural workers already in this country to remain here for agricultural employment, if such workers are otherwise eligible for admission and if arrangements to this effect are agreed upon between the United States and Mexico. This section also prohibits the Attorney General from requiring any penalty bond in connection with the importation and departure of such workers.

Section 505: This section exempts service performed by Mexican agricultural workers under this act from the old-age and survivors insurance provisions of the Social Security Act, as amended, and from applicable tax provisions of section 1426 (b) (1) of the Internal Revenue Code, as amended.

This section further provides that workers recruited and admitted under this act shall not be subject to head tax under section 2 of the Immigration Act of 1917.

Section 506: This section authorizes the Secretary of Labor, for the purposes of this title, to enter into agreements with other public agencies, and pursuant to such agreements, to utilize the personnel, facilities, and services of such public agencies, and to allocate and transfer funds or otherwise pay or reimburse such agencies therefor; to accept and utilize voluntary and uncompensated services; and to cooperate with the Secretary of State in negotiating and carrying out agreements with the Republic of Mexico relating to the employment of Mexican agricultural workers in the United States, subject to the immigration laws.

Section 508: This section defines "agricultural labor" for the purpose of this title as services and activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, and "horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of other perishable agricultural products."

This section also defines "employer" to include associations or other groups of employers.

Section 509: This section makes it clear that nothing in this bill is to be construed as interfering with, or limiting the authority of, the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 508, or to permit any such alien who entered the United States legally to remain for the purposes of engaging in such agricultural employment under such conditions and for such time as the Attorney General may specify.

Section 510: This section provides that the program of importing foreign agricultural workers under the authority contained in this act shall terminate December 31, 1953.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes made by the bill are shown as follows (existing law proposed to be omitted is enclosed in brackets, new matter is printed in italic, existing law in which no change is proposed is shown in roman):

AGRICULTURAL ACT OF 1949, AS AMENDED

* * * * * * *

TITLE V—AGRICULTURAL WORKERS

SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

(1) to recruit such workers (including any such workers temporarily in the United States);

(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in such amounts, not to exceed $10 per worker; and

(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5), an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Regional Director, Bureau of Employment Security, United States Department of Labor for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed.

SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment.

SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

(2) to accept and utilize voluntary and uncompensated services; and

(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

SEC. 508. For the purposes of this title—

(1) The term "agricultural employment" includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products.

(2) The term "employer" includes associations or other groups of employers.

SEC. 509. Nothing in this Act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 508, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

SEC. 510. No workers shall be made available under this title for employment after December 31, 1953.

SOCIAL SECURITY ACT, AS AMENDED

* * * * * * *

SEC. 210. For the purposes of this title—

Employment

(a) The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this title under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (e)); except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor (as defined in subsection (f) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)), by such employer during the preceding calendar quarter.

(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.

INTERNAL REVENUE CODE, AS AMENDED

SEC. 1426 * * *

(b) EMPLOYMENT.—The term "employment" means any service performed after 1936 and prior to 1951 which was employment for the purposes of this subchapter under the law applicable to the period in which such service was performed, and any service, of whatever nature, performed after 1950 either (A) by an employee for the person employing him, irrespective of the citizenship or residence of either, (i) within the United States, or (ii) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States, or (B) outside the United States by a citizen of the United States as an employee for an American employer (as defined in subsection (i) of this section); except that, in the case of service performed after 1950, such term shall not include—

(1) (A) Agricultural labor (as defined in subsection (h) of this section) performed in any calendar quarter by an employee, unless the cash remuneration paid for such labor (other than service described in subparagraph (B)) is $50 or more and such labor is performed for an employer by an individual who is regularly employed by such employer to perform such agricultural labor. For the

purposes of this subparagraph, an individual shall be deemed to be regularly employed by an employer during a calendar quarter only if—

(i) such individual performs agricultural labor (other than service described in subparagraph (B)) for such employer on a full-time basis on sixty days during such quarter, and

(ii) the quarter was immediately preceded by a qualifying quarter.

For the purposes of the preceding sentence, the term "qualifying quarter" means (I) any quarter during all of which such individual was continuously employed by such employer, or (II) any subsequent quarter which meets the test of clause (i) if, after the last quarter during all of which such individual was continuously employed by such employer, each intervening quarter met the test of clause (i). Notwithstanding the preceding provisions of this subparagraph, an individual shall also be deemed to be regularly employed by an employer during a calendar quarter if such individual was regularly employed (upon application of clauses (i) and (ii)) by such employer during the preceding calendar quarter.

(B) Service performed in connection with the production or harvesting of any commodity defined as an agricultural commodity in section 15 (g) of the Agricultural Marketing Act, as amended, or in connection with the ginning of cotton;

(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.

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82D CONGRESS } HOUSE OF REPRESENTATIVES { REPT. 326
1st Session } { Part 2

IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

MAY 1, 1951.—Ordered to be printed

Mr. MCCARTHY, from the Committee on Agriculture, submitted the following

MINORITY VIEWS

[To accompany H. R. 3283]

On April 16, H. R. 3283, a bill to amend the Agricultural Act of 1949 was reported to the Committee of the Whole House. The purpose of this bill, originally introduced as H. R. 3048, by Mr. Poage, of Texas, is as stated in the committee report, to assist farmers in obtaining foreign agricultural workers. Hearings were held on this bill and on H. R. 2955, but were limited closely to the specific content of the Poage bill, and were not expanded to include the whole problem of migratory labor, both domestic and foreign. Some time after the Agricultural Committee of the House had concluded hearings and reported H. R. 3283, the report of the President's Commission on Migratory Labor was made public.

This Commission was created June 3, 1950. Its five members were:

Maurice T. Van Hecke, Chairman, professor of law at the University of North Carolina Law School.

Noble Clark, head of the agricultural experiment station of the University of Wisconsin,

William M. Leiserson, former member, National Industrial Relations Board and former Chairman, National Mediation Board,

Robert E. Lucey, archbishop of San Antonio, Tex.,

Peter Odegard, professor of sociology, University of California, member, board of Ford Foundation.

Mr. Varden Fuller was executive secretary.

During the summer and early fall of 1950, the Commission held 12 public hearings in Brownsville, Tex.; El Paso, Tex.; Phoenix, Ariz.; Los Angeles, Calif.; Portland, Oreg.; Fort Collins, Colo.; Memphis, Tenn.; Saginaw, Mich.; Trenton, N. J.; West Palm Beach, Fla.; and 2 in Washington, D. C. These hearings were regional in coverage and heard testimony from representatives of farmers, growers, processors, employees, labor organizations, officers of Federal, State,

and local governments, religious groups, and numbers of migrant workers themselves. In addition the Commission made field trips for observation of actual conditions.

The information contained in the report of this Commission adds much to that which was obtained in the hearings of the Committee on Agriculture. Consequently, we as a minority of the Committee have drawn up this report in order to bring to the attention of the House of Representatives the findings of the President's Commission, and in view of these findings to attempt to improve this bill so as to make some small progress toward solving serious social and economic problems of the migratory agricultural workers in the United States.

THE MIGRATORY FARM LABOR PROBLEM

Most of the farm work in the United States is done by working farmers and the members of their families, embracing approximately 10 million workers. According to the Commission Report, there are in addition, roughly 4¼ million farm wage earners who depend principally on farm employment for their incomes. Grouped according to amount of employment these hired workers can be classified roughly as follows:

Year-round (250) days or more employment per year	600,000.
Regular (150–250) days employment per year	400,000.
Seasonal nonmigratory (under 150 days per year)	2¼ million.
Migratory	1 million.
Total	4¼ million.

Even the nonmigratory farm worker suffers from insecurity and from injustice, but the migratory workers are at the bottom of the scale. They suffer from chronic underemployment and poverty. The 1,000,000 men, women, and children who make up the migratory workers in American agriculture, make up approximately 7 percent of the Nation's farm manpower. They perform about 5 percent of the man-days of farm work in the United States. The farm employers who depend to any significant extent on migratory labor and who are the principal employers of migratory labor, number only about 125,000, or 2 percent, of the Nation's farmers and produce crops equal to about 7 percent of the value of all farm products. Only a very small percentage of migratory workers are employed on small farms and family farms. Migratory labor is employed principally in cotton, fruits, vegetables, and sugar beets, by large-scale farmers.

Texas-Americans

The largest element in the migratory group in the United States is made up of the so-called Texas-Americans, i. e., Texans of Mexican or other Latin-American origin. This group was previously migratory within Texas and from Texas into the Mountain and Great Lakes region. Within recent years its migrancy has increased both in numbers and in area of movement. The primary reason for this increase in migrancy is pressure from the influx of illegal Mexican workers, and to a degree also from legal entrants which has made it necessary for these Texas-Mexicans (United States citizens) to leave their homes annually in search of better wages and more secure employment opportunity elsewhere. For example, in 1949, some 65,000 Latin-Americans left their homes in south Texas (were dis-

placed) to work in agriculture in other States. Wages in their home State were as low as 15 cents an hour, but in the same year Texas farmers imported 46,000 Mexican nationals to work in agriculture in Texas. This number does not include the thousands of Mexican workers who entered illegally and who worked in the fields of Texas.

This Texas-Mexican group, together with ex-sharecroppers, and their descendants who moved from Florida, along the Atlantic Ocean through the Carolinas, Virginia, New Jersey, and New York, and even into Maine, make up about half of the 1,000,000 migratory agricultural workers. The other 500,000 has been made up of approximately 100,000 Mexicans, legally under contract, a small number of British West Indians and Puerto Ricans, and estimated 400,000 illegal Mexican workers, the so-called wetbacks.

Annual income

The plight of these 1,000,000 human beings is truly tragic. Their housing, wages, food are often wholly inadequate. Their standard of living is a national disgrace. During 1949, when crop controls were not imposed, 70 percent of these workers had fewer than 75 days at agricultural jobs. Only 5 percent had 250 days or more. During this same year they averaged 70 days of agricultural work and 31 days of nonfarm work, making a total yearly average of 101 days' employment. For farm work they received $352 and for nonfarm work $162, making a total average income of $514 for the year. Farm workers receive some perquisites, such as housing, which increased their real wages. The value of these for migratory workers as estimated by the United States Department of Agriculture in 1945 was about 36 cents per day. Multiplying this by an average of about 100 days' employment, gives $36 increase in the average annual wage of the migratory workers, making an average annual income of $550.

Housing

Members of the Commission report that the on-the-job housing of migratory workers consists of barracks, cabins, trailers, tents, rooming houses, auto court cabins, shack houses, and not infrequently a spot under a tree near a ditch. Much, if not most, housing of migratory workers is below a minimum standard of decency. Home base housing is even worse.

Health

The diet of migrant farm laborers was found insufficient to maintain health. A physician testifying before the Commission made this statement:

> I can say from the reports of the nurses that we do have dietary deficiency diseases such as pellagra and cases of that have come to my attention—due to a diet consisting of corn meal and perhaps rice and very little else—no vitamins. There are also evidences of merely ordinary starvation among many of these people which the nurses report * * *.
>
> A survey which I made and photographed, in the Mathis, Tex., labor camps, showed that 96 percent of the children in that camp had not consumed any milk whatsoever in the last 6 months. It also showed that 8 out of every 10 adults had not eaten any meat in the last 6 months. * * * The reason given was that they could not afford it with the money they were making.

Child labor

Child labor is common. The child's earnings are needed. This is the same reason given decades ago as justification for child labor in the coal mines, cotton mills, and other industries.

A majority of migrant farm workers suffer from unemployment, yet the committee report says we need this bill to assist farmers in obtaining the agricultural labor needed to produce the increased quantities of food and fiber required for national defense and civilian needs. Unfortunately the statement is correct. It is correct in a relative sense, not in an absolute one. It is correct, not so much because there is a real shortage of agricultural labor in this country, but because we have failed to develop adequate standards of agricultural employment and because we have failed to work out a program to meet the seasonal demands of agricultural production.

The trouble is that no one accepts responsibility in the matter. The grower claims that it is no concern of his what these families do when not in his employ. The consumer who breakfasts on foodstuffs from the far corners of the hemisphere does not see what he can do about it. Local and State relief authorities tend to feel that the problem is beyond their resources.

RECOMMENDATIONS OF PRESIDENT'S COMMISSION ON FOREIGN LABOR

As a result of its study the President's Commission on Migratory Labor made these major recommendations:

1. That in the present emergency reliance first be placed on using domestic labor more effectively.
2. No special measures should be adopted to increase the number of alien contract laborers beyond the number admitted in 1950 and future efforts should be directed toward supplying agricultural labor needs with our own workers and eliminating dependence on foreign labor.
3. To meet supplemental needs, preference should be given to the offshore possessions of the United States such as Hawaii and Puerto Rico.
4. Foreign labor importation should be undertaken, where necessary, pursuant to the terms of intergovernmental agreements. The conditions and standards should be substantially the same for all countries.
5. The administration of foreign labor recruiting, contracting, transportation, and agreements should be made the direct responsibility of the Immigration and Naturalization Service. Private employers should secure their employees exclusively from the Immigration and Naturalization Service.
6. Legislation to make it unlawful to employ aliens who have entered the United States illegally should be passed, and the legalization and contracting of aliens illegally in the United States should be discontinued and forbidden.
7. The Commission recommends that suitable action be taken against employers or associations of employers who have repeatedly and willfully violated previous agreements, or in cases in which there is reasonable doubt that the terms of the current agreement are being observed.
8. The Immigration and Naturalization Service should be strengthened by a clear statutory authority to enter places of employment to determine if illegal aliens are employed and clear statutory penalties for harboring, concealing, or transporting illegal aliens be established.

9. No certification of foreign agricultural workers should be made by the United States Employment Service (Farm Placement Service) unless such labor requirements cannot be filled from domestic sources, but not until continental domestic labor has been offered the same terms and conditions of employment as are offered to foreign workers.

10. Congress should enact minimum-wage legislation to cover farm laborers, including migratory workers, and where the Government agreement provides for the payment of the prevailing wage to foreign contract workers, this wage should be ascertained by public authority after a hearing.

RECOMMENDATIONS OF THE PRESIDENT'S COMMISSION ON DOMESTIC MIGRATORY LABOR

The Commission made comprehensive recommendations on the domestic agricultural labor problem with reference to—

(*a*) Improvement of labor-management and personnel policies, job standards, and job rights.

(*b*) More orderly methods of bringing men and employment together, more continuous employment for the workers, and a stable labor supply for employers.

(*c*) Improved housing, health, social security, safety, compensation, and unemployment insurance.

(*d*) Enforcement of the child-labor amendment of the Fair Labor Standards Act and of the Sugar Act, and further extension and improvement of such laws at both the National and State levels.

(*e*) Adequate education for migratory workers and their children.

(*f*) Finally, the Commission recommended the establishment of a Federal Committee on Migratory Farm Labor to coordinate and complement the activities of Federal and State agencies in an attempt to solve the problem of migratory farm labor.

The present bill

There is no simple solution to the problem of migratory labor in the United States. The bill before us, H. R. 3283, does not undertake to solve the entire problem. It is limited in scope to the importation of foreign agricultural workers, and more specifically to the importation of Mexican labor.

CRITICISM OF H. R. 3283

It is the opinion of the minority that this bill, H. R. 3283, contains serious defects and inadequacies and that it needs to be improved substantially if it is to be accepted for final passage by the House of Representatives. It fails to bring about orderly change in accordance with the demands of justice.

Defects and inadequacies of H. R. 3283

1. The bill is limited to workers from the Republic of Mexico. It gives no preference or consideration to the inhabitants of Hawaii and Puerto Rico.

2. It fails to transfer responsibility for operating the recruitment program to the Immigration and Naturalization Service.

3. It offers certain advantages to foreign labor which are withheld from United States farm labor, namely, transportation, subsistence, emergency medical care, and burial expense (not exceeding $150) dur-

ing the transportation period and while at reception centers. It guarantees the performance by employers of provisions of contracts relative to payment of wages and furnishing of transportation to Mexican labor.

4. It places responsibility for certification of need for foreign labor in the regional director, Bureau of Employment Security, rather than at the national level, as recommended by the President's Commission.

5. The bill does not strengthen the Immigration and Naturalization Service so as to give it clear authority to apprehend illegal aliens or to punish employers who harbor, conceal, or transport illegal aliens. If anything, it reduces the responsibility of employers for their employees.

6. It is the opinion of the minority that the cost of carrying out the terms of the bill will far exceed the remuneration to the Federal Government provided for in this bill. The approximate cost to the Federal Government of the foreign-labor program between 1943 and 1947, according to the Department of Agriculture figures, was 76.5 million dollars for slightly more than 300,000 workers who were imported during the period, or over $200 per person.

If costs remain somewhat the same as they did from 1943 to 1947, the $10 per head provided as a maximum charge on the employer in this bill would involve a further subsidy to the handful of farmers who would use the imported labor.

7. The location of the reception centers near the Mexican border, as provided in the bill, would give an unfair advantage to farmers in that area and discriminate against farmers in States farther north.

In view of these numerous and serious defects in H. R. 3283 it is the intention of the undersigned members of the committee, in cooperation with other Members of the House, to offer amendments in the hope that the bill may be perfected to a point justifying the approval of the House of Representatives.

EUGENE J. MCCARTHY,
JAMES G. POLK,
Members of Congress.

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82D CONGRESS
1ST SESSION

H. R. 3283

IN THE HOUSE OF REPRESENTATIVES

MARCH 19, 1951

Mr. POAGE introduced the following bill; which was referred to the Committee on Agriculture

Reported, without amendment, April 16, 1951

A BILL

To amend the Agricultural Act of 1949.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:

"TITLE V—AGRICULTURAL WORKERS

"SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"(1) to recruit such workers (including any such workers temporarily in the United States);

"(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural em-

ployment to any workers of their choice not under contract to other employers) ;

"(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in such amounts, not to exceed $10 per worker; and

"(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5), an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

"SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Regional

Director, Bureau of Employment Security, United States Department of Labor for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed.

"SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment.

"SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with

title V of the Agricultural Act of 1949, as amended.'

"(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"(2) to accept and utilize voluntary and uncompensated services; and

"(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"SEC. 508. For the purposes of this title—

"(1) The term 'agricultural employment' includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products.

"(2) The term 'employer' includes associations or other groups of employers.

"SEC. 509. Nothing in this Act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 508, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

"SEC. 510. No workers shall be made available under this title for employment after December 31, 1953."

82D CONGRESS
1ST SESSION

H. R. 3283

A BILL

To amend the Agricultural Act of 1949.

By Mr. POAGE

MARCH 19, 1951
Referred to the Committee on Agriculture

IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

Mr. COLMER. Mr. Speaker, I call up House Resolution 257 and ask for its immediate consideration.

The Clerk read the resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3283) to amend the Agricultural Act of 1949. That after general debate which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Agriculture, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

* * * * *

The SPEAKER. Under the rule the previous question is ordered.

The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

Mr. GROSS. Mr. Speaker, I offer a motion to recommit.

The SPEAKER. Is the gentleman opposed to the bill?

Mr. GROSS. Unqualifiedly.

The SPEAKER. The gentleman qualifies.

The Clerk will report the motion.

The Clerk read as follows:

Mr. GROSS moves to recommit the bill H. R. 3283 to the Committee on Agriculture.

Mr. COOLEY. Mr. Speaker, I move the previous question on the motion to recommit.

The previous question was ordered.

The SPEAKER. The question is on the motion to recommit.

Mr. McCARTHY. Mr. Speaker, I ask for the yeas and nays.

The yeas and nays were refused.

The motion to recommit was rejected.

The SPEAKER. The question is on the passage of the bill.

Mr. McCARTHY. Mr. Speaker, on that I ask for the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 240; nays 139; answered "present" 1; not voting 52; as follows:

[Roll No. 90]

YEAS—240

Aandahl	Church	Grant
Abbitt	Cole, Kans.	Gregory
Abernethy	Cole, N. Y.	Gwinn
Albert	Colmer	Hagen
Allen, Calif.	Combs	Hale
Andersen, H. Carl	Cooley	Halleck
	Cooper	Hand
Anderson, Calif.	Cotton	Harden
Andresen, August H.	Cox	Hardy
	Crawford	Harris
Andrews	Crumpacker	Harrison, Va.
Arends	Cunningham	Harrison, Wyo.
Armstrong	Curtis, Mo.	Harvey
Ayres	Curtis, Nebr.	Hays, Ark.
Barden	Dague	Hébert
Bates, Mass.	Davis, Ga.	Herlong
Battle	Davis, Tenn.	Hill
Beamer	Davis, Wis.	Hillings
Beckworth	Deane	Hinshaw
Belcher	DeGraffenried	Hoeven
Bennett, Fla.	Dempsey	Hoffman, Ill.
Bentsen	Denny	Hoffman, Mich.
Berry	Devereux	Holmes
Betts	D'Ewart	Hope
Blackney	Dolliver	Horan
Boggs, Del.	Dondero	Hunter
Bolton	Dorn	Jackson, Calif.
Bonner	Doughton	Jackson, Wash.
Bosone	Eaton	James
Boykin	Ellsworth	Jenison
Bramblett	Engle	Jensen
Brooks	Fellows	Johnson
Brown, Ga.	Fernandez	Jones, Mo.
Brown, Ohio	Fisher	Jones, Hamilton C.
Brownson	Ford	
Bryson	Forrester	Jones, Woodrow W.
Budge	Frazier	
Buffett	Fugate	Judd
Burdick	Fulton	Keogh
Burleson	Gamble	Kerr
Burton	Gary	Kilburn
Bush	Gathings	Lanham
Butler	Gavin	Lantaff
Byrnes, Wis.	George	Lovre
Camp	Gore	Lucas
Chelf	Gossett	Lyle
Chenoweth	Graham	McConnell
Chiperfield	Granger	McCulloch
McDonough	Pickett	Stanley
McGregor	Poage	Steed
McKinnon	Potter	Stefan
McMullen	Poulson	Stigler
McVey	Priest	Stockman
Mack, Wash.	Radwan	Taber
Magee	Rains	Tackett
Mahon	Reed, Ill.	Talle
Mansfield	Reed, N. Y.	Teague
Martin, Iowa	Rees, Kans.	Thompson, Mich.
Martin, Mass.	Regan	
Meader	Richards	Thompson, Tex.
Miller, Md.	Riehlman	Thornberry
Miller, Nebr.	Riley	Towe
Miller, N. Y.	Rivers	Vail
Mills	Roberts	Van Pelt
Mitchell	Robeson	Van Zandt
Morano	Rogers, Fla.	Vaughn
Morris	Rogers, Mass.	Vinson
Morrison	Rogers, Tex.	Vursell
Morton	Sadlak	Walter
Moulder	St. George	Watts
Mumma	Schwabe	Wharton
Murdock	Scrivner	Wheeler
Murray, Tenn.	Scudder	Whitaker
Nelson	Seely-Brown	Wickersham
Nicholson	Shafer	Williams, Miss.
Norblad	Sheppard	Willis
O'Hara	Short	Wilson, Tex.
Ostertag	Sikes	Winstead
Passman	Simpson, Ill.	Wolcott
Patman	Smith, Miss.	Wood, Ga.
Patten	Smith, Wis.	Wood, Idaho
Phillips	Springer	

NAYS—139

Addonizio	Goodwin	O'Brien, Ill.
Angell	Granahan	O'Neill
Aspinall	Green	O'Toole
Bailey	Greenwood	Patterson
Baker	Gross	Perkins
Bakewell	Hart	Philbin
Baring	Havenner	Polk
Barrett	Hays, Ohio	Price
Bates, Ky.	Hedrick	Prouty
Beall	Heffernan	Quinn
Bender	Heller	Rabaut
Bennett, Mich.	Herter	Ramsay
Bishop	Heselton	Rankin
Blatnik	Hess	Reece, Tenn.
Bolling	Holifield	Rhodes
Bow	Howell	Ribicoff
Bray	Hull	Rodino
Brehm	Jarman	Rogers, Colo.
Burnside	Javits	Rooney
Byrne, N. Y.	Jenkins	Roosevelt
Canfield	Jonas	Sabath
Cannon	Karsten, Mo.	Sasscer
Case	Kean	Saylor
Celler	Kearney	Scott, Hugh D., Jr.
Chudoff	Kearns	
Clemente	Keating	Secrest
Clevenger	Kelly, N. Y.	Sheehan
Corbett	Kennedy	Shelley
Coudert	King	Sieminski
Crosser	Kirwan	Sittler
Delaney	Klein	Spence
Denton	Kluczynski	Staggers
Dollinger	Lane	Taylor
Donohue	Latham	Tollefson
Donovan	Lesinski	Weichel
Doyle	Lind	Welch
Eberharter	McCarthy	Widnall
Elston	McGrath	Wier
Fallon	McGuire	Wigglesworth
Feighan	Machrowicz	Williams, N. Y.
Fenton	Mack, Ill.	Wilson, Ind.
Fine	Madden	Withrow
Fogarty	Marshall	Wolverton
Forand	Mason	Yates
Furcolo	Miller, Calif.	Yorty
Garmatz	Morgan	Zablocki
Golden	Multer	

ANSWERED "PRESENT"—1

McCormack

NOT VOTING—52

Adair	Dingell	Kelley, Pa.
Allen, Ill.	Durham	Kersten, Wis.
Allen, La.	Elliott	Kilday
Anfuso	Evins	Larcade
Auchincloss	Flood	LeCompte
Boggs, La.	Gillette	McMillan
Breen	Gordon	Merrow
Buckley	Hall, Edwin Arthur	Murphy
Busbey		Murray, Wis.
Carlyle	Hall, Leonard W.	Norrell
Carnahan		O'Brien, Mich.
Chatham	Irving	O'Konski
Dawson	Jones, Ala.	Powell
Preston	Smith, Kans.	Velde
Reams	Smith, Va.	Vorys
Redden	Sutton	Werdel
Scott, Hardie	Thomas	Whitten
Simpson, Pa.	Trimble	Woodruff

So the bill was passed.

The Clerk announced the following pairs:

On this vote:

Mr. Whitten for, with Mr. Kelley of Pennsylvania against.

Mr. Boggs of Louisiana for, with Mr. Buckley against.

Mr. Jones of Alabama for, with Mr. Flood against.

Mr. Carlyle for, with Mr. Dingell against.

Mr. Auchincloss for, with Mr. Anfuso against.

Mr. Adair for, with Mr. Irving against.

Mr. Preston for, with Mr. O'Konski against.

Mr. Norrell for, with Mr. McCormack against.

Mr. Werdel for, with Mr. Powell against.

Mr. Evins for, with Mr. Woodruff against.

Mr. Trimble for, with Mr. Velde against.

Mr. Durham for, with Mr. Murphy against.

Mr. Redden for, with Mr. Gordon against.

Mr. Smith of Virginia for, with Mr. Dawson against.

Mr. Larcade for, with Mr. Breen against.

Mr. Chatham for, with Mr. O'Brien of Michigan against.

Mr. McMillan for, with Mr. Carnahan against.

Until further notice:

Mr. Allen of Louisiana with Mr. Merrow.

Mr. Sutton with Mr. Murray of Wisconsin.

Mr. Kilday with Mr. Simpson of Pennsylvania.

Mr. Elliott with Mr. Leonard W. Hall.

Mr. McCORMACK. Mr. Speaker, on this bill I voted "nay." I have a live pair with the gentleman from Arkansas, Mr. NORRELL. If he were here, he would vote "yea." I withdraw my vote and vote "present."

Mrs. ROGERS of Massachusetts changed her vote from "nay" to "yea."

Mr. BENDER changed his vote from "yea" to "nay."

The result of the vote was announced as above recorded.

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's desk the bill (S. 984) to amend the Agricultural Act of 1949, and ask for its immediate consideration.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:

"TITLE V—AGRICULTURAL WORKERS

"SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"(1) to recruit such workers (including any such workers temporarily in the United States under legal entry);

"(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United

States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

"(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in amounts not to exceed $20 per worker; and

"(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5) and is apprehended within the United States, an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

"SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Secretary of Labor for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed, and (3) reasonable efforts have been made to attract domestic workers for such employment at wages and standard hours of work comparable to those offered to foreign workers.

"SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, by virtue of legal entry and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment: *Provided*, That no workers shall be made available under this title to, nor shall any workers made available under this title be permitted to remain in the employ of, any employer who has in his employ any Mexican alien when such employer knows or has reasonable grounds to believe or suspect or by reasonable inquiry could have ascertained that such Mexican alien is not lawfully within the United States.

"SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"(2) to accept and utilize voluntary and uncompensated services; and

"(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements on arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"SEC. 507. For the purposes of this title—

"(1) The term 'agricultural employment' includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended.

"(2) The term 'employer' shall include an association, or other group, of employers, but only if (A) those of its members for whom workers are being obtained are bound, in the event of its default, to carry out the obligations undertaken by it pursuant to section 502, or (B) the Secretary determines that such individual liability is not necessary to assure performance of such obligations.

"SEC. 508. Nothing in this act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 507, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

"SEC. 509. Any person who shall employ any Mexican alien not duly admitted by an immigration officer or not lawfully entitled to enter or to reside within the United States under the terms of this act or any other law relating to the immigration or expulsion of aliens, when such person knows or has reasonable grounds to believe or suspect or by reasonable inquiry could have ascertained that such alien is not lawfully within the United States, or any person who, having employed such an alien without knowing or having reasonable grounds to believe or suspect that such alien is unlawfully within the United States and who could not have obtained such information by reasonable inquiry at the time of giving such employment, shall obtain information during the course of such employment indicating that such alien is not lawfully within the United States and shall fail to report such information promptly to an immigration officer, shall be guilty of a felony, and upon conviction thereof shall be punished by a fine not exceeding $2,000, or by imprisonment for a term not exceeding 1 year, or both, for each alien in respect to whom any violation of this section occurs.

"SEC. 510. No workers will be made available under this title for employment after December 31, 1952."

Mr. COOLEY. Mr. Speaker, I offer an amendment.

The Clerk read as follows:

Mr. COOLEY moves to strike out all after the enacting clause of S. 984, and insert the provisions of H. R. 3283, as passed: "That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:

"'TITLE V—AGRICULTURAL WORKERS

"'SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"'(1) to recruit such workers (including any such workers temporarily in the United States);

"'(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"'(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"'(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"'(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

"'(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"'SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"'(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"'(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency

personnel, incurred by it for the transportation and subsistence of workers under this title in such amounts, not to exceed $10 per worker; and

"'(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5), an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

"'SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Regional Director, Bureau of Employment Security, United States Department of Labor for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed.

"'SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment.

"'SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'"(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

"'(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'"(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended."

"'(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"'SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"'(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"'(2) to accept and utilize voluntary and uncompensated services; and

"'(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"'SEC. 507. For the purposes of this title—

"'(1) The term "agricultural employment" includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products.

"'(2) The term "employer" includes associations or other groups of employers.

"'SEC. 508. Nothing in this act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 508, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

"'SEC. 509. No workers shall be made available under this title for employment after December 31, 1953.'"

The amendment was agreed to.

The bill was ordered to be read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

By unanimous consent, the proceedings by which the bill H. R. 3283 was passed were vacated, and that bill was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. COOLEY. Mr. Speaker, I ask unanimous consent that all Members who desire to do so may revise and extend their remarks on the bill (H. R. 3283) to amend the Agricultural Act of 1949.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina?

There was no objection.

SUPPLYING AGRICULTURAL WORKERS FROM MEXICO

The PRESIDENT pro tempore laid before the Senate the amendment of the House of Representatives to the bill (S. 984) to amend the Agricultural Act of 1949, which was to strike out all after the enacting clause and insert:

That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:

"TITLE V—AGRICULTURAL WORKERS

"SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"(1) to recruit such workers (including any such workers temporarily in the United States);

"(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

"(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in such amounts, not to exceed $10 per worker; and

"(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5), an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

"SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Regional Director, Bureau of Employment Security, United States Department of Labor, for such area has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, and (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed.

"SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, and otherwise eligible for admission to, the United States, may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment.

"SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"(2) to accept and utilize voluntary and uncompensated services; and

"(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"SEC. 507. For the purposes of this title—

"(1) The term 'agricultural employment' includes services or activities included within the provisions of Section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products.

"(2) The term 'employer' includes associations or other groups of employers.

"SEC. 508. Nothing in this act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 507, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

"SEC. 509. No workers shall be made available under this title for employment after December 31, 1953."

Mr. ELLENDER. Mr. President, I move that the Senate disagree to the amendment of the House, request a conference with the House on the disagreeing votes of the two Houses thereon, and that the Chair appoint the conferees on the part of the Senate.

The motion was agreed to; and the President pro tempore appointed Mr. ELLENDER, Mr. HOEY, Mr. JOHNSTON of South Carolina, Mr. AIKEN, and Mr. YOUNG conferees on the part of the Senate.

Mr. ELLENDER subsequently said: Mr. President, earlier today the distinguished junior Senator from South Carolina [Mr. JOHNSTON] was appointed a conferee on Senate bill 984. I am informed that he is out of town and will not return until Monday. It is necessary that the conferees act tomorrow or the next day. I therefore ask unanimous consent that the distinguished Senator from South Carolina be discharged from further service as a conferee and that in his place there be appointed the distinguished senior Senator from Florida [Mr. HOLLAND].

The PRESIDENT pro tempore. Without objection, the substitution will be made.

AGRICULTURAL ACT OF 1949

Mr. COOLEY. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill (S. 984) to amend the Agricultural Act of 1949, with House amendments thereto, insist on the amendments of the House and agree to the conference asked by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from North Carolina? [After a pause.] The Chair hears none, and appoints the following conferees: Mr. COOLEY, Mr. POAGE, Mr. GRANT, Mr. HOPE, and Mr. AUGUST H. ANDRESEN.

82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 668

IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

JUNE 30, 1951.—Ordered to be printed

Mr. COOLEY, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany S. 984]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 984) to amend the Agricultural Act of 1949, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the Senate recede from its disagreement to the amendment of the House and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the House amendment insert the following: *That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:*

"TITLE V—AGRICULTURAL WORKERS

"SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"(1) to recruit such workers (including any such workers who have resided in the United States for the preceding five years, or who are temporarily in the United States under legal entry);

"(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

"(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in amounts not to exceed $15 per worker; and

"(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5), an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of employment to such reception center, less any portion thereof required to be paid by other employers.

"SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Secretary of Labor has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed, and (3) reasonable efforts have been made to attract domestic workers for such employment at wages and standard hours of work comparable to those offered to foreign workers.

"SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, for not less than the preceding five years or by virtue of legal entry, and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment: Provided, That no workers shall be made available under this title to, nor shall any workers made available under this title be permitted to remain in the employ of, any employer who has in his employ any Mexican alien when such employer knows or has

reasonable grounds to believe or suspect or by reasonable inquiry could have ascertained that such Mexican alien is not lawfully within the United States.

"SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

" '(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

" '(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"(2) to accept and utilize voluntary and uncompensated services; and

"(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"SEC. 507. For the purposes of this title—

"(1) The term 'agricultural employment' includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products.

"(2) The term 'employer' shall include an association, or other group, of employers, but only if (A) those of its members for whom workers are being obtained are bound, in the event of its default, to carry out the obligations undertaken by it pursuant to section 502, or (B) the Secretary determines that such individual liability is not necessary to assure performance of such obligations.

"SEC. 508. Nothing in this Act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 507, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

"SEC. 509. No workers will be made available under this title for employment after December 31, 1953."

And the House agree to the same.

HAROLD D. COOLEY,
W. R. POAGE,
GEORGE GRANT,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

ALLEN J. ELLENDER,
CLYDE R. HOEY,
SPESSARD L. HOLLAND,
GEORGE D. AIKEN,
MILTON R. YOUNG,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 984) to amend the Agricultural Act of 1949, submit the following statement in explanation of the action agreed upon by the conferees and recommended in the accompanying conference report:

The House amendment to the bill struck out all after the enacting clause and inserted in lieu thereof the text of the House bill (H. R. 3283), which had been adopted by the House as reported by the Committee on Agriculture.

The bill as agreed upon by the committee of conference and recommended in the accompanying report is a substitute in lieu of the amendment made by the House to the Senate bill. In the main it adopts most of the provisions of the Senate bill with the exception of section 509, which has been eliminated from the substitute agreed upon by the committee of conference.

General Statement

The purpose of this bill is to authorize and implement an agreement with Mexico under which Mexican agricultural workers may be available when needed, and when such workers are not available from the domestic labor force, to assist in growing, harvesting, and preparing for consumption crops grown in the United States. It is a bill which is of great interest and benefit to the consumer, as well as to the farmer engaged in the production of these crops, for with the exception of cotton and sugar beets almost all of the crops on which it is expected such labor may be needed are crops such as fruits and vegetables which move directly to the consumer. If there is insufficient labor to tend or harvest these crops, causing even a temporary shortage or disruption of their movement to market, this is a situation which is certain to be felt immediately by consumers in the form of diminished supplies of such fruits and vegetables and higher prices for those which are on the market. It is essential to the stabilization of our economy that these agricultural commodities be brought to market in sufficient volume to maintain stability of supplies and prices.

Differences between the House bill and the bill agreed upon by the committee of conference and recommended in the accompanying report are explained below:

SECTION 501

The only change in this section is in subsection (1) where the committee of conference has adopted the Senate language requiring that workers eligible for employment under this bill shall be in the United States under legal entry and has added a provision which will permit

also the hiring of any Mexican national who has resided in the United States for the previous 5 years. This will prevent the hiring of so-called "wetbacks" under the contracts authorized by this bill but will permit those Mexicans who actually have lived for many years in the United States, even though their entry might not have conformed to legal requirements, to obtain agricultural work. The committee of conference believes that this provision is necessary in essential justice to the many Mexicans who, because of the closeness of Mexico and the United States and the traditional freedom of movement across the border, may have entered the United States without complying with immigration formalities, but who have been for many years continuous and useful residents in the United States. It should be remembered that even though such Mexicans may meet the requirements of this provision and be acceptable to their American employers, they still cannot be contracted without the consent of the Mexican Government.

SECTION 502

In subsection (2) the amount "$10" is changed to "$15".

SECTION 503

Two changes are made in this section:

(1) The committee of conference has accepted the Senate requirement that the determination as to the availability of domestic workers for agricultural purposes shall be made by the Secretary of Labor, instead of by the regional director, Bureau of Employment Security, United States Department of Labor, for the area involved, as provided in the House bill. This appears to the committee of conference to be a relatively minor change, since the regional director works under and by delegation of authority from the Secretary of Labor and it is assumed by the committee of conference that, inasmuch as time is frequently of the essence in the hiring of agricultural labor and harvesting of agricultural crops, the Secretary of Labor will delegate to the regional director the authority to make these determinations where the time element is important and where reference to the Secretary himself would entail any measurable delay.

(2) The committee of conference also accepted the provision of the Senate bill requiring that the Secretary of Labor must certify before foreign labor may be utilized under the terms of this bill that reasonable efforts have been made to attract domestic workers for such employment at wages and standard hours of work comparable to those offered to foreign workers.

SECTION 504

Two changes are made by the committee of conference in this section:

(1) On page 4, line 12 of the House bill after the word "in" the words "for not less than the preceding 5 years or" have been added. This is the same change made in section 501 (1) and was discussed under the amendments to that section.

(2) The conference has accepted the proviso to this section contained in the Senate bill which provides that no workers shall be made

available under the terms of this bill nor permitted to remain in the employ of any employer who is using "wetback" labor.

SECTION 508

In this section the committee of conference has accepted the House language of subsection (1). This permits the employment of workers made available under the bill in various types of processing plants which are intimately related to and connected with the production of agricultural commodities and which perform functions which must be carried out before those commodities can be made available for use or consumption. Virtually all of these processing plants are located actually out in the country or in small cities and towns which are entirely rural in character. They are affected by the same labor conditions which apply to the farms, orchards, and other agricultural operations in the area. In those few instances where processing plants of this type are located in larger cities—where there might be presumed to be some supply of domestic labor available—they will be necessarily removed from agricultural areas and environments to such an extent that the required certification by the Secretary of Labor that domestic labor is not available will in most instances amount to a certification for each individual plant.

In subsection (2) of section 508 the committee of conference has adopted the Senate language which requires that associations who act as employers under the terms of this bill shall be acceptable for that purpose only if the individual members thereof are bound by the obligations made by the association or if the Secretary determines that such individual liability is not necessary.

DOUGLAS AMENDMENT

The committee of conference has eliminated from the bill section 509 of the Senate bill. It has done this on the grounds that this general revision of the immigration laws is not germane to the purpose of this bill, which is that of providing statutory authority for the use of Mexican workers under a contractural relationship between the United States and Mexico and with the workers themselves. The committee of conference is sympathetic to the objectives of eliminating the abuses which have stemmed from the employment of "wetback" labor. It believes that the bill reported herewith will go far in correcting that situation and that any general revision of the immigration laws which may be necessary to further improve this situation should be made by the committees of the respective Houses having a jurisdiction over that subject matter. The committee recognizes as a matter of general knowledge that such legislation is now pending in the Senate and that the appropriate committee of the House has undertaken hearings and investigations for the purpose of bringing out such legislation in the House if it is found to be necessary.

The committee believes that this bill will, in fact, do much to help solve this vexing problem. It will provide an open door through which those Mexicans who want to work in the United States can enter and be employed here legally under terms which will safeguard their rights and their interests in the manner far better than they could

ever be safeguarded under any form of illegal entry and employment. It forbids any employer who has "wetback" labor in his employment from obtaining assistance under the terms of this legislation. It thus makes it distinctively to the advantage of both the employer and the Mexican worker to operate on an entirely legal basis under the provisions of this bill.

HAROLD D. COOLEY,
W. R. POAGE,
GEORGE GRANT,
CLIFFORD R. HOPE,
AUG. H. ANDRESEN,
Managers on the Part of the House.

O

SUPPLYING OF AGRICULTURAL WORKERS FROM MEXICO—CONFERENCE REPORT

Mr. ELLENDER. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendment of the House to the bill (S. 984) to amend the Agricultural Act of 1949, and I ask unanimous consent for its immediate consideration.

The PRESIDING OFFICER (Mr. JOHNSON of Texas in the chair). The report will be read for the information of the Senate.

The report was read.

(For conference report, see today's proceedings of the House of Representatives, pp. 7538-7540.)

The PRESIDING OFFICER. Is there objection to the immediate consideration of the report?

There being no objection, the Senate proceeded to consider the report.

* * * * *

The PRESIDING OFFICER. The question is on agreeing to the conference report.

The report was agreed to.

* * * * *

The SPEAKER. The question is on the conference report.

The conference report was agreed to.

A motion to reconsider was laid on the table.

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IMPORTATION OF FOREIGN AGRICULTURAL WORKERS

Mr. COOLEY submitted the following conference report and statement on the bill (S. 984) to amend the Agricultural Act of 1949:

* * * * *

Public Law 78 - 82d Congress
Chapter 223 - 1st Session
S. 984

AN ACT

To amend the Agricultural Act of 1949.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Agricultural Act of 1949 is amended by adding at the end thereof a new title to read as follows:

"TITLE V—AGRICULTURAL WORKERS

"SEC. 501. For the purpose of assisting in such production of agricultural commodities and products as the Secretary of Agriculture deems necessary, by supplying agricultural workers from the Republic of Mexico (pursuant to arrangements between the United States and the Republic of Mexico), the Secretary of Labor is authorized—

"(1) to recruit such workers (including any such workers who have resided in the United States for the preceding five years, or who are temporarily in the United States under legal entry);

"(2) to establish and operate reception centers at or near the places of actual entry of such workers into the continental United States for the purpose of receiving and housing such workers while arrangements are being made for their employment in, or departure from, the continental United States;

"(3) to provide transportation for such workers from recruitment centers outside the continental United States to such reception centers and transportation from such reception centers to such recruitment centers after termination of employment;

"(4) to provide such workers with such subsistence, emergency medical care, and burial expenses (not exceeding $150 burial expenses in any one case) as may be or become necessary during transportation authorized by paragraph (3) and while such workers are at reception centers;

"(5) to assist such workers and employers in negotiating contracts for agricultural employment (such workers being free to accept or decline agricultural employment with any eligible employer and to choose the type of agricultural employment they desire, and eligible employers being free to offer agricultural employment to any workers of their choice not under contract to other employers);

"(6) to guarantee the performance by employers of provisions of such contracts relating to the payment of wages or the furnishing of transportation.

"SEC. 502. No workers shall be made available under this title to any employer unless such employer enters into an agreement with the United States—

"(1) to indemnify the United States against loss by reason of its guaranty of such employer's contracts;

"(2) to reimburse the United States for essential expenses, not including salaries or expenses of regular department or agency personnel, incurred by it for the transportation and subsistence of workers under this title in amounts not to exceed $15 per worker; and

"(3) to pay to the United States, in any case in which a worker is not returned to the reception center in accordance with the contract entered into under section 501 (5), an amount determined by the Secretary of Labor to be equivalent to the normal cost to the employer of returning other workers from the place of

employment to such reception center, less any portion thereof required to be paid by other employers.

"SEC. 503. No workers recruited under this title shall be available for employment in any area unless the Secretary of Labor has determined and certified that (1) sufficient domestic workers who are able, willing, and qualified are not available at the time and place needed to perform the work for which such workers are to be employed, (2) the employment of such workers will not adversely affect the wages and working conditions of domestic agricultural workers similarly employed, and (3) reasonable efforts have been made to attract domestic workers for such employment at wages and standard hours of work comparable to those offered to foreign workers.

"SEC. 504. Workers recruited under this title who are not citizens of the United States shall be admitted to the United States subject to the immigration laws (or if already in, for not less than the preceding five years or by virtue of legal entry, and otherwise eligible for admission to, the United States may, pursuant to arrangements between the United States and the Republic of Mexico, be permitted to remain therein) for such time and under such conditions as may be specified by the Attorney General but, notwithstanding any other provision of law or regulation, no penalty bond shall be required which imposes liability upon any person for the failure of any such worker to depart from the United States upon termination of employment: *Provided*, That no workers shall be made available under this title to, nor shall any workers made available under this title be permitted to remain in the employ of, any employer who has in his employ any Mexican alien when such employer knows or has reasonable grounds to believe or suspect or by reasonable inquiry could have ascertained that such Mexican alien is not lawfully within the United States.

"SEC. 505. (a) Section 210 (a) (1) of the Social Security Act, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(b) Section 1426 (b) (1) of the Internal Revenue Code, as amended, is amended by adding at the end thereof a new subparagraph as follows:

"'(C) Service performed by foreign agricultural workers under contracts entered into in accordance with title V of the Agricultural Act of 1949, as amended.'

"(c) Workers recruited under the provisions of this title shall not be subject to the head tax levied under section 2 of the Immigration Act of 1917 (8 U. S. C., sec. 132).

"SEC. 506. For the purposes of this title, the Secretary of Labor is authorized—

"(1) to enter into agreements with Federal and State agencies; to utilize (pursuant to such agreements) the facilities and services of such agencies; and to allocate or transfer funds or otherwise to pay or reimburse such agencies for expenses in connection therewith;

"(2) to accept and utilize voluntary and uncompensated services; and

"(3) when necessary to supplement the domestic agricultural labor force, to cooperate with the Secretary of State in negotiating and carrying out agreements or arrangements relating to the employment in the United States, subject to the immigration laws, of agricultural workers from the Republic of Mexico.

"SEC. 507. For the purposes of this title—

"(1) The term 'agricultural employment' includes services or activities included within the provisions of section 3 (f) of the Fair Labor Standards Act of 1938, as amended, or section 1426 (h) of the Internal Revenue Code, as amended, horticultural employment, cotton ginning, compressing and storing, crushing of oil seeds, and the packing, canning, freezing, drying, or other processing of perishable or seasonable agricultural products.

"(2) The term 'employer' shall include an association, or other group, of employers, but only if (A) those of its members for whom workers are being obtained are bound, in the event of its default, to carry out the obligations undertaken by it pursuant to section 502, or (B) the Secretary determines that such individual liability is not necessary to assure performance of such obligations.

"SEC. 508. Nothing in this Act shall be construed as limiting the authority of the Attorney General, pursuant to the general immigration laws, to permit the importation of aliens of any nationality for agricultural employment as defined in section 507, or to permit any such alien who entered the United States legally to remain for the purpose of engaging in such agricultural employment under such conditions and for such time as he, the Attorney General, shall specify.

"SEC. 509. No workers will be made available under this title for employment after December 31, 1953."

Approved July 12, 1951.

LISTING OF REFERENCE MATERIALS

U.S. Congress. House. Committee on Agriculture. *Importation of Foreign Agricultural Workers. Hearings on H.R. 3048. 82d Congress. 1st session.*

U.S. Congress. Senate. Committee on Agriculture and Forestry. *Importation of Foreign Agricultural Workers. Hearings on S. 949, S. 984, and S. 1106. 82d Congress. 1st session.*

82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 976

RAILROAD RETIREMENT AMENDMENTS

SEPTEMBER 19, 1951.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. ROGERS of Florida, from the Committee on Interstate and Foreign Commerce, submitted the following

REPORT

[To accompany H. R. 3669]

The Committee on Interstate and Foreign Commerce, to whom was referred the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, having considered the same, report favorably thereon with amendments and recommend that the bill as amended do pass.

TABLE OF CONTENTS

COMMITTEE AMENDMENTS

The committee amendments are as follows:

Strike out all after the enacting clause and insert the following:

That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (p) thereof a new subsection reading as follows:

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

SEC. 2. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing "2.40" to "2.76", "1.80" to "2.07", and "1.20" to "1.38".

SEC. 3. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing the phrase "subsection 2 (a) (3)" to "section 2 (a) 3", and by changing "$3.60" to "$4.14" and "$60" to "$69".

SEC. 4. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "three-fourths of"

SEC. 5. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "three-fourths of".

SEC. 6. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "equal to one-half" the phrase "equal to two-thirds".

SEC. 7. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "equal to one-half" the phrase "equal to two-thirds".

SEC. 8. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "eight times the employee's basic amount" the phrase "ten times the employee's basic amount".

SEC. 9. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) MAXIMUM AND MINIMUM ANNUITY TOTALS.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14."

EFFECTIVE DATES

SEC. 10. (a) Except as otherwise specifically provided, the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Act after the last day of the month in which this Act is enacted, irrespective of when the service occurred or compensation was earned.

(b) The amendments made by sections 4, 5, 6, 7, 8, and 9 of this Act shall take effect with respect to deaths occurring after the enactment of this Act.

(c) All retirement annuities, all pensions, and all joint and survivor annuities deriving from joint and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act and due in months following the first calendar month after the enactment of this Act, shall be increased by 15 per centum.

(d) All monthly survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act and due in months following the first calendar month after the enactment of this Act, shall be increased by 33⅓ per centum.

(e) All recertifications required by reason of the provisions of this Act shall be made without application therefor.

Amend the title so as to read:

A bill to amend the Railroad Retirement Act, and for other purposes.

The Committee on Interstate and Foreign Commerce submits the following report in explanation of the accompanying bill to amend the Railroad Retirement Act of 1937, as amended.

NEED FOR LEGISLATION

The need for increasing the amount of monthly benefits paid to retired railroad employees and to the survivors of deceased employees is urgent. The committee is unanimously of the opinion that the necessary relief must be given at the earliest possible day.

For several years now the scale of the benefits to retired railway workers and their families has lagged far behind the steadily rising cost of living. This has produced a situation that cannot and should not be ignored any longer. The condition of some of these retired workers and their families, whom we seek to aid by increased benefits, is desperate. They need help and they need it now without further delay. This bill goes to the very heart of the matter by eliminating all controversial issues raised by the bills now before the committee and does the all-important thing, namely, increases benefits to all beneficiaries now under the railroad retirement system and thereby

grants immediate relief to enable them to live more in accord with what they are entitled to have as a result of long years of service and the high rate of taxes that have been paid into the retirement fund. This bill provides the additional aid in an easy and effectual manner by providing an across-the-board increase of 15 percent to annuitants and pensioners and 33⅓ percent to survivors, over and above the amounts they now receive. This will be effective immediately upon enactment of the bill.

The committee intends to continue its study of the more controversial issues, but to have done so at this time would have meant great delay in bringing aid to those so desperately in need. Consequently, the committee decided to act immediately in doing what it could within reason to relieve the existing need and leave other issues now in conflict to further consideration.

Railway labor organizations, many Members of Congress, and the present and future beneficiaries under the Retirement Act have been seriously concerned with the inadequacy of the present benefits in view of the steadily rising price level. When the formula for computing retirement annuities was adopted 14 years ago, annuities bore a reasonable relationship to the cost of living at that time and to the wage income that employees were accustomed to receive prior to their retirement. However, the relationships of retirement income to living costs and wage rates which existed in 1937 have no validity whatsoever today.

The only general increase in railroad retirement annuities and pensions was one of 20 percent, provided in 1948 by Public Law 744, Eightieth Congress.

It is now clear that this increase is far from adequate to meet the present price level.

With respect to benefits paid to survivors of deceased railroad employees, there has been no increase since the provisions for paying such benefits were enacted in 1946. Although these benefits were set up by the amendments of July 1946, the formulas had been established in 1944, when a bill providing for these amendments was first introduced in the Congress. The level of these benefits was determined without reference to living costs or wage rates at that time but rather with reference to the survivor benefits paid under the Social Security Act. The level of survivor benefits under the Railroad Retirement Act established by these amendments was on the average approximately 25 percent higher than the level provided in the Social Security Act, in order to give recognition to the much higher tax rate paid by railroad employees. There has been no increase in survivor benefits since they were first established in 1946. The act of 1948 increasing pensions and annuities to retired railroad employees by 20 percent did not include survivors of such railroad employees. The maximum benefit a survivor can now draw is approximately $41 a month.

The number of benefits and amount paid as of June 1951 under the provisions of the Railroad Retirement Act are shown in table 1, made a part of this report. There are over 250,000 retired annuitants and they receive on the average $82.51 monthly. There are close to 7,000 pensioners and they receive on the average $70.77. Aged widows' annuities, numbering approximately 81,000, average $29.68, widowed mothers' annuities, numbering approximately 13,000,

average $27.83, and children's annuities, numbering approximately 47,009, average $17.18. For the fiscal year ended with June 30, 1951, the total benefits paid under the railroad retirement acts amounted to $317,101,000. The table from which these figures have been taken is as follows:

TABLE 1.—*Number of benefits and amount paid under the Railroad Retirement Act as of June 1951 and total amount paid during fiscal year July 1950–June 1951*

Type of benefit	In current-payment status as of June 1951		Total amount paid, fiscal year July 1950–June 1951
	Number	Average amount paid	
Total benefits	407,871		[1] $317,101,022
Retirement annuities, total	254,156	$82.51	252,326,789
Age	179,576	82.94	
Disability	74,580	81.48	
Pensions	6,945	70.77	6,263,541
Aged widows' annuities	80,961	29.68	28,244,426
Widowed mothers' annuities	13,256	27.83	4,715,296
Children's annuities	46,975	17.18	10,128,846
Parents' annuities	1,083	16.76	230,169
Survivor (option) annuities	4,495	39.56	2,146,914
Lump-sum death benefits awarded			13,044,395
Insurance benefits	2,040	310.00	7,228,875
Residual payments	838	663.00	5,815,520

[1] Includes $646 paid in death-benefit annuities under the 1935 act.

Source: Railroad Retirement Board, Monthly Review, August 1951.

This is the picture we have at this time. Many thousands of persons who depend on railroad retirement benefits for sustenance are suffering extreme hardship.

The problems with which we are confronted are further complicated by the very far-reaching amendments which were made last year in the Social Security Act. Until then there was general agreement that the railroad retirement system was without peer among plans of its kind. However, with the passage of the 1950 amendments to the Social Security Act, and the gains made in the past year or two by employees in many industries through the adoption of company pension plans, the railroad system has fallen behind. At the present time all survivor benefits paid under the Social Security Act and many retirement benefits exceed the benefits that would be paid for comparable years of coverage and comparable earnings under the railroad retirement system, notwithstanding the fact that railroad employees pay taxes at a rate four times as great as employees covered by the Social Security Act. The railroad retirement system is financed by a tax of 6 percent of wages up to $300 a month on employees and employers alike. This tax rate under existing law is scheduled to rise to 6¼ percent beginning January 1952. Employees covered by the Social Security Act are taxed 1½ percent of payroll up to $300 a month, and employers are taxed an equal amount. Thus, the tax now paid by employees and employers under the railroad retirement system is four times greater than that paid under the Social Security Act.

STATUS OF RAILROAD RETIREMENT FUND

The status of the railroad retirement account is shown in table 2, which follows:

TABLE 2.—*Railroad retirement account—Receipts and expenditures July 1, 1950, to June 30, 1951, and balance as of June 30, 1951*

Balance, July 1, 1950	$2,063,483,449
Total receipts, July 1, 1950–June 30, 1951	678,158,199
Transferred from appropriation	607,991,049
Interest on investments	70,167,150
Total expenditures	321,844,761
Benefit payments	317,101,022
Administrative expenses	4,743,739
Excess of receipts over expenditures	356,313,438
Balance, June 30, 1951	[1] 2,419,261,626

[1] Includes repayment in October 1950 of $167,000 transferred to the administration account in previous fiscal year. Excludes $702,261 of unspent administration funds in 1950–51.

Source: Railroad Retirement Board, Monthly Review, August 1951.

It will be noted that as of June 30, 1951, there was a balance in the account of approximately $2,419,000,000 as a reserve to meet future liabilities. This represented an increase of some $356,000,000 for the year. During the present year the increase will be even greater due to continued employment at a high level, increased wages on which the tax is based, and an increase on January 1, next, of the total tax payable by employees and employers from 12 percent to 12.50 percent, as provided for under the present law. All of this will mean additional revenue to be applied to the fund and thereby increase its ability to meet future liabilities.

Furthermore, it should be remembered that with the adoption of the present benefits under the Railroad Retirement Act in 1946, the actuaries at that time overestimated the cost of the additional benefits then proposed and underestimated the funds to be available from tax collections. In fact, the estimates were conservative enough at that time to permit within 2 years, 1948, an increase of 20 percent for pensioners and annuitants without affecting the solvency of the fund. Also, since the increase in benefits, the fund has continuously progressed beyond the estimates of the actuaries, both in 1946 and in 1948. The major reason is that payrolls have been constantly increasing. Therefore, the committee is convinced from the testimony as a whole that the benefits to be increased under the committee substitute can be provided without immediately affecting the solvency of the fund.

SECTION-BY-SECTION ANALYSIS OF THE COMMITTEE BILL

Section 1. "Social Security Act" defined

Section 1: Section 1 contains a technical amendment which corrects the references to the Social Security Act in order to make clear that they refer to the Social Security Act as amended in 1950.

Section 2. Change in formula for computing retirement annuities

This section changes the formula set out in section 3 (a) of the Railroad Retirement Act by which annuities are calculated so as to increase the annuities by 15 percent.

Section 3. Minimum retirement annuities

This section amends section 3 (e) of the Railroad Retirement Act so as to provide a flat 15-percent increase in the minimum granted to those having more than 5 years of service. It also substitutes the words "section 2 (a) 3" for "subsection 2 (a) 3"; this is a perfecting amendment required by an error in the 1948 amendments to the Railroad Retirement Act (act of June 23, 1948, Public Law 744, 80th Cong., 2d sess.).

Section 4. Widow's insurance annuity

This section provides an addition of 33⅓ percent to the survivor benefit for widows 65 years of age or over, known as the aged widows benefit and covered by section 5 (a) of the Railroad Retirement Act.

Section 5. Widow's current insurance annuity

This section amends section 5 (b) of the act so as to increase the widow's current insurance annuity (for widows who are not entitled to annuities under section 5 (a) of the act but who have in their care a child of the employee entitled to an annuity under section 5 (c) of the act) from three-fourths of the employee's basic amount to an amount equal to such basic amount. Thus, this increases the survivor benefit of a widow with minor children by 33⅓ percent.

Section 6. Child's insurance annuity

This section amends section 5 (c) of the act by increasing the survivor benefit for minor children from one-half of the employee's basic amount to two-thirds of such basic amount. Thus, it increases such benefits by 33⅓ percent.

Section 7. Parent's insurance annuity

This section amends section 5 (d) of the act so as to increase the parent's insurance annuity from one-half of the employee's basic amount to two-thirds of such basic amount. This is also an increase of 33⅓ percent.

Section 8. Insurance lump sums

This section amends paragraph (1) of the section 5 (f) of the act so as to increase the lump sum payable thereunder in the case of a completely or partially insured employee who dies leaving no one immediately entitled to a monthly annuity. Such lump sum is increased from 8 times the employee's basic amount to 10 times such basic amount. Thus, this provides an increase of 25 percent.

Section 9. Maximum and minimum survivor annuity totals

This section amends section 5 (h) of the Railroad Retirement Act which specifies minimum and maximum total annuities for all the classes of survivors taken as a group. It increases the minimum annuities by 40 percent and the maximum by 33⅓ percent. The maximums are calculated by taking a lower of two figures specified in section 5 (h) and this amendment provides a change in those figures so that the actual maximum will be increased by 33⅓ percent.

Section 10. Effective dates; Miscellaneous provisions

Subsection (a) of this section provides that, unless specifically stated otherwise in this section, the amendments to present law made by the committee amendment will take effect with respect to benefits accruing under the Railroad Retirement Act after the last day of the month in which the bill is enacted.

Subsection (b) provides that the amendments made by sections 4 to 9, inclusive (relating to increases in survivor benefits), will take effect with respect to deaths occurring after the enactment of the bill.

Subsection (c) provides for a 15-percent increase in all retirement annuities, pensions, and joint and survivor annuities deriving from joint and survivor annuities, where such annuities and pensions are currently payable and awarded under the Railroad Retirement Act prior to the enactment of the bill. This increase will apply only to annuities and pensions due in months following the first calendar month after the enactment of the bill.

Subsection (d) provides that all monthly survivor annuities which are currently payable and awarded under the Railroad Retirement Act prior to the enactment of the bill shall be increased by one-third. The increase will apply only to such annuities due in months following the first calendar month after the enactment of the bill.

Subsection (e) provides that the Railroad Retirement Board will make, without application therefor having been made, all recertifications required by reason of the provisions of the committee amendment.

Summary of Hearings Explaining Areas of Agreement Between Interested Groups and the Controversial Issues Raised

HEARINGS

The committee held hearings beginning on May 15, 1951, and ending June 6, 1951, for the purpose of receiving testimony with regard to more than 30 pending bills to amend the Railroad Retirement Act. All of the bills sought to increase in one way or another the benefits now paid under the Railroad Retirement Act. They varied greatly as to the amount of benefits to be paid and the means to be adopted. However, the principal bills were H. R. 3669, sponsored by the Railway Labor Executives' Association, on behalf of the nonoperating brotherhoods, and H. R. 3755, sponsored by the operating brotherhoods. Both of these varying widely in their approach to the problem were introduced by Chairman Crosser of the committee. Testimony and statements were received from Members of Congress, spokesmen for various groups, agencies of Government, and others having an interest in railroad retirement legislation. The printed hearings containing the above consists of 564 printed pages.

AREAS OF AGREEMENT

On at least two basic principles the testimony offered before the committee showed agreement, namely, (1) the present benefits now payable to pensioners, annuitants, and survivors should be increased, and (2) the present tax rate on payrolls, now 6 percent, payable by both employees and employers, and to be increased to 6¼ percent

January 1, 1952, under existing law, should not be further increased. It was pointed out that the social-security tax rate on employees and employers in other industries is now only 1½ percent. Thus, the committee was urged to retain the existing railroad retirement tax rate at its current level. The committee has responded to this request and consequently has made no change in the tax rate. In addition to the above, the committee in making its changes in the benefits to be paid has had due regard to maintaining the stability of the fund.

TESTIMONY RELATING TO H. R. 3669

In view of the fact that the committee bill is a substitute for H. R. 3669, it is appropriate that the provisions of H. R. 3669 be examined.

H. R. 3669 would provide the following changes in benefits under the Railroad Retirement Act:

(1) An average increase of 13.8 percent in annuities; and a 15-percent increase in pensions.

(2) Provision for a separate and additional annuity, equal to one-half of the employee's annuity, not exceeding $50, for the wife of a living annuitant when both are age 65 or over.

(3) An increase ranging from 60 to 90 percent in survivor benefits; and

(4) Allow credit to employees for years they work beyond the retirement age of 65 years.

The sponsors of H. R. 3669 recognized that the proposed increases in benefits would render the railroad retirement system financially unsound unless, at the same time, changes were made in the law either to increase collections or decrease disbursements of the retirement fund. For this reason the bill provides the following:

(1) The retirement fund would be entirely relieved of the payment of benefits to persons who have had less than 10 years of service in the railroad industry, and that all such be transferred to the social-security system. Notwithstanding the transfer to this latter system, the employees would continue to pay while in railroad employment the 6 percent and later the 6¼ percent tax on wages as provided for by the Railroad Retirement Act, instead of the 1½ percent payable by employees in industries under the social-security system. Furthermore, the benefits to be received would be determined by Social Security Act rather than by the Railroad Retirement Act.

Opponents of this provision claimed that this was inequitable and cannot be justified. The importance of this claim was emphasized by the fact that this provision of H. R. 3669 would affect approximately 5 million individual accounts now in the railroad retirement fund who have paid the railroad retirement tax and as a result are entitled to the benefits provided by that act.

It was further pointed out that this plan to transfer employees with less than 10 years of service to social security would result in appropriating the entire amount of contributions made by them and would give them nothing other than the residual lump sum in the way of benefits under the railroad retirement system.

(2) H. R. 3669 seeks additional revenue by providing that the present payroll tax rate be applied to all wages up to $400 per month instead of $300 as under the present law.

This increase of the tax base was vigorously opposed by the representatives of the operating brotherhoods on the basis that in many cases it would result in increasing the individual's tax from the present $18 to $24 per month, an increase of 33⅓ percent.

(3) H. R. 3669 provides what is termed a $50 work-limitation clause. This would deny a pensioner or annuitant the right to earn more than $50 monthly in employment covered by the Social Security Act without losing his pension or annuity. At the present time there is no such limitation in the law.

The testimony seemed to indicate that this provision was included in the bill on the theory that with such a limitation many individuals would continue to work instead of retire. Thus, by continuing to work they would continue, under the Retirement Act, to pay the payroll tax, and would not be receiving any annuity. In this way the retirement fund would be helped by the continuance of the tax paid and at the same time be relieved from making any annuity disbursement. It was claimed that such a limitation was unfair and unjust because of the inadequate benefits paid under the Retirement Act, and that even though the benefits were increased as contemplated it would still be an injustice to the retired worker.

SPOUSE BENEFIT

This provision in H. R. 3669 that would give to the wife age 65 or over of a retired railroad worker an amount not exceeding $50, based upon one-half the annuity received by the employee, was opposed as being unfair to unmarried men. The retired employee may have been unmarried because of an obligation to care for a father, mother, brothers or sisters dependent upon him, or, he may be a widower. Yet, notwithstanding the fact that each has paid the same tax during their working days they are treated differently because of marital status. This, it was claimed, is inequitable and unjust.

COMMITTEE BILL

The committee bill which was reported as a substitute for H. R. 3669 omits the controversial features of that bill. The changes in the Railroad Retirement Act proposed by H. R. 3669 are numerous, substantial, and fundamentally different from the basic principles upon which the original act was drawn.

This committee substitute has two fundamental purposes, (1) to grant a sorely needed increase in pensions and annuities in the simplest form possible and in the easiest and quickest way possible and (2) to preserve the financial stability of the railroad retirement fund. Primarily the bill proposes a 15 percent addition to annuities and pensions for retired employees and a 33⅓ percent increase in each of the survivor benefits. The survivor benefits require the substantially larger increase because the 1948 amendments to the Railroad Retirement Act, which added 20 percent to annuities and pensions, did not include any higher benefits for survivors. The proposed amendments will cause a minimum of administrative difficulty and the additional funds should reach those who need them promptly.

There was some disagreement in the testimony before this committee relating to the amount of increased benefits which could be safely

made at this time. It appears to the committee, taking the testimony as a whole, that the 15- and 33⅓-percent increases provided in this amendment will substantially aid those for whom provision must be made and at the same time offer no immediate financial danger to the fund. The flat increases have the obvious advantage of simplicity; case files will need little or no review.

The committee substitute omits the controversial features of H. R. 3669. The changes in the Railroad Retirement Act proposed by H. R. 3669 are numerous and substantial, including (1) the creation of new classes of beneficiaries, i. e., the spouse of a retired employee and divorced wives with minor children, and widowers; (2) work restrictions which would decrease rather than increase the receipt of annuities by railroad employees; (3) an increase in the amount of taxable compensation from $300 to $400; (4) the creation of a new eligibility requirement under the act which would transfer to the social-security system those who have less than 10 years' service, although those employees would continue to pay the higher taxes under the railroad retirement system while in railroad employment; (5) the establishment of a complicated correlation between the Railroad Retirement Act and the Social Security Act contemplating a future indefinite adjustment of finances between the two systems.

These are highly controversial changes concerning which the testimony before this committee was conflicting. Actuarial evidence regarding the effect on the fund of the creation of new classes of beneficiaries differed seriously. The testimony also reflected disagreement between the representatives of the Railroad Retirement Board and the Federal Security Agency as to the effect of the proposed correlation between the Railroad Retirement Act and the Social Security Act. Therefore, the committee now feels that further study is required before a sound judgment can be made on the advisability of accepting the changes contained in H. R. 3669.

STATEMENT OF F. C. SQUIRE, MEMBER OF RAILROAD RETIREMENT BOARD

The statement of F. C. Squire, member of the Railroad Retirement Board, expressing a preference for the substitute bill for H. R. 3669 as recommended by the committee is shown in appendix 1 to this report.

STUDY OF RAILROAD RETIREMENT SYSTEM

An amendment will be offered on the floor of the House providing for a prompt study of a plan for reinsurance with the general social-security system of the obligations under the railroad retirement system so as to enable the Congress at the next session to give the railroad retirement system the savings that would be achieved from securing the social-security level of benefits at the social-security tax rate. Such study would also consider savings that could be effected by such provisions as transfer to the social-security system of short-time railroad workers, complete elimination of dual benefits, uniform work clauses, etc., and how many of these possible savings would be required to bring the net cost of the railroad retirement system within the bounds of the money available.

REPORT OF THE FEDERAL SECURITY AGENCY

The Federal Security Agency, in its report on H. R. 3669 as introduced, concluded that it could not recommend the adoption of that bill. Its report is shown in appendix 2 to this report. It made recommendations as follows:

> In view of the above considerations the Federal Security Agency cannot recommend the adoption of H. R. 3669 or H. R. 3755. As indicated, though, we are convinced that a satisfactory method of coordination can be developed. This should not be excessively time consuming. However, we recognize that there is a problem which must be solved immediately. This problem, of course, is that of the railroad workers who are already retired and about to retire, as well as the survivors of those workers who have died, or will die within the near future. These people are faced now with rising living costs and inadequate benefits. There is no need to postpone alleviating this problem until a coordination plan has been developed.
>
> It would be possible, of course, simply to provide a flat increase or a percentage increase in the benefits payable to these beneficiaries. Alternatively, the committee might wish to consider a solution to the problem similar to that which was adopted for old-age and survivors insurance beneficiaries who were on the rolls at the time of the 1950 amendments to the Social Security Act.
>
> Time has not permitted us to obtain advice from the Bureau of the Budget as to the relationship of these bills to the program of the President.

REPORT OF THE BUREAU OF THE BUDGET

The Bureau of the Budget, in its report on H. R. 3669 as introduced, stated that the original bill has a number of serious defects and recommended that a study of the railroad retirement system be made with particular reference to the advisability of integrating this system with the Social Security System. The principle of making the old-age and survivors insurance system the basic form of protection for all employed people would carry out the President's recommendation made in his 1952 budget message. This report is shown in appendix 3 to this report.

Such a study would take considerable time, and there is an immediate need for increased benefits to annuitants and survivors, a need which has existed since the cost of living has shown such major increases. It would be unjust to require the retiring railroad employees or their survivors to wait for their additional funds, which all parties testifying before this committee agree are urgently required, until any study which may be authorized would be completed. This committee substitute will provide some relief while the other debatable questions are resolved and will provide it in easily administered, sound financial form.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

For the information of the Members of the House, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

* * * * * * *

(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1950.

* * * * * * *

COMPUTATION OF ANNUITIES

SEC. 3. (a) The annuity shall be computed by multiplying an individual's "years of service" by the following percentages of his "monthly compensation": [2.40] *2.76* per centum of the first $50; [1.80] *2.07* per centum of the next $100; and [1.20] *1.38* per centum of the next $150.

* * * * * * *

(e) In the case of an individual having a current connection with the railroad industry and not less than five years of service, the minimum annuity payable shall, before any reduction pursuant to [subsection 2 (a) (3)] *section 2 (a) 3*, be whichever of the following is the least: (1) [$3.60] *$4.14* multiplied by the number of his years of service; or (2) [$60] *$69*; or (3) his monthly compensation.

* * * * * * *

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) Widow's Insurance Annuity.—A widow of a completely insured employee, who will have attained the age of sixty-five, shall be entitled during the remainder of her life or, if she remarries, then until remarriage to an annuity for each month equal to [three-fourths of] such employee's basic amount.

(b) Widow's Current Insurance Annuity.—A widow of a completely or partially insured employee, who is not entitled to an annuity under subsection (a) and who at the time of filing an application for an annuity under this subsection will have in her care a child of such employee entitled to receive an annuity under subsection (c) shall be entitled to an annuity for each month equal to [three-fourths of] the employee's basic amount. Such annuity shall cease upon her death, upon her remarriage, when she becomes entitled to an annuity under subsection (a), or when no child of the deceased employee is entitled to receive an annuity under subsection (c), whichever occurs first.

(c) Child's Insurance Annuity.—Every child of an employee who will have died completely or partially insured shall be entitled, for so long as such child lives and meets the qualifications set forth in paragraph (1) of subsection (l), to an annuity for each month equal to [one-half] *two-thirds* of the employee's basic amount.

(d) Parent's Insurance Annuity.—Each parent, sixty-five years of age or over, of a completely insured employee, who will have died leaving no widow and no child, shall be entitled, for life, or, if such parent remarries after the employee's death, then until such remarriage, to an annuity for each month equal to [one-half] *two-thirds* of the employee's basic amount.

* * * * * * *

(f) Lump-Sum Payment.—(1) Upon the death, on or after January 1, 1947, of a completely or partially insured employee who will have died leaving no widow, child, or parent who would on proper application therefor be entitled to receive an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of [eight] *ten* times the employee's basic amount to the following person (or if more than one there shall be distributed among them) whose relationship to the deceased employee will have been determined by the Board, and who will have been living on the date of such determination: to the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who, under the intestacy law of the State where the deceased will have been domiciled, will have been entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased, in equal shares. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this paragraph by reason of the fact that no such named relative will have survived the deceased or of the fact that no such named relative of the deceased will have been living on the date of such determination. If none of the persons described in this paragraph be living on the date of such determination, such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of the deceased. If a lump sum would be payable to a widow, child, or

parent under this paragraph except for the fact that a survivor will have been entitled to receive an annuity for the month in which the employee will have died, but within one year after the employee's death there will not have accrued to survivors of the employee, by reason of his death annuities which, after all deductions pursuant to paragraph (1) of subsection (i) will have been made, are equal to such lump sum, a payment to any then surviving widow, children, or parents shall nevertheless be made under this paragraph equal to the amount by which such lump sum exceeds such annuities so accrued after such deductions. No payment shall be made to any person under this paragraph, unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of the deceased employee, except that if the deceased employee is a person to whom section 2 of the Act of March 7, 1942 (56 Stat. 143, 144), is applicable such two years shall run from the date on which the deceased employee, pursuant to said Act, is determined to be dead, and for all other purposes of this section such employee, so long as it does not appear that he is in fact alive, shall be deemed to have died on the date determined pursuant to said Act to be the date or presumptive date of death.

* * * * * * *

(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than [$20] *$30* and exceeds either (a) [$120] *$160*, or (b) an amount equal to [twice] *two and two-thirds times* such employee's basic amount, [or with respect to employees other than those who will have been completely insured solely by virtue of subsection (l) (7) (iii), such total exceeds (c) an amount equal to 80 per centum of his average monthly remuneration,] whichever of such amounts is [least] *the lesser*, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such [least] *lesser* amount or to [$20] *$30*, whichever is greater. Whenever such total of annuities is less than [$10] *$14*, such total shall, prior to any deductions under subsection (i), be increased to [$10] *$14*.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS INTRODUCED

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

(a) The term "employer" means any carrier (as defined in subsection (m) of this section), and any company which is directly or indirectly owned or controlled by one of more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver trustee, or other individual or body, judicial or otherwise, when in the possession of the property or operating all or any part of the business of any such employer: *Provided, however*, That the term "employer" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Board, or upon complaint of any party interested, to determine after hearing whether any line operated by electric power falls within the terms of this proviso. The term "employer" shall also include railroad associations, traffic associations, tariff bureaus, demurrage bureaus, weighing and inspection bureaus, collection agencies and other associations, bureaus, agencies, or organizations controlled and maintained wholly or principally by two or more

employers as hereinbefore defined and engaged in the performance of services in connection with or incidental to railroad transportation; and railway labor organizations, national in scope, which have been or may be organized in accordance with the provisions of the Railway Labor Act, as amended, and their State and National legislative committees and their general committees and their insurance departments and their local lodges and divisions, established pursuant to the constitution and bylaws of such organizations. The term "employer" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.

(b) The term "employee" means (1) any individual in the service of one or more employers for compensation, (2) any individual who is in the employment relation to one or more employers, and (3) an employee representative. The term "employee" shall include an employee of a local lodge or division defined as an employer in subsection (a) only if he was in the service of or in the employment relation to a carrier on or after the enactment date. The term "employee representative" means any officer or official representative of a railway labor organization other than a labor organization included in the term "employer" as defined in section 1 (a) who before or after the enactment date was in the service of an employer as defined in section 1 (a) and who is duly authorized and designated to represent employees in accordance with the Railway Labor Act, as amended, and any individual who is regularly assigned to or regularly employed by such officer or official representative in connection with the duties of his office.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

(c) An individual is in the service of an employer whether his service is rendered within or without the United States if (i) he is subject to the continuing authority of the employer to supervise and direct the manner of rendition of his service, or he is rendering professional or technical services and is integrated into the staff of the employer, or he is rendering, on the property used in the employer's operations, other personal services the rendition of which is integrated into the employer's operations, and (ii) he renders such service for compensation, or a method of computing the monthly compensation for such service is provided in section 3 (c): *Provided, however*, That an individual shall be deemed to be in the service of an employer, other than a local lodge or division or a general committee of a railway-labor-organization employer, not conducting the principal part of its business in the United States only when he is rendering service to it in the United States; and an individual shall be deemed to be in the service of such a local lodge or division only if (1) all, or substantially all, the individuals constituting its membership are employees of an employer conducting the principal part of its business in the United States; or (2) the headquarters of such local lodge or division is located in the United States; and an individual shall be deemed to be in the service of such a general committee only if (1) he is representing a local lodge or division described in clauses (1) or (2) immediately above; or (2) all, or substantially all, the individuals represented by it are employees of an employer conducting the principal part of its business in the United States; or (3) he acts in the capacity of a general chairman or an assistant general chairman of a general committee which represents individuals rendering service in the United States to an employer, but in such case if his office or headquarters is not located in the United States and the individuals represented by such general committee are employees of an employer not conducting the principal part of its business in the United States, only such proportion of the remuneration for such service shall be regarded as compensation as the proportion which the mileage in the United States under the jurisdiction of such general committee bears to the total mileage under its jurisdiction, unless such mileage formula is inapplicable, in which case the Board may prescribe such other formula as it finds to be equitable, and if the application of such mileage formula, or such other formula as the Board may prescribe, would result in the compensation of the individual being less than 10 per centum of his remuneration for such service no part of such remuneration shall be regarded as compensation: *Provided further*, That an individual not a citizen or resident of the United States shall not be deemed to be in the service of an employer when rendering service outside the United States to an employer who is required under the laws applicable in the place where the service is rendered to employ therein, in whole or in part, citizens or residents thereof; and the laws

applicable on August 29, 1935, in the place where the service is rendered shall be deemed to have been applicable there at all times prior to that date.

(d) An individual shall be deemed to have been in the employment relation to an employer on the enactment date if (i) he was on that date on leave of absence from his employment, expressly granted to him by the employer by whom he was employed, or by a duly authorized representative of such employer, and the grant of such leave of absence will have been established to the satisfaction of the Board before July 1947; or (ii) he was in the service of an employer after the enactment date and before January 1946 in each of six calendar months, whether or not consecutive; or (iii) before the enactment date he did not retire and was not retired or discharged from the service of the last employer by whom he was employed or its corporate or operating successor, but (A) solely by reason of his physical or mental disability he ceased before the enactment date to be in the service of such employer and thereafter remained continuously disabled until he attained age sixty-five or until August 1945 or (B) solely for such last stated reason an employer by whom he was employed before the enactment date or an employer who is its successor did not on or after the enactment date and before August 1945 call him to return to service, or (C) if he was so called he was solely for such reason unable to render service in six calendar months as provided in clause (ii); or (iv) he was on the enactment date absent from the service of an employer by reason of a discharge which, within one year after the effective date thereof, was protested, to an appropriate labor representative or to the employer, as wrongful, and which was followed within ten years of the effective date thereof by his reinstatement in good faith to his former service with all his seniority rights: *Provided*, That an individual shall not be deemed to have been on the enactment date in the employment relation to an employer if before that date he was granted a pension or gratuity on the basis of which a pension was awarded to him pursuant to section 6, or if during the last pay-roll period before the enactment date in which he rendered service to an employer he was not in the service of an employer, in accordance with subsection (c), with respect to any service in such pay-roll period, or if he could have been in the employment relation to an employer only by reason of his having been, either before or after the enactment date in the service of a local lodge or division defined as an employer in section 1 (a).

(e) The term "United States", when used in a geographical sense, means the States, Alaska, Hawaii, and the District of Columbia.

(f) The term "years of service" shall mean the number of years an individual as an employee shall have rendered service to one or more employers for compensation or received remuneration for time lost, and shall be computed in accordance with the provisions of section 3 (b): *Provided, however*, That where service prior to the enactment date may be included in the computation of years of service as provided in subdivision (1) of section 3 (b), it may be included as to service rendered to a person which was on the enactment date an employer, irrespective of whether, at the time such service was rendered, such person was an employer; and it may also be included as to service rendered to any express company, sleeping-car company, or carrier by railroad which was a predecessor of a company which, on the enactment date, was a carrier as defined in subsection (m), irrespective of whether, at the time such service was rendered to such predecessor, it was an employer; it may also be included as to service rendered to a person not an employer in the performance of operations involving the use of standard railroad equipment if such operations were performed by an employer on the enactment date. Twelve calendar months, consecutive or otherwise, in each of which an employee has rendered such service or received such wages for time lost, shall constitute a year of service. Ultimate fractions shall be taken at their actual value, except that if the individual will have had not less than [fifty-four] *one hundred twenty-six* months of service, an ultimate fraction of six months or more shall be taken as one year.

(g) The term "annuity" means a monthly sum which is payable on the 1st day of each calendar month for the accrual during the preceding calendar month.

(h) The term "compensation" means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips, or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. For the purposes of determining monthly compensation and years of service and for the purposes of subsections (a), (c), and (d) of section 2

and subsection (a) of section 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (1) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to section 2 (a) and 3 (a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (2) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's pay roll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month.

(i) The term "Board" means the Railroad Retirement Board.

(j) The term "enactment date" means the 29th of August 1935.

(k) The term "company" includes corporations, associations, and joint-stock companies.

(l) The term "employee" includes an officer of an employer.

(m) The term "carrier" means an express company, sleeping-car company, or carrier by railroad, subject to part I of the Interstate Commerce Act.

(n) The term "person" means an individual, a partnership, an association, a joint-stock company, or a corporation.

(o) An individual shall be deemed to have "a current connection with the railroad industry" at the time an annuity begins to accrue to him and at death if, in any thirty consecutive calendar months before the month in which an annuity under section 2 begins to accrue to him (or the month in which he dies if that first occurs), he will have been in service as an employee in not less than twelve calendar months and, if such thirty calendar months do not immediately precede such month, he will not have been engaged in any regular employment other than employment for an employer in the period before such month and after the end of such thirty months. For the purposes of section 5 only, an individual shall be deemed also to have a "current connection with the railroad industry" if he is in all other respects completely insured but would not be fully insured under the Social Security Act, or if he is in all other respects partially insured but would be neither fully nor currently insured under the Social Security Act, or if he has no wage quarters of coverage.

(p) The terms "quarter" and "calendar quarter" shall mean a period of three calendar months ending on March 31, June 30, September 30, or December 31.

(q) The terms "Social Security Act" and "Social Security Act, as amended," shall mean the Social Security Act as amended in 1950.

ANNUITIES

SEC. 2. (a) The following-described individuals, if they shall have been employees on or after the enactment date, *and shall have completed ten years of service,* shall, subject to the conditions set forth in subsections (b), (c), and (d), be eligible for annuities after they shall have ceased to render compensated service to any

person, whether or not an employer as defined in section 1 (a) (but with the right to engage in other employment to the extent not prohibited by subsection (d)):

1. Individuals who on or after the enactment date shall be sixty-five years of age or over.

2. Women who will have attained the age of sixty and will have completed thirty years of service.

3. Individuals who will have attained the age of sixty and will have completed thirty years of service, but the annuity of such an individual shall be reduced by one one-hundred-and-eightieth for each calendar month that he is under age sixty-five when his annuity begins to accrue.

4. Individuals having a current connection with the railroad industry, and whose permanent physical or mental condition is such as to be disabling for work in their regular occupation, and who (i) will have completed twenty years of service or (ii) will have attained the age of sixty. The Board, with the cooperation of employers and employees, shall secure the establishment of standards determining the physical and mental conditions which permanently disqualify employees for work in the several occupations in the railroad industry, and the Board, employers, and employees shall cooperate in the promotion of the greatest practicable degree of uniformity in the standards applied by the several employers. An individual's condition shall be deemed to be disabling for work in his regular occupation if he will have been disqualified by his employer because of disability for service in his regular occupation in accordance with the applicable standards so established; if the employee will not have been so disqualified by his employer, the Board shall determine whether his condition is disabling for work in his regular occupation in accordance with the standards generally established; and, if the employee's regular occupation is not one with respect to which standards will have been established, the standards relating to a reasonably comparable occupation shall be used. If there is no such comparable occupation, the Board shall determine whether the employee's condition is disabling for work in his regular occupation by determining whether under the practices generally prevailing in industries in which such occupation exists such condition is a permanent disqualification for work in such occupation. For the purposes of this section, an employee's "regular occupation" shall be deemed to be the occupation in which he will have been engaged in more calendar months than the calendar months in which he will have been engaged in any other occupation during the last preceding five calendar years, whether or not consecutive, in each of which years he will have earned wages or salary, except that, if an employee establishes that during the last fifteen consecutive calendar years he will have been engaged in another occupation in one-half or more of all the months in which he will have earned wages or salary, he may claim such other occupation as his regular occupation; or

5. Individuals whose permanent physical or mental condition is such that they are unable to engage in any regular employment [and who (i) have completed ten years of service, or (ii) have attained the age of sixty].

Such satisfactory proof shall be made from time to time as prescribed by the Board, of the disability provided for in paragraph 4 or 5 and of the continuance of such disability (according to the standards applied in the establishment of such disability) until the employee attains the age of sixty-five. If the individual fails to comply with the requirements prescribed by the Board as to proof of the continuance of the disability until he attains the age of sixty-five years, his right to an annuity by reason of such disability shall, except for good cause shown to the Board, cease, but without prejudice to his rights to any subsequent annuity to which he may be entitled. If before attaining the age of sixty-five an employee in receipt of an annuity under paragraph 4 or 5 is found by the Board to be no longer disabled as provided in said paragraphs his annuity shall cease upon the last day of the month in which he ceases to be so disabled. [An employee, in receipt of such annuity, who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months, shall be deemed to cease to be so disabled in the last of such six months; and such employee shall report to the Board immediately all such service for hire, or such self-employment.] If after cessation of his disability annuity the employee will have acquired additional years of service, such additional years of service may be credited to him with the same effect as if no annuity had previously been awarded to him.

(b) An annuity shall be paid only if the applicant shall have relinquished such rights as he may have to return to the service of an employer and of the person by whom he was last employed; but this requirement shall not apply to the individuals mentioned in subdivision 4 and subdivision 5 of subsection (a) prior to attaining age sixty-five.

(c) An annuity shall begin to accrue as of a date to be specified in a written application (to be made in such manner and form as may be prescribed by the Board and to be signed by the individual entitled thereto), but—

(1) not before the date following the last day of compensated service of the applicant, and

(2) not more than [sixty days] *six months* before the filing of the application.

(d) No annuity shall be paid with respect to any month in which an individual (*i*) in receipt of an annuity hereunder shall render compensated service to an employer or to the last person by whom he was employed prior to the date on which the annuity began to [accrue.] *accrue, or (ii) is receiving an annuity under paragraph 1, 2 or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age sixty-five, is under the age of seventy-five, and shall earn more than $50 in "wages" or be charged with more than $50 in "net earnings from self-employment", or (iii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of sixty-five, and shall earn more than $100 in "wages" or be charged with more than $100 in "net earnings from self-employment".* Individuals receiving annuities shall report to the Board immediately all such compensated service.

(e) For the purpose of this section and of subsection (i) of section 5, "wages" shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and "net earnings from self-employment" shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (e) of that Act.

(f) SPOUSE'S ANNUITY.—The spouse of an individual, if—

(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

(ii) such spouse has attained the age of 65 or, in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $50: Provided, however, That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual has been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: Provided further, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this subsection shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

(g) For the purposes of this Act, the term "spouse" shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

(h) The spouse's annuity provided in subsection (f) shall, with respect to any month, be subject to the same provisions of subsection (d) with regard to service, "wages" and "net earnings from self-employment" as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act.

COMPUTATION OF ANNUITIES

SEC. 3. (a) The annuity shall be computed by multiplying an individual's "years of service" by the following percentages of his "monthly compensation": [2.40] *2.80* per centum of the first $50; [1.80] *2.00* per centum of the next $100; and [1.20] *1.40* per centum of the [next $150] *remainder of his "monthly compensation"*.

(b) The "years of service" of an individual shall be determined as follows:

(1) In the case of an individual who was an employee on the enactment date, the years of service shall include all his service subsequent to December 31, 1936, and if the total number of such years is less than thirty, then the years of service shall also include his service prior to January 1, 1937, but not so as to make his total years of service exceed thirty: *Provided, however*, That with respect to any such individual who rendered service to any employer after January 1, 1937, and who on the enactment date was not an employee of an employer conducting the principal part of its business in the United States no greater proportion of his service rendered prior to January 1, 1937, shall be included in his "years of service" than the proportion which his total compensation (including compensation in any month in excess of [$300] *his "monthly compensation"*) for service after January 1, 1937, rendered anywhere to an employer conducting the principal part of its business in the United States or rendered in the United States to any other employer bears to his total compensation (including compensation in any month in excess of [$300] *his "monthly compensation"*) for service rendered anywhere to an employer after January 1, 1937.

(2) In all other cases, the years of service shall include only the service subsequent to December 31, 1936.

(3) Where the years of service include only part of the service prior to January 1, 1937, the part included shall be taken in reverse order beginning with the last calendar month of such service.

[(4) In no case shall the years of service include any service rendered after June 30, 1937, and after the end of the calendar year in which the individual attains the age of sixty-five.]

The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension.

MONTHLY COMPENSATION

(c) The "monthly compensation" shall be the average compensation paid to an employee with respect to calendar months included in his "years of service", except (1) that with respect to service prior to January 1, 1937, the monthly compensation shall be the average compensation paid to an employee with respect to calendar months included in his years of service in the years 1924–1931, and (2) the amount of compensation paid or attributable as paid to him with respect to each month of service before September 1941 as a station employee whose duties consisted of or included the carrying of passengers' hand baggage and otherwise assisting passengers at passenger stations and whose remuneration for service to the employer was, in whole or in substantial part, in the forms of tips, shall be the monthly average of the compensation paid to him as a station employee in his months of service in the period September 1940–August 1941: *Provided, however*, That where service in the period 1924–1931 in the one case, or in the period September 1940–August 1941 in the other case, is, in the judgment of the Board, insufficient to constitute a fair and equitable basis for determining the amount of compensation paid or attributable as paid to him in each month of service before 1937, or September 1941, respectively, the Board shall determine the amount of such compensation for each such month in such manner as in its judgment shall be fair and equitable. In computing the monthly compensation, no part of any month's compensation in excess of $300 *through the calendar year 1951, and in excess of $400 thereafter*, shall be recognized.

(d) The annuity of an individual who shall have been an employee representative shall be determined in the same manner and with the same effect as if the employee organization by which he shall have been employed were an employer.

(e) In the case of an individual having a current connection with the railroad industry [and not less than five years of service], the minimum annuity payable shall, before any reduction pursuant to [subsection 2 (a) (3)] *sections 2 (a) 3 or 3 (b) (4)*, be whichever of the following is the least: (1) [$3.60] *$4.10* multiplied by the number of his years of service; or (2) [$60] *$68;* or (3) his monthly [compensation.] *compensation: Provided, however, That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsection (f) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act and quarters of coverage were determined in accordance with section 5 (1) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.*

(f) Annuity payments which will have become due an individual but will not yet have been paid at death shall be paid to the same individual or individuals who, in the event that a lump sum will have become payable pursuant to section 5 hereof upon such death, would be entitled to receive such lump sum, in the same manner as, and subject to the same limitations under which, such lump sum would be paid, except that, as determined by the Board, first, brothers and sisters of the deceased, and if there are none such, then grandchildren of the deceased, if living on the date of the determination, shall be entitled to receive payment prior to any payment being made for reimbursement of burial expenses. If there be no individual to whom payment can thus be made, such annuity payments shall escheat to the credit of the Railroad Retirement Account.

(g) No annuity shall accrue with respect to the calendar month in which an annuitant dies.

[(h) After an annuity has begun to accrue, it shall not be subject to recomputation on account of service rendered thereafter to an employer, except as provided in subdivision 3 of section 2 (a).]

[i] *(h)* If an annuity is less than $2.50, it may, in the discretion of the Board, be paid quarterly or in a lump sum equal to its commuted value as determined by the Board.

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ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) Widow's *and Widower's* Insurance Annuity.—A widow *or widower* of a completely insured employee, who will have attained the age of sixty-five, shall be entitled during the remainder of her *or his* life, or, if she *or he* remarries, then until remarriage to [an annuity for each month equal to three-fourths of such employee's basic amount] *a survivor's insurance annuity: Provided, however, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor s insurance annuity, the widow's or widower's annuity shall be increased to such greater amount.*

(b) Widow's Current Insurance Annuity.—A widow of a completely or partially insured employee, who is not entitled to an annuity under subsection (a) and who at the time of filing an application for an annuity under this subsection will have in her care a child of such employee entitled to receive an annuity under subsection (c) shall be entitled to [an annuity for each month equal to three-fourths of the employee's basic amount] *a survivor's insurance annuity: Provided, however, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor s insurance annuity, the widow s current insurance annuity shall be increased to such greater amount.* Such annuity shall cease upon her death, upon her remarriage, when she becomes entitled to an annuity under subsection (a), or when no child of the deceased employee is entitled to receive an annuity under subsection (c), whichever occurs first.

(c) Child's Insurance Annuity.—Every child of an employee who will have died completely or partially insured shall be entitled, for so long as such child lives and meets the qualifications set forth in paragraph (1) of subsection (l), to [an annuity for each month equal to one-half of the employee's basic amount] *a survivor's*

insurance annuity: Provided, however, That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii) one-third of a survivor's insurance annuity divided by the number of such children.

(d) Parent's Insurance Annuity.—Each parent, sixty-five years of age or over, of a completely insured employee, who will have died leaving no [widow and] *widow, no widower, and* no child, shall be entitled, for life, or, if such parent remarries after the employee's death, then until such remarriage, to [an annuity for each month equal to one-half of the employee's basic amount] *a survivor's insurance annuity.*

(e) When there is more than one employee with respect to whose death [a parent or child is entitled to an annuity for a month, such annuity shall be one-half of whichever employee's basic amount is greatest] *the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one of such employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees.*

(f) Lump-Sum Payment.—(1) Upon the death, on or after January 1, 1947, of a completely or partially insured employee who will have died leaving no [widow, child,] *widow, widower, child,* or parent who would on proper application therefor be entitled to receive an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of [eight times the employee's basic amount] *twelve times the survivor's insurance annuity* to the following person (or if more than one there shall be distributed among them) whose relationship to the deceased employee will have been determined by the Board, and who will have been living on the date of such determination: to the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who, under the intestacy law of the State where the deceased will have been domiciled, will have been entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased, in equal shares. *Upon the death, on or after the first day of the month next following the month of enactment hereof, of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the order provided in this paragraph.* A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this paragraph by reason of the fact that no such named relative will have survived the deceased or of the fact that no such named relative of the deceased will have been living on the date of such determination. If none of the persons described in this paragraph be living on the date of such determination, such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of the deceased. If a lump sum *of twelve times the survivor's insurance annuity* would be payable to a [widow, child,] *widow, widower, child,* or parent under this paragraph except for the fact that a survivor will have been entitled to receive an annuity for the month in which the employee will have died, but within one year after the employee's death there will not have accrued to survivors of the employee, by reason of his death annuities which, after all deductions pursuant to paragraph (1) of subsection (i) will have been made, are equal to [such lump sum,] *eight times the survivor's insurance annuity,* a payment to any then surviving [widow, children,] *widow, widower, children,* or parents shall nevertheless be made under this paragraph equal to the amount by which [such lump sum] *eight times the survivor's insurance annuity* exceeds such annuities so accrued after such deductions. No payment shall be made to any person under this paragraph, unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent), prior to the expiration of two years after the date of death of the deceased employee, except that if the deceased employee is a person to whom section 2 of the Act of March 7, 1942 (56 Stat. 143, 144), is applicable such two years shall run from the date on which the deceased employee, pursuant to said Act, is determined to be dead, and for all other purposes of this section such employee, so long as it does not appear that he is in fact alive, shall be deemed to have died on the date determined pursuant to said Act to be the date or presumptive date of death.

(2) Whenever it shall appear, with respect to the death of an employee on or after January 1, 1947, that no benefits, or no further benefits, other than benefits payable to a [widow or] *widow, widower, or* parent upon attaining age sixty-five at a future date, will be payable under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended, there shall be paid to such person or persons as the deceased employee may have designated by a writing filed with the Board prior to his *or her* death, or if there be no designation, to the person or persons in the order provided in paragraph (1) of this subsection or, in the absence of such person or persons, to his *or her* estate, a lump sum in an amount equal to the sum of 4 per centum of his *or her* compensation paid after December 31, 1936, and prior to January 1, 1947, and 7 per centum of his *or her* compensation after December 31, 1946 (exclusive in both cases of compensation in excess of $300 *through the calendar year 1951 and $400 thereafter* for any month), minus the sum of all benefits paid to him *or her, and to others deriving from him or her, during his or her life*, or to others by reason of his *or her* death, under this Act and, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended: *Provided, however*, That if the employee is survived by a [widow or] *widow, widower, or* parent who may upon attaining age sixty-five be entitled to further benefits under this section, or pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended, such lump sum shall not be paid unless such [widow or] *widow, widower, or* parent makes and files with the Board an irrevocable election, in such form as the Board may prescribe, to have such lump sum paid in lieu of all benefits to which such [widow or] *widow, widower, or* parent might otherwise become entitled under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended. Such election shall be legally effective according to its terms. Nothing in this section shall operate to deprive a [widow or] *widow, widower, or* parent making such election of any insurance benefits under section 202 of the Social Security Act, as amended, to which such [widow or] *widow, widower, or* parent would have been entitled had this section not been enacted. The term "benefits" as used in this paragraph includes all annuities payable under this Act, lump sums payable under paragraph (1) of this subsection, and insurance benefits and lump-sum payments under section 202 of the Social Security Act, as amended, pursuant to subsection (k) of this [section.] *section, except that the deductions of the benefits paid pursuant to subsection (k) of this section under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k).*

(g) Correlation of Payments.—(1) An individual, entitled on applying therefor to receive for a month before January 1, 1947, an insurance benefit under the Social Security Act on the basis of an employee's wages, which benefit is greater in amount than would be an annuity for such individual under this section with respect to the death of such employee, shall not be entitled to such annuity. An individual, entitled on applying therefor to any annuity or lump sum under this section with respect to the death of an employee, shall not be entitled to a lump-sum death payment or, for a month beginning on or after January 1, 1947, to any insurance benefits under the Social Security Act on the basis of the wages of the same employee.

[(2) A widow or child, otherwise entitled to an annuity under this section, shall be entitled only to that part of such annuity for a month which exceeds the total of any retirement annuity, and insurance benefit under the Social Security Act to which such widow or child would be entitled for such month on proper application therefor. A parent, otherwise entitled to an annuity under this section, shall be entitled only to that part of such annuity for a month which exceeds the total of any other annuity under this section, retirement annuity, and insurance benefit under the Social Security Act to which such parent would be entitled for such month on proper application therefor.]

(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

[(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $20 and exceeds either (a) $120, or (b) an amount equal to twice such employee's basic amount, or with respect to employees other than those who will have been completely insured solely by virtue of subsection (l) (7) (iii), such total exceeds (c) an amount equal to 80 per centum of his average monthly remuneration, whichever of such amounts is least, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such least amount or to $20, whichever is greater. Whenever such total of annuities is less than $10, such total shall, prior to any deductions under subsection (i), be increased to $10.]

(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to subsection (g) (2) and after any deductions under subsection (i), is more than $40 and exceeds an amount equal to 2⅔ times a survivor's insurance annuity, such total of annuities shall, subject to the provisos in subsection (e) of section 3 and in subsections (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deductions under subsection (i), be increased proportionately to $20.

(i) Deductions from Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

[(ii) will have rendered service for wages of not less than $25;]

(ii) is under the age of seventy-five and will have earned more than $50 in "wages" or will have been charged with more than $50 in "net earnings from self-employment"; or

[(iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or]

[(iv)] *(iii)* if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

(2) The total of deductions for all events described in paragraph (1) occurring in the same month shall be limited to the amount of such individual's annuity or annuities for that month. Such individual (or anyone in receipt of an annuity in his behalf) shall report to the Board the occurrence of any event described in paragraph (1).

(3) Deductions shall also be made from any payments under this section with respect to the death of an employee until such deductions total—

(i) any death benefit, paid with respect to the death of such employee, under sections 5 of the Retirement Acts (other than a survivor annuity pursuant to an election);

(ii) any lump sum paid with respect to the death of such employee, under title II of the Social Security Act, or under section 203 of the Social Security Act in force prior to the date of the Social Security Act Amendments of 1939;

(iii) any lump sum paid to such employee under section 204 of the Social Security Act in force prior to the date of the enactment of the Social Security Act Amendments of 1939, provided such lump sum will not previously have been deducted from any insurance benefit paid under the Social Security Act; and

(iv) an amount equal to 1 per centum of any wages paid to such employee for services performed in 1939, and subsequent to his attaining age sixty-five, with respect to which the taxes imposed by section 1400 of the Internal Revenue Code will not have been deducted by his employer from his wages or paid by such employer, provided such amount will not previously have been deducted from any insurance benefit paid under the Social Security Act.

(4) The deductions provided in this subsection shall be made in such amounts and at such time or times as the Board shall determine. Decreases or increases in the total of annuities payable for a month with respect to the death of an employee shall be, equally apportioned among all annuities in such total. An an-

nuity under this section which is not in excess of $5 may, in the discretion of the Board, be paid in a lump sum equal to its commuted value as the Board shall determine.

(j) When Annuities Begin and End.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which [such individual filed an application for such annuity: *Provided*, That such individual's annuity shall begin with the first month for which he will otherwise have been entitled to receive such annuity if he files such application prior to the end of the third month immediately succeeding such month.] *eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed.* No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor.

(k) Provisions for Crediting Railroad Industry Service Under the Social Security Act in Certain Cases.—(1) For the purpose of determining (*i*) insurance benefits under title II of the Social Security Act *to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service* which would begin to accrue on or after January 1, 1947, [to a widow, parent, or surviving child,] and with respect to lump-sum death payments under such title payable in relation to a death *of such an employee* occurring on or after such date *and for the purposes of section 203 of that Act*, section 15 of the Railroad Retirement Act of 1935, section [209 (b) (9)] *210 (a) (10)* of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment", under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in services as an employee. *In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.*

(2) Not later than January 1, [1950] *1956*, the Board and the Federal Security Administrator shall make a special joint report to the President to be submitted to Congress setting forth the experience of the Board in crediting wages toward awards *and in administering the proviso in section 3 (e) of this Act*, and the experience of the [Social Security Board] *Federal Security Administrator* in crediting compensation toward awards, and their recommendations for such legislative changes as [are deemed advisable for equitable distribution of the financial burden of such awards between the retirement account and the Federal Old Age and Survivors Insurance Trust Fund] *would be necessary to place the Federal Old Age and Survivors Insurance Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.*

(3) The Board and the Federal Security Administrator shall, upon request, supply each other with certified reports of records of compensation or wages and periods of service and of other records in their possession or which they may secure, pertinent to the administration of this section or title II of the Social Security Act as affected by paragraph (1). Such certified reports shall be conclusive in adjudication as to the matters covered therein: *Provided*, That if the Board or the Federal Security Administrator receives evidence inconsistent with a certified report and the application involved is still in course of adjudication or otherwise open for such evidence, such recertification of such report shall be made as, in the judgment of the Board or the Federal Security Administrator, whichever made the original certification, the evidence warrants. Such recertification and any subsequent recertification shall be treated in the same manner and be subject to the same conditions as an original certification.

(l) Definitions.—For the purposes of this section the term "employee" includes an individual who will have been an "employee", and—

(1) The qualifications for [("widow", "child",] *"widow", "widower", "child"*, and "parent" shall be, except for the purposes of subsection (f), those set forth

in section [209 (j) and (k)] *216 (c), (e) and (g)*, and section [202 (f)] *202 (h)* (3) of the Social Security Act, respectively; and in addition—

[(i) a "widow" shall have been living with her husband employee at the time of his death;]

(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began. For the purposes of subsections (b) and (i) (1) (iii) of this section, the term "widow" shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (c) was married to him at the time both of them legally adopted a child under the age of eighteen; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;

(ii) a "child" shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death *by other than a step parent, grand parent, aunt or uncle;* shall be unmarried; and less than eighteen years of age; and

(iii) a "parent" [shall have been wholly dependent upon and supported at the time of his death by] *shall have received at least one-half of his support from* the employee to whom the relationship of "parent" is claimed[; and shall have filed proof of such dependency and support within two years after such date of death, or within six months after January 1, 1947].

A "widow" or [a "child"] *"widower"* shall be deemed to have been [so living with a husband or so dependent upon a parent] *living with the employee* if the conditions set forth in section [209 (n) or section 202 (c) (3) or (4)] *216 (h) (2) or (3), whichever is applicable,* of the Social Security Act[, respectively,] are fulfilled. *A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured).* In determining *for purposes of this section and subsection (g) of section 2* whether an applicant is the wife, *husband,* widow, [child, or parent] *widower, child or parent* of an employee as claimed, the rules set forth in section [209 (n)] *216 (h) (1)* of the Social Security Act shall be applied;

(2) The term "retirement annuity" shall mean an annuity under section 2 awarded before or after its amendment but not including an annuity to a survivor pursuant to an election of a joint and survivor annuity; and the term "pension" shall mean a pension under section 6;

(3) The term "quarter of coverage" shall mean a compensation quarter of coverage or a wage quarter of coverage, and the term "quarters of coverage" shall mean compensation quarters of coverage, or wage quarters of coverage, or both: *Provided,* That there shall be for a single employee no more than four quarters of coverage for a single calendar year;

(4) The term "compensation quarter of coverage" shall mean any quarter of coverage computed with respect to compensation paid to an employee after 1936 in accordance with the following table:

Months of service in a calendar year	Total compensation paid in the calendar year				
	Less than $50	$50 but less than $100	$100 but less than $150	$150 but less than $200	$200 or more
1-3	0	1	1	1	1
4-6	0	1	2	2	2
7-9	0	1	2	3	3
10-12	0	1	2	3	4

If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been

paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made.

(5) The term "wage quarter of coverage" shall mean any quarter of coverage determined in accordance with the provisions of title II of the Social Security Act;

(6) The term "wages" shall mean wages as defined in section 209 [(a)] of the Social Security Act, *and, in addition, (i) "self-employment income" as defined in section 211 (b) of that Act and (ii) wages deemed to have been paid under Section 217 (a) of that Act on account of military service which is not creditable under section 4 of this Act*;

(7) An employee will have been "completely insured" if it appears to the satisfaction of the Board that, at the time of his death, whether before or after the enactment of this section, he will have *completed ten years of service and will have* had the qualifications set forth in any one of the following paragraphs:

(i) a current connection with the railroad industry; and a number of quarters of coverage, not less than six, and at least equal to one-half of the number of quarters, elapsing in the period after 1936, or after the quarter in which he will have attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he will have attained the age of sixty-five years or died, whichever will first have occurred (excluding from the elapsed quarters any quarter *which is not a quarter of coverage and* during any part of which a retirement annuity will have been payable to him); and if the number of such elapsed quarters is an odd number such number shall be reduced by one; or

(ii) a current connection with the railroad industry; and forty or more quarters of coverage; or

(iii) a pension will have been payable to him; or a retirement annuity based on service of not less than ten years (as computed in awarding the annuity) will have begun to accrue to him before 1948;

(8) An employee will have been "partially insured" *at the time of his death, whether before or after the enactment of this section,* if it appears to the satisfaction of the Board that [at the time of his death, whether before or after the enactment of this section he] *he will have completed ten years of service and* will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period [beginning with the third calendar year next preceding the year in which he will have died and ending with the quarter next preceding the quarter in which he will have died] *ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs*;

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (*i*) the compensation [and wages] paid to him after 1936 and before the quarter in which he will have died, eliminating [for any single calendar year, from compensation,] any excess over $300 for any calendar month [in such year, and from the sum of wages and compensation any excess over $3,000, by] *through 1951, and any excess over $400 for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by* (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided*, That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further*, That there shall be excluded from the divisor any calendar quarter *which is not a quarter of coverage and* during any part of which a retirement annuity will have been payable to him*: And provided further, That if the exclusion from the divisor of all quarters after the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.*

With respect to an employee who will have been awarded a retirement annuity, the term "compensation" shall, for the purposes of this paragraph, mean the compensation on which such annuity will have been based;

(10) The term [("basic amount")] *"survivor's insurance annuity"* shall mean—

(i) for an employee who will have been partially insured, or completely insured solely by virtue of paragraph (7) (i) or (7) (ii) or both: the sum of (A) 40 per centum of his average monthly remuneration, up to and including

[$75] *$100*; plus (B) 10 per centum of such average monthly remuneration exceeding [$75] *$100* and up to and including [$250] *$400 if wages are not included in the average monthly remuneration, or $300 if wages are included,* plus (C) [1 per centum of the sum of (A) plus (B) multiplied by the number of years after 1936 in each of which the compensation, wages, or both, paid to him will have been equal to $200 or more] *$1 for each of his years of service after 1936*; if the [basic amount] *survivor's insurance annuity*, thus computed, is less than [$10] *$20* it shall be increased to [$10] *$20*;

(ii) for an employee who will have been completely insured solely by virtue of paragraph 7 (iii): the sum of 40 per centum of his monthly compensation if an annuity will have been payable to him, or, if a pension will have been payable to him, 40 per centum of the average monthly earnings on which such pension was computed, up to and including [$75] *$100*, plus 10 per centum of such compensation or earnings exceeding [$75] *$100* and up to and including [$250] *$300*. If the average monthly earnings on which a pension payable to him was computed are not ascertainable from the records in the possession of the Board, [the amount computed under this subdivision shall be $33.33] *the survivor's insurance annuity shall be $35*, except that if the pension payable to him was less than [$25, such amount] *$35, the survivor's insurance annuity* shall be [four-thirds of] the amount of the pension or [$13.33] *$15*, whichever is greater. The term "monthly compensation" shall, for the purposes of this subdivision, mean the monthly compensation used in computing the annuity;

(iii) for an employee who will have been completely insured under paragraph (7) (iii) and either (7) (i) or (7) (ii): the higher of the two amounts computed in accordance with subdivisions (i) and (ii).

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SOCIAL SECURITY ACT

SEC. 17. The term "employment," as defined in [subsection (b) of] section 210 of title II of the Social Security Act, shall not include service performed by an individual as an employee as defined in section 1 (b).

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RAILROAD RETIREMENT TAX ACT [1]

SEC. 1500. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of every employee a tax equal to the following percentages of so much of the compensation, paid to such employee after December 31, 1946, for services rendered by him after such date, as is not in excess of [$300] *$400* for any calendar month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ percent;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 percent;
3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ percent.

SEC. 1501. DEDUCTION OF TAX FROM COMPENSATION.

(a) REQUIREMENT.—The tax imposed by section 1500 shall be collected by the employer of the taxpayer by deducting the amount of the tax from the compensation of the employee as and when paid. If an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1946 and the aggregate of such compensation is in excess of [$300] *$400*, the tax to be deducted by each employer other than a subordinate unit of a national railway-labor-organization employer from the compensation paid by him to the employee with respect to such month shall be that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than [$300] *$400*,

[1] The amendments which the bill proposes to the Railroad Retirement Tax Act would apply only with respect to compensation paid after December 31, 1951.

each subordinate unit of a national railway-labor-organization employer shall deduct such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month.

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SEC. 1510. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of each employee representative a tax equal to the following percentages of so much of the compensation paid to such employee representative after December 31, 1946, for services rendered by him after such date, as is not in excess of [$300] *$400* for any calendar month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 11½ per centum;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 12 per centum;
3. With respect to compensation paid after December 31, 1951, the rate shall be 12½ per centum.

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SEC. 1520. RATE OF TAX.

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of so much of the compensation, paid by such employer after December 31, 1946, for services rendered to him after December 31, 1936, as is, with respect to any employee for any calendar month, not in excess of [$300] *$400*: *Provided, however,* That if an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1936, the tax imposed by this section shall apply to not more than [$300] *$400* of the aggregate compensation paid to such employee by all such employers after December 31, 1946, for services rendered during such month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than [$300] *$400*, each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ percent;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 percent;
3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ percent.

APPENDIX 1 TO MAJORITY REPORT

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., August 24, 1951.

Hon. ROBERT CROSSER,
Chairman, House Committee on Interstate and Foreign Commerce,
New House Office Building, Washington 25, D. C.

DEAR MR. CROSSER: This refers to the report of the majority of the Board on the bill H. R. 3669 as voted out of the House Committee on Interstate and Foreign Commerce on August 17. As indicated at the end of the Board's report, I did not agree with the majority and requested the opportunity of submitting a dissenting statement of my views which are as follows:

In my opinion the bill as amended by the committee is much to be preferred over the original bill.

However, arrangements should immediately be made for a prompt study (such as is provided for in sec. 22 of H. R. 4641 or by H. Res. 329 and 330, or H. Con. Res. 142 and 143, or H. Con. Res. 148 and 149) of a plan for reinsurance with the general social security system of the obligations under the railroad retirement system so as to enable the Congress at the next session to give the railroad retirement system the savings that would be achieved from securing the social security level of benefits at the social security tax rate. Such study would also consider savings that could be effected by such provisions as transfer to the social security system of short-time railroad workers, a complete elimination of dual benefits, uniform work clauses, etc., and how many of these possible savings would be required to bring the net cost of the railroad retirement system within the bounds of the money available.

H. R. 3669 as originally introduced merely contemplated savings from a partial coordination with social security and contained other defects. The study or accounting called for therein was not to be reported until 1956, which in my opinion would be too long deferred. Furthermore, it did not entirely eliminate dual benefits and contemplated a method of coordination which if enacted into law would make difficult an amendment at a later date to provide the maximum savings which are needed in order to permit maximum benefits under the Railroad Retirement Act. Moreover, it provided for increases in benefits far in excess of even the most optimistic estimate of savings to be realized through any or all the methods provided for or contemplated in the bill, and would have the effect of making the railroad retirement system financially unsound.

As to relative costs the committee bill is less expensive than the original bill by about 2.30 percent of payroll due to omitting supplemental benefits for spouses and due to increasing present survivor benefits by 33⅓ percent instead of an average of about 90 percent. The net cost of the original bill, it is asserted by proponents of the bill, is less than that of the committee bill by taking credit in an amount equal to about 2.96 percent of the payroll for savings expected to result from the $50 work clause, the transfer to social security of those retiring with less than 10 years' service and the contemplated coordination with social security. Some or all of these savings can also be realized, of course, in connection with the committee bill after the study mentioned above in my second paragraph is made and an additional $25,000,000 of savings by the complete elimination of dual benefits mentioned in my paragraph No. 8, page 62, House committee hearings. For convenience I attach a comparison of estimated costs of the two bills.

Lest someone misunderstand the $230,000,000 "savings and additional revenue" mentioned in the majority report, I wish to point out that only part of it is savings that could be made in the present system and additional revenue that would go toward meeting the 14 percent increase in retirement annuities and the approximate 90 percent increase in survivor benefits provided in original H. R. 3669. For example:

(1) The $50,000,000 saving from the "work clause" includes the savings in spouses' benefits. The present law does not provide spouses' benefits so there can be no savings in that respect as compared with the present law. The savings included for spouses' benefits were calculated in the light of the greater amount they would cost were there no work clause in the original bill.

(2) The $100,000,000 savings estimated by our actuary for "financial adjustment between the railroad retirement and social security systems" is criticized by Mr. Myers, actuary of the Social Security Administration, as being too high and while I hope our actuary is more nearly right with his $100,000,000 than is Mr. Myers, who estimates only about $50,000,000, we are not yet justified in my opinion in fully relying on the entire $100,000,000. Furthermore, the half of it applicable to those with over 10 years' service is not made certain in the original bill but merely contemplated in the requirement for a "special joint report" in 1956 (sec. 5 (k) (2) original H. R. 3669).

(3) Of the $80,000,000 additional taxes obtainable by raising the maximum taxable and creditable compensation from $300 to $400, only a fraction would be available for immediate increases; that is, for the 14-percent increase in retirement annuities and the average 90-percent increase in survivor benefits provided in the original bill. The great bulk of it would be absorbed in meeting future increases in benefits which would automatically result from the increase in creditable compensation to $400 per month. (For further comment see par. 6 of my separate statement, p. 60 of House committee hearings.)

That the entire amount of this $230,000,000 of estimated "savings and additional revenue" would not go to offset the increased cost for which the original

bill provided is clear from the figures submitted by the Board's actuaries. The total added cost of the increased benefits is about $270,000,000 (18.30 percent of $5.2 billion payroll from p. 410 of House committee hearings from which deduct benefits under present law of 13.9 percent of $4.9 billion payroll from p. 408 of House committee hearings.) If the entire $230,000,000 mentioned in the majority report as "savings and additional revenue" would go to offset such increased cost, then the enactment of the original bill would result in a net increased cost of only $40,000,000. The Board's actuaries, however, estimate the net cost of the bill as 14.13 percent of a $5.2 billion payroll. This would represent an increase of about $117,000,000 over the present cost of 12.60 percent of $4.9 billion payroll.

My views as to a number of other points are set forth in my separate statement which accompanied this Board's report, dated April 24, 1951, on H. R. 3669.

In conclusion, I should repeat that, in my judgment, the enactment of H. R. 3669, in its original form, would gravely endanger the solvency of the railroad retirement system. This was also the opinion of the actuaries who appeared during the course of the congressional hearings. I think that the bill, as amended by the committee, with its more moderate increases in benefits and costs, goes as far in the way of liberalization as reasonable prudence and safety will permit. As I have already pointed out, even the increases provided for in the amended bill require that steps be taken looking to savings to be brought about by some form of coordination or reinsurance between the railroad retirement system and the general social security system.

Respectfully submitted.

F. C. SQUIRE, *Member.*

Comparison of costs in percent of payroll

[1 percent is approximately $50 million a year]

	Present law	H. R. 3669	
		Original bill	Committee bill
Page of House committee hearings	408	410	(1)
Future payroll (billions)	$4.9	$5.2	$4.9
Maximum compensation	$300	$400	$300
Gross costs on comparable basis:			
Retirement annuities:			
Age annuities	7.76	8.64	8.92
Disability annuities before 65	1.46	1.65	1.68
Disability annuities after 65	1.36	1.53	1.56
Wives' annuities		1.48	
Total	10.58	13.30	12.16
Survivor benefits:			
Aged widows and parents	1.74	2.79	2.32
Widowed mothers	.17	.30	.23
Children	.28	.68	.37
Insurance lump sums	.19	.45	.24
Total	2.38	4.22	3.16
Residual lump sum	.80	.40	.55
Maximum and minimum		.25	
Administration	.14	.13	.14
Total	.94	.78	.69
Total gross costs	13.90	18.30	16.01
Deductions:			
Less interest on funds	1.30	1.22	1.30
Less $50 work clause		.94	
Less savings from transfer of employees with less than 10 years' service		[2].82	
Less contemplated savings from H. R. 3669 form of coordination for employees with over 10 years' service		[2]1.20	
Net costs	12.60	14.12	14.71

[1] Board report.
[2] From p. 423 of House committee hearings.

NOTE.—For comparative purposes the above gross costs in second column include benefits for those retiring with less than 10 years' service and do not include the reductions for the $50 work clause. These adjustments are made as deductions in the lower portion of the table.

APPENDIX 2 TO MAJORITY REPORT

FEDERAL SECURITY AGENCY,
Washington, May 15, 1951.

Hon. ROBERT CROSSER,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

DEAR MR. CHAIRMAN: This is in response to your request of April 13, 1951, for a report on H. R. 3669, a bill to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, and your request of April 20, 1951, on H. R. 3755, a bill to amend the Railroad Retirement Act, the Railroad Unemployment Insurance Act, and for other purposes.

SUMMARY OF THE BILLS

H. R. 3669 would change the railroad retirement program by increasing the amounts of the employee annuities approximately 15 percent, adding spouse's annuities, increasing the maximum creditable monthly compensation for both tax and benefit purposes from $300 to $400, and making other liberalizations. The railroad program would not pay either survivor or retirement annuities in cases where workers die or retire in the future with less than 10 years of railroad employment. The railroad wage credits of these short-term railroad workers would in the future be transferred to old-age and survivors insurance. The survivors of workers with 10 years or more of railroad service would, as now, receive benefits under one program or the other based on combined wage records. For individuals with 10 or more years of railroad service who also qualified under old-age and survivors insurance, retirement benefits would be payable under both systems. The bill provides for various adjustments in railroad benefits when railroad beneficiaries work or receive benefits under old-age and survivors insurance. It provides that not later than January 1, 1956, the Railroad Retirement Board and the Federal Security Administrator would make a joint report setting forth their recommendations for such legislative changes as "would be necessary to place the Federal old-age and survivors insurance trust fund in the same position in which it would have been if service as [a railroad] employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act."

H. R. 3755 would increase the benefits payable under the railroad program to both present and future annuitants by 25 percent in most cases and would increase the wage base upon which survivors benefits are based from $3,000 to $3,600. The bill does not amend the taxing provisions of the program.

GENERAL VIEWS OF THE FEDERAL SECURITY AGENCY

The Federal Security Agency strongly endorses the objective of coordination between the railroad system and the old-age and survivors insurance system. When the railroad program was established as a separate system the extent of the movement in and out of the railroad industry was not realized. It was thought that most railroad employees were career employees who would stay in railroad employment until their death or retirement.

Actual experience that has developed has shown that this is not true. Large numbers of workers move in and out of the railroad industry every year. That this movement is very large is indicated by a comparison of the total number of workers employed by the railroads during a year with the average number at work at any one time. While average railroad employment in 1949 was 1,400,000, about 2,090,000 individuals had some railroad earnings during the year. Thus, for every 100 railroad employees working at a given time in 1949, 149 acquired railroad-retirement credits in that year; in 1940 this ratio was 100 to 140. During 1937–50 probably about 6 or 6½ million persons had wage credits under both railroad retirement and old-age and survivors insurance; this group represents about 75 percent of the workers (approximately 8,500,000) with wage credits under the Railroad Retirement Act during the 14-year period, and this proportion will be even higher in the future because of the expanded coverage under old-age and survivors insurance due to the 1950 amendments.

The only way to insure that this large number of workers who move in and out of railroad employment will have reasonable and adequate insurance protection is to provide for coordination of the two systems. Otherwise, persons who shift between the two systems, but who do not qualify for benefits under both, may

suffer a serious disadvantage; on the other hand, those who do qualify under both systems may receive an unreasonably large total of benefits because the weighting in the old-age and survivors insurance benefit formula, designed to provide adequate benefits for the low-paid worker, incidentally results in giving an undue advantage to the short-term worker as well.

In recognition of the interdependence of the two systems, Congress in 1946 provided for the coordination of survivors benefits. These provisions were reasonably satisfactory prior to the 1950 amendments to the Social Security Act, but there is now need for considerable revision. Retirement benefits under the two programs have never been coordinated; we believe there is an equally great need for coordination in this area.

ANALYSIS OF H. R. 3669

While the Federal Security Agency strongly recommends the coordination of the railroad system with the old-age and survivors insurance program, we believe that the method of coordination proposed in H. R. 3669 has serious defects. In the opinion of this Agency the provisions of the bill would cause misunderstanding and confusion among those affected by it, and the financial arrangements proposed in the bill might have adverse effects.

Public understanding

It is extremely important that any social insurance or retirement program affecting large numbers of people be simple enough so that those affected by it can have a reasonably clear understanding of their rights under the program and of the protection which it affords them. Similarly, it is essential that the program provide equitable treatment to all those covered if it is to have the public confidence and support without which it cannot function effectively. If any large group of the participants receive what appears to be inequitable treatment, or if the majority of those covered do not understand their rights or know what they can expect, the program cannot provide the security it is intended to provide.

The provisions of H. R. 3669 which govern the coordination of payments by the two programs are inconsistent and difficult to understand and to explain. The general principles on which they are based apparently are that old-age and survivors insurance should pay the short-term railroad worker and his survivors, and the railroad program should pay the long-term worker and his survivors, and that wage credits under the two programs should be combined. However, these principles are not consistently carried out in the coordination provisions and as a consequence many inequitable and anomalous situations would arise.

The effect of the coordination provisions in H. R. 3669 may be summarized as follows: In retirement cases, the worker with less than 10 years of railroad service would receive benefits from old-age and survivors insurance based on combined wages under the two systems. The worker with 10 years or more of railroad service would receive retirement benefits from the railroad program based on railroad service alone, and would also receive old-age and survivors insurance benefits based on nonrailroad employment if he had had enough of such employment to qualify therefor. In the long run it can be expected that a great many workers would qualify for dual retirement benefits under these provisions, since out of a working lifetime of 40 years or more, only 10 would need to be spent in nonrailroad employment to qualify for old-age and survivors insurance.

In death cases, the provisions would have a different result. In all death cases the wages would be combined, and only one benefit would be payable. Where the worker had less than 10 years of railroad service, the benefit would be paid by old-age and survivors insurance. If he had 10 years or more of railroad service, the benefit might be paid by either old-age and survivors insurance or the railroad program, depending on the extent of the worker's recent employment in the railroad industry (that is, on whether he had a "current connection" with that industry, as defined in the Railroad Retirement Act).

It is very difficult to justify the inconsistency of these provisions on any basis other than a historical one, and it would be almost impossible to secure a clear understanding among the noncareer railroad workers and their families as to what program they should look to for benefits, or what protection they are actually afforded.

As indicated, the provisions for coordination can also lead to anomalous and inequitable results. It has already been mentioned that in retirement cases where the worker has more than 10 years of railroad service, he may qualify for benefits under both programs and hence receive a windfall, in contrast with the worker who has less than 10 years of railroad service. To illustrate this point, take an

individual now age 45 who has just entered railroad employment and who will earn $300 per month hereafter. In one case, we will assume that the individual works for 9 years for a railroad, then for 11 years under social security, and then retires. In the second case, assume that the individual works for 10 years for a railroad, then under social security for 10 years, and then retires. The resulting monthly retirement annuities are shown in the table below:

Program	9 years railroad, 11 years social security	10 years railroad, 10 years social security
PRESENT LAW		
Railroad Retirement Act	$43.20	$48.00
Old-age survivors insurance	59.80	57.50
Total	103.00	105.50
H. R. 3669		
Railroad Retirement Act		$55.00
Old-age survivors insurance	$80.00	57.50
Total	80.00	112.50

Under present law, by working an additional year in railroad employment the worker will increase his total of monthly benefits by $2.50. However, under H. R. 3669 the additional year of railroad service increases the total by $32.50—a 40-percent increase. Considering present values (on the basis of the 1944 Railway Annuitants' Mortality Table at 3 percent), the value at age 65 for the extra benefits for one more year of railroad service is $295 under the present laws and $3,860 under H. R. 3669. In contrast, the extra employee contribution under the railroad retirement system which would have been paid for this one additional year of railroad service is $234, while the old-age and survivors insurance employee contribution would be $90 less, or a net additional contribution of $144.

Moreover, under H. R. 3669, workers with less than 10 years of employment in the railroad industry would be treated inequitably. Such workers would receive exactly the same retirement benefits that they would have received if their railroad employment had been under the old-age and survivors insurance program; yet they will have paid the much higher tax rates of the railroad program. (As you know, the present employee tax rates under the railroad and old-age and survivors insurance programs are 6 and 1½ percent, respectively; the ultimate rates are scheduled to be 6¼ and 3¼ percent. Moreover, under the bill compensation of up to $4,800 per year would be taxed under the railroad program, but only $3,600 per year could be credited under old-age and survivors insurance in these cases.)

The survivors of railroad workers, it is true, are guaranteed a residual payment under the bill which is roughly equal to any excess of the total of the employee contributions to the railroad program over the total of benefits payable. This minimum guaranty, however, will in virtually all instances be less than the survivor benefits payable since such benefits are determined on both old-age and survivors insurance and railroad wages, while the residual payment is based only on the latter. Accordingly, the residual payment will not often be paid. For example, in the case cited above, the man with 9 years of railroad service and 11 years of social security coverage often will receive exactly the same benefit as if he had been under social security for the entire 20 years, although he would have paid $1,422 more in contributions than if he had been covered under old-age and survivors insurance the entire time. The only additional benefit feature would be a guaranty of $2,268 as a minimum payment at death. Since the total amount of any survivor benefits paid under the old-age and survivors insurance program would be subtracted from the guaranteed minimum, the guaranty would be without value if he left survivors eligible for monthly benefits for any reasonable length of time. Moreover, part of the retirement benefits he would receive would count against this minimum guaranty.

We believe that such cases may have an undesirable effect upon public understanding of, and public attitude toward, the old-age and survivors insurance program. Workers with railroad employment who have been told that their wage

credits have been transferred to old-age and survivors insurance may assume that their railroad contributions have also been transferred. As a result, they may feel that old-age and survivors insurance should pay them more than workers who have contributed at the old-age and survivors insurance tax rate, or should at least refund to them the excess of the railroad contributions over the old-age and survivors insurance contributions.

As indicated earlier, these short-term employees constitute a very large proportion of all railroad workers. According to the most recent valuation of the railroad-retirement system, the average age at entry for new entrants is 29. According to the service table used in this valuation of those entering at age group 26 to 30 only 17.7 percent remain for 10 years, with the remaining 82.3 percent withdrawing, dying, or becoming disabled before that time. The vast majority of those not meeting the 10-year service requirement are withdrawals, since deaths and disabilities at these ages are relatively few in number.

Thus the great majority of new entrants into railroad service would, under the bill, never receive any benefits under the railroad program, despite paying its higher contribution rates.

Financing provisions

We do not believe that the basis provided in the bill for the financial arrangements with the old-age and survivors insurance system is a sound one. In the first place, we question the premise upon which the principle underlying the financial arrangements is based—that the cost of old-age and survivors insurance is lower than it would be if railroad workers were covered. Even though railroad workers as a group are older than the workers now covered under old-age and survivors insurance, there are offsetting factors which appear not to have been given sufficient weight. First, if railroad employment were covered under old-age and survivors insurance, the retirement test in the latter program would apply to railroad as well as nonrailroad employment, and therefore more old-age and survivors insurance benefits would be suspended because the individual had not really "retired."

The second factor is somewhat more complex. In the long run, because of the great amount of shifting between railroad and nonrailroad employment, most individuals who have worked in railroad employment will also have spent considerable time in nonrailroad employment, so that the great majority of them will qualify for old-age and survivors insurance benefits on the basis of nonrailroad employment alone. Because of the weighting in the old-age and survivors insurance benefit formula, the additional benefit which old-age and survivors insurance would pay as a result of adding railroad employment in these cases would be relatively small. As a consequence, noncoverage of railroad workers results in considerably higher costs to the old-age and survivors insurance system than would be true if no account were taken of this back-and-forth movement. It is estimated by the Chief Actuary for the Social Security Administration that the noncoverage of long-term railroad workers and the coverage of short-term railroad workers under old-age and survivors insurance results in an increase in cost to the old-age and survivors insurance program of about 0.7 percent of railroad payroll, rather than a decrease of about 0.25 percent as estimated by the Railroad Retirement Board. On the basis of this estimate, the total net cost of the bill would be somewhat higher because of this factor than estimated in the report on the bill by the Railroad Retirement Board. Enclosed is a memorandum by Robert J. Myers, Chief Actuary for the Social Security Administration which gives the basis for this estimate.

Even if it were true that noncoverage of railroad workers results in a "saving" to the old-age and survivors insurance program—a "saving," that is, in the sense that the total cost of benefits to such workers if covered under the old-age and survivors insurance program would exceed the contributions that would be collected on their wages from railroad employment under the Federal Insurance Contributions Act—the Federal Security Agency does not agree with the principle that any such "saving" should be used to increase benefit amounts under a separate program. The proposition that the old-age and survivors insurance system should pay the amount of any such "savings" realized from noncoverage of an industrial group, to a separate retirement system established for the group, is wholly inconsistent with the basic principles underlying the old-age and survivors insurance system. The objective of a social-insurance system such as the old-age and survivors insurance system is to spread the costs of the insured risk or risks as widely as possible over all the various industrial and other groups covered—mingling the good risks with the bad. To impose on all groups thus

insured any liability for the costs of a separate insurance system is completely foreign to this objective. If this principle were adopted for the railroad industry, any other industry with a comparable age distribution might argue that it, too, should have a separate system financed in part out of the old-age and survivors insurance trust fund. Similarly, an industry with a younger-than-average age distribution could well argue that it should be covered under a separate plan because its workers could get bigger benefits for the same contributions. Eventually the general social insurance program would be completely disrupted and give way to a great many separate industry plans.

Such a situation would be disastrous. In order to protect the rights of workers who shift between industries, each with a separate social-insurance program, it would be necessary to have complicated provisions for transfers between programs, or alternatively, complete vesting in each program. Also, it would not be possible to avoid excessive duplication of benefits in all cases. The resulting complexity and administrative waste and confusion would make it impossible to provide social-insurance protection for the great mass of the workers of the Nation on an orderly and economical basis.

Aside from the basic question concerning the premise underlying the proposed financial arrangements with the old-age and survivors insurance system, we regard the lack of provision for effecting transfers from one program to the other as completely unsatisfactory. Under the provisions of the bill, the old-age and survivors insurance program would begin immediately to make payments based on railroad wages for which no old-age and survivors insurance contributions had ever been received. However, no cost adjustment at all would be possible for the first 5 years, and at the end of that time the only provision in the bill is that the two agencies would jointly recommend appropriate legislation to the Congress. Under these circumstances, it might appear extremely doubtful to the contributors to the old-age and survivors insurance program that a satisfactory cost adjustment would eventually be achieved, and there might be a general feeling that the program was being jeopardized for the sake of relieving the railroad program of the burden of paying benefits to its short-term contributors.

Any estimate of the amount of funds which would have to be transferred to put the Federal old-age and survivors insurance trust fund in the same position it would have been in if railroad employment had always been covered would have to be on an approximate basis. As a result it would be extremely difficult, if not impossible, to arrive at any single figure which would be acceptable to the two agencies concerned. Moreover, while it is difficult to estimate the long-term over-all effect of the coordination, it does seem clear that there should be a large initial transfer from the railroad retirement account to the old-age and survivors insurance trust fund, and that further transfers in that direction would generally occur each year in the future. In this event, it would appear to the uninformed observer that old-age and survivors insurance was actually profiting from the financial arrangements and that railroad retirement funds were being used to pay benefits to nonrailroad workers. A general misunderstanding of this sort would undoubtedly make it very difficult to effect the necessary transfers of funds. Finally, if, as we believe, noncoverage of railroad workers results in a "loss" to old-age and survivors insurance, rather than a "saving," transfers to the old-age and survivors insurance system would, of course, be necessary but could not be made immediately or for the next 5 years, at least under the provisions of the bill. Yet in the meantime the old-age and survivors insurance program, under the terms of the bill, would have been paying benefits based on railroad service.

Administrative consideration

It would appear that the coordination provisions of the bill would be cumbersome and expensive from an administrative standpoint as a result of the increases in record keeping, transfers of records, and interagency clearances which would be involved. To cite a few examples, old-age and survivors insurance would have to obtain a wage record from the railroad program for everyone retiring with less than 10 years of railroad service. In the over-10-year retirement cases, the railroad program would have to contact old-age and survivors insurance in every case involving credit for service prior to 1937 to determine whether the railroad benefit should be adjusted. For purposes of the railroad residual payment, old-age and survivors insurance would have to keep records, in each case involving railroad service, of the aggregate benefits it paid based on such service. Considerable additional record keeping also would be necessary to arrive at reasonable estimates for cost-adjustment purposes.

ANALYSIS OF H. R. 3755

As indicated, H. R. 3755 simply increases the benefits payable under the railroad program. It retains the present coordination of the survivor benefits of the two programs, but does nothing to improve that coordination and does not provide for coordination of the retirement benefits of the two programs. The Federal Security Agency believes that, as a minimum, steps should be taken to remedy the inequities which now exist in the survivorship coordination as a result of the 1950 amendments to the Social Security Act. Specifically, the survivor benefits should be increased so that they are as large as those under old-age and survivors insurance in every case. Otherwise, we have no comment to offer on H. R. 3755.

Recommendations of the Federal Security Agency

In view of the above considerations the Federal Security Agency cannot recommend the adoption of H. R. 3669 or H. R. 3755. As indicated, though, we are convinced that a satisfactory method of coordination can be developed. This should not be excessively time consuming. However, we recognize that there is a problem which must be solved immediately. This problem, of course, is that of the railroad workers who are already retired and about to retire, as well as the survivors of those workers who have died, or will die within the near future. These people are faced now with rising living costs and inadequate benefits. There is no need to postpone alleviating this problem until a coordination plan has been developed.

It would be possible, of course, simply to provide a flat increase or a percentage increase in the benefits payable to these beneficiaries. Alternatively, the committee might wish to consider a solution to the problem similar to that which was adopted for old-age and survivors insurance beneficiaries who were on the rolls at the time of the 1950 amendments to the Social Security Act.

Time has not permitted us to obtain advice from the Bureau of the Budget as to the relationship of these bills to the program of the President.

Sincerely yours,

JOHN L. THURSTON,
Acting Administrator.

MAY 9, 1951.

Memorandum from: Robert J. Myers, Chief Actuary, Social Security Administration.

Subject: The magnitude of the so-called social-security cost differential under S. 1347.

S.1347 represents an extensive revision of the railroad retirement system, with the major purposes being to raise benefits and generally readjust the provisions, especially those in regard to survivor benefits, to be in conformity with the 1950 amendments to the Social Security Act. In so doing there is one considerable shift in philosophy, such that on the whole the intent is to eliminate from any benefit coverage all railroad employees who have less than 10 years of service by making them covered under the OASI program for both retirement and survivor benefits. By doing this apparently it is thought that the long-service employees will be able to receive larger annuities than at present without increasing the over-all cost of the system (no change in tax rates is provided in the bill). It is quite possible that this may be the case since the employer contributions for the short-term employees will go for the benefit of the long-term employees (as is to a considerable extent the situation under most private pension plans as well as under various plans for governmental employees, such as civil-service retirement), while part of the short-term employee taxes will likewise be used (unlike the practice in any other system).

Of major interest to the Social Security Administration are the provisions for crediting railroad earnings as OASI wages for the short-term employees and for financing not only the benefits based on these wage credits, but also financing the hypothetical social-security costs for annuitants whom the RRB pays. The philosophy as to financing the social-security coordinating and offset provisions is that the OASI trust fund should be put in the same position as it would be if railroad employment had always been covered under OASI (and accordingly contributions received by OASI for such employment and, correspondingly, benefits paid). Although the bill provides only for a study along these lines, the

following discussion will be based on the assumption that such reimbursement and interchange provisions are actually in effect.

These social-security coordinating and interchange provisions have apparently been instituted because it is believed that railroad employees have a higher-than-average cost for OASI benefits and, accordingly, since they are not in OASI coverage, the OASI cost is reduced. Then, as the theory goes, this "savings" in cost to the OASI system should be given to the railroad system. This memorandum will examine only the actuarial financing aspects of this viewpoint without considering the important policy questions of any such procedure as this for any particular group or as it might be applicable to various industrial groups having a different cost composition than the average.

First, consider the general cost results of extending OASI coverage. For any new employment category brought in, the over-all cost relative to payroll will in virtually all instances be reduced. This arises primarily from two elements, namely, the "work clause" and the "weighted" benefit formula. These elements generally will more than offset any possibly unfavorable cost characteristics of the particular group (such as an older age distribution). The effect of the work clause may be seen quite simply; the more employment that is covered, the fewer instances there will be where individuals can receive OASI benefits and still be at work. As to the effect of the weighted benefit formula, the more of a person's lifetime earnings that are covered, the higher will be the average monthly wage on which OASI benefits are based (since this average is obtained by dividing total taxable wages by a fixed period of time). Therefore, the lower will be the relative cost measured as a percentage of payroll because the additional earnings brought in will generally produce benefits in the smaller final portion of the formula rather than in the heavily weighted first portion. The OASI benefit formula is 50 percent of the first $100 of average monthly wage and 15 percent of the next $200 of average wage.

The RRB apparently argues that their cost composition is such that any savings to OASI due to extension of coverage will be more than offset. While it is true that for this group there are certain elements making for higher costs, on the other hand, other factors are present which act in the opposite direction. "Higher cost" factors include an older age distribution and perhaps a lower average retirement age (because of the availability of larger benefits). On the other hand, "lower cost" factors include a higher wage level and a higher proportion of men (since women have superior mortality, lower average retirement age, and less regular employment, all of which increase costs and more than offset their lower cost due to having relatively less in supplementary and survivor benefits). On the whole, it is hard to strike a quantitative balance, but it would appear that if the railroad group is a higher cost group, the differential is not very great and would at least be offset by the general savings in cost due to extension of coverage.

Next, consider the level-cost figures prepared by the RRB and included in their report to the Senate Committee on Labor and Public Welfare (shown in the first column of the attached table). Their calculations show that after taking into account social-security taxes and benefits on railroad payrolls, OASI would pay the RRB the equivalent of 0.25 percent of railroad payroll on a level-premium basis in addition to paying the cost of all benefits arising from railroad wages of employees with less than 10 years of railroad service. On its very surface, this seems to be unreasonable because the railroad group could not have so high a cost as this in relation to the general OASI coverage. The higher age distribution is only one of many factors and, in my opinion, is very substantially offset by other elements.

In order to investigate this matter, I have had several conferences with the chief actuary of the RRB and have seen a few of their summary work sheets. There has not been time to go into a complete investigation of their methodology and assumptions, but on the basis of such analyses as I could make in this short time, I am convinced that their assumptions as to the social-security reimbursement feature are overstatements favoring the RRB.

There are two major factors which I do not believe have been sufficiently taken into account; first, the provision in the Social Security Act (and also generally present in S. 1347) which in effect prevents individuals from qualifying for more than one type of benefit; and, second, the social-security benefits that will be qualified for on the basis of OASI wages alone by individuals having 10 or more years of service under the railroad system.

As to the first factor, there are many cases where wife's and widow's benefits will not be payable, either in part or in full, because the woman has obtained a benefit in her own right by her own employment. Thus, particularly for the

long-run future a very substantial proportion of married men will not have wife's benefits on the basis of their OASI and railroad wages, nor will widow's benefits be paid thereon. Specifically, the reduction factors (applied to total cost of benefits for the category under consideration) used in the RRB estimates to allow for this element were less than 10 percent; such factors are quite adequate for the present time, but in the future a greater and greater proportion of women will qualify for benefits in their own right. On the basis of OASI experience to date and our future cost estimates, I estimate that these factors would eventually be as much as 35 to 45 percent. Therefore, even for the railroads, with greater weight being placed on current and near-future experience, it would appear that reduction factors of less than 10 percent are not sufficient for this purpose. Accordingly, in my revision of the cost estimate a factor of 20 percent for wife's benefits is used and 25 percent for widow's benefits, both of which factors could reasonably have been higher.

As to the second factor, the transfer from the RRB will be larger since many with 10 or more years of railroad service qualify for OASI retirement benefits solely on the basis of OASI covered employment. Such employment may be obtained before entering railroad service, concurrently or alternating with railroad service, or after withdrawal from railroad service. With the greatly broadened coverage of OASI and the liberalized eligibility requirements, this will be a very important element.

The RRB estimate as to the extent of long-term employees qualifying for OASI retirement benefits solely on OASI wages was on the general basis of assuming that only about 50 percent of those in this group who had a sufficient length of time before entry into railroad service and after termination thereof would obtain sufficient OASI wages to qualify for retirement benefits based solely thereon. It should be noted that there is a great incentive for these long-term employees so to qualify since they can receive both the railroad retirement benefit and the heavily weighted OASI benefit without any offset so long as they have no prior service under railroad retirement.

It may be observed that according to the RRB actuarial valuation data, about 30 percent of all new entrants are over age 30 at entry and accordingly would have had ample time to become insured under OASI before their railroad service. Many who enter at earlier ages, and many of the present employees, would have some OASI coverage prior to entry (or for present employees, prior to now) and would supplement this by such coverage after withdrawal from railroad service and even during such railroad service, not only through concurrent employment but also through alternating employment. In regard to the latter, long-term railroad employees are not assumed by the RRB estimates to be continuously employed but rather move in and out of railroad employment to some extent, and during these gaps it seems quite likely that there is in most instances OASI-covered employment.

In my estimate, a factor of 90 percent is used, as compared with the RRB factor of 50 percent, since for men OASI coverage is so universal and eligibility requirements are relatively easy to meet. Moreover, the RRB estimate did not take any account of those individuals who have some periods when they are not in railroad service but such periods are not sufficient in themselves to produce OASI eligibility. Such individuals may by concurrent or alternating employment obtain sufficient additional OASI coverage to qualify under OASI (and it would be greatly advantageous so to do). I have added an additional 0.25 percent of railroad payroll to allow for this element. Actually, I believe that this latter adjustment could quite well be as high as 0.75 percent of payroll, but I have deemed it advisable to take a very conservative figure so as not to overstate the case in regard to this point.

The last column of the attached table gives my revised estimate of the cost figures relating to the social-security reimbursement, with modifications made to take into account the two factors mentioned previously. Except for the adjustments described above, I have taken the RRB figures as they stand. I believe that my figures are conservative in that they show a relatively low value for the reimbursement to OASI. In other words, I believe that a more thorough examination would result in showing a greater transfer from RRB to social security than I have indicated in the table.

According to my figures, the net result of the social-security coordination and reimbursement features would be that OASI would pay benefits on short-service railroad compensation, and that as to the net cost adjustment, RRB would each year on the average pay to OASI an amount equivalent to about 0.7 percent of the railroad payroll. It will be observed that as compared with the RRB esti-

mate this is a change in the differential amounting to about 1 percent of the railroad payroll.

This would mean that the railroad system would have to find this amount of money from some other source in order to be in the same relative financial position as indicated in the RRB cost estimates. (It would appear that part of this difference would come from a lowered cost estimate for the regular railroad benefits if the more proper assumptions as to duplication of benefits discussed above were used; in other words, it would appear that the general cost estimates for the railroad benefits prior to considering any adjustments with OASI are somewhat overstated by not making sufficient allowance for this element). Nevertheless, the net effect of these adjustments would be that the cost of the railroad system would be higher than the 14.13 percent of payroll shown in their estimate based on the other assumptions used in their calculations. In any event, under my estimate, even though the transfer is from the railroad system to OASI, the former is being treated equitably in regard to the obligations which OASI is assuming and those which the railroad system is assuming.

If the transfers are considered on a year-by-year basis rather than on a level-premium basis, according to my estimate there should be an immediate transfer from the railroad system to OASI of about $700 million. Each year thereafter there would probably be a small transfer from the railroad system to OASI amounting to roughly 0.3 percent of railroad payroll on the average. In this connection the RRB estimate of a net transfer of $32 million from OASI to RRB for the full year 1951 was examined. This was arrived at by taking the difference between an estimated $200 million of benefits due from OASI and $168 million of OASI taxes on total railroad payroll. Preliminary examination leads me to believe that the former figure is too high for many reasons (such as insufficient allowance for reductions due to the work clause and such as the presence of OASI benefits based on OASI wages) and should be in the neighborhood of $150 million. Accordingly, the differential in the first year of operation would probably be a small one in favor of OASI.

In closing let me summarize by saying that it is my firm opinion, based on the preliminary examination that I have been able to give the RRB cost estimates, that the so-called social-security differential will be far more in the direction of OASI than the RRB estimates have indicated. In fact, it seems clear that not only would there be required the transfer of $700 million as a lump-sum representing the trust fund not built up by OASI, but in addition there would on the average at least be small amounts of transfers each year from the railroad system to OASI. Of course, as an offsetting feature, OASI assumes the cost of the benefits based on the railroad wages of the short-term railroad employees. Moreover, I believe that the cost estimate which I have presented in this memorandum is probably conservative, and the social-security transfer shown as flowing from RRB to OASI, rather than in the other direction (as indicated in the RRB estimates), may well be larger than I indicated.

Level-cost calculations for social-security reimbursement feature, based on $5.2 billion payroll ($400 monthly limit)

Item	Railroad Retirement Board estimates	Myers' estimate
B. Benefits according to social-security formulas based on compensation and wages for cases adjudicated by Railroad Retirement Board	*Percent* 6.57	*Percent* 6.23
1. Employee retirement benefits	3.86	3.86
2. Wife's benefits	.62	.56
3. Survivor benefits	2.09	1.81
C. Social-security benefits based on wages alone for cases also adjudicated by Railroad Retirement Board	.67	1.27
1. Employee retirement benefits	.57	1.10
2. Wife's benefits	.10	.17
D. Excess of social-security taxes on railroad payrolls during 1937–50 over additional social-security benefits which would have been payable if railroad earnings were credited	.40	.40
E. Social-security taxes on railroad payrolls after 1950	5.25	5.25
I. Reimbursements from old-age survivors insurance (B−C)	5.90	4.96
II. Amounts due old-age survivors insurance (D+E)	5.65	5.65
III. Net reimbursement from old-age survivors insurance to Railroad Retirement Board (I−II)	+.25	−.69

APPENDIX 3 TO MAJORITY REPORT

BUREAU OF THE BUDGET,
Washington, D. C., May 22, 1951.

Hon. ROBERT CROSSER,
Committee on Interstate and Foreign Commerce,
House of Representatives, Washington, D. C.

MY DEAR MR. CROSSER: In response to an oral request from your committee the Bureau of the Budget hereby submits a report on H. R. 3669, a bill to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

This bill would liberalize employee retirement benefits by roughly 15 percent, would add spouse's benefits patterned after the old-age and survivors insurance system, and would raise considerably the level of survivor benefits. It would raise the taxable wage base from $300 to $400 a month. It would not raise railroad retirement tax rates. Instead the bill proposes to meet in part the cost of these benefit increases by shifting to the OASI system the full responsibility for paying benefits to short-term workers (those with less than 10 years of railroad service). The bill would not require any transfers of money between thetrust funds but would merely call for a joint Federal Security Agency-Railroad Retirement Board report by 1956 recommending such legislative changes as would be necessary to place the Federal OASI trust fund in the same position in which it would have been if railroad employment had been covered under OASI since 1936.

At the outset, it should be made clear that the principle of making the OASI system the basic form of protection for all employed people, would carry out the President's recommendation made in his 1952 budget message, to the effect that:

"Our aim should be to establish for all employed people a minimum protection that each person takes with him wherever he works. Pension and insurance plans for special groups should supplement social-security benefits as industry pensions already do for several million workers."

This principle was also the recommendation of the Advisory Council on Social Security of the Senate Committee on Finance which reported as follows on April 20, 1948:

"*Railroad employees.*—The Congress should direct the Social Security Administration and the Railroad Retirement Board to undertake a study to determine the most practicable and equitable method of making the railroad retirement system supplementary to the basic old-age and survivors insurance program. Benefits and contributions of the railroad retirement system should be adjusted to supplement the basic protection afforded by old-age and survivors insurance, so that the combined protection of the two programs would at least equal that under the Railroad Retirement Act."

H. R. 3669, although it appears to move in the direction of interrelation, has a number of serious defects.

1. The workers with less than 10 years' service in the railroad industry—and these make up a very large percentage of the total—would get virtually all of their benefits from the OASI system and nothing from the railroad retirement system; yet under the bill they would pay for the same OASI benefits four times as much taxes as nonrailroad workers pay currently. In a sense, the short-term employees would be forced to subsidize the longer-term employees, a situation that might result in considerable discontent.

2. Any breaking point between programs, such as the 10-year limit, produces glaring inequities. For example, under the bill, the total retirement benefits at age 65 for a man with earnings of $300 a month and with 9 years of railroad service and 11 years under social security, would be reduced from $103 a month to $80. The total benefit for a man with 10 years of service under each system would rise from $105.50 to $112.50 a month.

3. The principle set forth to govern the joint report on financial adjustment, if implemented by law, would establish a very questionable precedent, i. e., the favorable tax rate and slower accumulation of reserves under OASI would be made available to another, separate program with limited coverage. In effect, it puts the OASI system in the position of paying benefits to another system for the use and advantage of that system, rather than directly to the individual workers. Such a precedent might be used to obtain for other special programs with limited coverage the advantage of favorable OASI financing without actual participation in that system. The strength of a comprehensive social-security program depends on wide coverage with its pooling of high-cost and low-cost risks; the proposed arrangement would weaken the system.

4. Because of the extreme complexity of the proposed interrelations between the two systems, those persons who are covered under both would be thoroughly confused as to their rights, benefits, and equities. This complexity would also give rise to delays in adjudicating claims and to heavy administrative expenses to both systems.

5. According to the estimates submitted to the Senate Committee on Labor and Public Welfare by the Railroad Retirement Board, the cost of the benefits of the railroad retirement system would exceed the combined employer-employee tax rate by 1.6 percent of payroll, which, on a level-premium basis, is approximately $80 million a year. The estimates of the Board show that in the absence of additional financing the trust fund would be exhausted within the next 50 years. Moreover, according to the testimony which the Federal Security Agency has presented to the Senate committee, the division of cost between the railroad retirement program and the old-age and survivors insurance program would call for transfers in the opposite direction from that indicated by the Railroad Retirement Board, and in this event the inadequacy of the railroad tax rate would be even more than indicated above. Because of the great importance of this to the financial soundness of both systems, this question should not be left unresolved.

6. An increase of $1.5 billion in the unfunded liability of the railroad retirement fund would result under H. R. 3669, largely from credits to be given to older workers for their service prior to the establishment of the system. This presents a serious question of financial policy for a system with limited coverage.

7. The Federal Government has appropriated $330 million for military service credits of railroad workers. Most of this amount is attributable to the military service of individuals whose benefits would, under the bill, become a responsibility of the old-age and survivors insurance system. The bill fails to require the railroad retirement fund to make a refund to the Treasury to reflect this transfer of liability.

8. The absence of authority for financial adjustments means that the OASI trust fund would actually pay benefits to short-term workers until 1956, with no legislative assurance of a subsequent settlement from the Railroad Retirement Board. This lack of assurance may well cause considerable apprehension on the part of the workers and their families who are relying on old-age and survivors insurance for their basic economic security.

Any need to provide higher and more varied benefits for railroad workers toward which the bill is pointed should and can be met in a simpler and more equitable way, consistent with broad national interests and long-range objectives. Better dollar-for-dollar value can be given by providing coverage for all railroad workers under the old-age and survivors insurance system, with the railroad retirement program retained to supplement the old-age and survivors insurance benefits. This would carry out the recommendations of both the President and the Senate Advisory Council on Social Security.

The railroad workers would get more benefits for less money if OASI benefits were made available to all railroad workers, with the Railroad Retirement Board paying the difference between OASI benefits and the present railroad retirement benefits. That is, the workers would get the more advantageous OASI survivors protection and, at the same time, the present 12 percent railroad retirement tax rate could be lowered to a combined OASI-railroad retirement rate which has been estimated roughly at 8.5 percent. As the OASI rate rises over the years, the combined rate would, of course, rise also, but it would not reach its peak of about 12 percent until 1970, whereas the railroad retirement rate is 12 percent now and will rise to 12.5 percent next January. Alternatively, railroad retirement benefits might be increased with less of a tax decrease.

We shall be glad to arrange for elaboration of the points made in this letter should your committee so desire.

Sincerely yours,

ELMER B. STAATS, *Assistant Director.*

MINORITY VIEWS OF CHAIRMAN CROSSER AND MESSRS. BECKWORTH, KLEIN, GRANAHAN, McGUIRE, MACK OF ILLINOIS, HELLER, MOULDER, AND STAGGERS

The purpose of legislation amendatory of the Railroad Retirement Law should be in general to increase the benefits payable to all those who are or will become eligible for the receipt of benefits from the Railroad Retirement System. The achievement of the purpose just mentioned is not only desirable but very necessary because of the serious reduction in the purchasing power of money which has occurred since the enactment of the Railroad Retirement Law.

True magnanimity of spirit actuated the railroad workers of the United States during the initiation and development of the retirement law, in providing liberal retirement pay for all beneficiaries subject to that law. Those who participated in the preparation of H. R. 3669, as originally introduced by Mr. Crosser, emulated the magnanimity of those who established the Railroad Retirement System.

In order to again make satisfactory provision for all beneficiaries under the law in the present emergency, there has been devoted to the preparation of H. R. 3669, as introduced by Mr. Crosser, many months of study by experts and many, many months of earnest effort by those deeply concerned with the problem of increasing benefits for railroad workers. Nevertheless and notwithstanding the careful study and painstaking effort to prepare the well-balanced bill which was introduced by Mr. Crosser and numbered H. R. 3669, and after only a few minutes' discussion of the Hall substitute in committee, the original language of the Crosser bill, H. R. 3669, was stricken out and the language proposed by Leonard W. Hall was substituted for the original language of H. R. 3669.

There has been a general desire to increase benefits and at the same time to avoid increasing assessments. Those who cooperated patiently and diligently in drafting the language of H. R. 3669, as introduced by Mr. Crosser, now shown in the bill as stricken matter, succeeded in providing reasonable increases for all and especially for those in greatest need of increases. At the same time the original bill, H. R. 3669, by Mr. Crosser, providing fully for the payment of increased benefits, did so without making necessary any increase in the rate of assessments.

PROPOSED ALLEGED SUBSTITUTE WHOLLY INSUFFICIENT

The Hall substitute, which appears after the stricken language of the original H. R. 3669, fails entirely to provide for the reasonable increases in benefits which could and should have been provided. The Hall substitute provides for an increase of 15 percent in both annuities and pensions, and an increase, generally, of 33⅓ percent in survivor benefits, without providing any benefits for spouses and without any guaranty that benefits under the Railroad Retirement Act would be at least as much as a railroad employee and his family would

have received if his railroad service had been covered under the Social Security Act. Instead of greater benefits, many retired employees and their survivors, even with the increase provided by the Hall substitute, would receive far less in benefits than they would have received if their service were covered under the Social Security Act. That result is indefensible and inexcusable in view of the fact that for the purpose of calculating survivor benefits under the existing law and under both the original H. R. 3669 and the Hall substitute, railroad employment and social-security employment are combined. Such benefits are paid under the Railroad Retirement Act or the Social Security Act depending upon whether or not at the time of his death the individual was connected with the railroad industry. This means that under the Hall substitute, Social Security would pay a higher benefit *for the same employment* to the survivors of those who severed their connection with the railroad industry before death than would be payable if they had continued in the railroad industry. Bearing in mind that railroad workers pay more in assessments under the Railroad Retirement Act than if such workers were covered under the Social Security Act, the Hall substitute works a great injustice upon railroad workers. Moreover, in view of the trifling increase in original benefits and the complete failure to provide for spouses' annuities and the entire failure to provide for the minimum guaranty, as above explained, the provisions of the Hall substitute are altogether insufficient in this period of terribly high prices to relieve the distress of beneficiaries under the Railroad Retirement Act.

The increase in retirement benefits by 15 percent, provided in the Hall substitute, is substantially the same as is provided in H. R. 3669 as introduced by Mr. Crosser. But the Crosser bill regarded this increase in itself as inexcusably inadequate, and it, therefore, provided additional help by means of a spouses' annuity and also by increasing from $300 to $400 per month the maximum of compensation to be credited in the computation of annuities. There is no foundation for the assumption in the Hall substitute that the 15-percent increase is enough to provide relief during the period of excessively high prices.

With respect to survivor benefits, the proposed Hall substitute increase of 33⅓ percent may superficially sound plausible. However, the very opposite is true. The maximum widow's annuity now payable is about $41 and the maximum child's or parent's benefit is about $27. The Hall substitute would increase these amounts to $54 and $36, respectively. The average widow's annuity is now about $30, which the substitute would increase to about $40, and the average child's or parent's annuity is about $17, which the substitute would increase to about $23. Could anyone eke out an existence on such an income at present prices? Unless survivor benefits will provide subsistence for the family when death takes the breadwinner, they should not be called survivor benefits.

COST OF SUBSTITUTE BILL

Although the Hall substitute language provides for much smaller increases in over-all benefits than the increases provided for under the original language of H. R. 3669, as introduced by Mr. Crosser, and fails to provide for spouses' annuities and for the over-all minimum guaranty, as above described, the substitute measure is more costly

than H. R. 3669 as introduced by Mr. Crosser. The reason for this lies in the fact that the substitute bill does not provide for any additional source of income over and above what is already being received, whereas the original bill provides additional income for the Railroad Retirement Fund. The Railroad Retirement Board has estimated that the cost of the Railroad Retirement Law, as it would be amended by the substitute language, would amount to 14.71 percent of the railroad payroll. The Hall substitute would leave a difference between the assessment rate of 12.5 percent of payroll (which will become effective beginning January 1, 1952) and the actuarial estimate of cost of 14.71 percent of payroll that is 41 percent greater than the corresponding difference in the case of the original H. R. 3669 as introduced by Mr. Crosser, the cost of which is only 13.90 [1] percent of payroll.

PROVISIONS OF H. R. 3669, AS INTRODUCED BY MR. CROSSER

In sharp contrast to the Hall substitute, H. R. 3669, as introduced by Mr. Crosser, provides for a well-balanced, well-integrated program for increasing retirement and survivor benefits. The original bill was prepared by the Railway Labor Executives' Association after more than a year of elaborate and painstaking study of the whole Railroad Retirement System. In this undertaking, the Association had the assistance of members of the staff of the Railroad Retirement Board and it also consulted with interested Members of Congress. H. R. 3669, as introduced by Mr. Crosser, has the support of organizations affiliated with the RLEA, representing more than 75 percent of the railroad employees. These organizations are:

Switchmen's Union of North America
The Order of Railroad Telegraphers
American Train Dispatchers' Association
Railway Employes' Department, A. F. of L.
International Brotherhood of Boilermakers, Iron Ship Builders, and Helpers of America
International Association of Machinists
International Brotherhood of Blacksmiths, Drop Forgers, and Helpers
Sheet Metal Workers' International Association
International Brotherhood of Electrical Workers
Brotherhood Railway Carmen of America
International Brotherhood of Firemen and Oilers
Brotherhood of Railway and Steamship Clerks, Freight Handlers, Express and Station Employees
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen of America
National Organization Masters, Mates, and Pilots of America.
National Marine Engineers' Beneficial Association
International Longshoremen's Association
Hotel and Restaurant Employees and Bartenders International Union
Railroad Yardmasters of America

The original bill provides solutions for many serious problems, including absolutely fair and equitable treatment of beneficiaries covered under the Railroad Retirement Act and those covered under the Social Security Act.

In general, H. R. 3669, as introduced by Mr. Crosser, provides, on the average, for an increase in retirement benefits of about 30 percent. This increase results from a combination of several features

[1] See appendix E to minority views.

of the bill, namely, the percentage increase in the basic annuity formula; the provision for a spouse's benefit; the provision for crediting service after age 65; and the special over-all minimum guaranty which would assure railroad employees that they would not receive smaller benefits than they would have received under the Social Security Act, if their railroad service had been covered by that Act.

H. R. 3669, as introduced by Mr. Crosser, provides, on the whole, for substantial increases in survivor benefits. Such increases are necessary, not only because such beneficiaries must pay far higher living costs, but also in order to reimburse railroad workers for the much higher assessments they pay to maintain the Railroad Retirement System than are required under the Social Security Act. When survivor benefits were first included in the Railroad Retirement Act by the 1946 amendments, the benefit formula incorporated in the Act, provided for survivor benefits that were about 25 percent higher than the corresponding benefits payable under the Social Security Act, in recognition of the fact that railroad employees paid higher taxes. It was felt that the higher tax rate should be reflected in the survivor benefit level, as well as in the retirement benefit level, because in the case of individuals who die before reaching the retirement age, the sole benefit paid is the survivor benefit. Those survivors, at present on the railroad retirement rolls, who would have been eligible for comparable benefits under the Social Security Act, if railroad service were creditable under that Act, would now be entitled under that Act to benefits that are 50 percent higher than what they are now receiving under the Railroad Retirement Act. The original Crosser bill, H. R. 3669, therefore, proposes a new survivor benefit formula which would produce a basic benefit approximately equal to that payable under Social Security, plus a years-of-service increment of $1 per year of assessments paid railroad service. Under such a formula, the survivor benefits would again be about 25 percent higher than under the Social Security Act.

These substantial increases provided for in the original bill, H. R. 3669, are made possible only because said original bill makes certain of adequate financing by assuring certain savings to the Railroad Retirement Fund and also by providing additional income for the Fund. The Railroad Retirement Board estimated that the combined yield of such savings and additional revenue would amount to about $230,000,000 annually.

H. R. 3669, as introduced by Mr. Crosser, provides for the following major changes in the Railroad Retirement Act:

1. Retirement annuities (including disability retirement annuities) would be increased by an average of 13.8 percent. Specifically, the annuity would be based on the following percentages of average monthly compensation multiplied by the years of service; 2.8 percent of the first $50; 2 percent of the next $100; and 1.4 percent of the excess over $150. The pensioners who were taken over from the rolls of railroad private systems, at the beginning of the statutory system of railroad pensions and are now receiving relatively smaller benefits, would have their pensions increased by 15 percent.

2. When an employee will have been retired and is age 65 or over and will have a spouse who is of age 65 or over or, in the case of a wife under age 65, if she will have in her care a child of the employee under the age of 18, the spouse, during the remainder of the employee's

life, would be entitled to an annuity of one-half the employee's annuity or pension but not more than $50.

3. Beginning with compensation paid after December 31, 1951, the maximum of creditable and assessable compensation would be increased from $300 a month to $400 a month.

4. In the awarding of benefits after the bill will have been enacted, service rendered after the employee becomes 65 years of age would be credited in the same manner as service rendered before age 65. Under existing law, an employee who continues to work after age 65 does not receive credit toward his retirement annuity, although he pays the retirement tax on his compensation.

5. No retirement or survivor benefits (except benefits awarded before the enactment of the bill) would be paid under the Railroad Retirement Act to an employee or his survivors if such employee will have had less than 10 years of railroad service. Railroad service and compensation of an employee who, when he dies or retires, will have had less than 10 years of railroad service, would be credited under the Social Security Act, along with such nonrailroad service as he will have had; and the Railroad Retirement Act would continue to guarantee, through the residual lump sum, that the benefits which he or his beneficiaries would receive based on railroad service would not be less than the assessments paid while in railroad service, with an allowance in lieu of interest.

6. The formula for computing a survivor's annuity would be liberalized and simplified. Such an annuity would hereafter be computed by taking 40 percent of the first $100 of the average monthly remuneration plus 10 percent of the creditable remuneration over $100 plus $1 for each year of service on which the employee will have paid taxes. An eligible widow, widower, child or parent would receive a monthly amount computed according to the formula, except that if there is more than one child each child would get two-thirds of that amount plus a share in one-third of that amount divided among all the children. A widow's benefit would not be less than what she would have received as a wife. Also, the maximum amount payable to all the survivors of an employee in any month would not be more than two and two-thirds the amount computed by the formula. In addition to the monthly survivor benefits, there would be paid on the death of any employee a lump sum equal to four times the amount computed under the formula or, if no survivors are immediately eligible for monthly benefits, 12 times the amount computed under the formula. Eligibility conditions for survivor benefits would not be greatly changed from the present law but would be liberalized to the same extent as has been provided under the amended Social Security Law, subject, of course, to the ten-year service requirement described above and the requirement of the present law that the employee must be connected, at the time of his death or retirement, with the railroad industry.

7. The average monthly remuneration on which survivor benefits are based would continue, as under the present law, to be computed by combining railroad and nonrailroad wages and averaging them over the time from 1936 or when the employee becomes 22 years of age, if that is later, to the time of his death or retirement. To conform, however, to the increase in the maximum of creditable railroad compensation from $300 to $400 a month as heretofore explained, and

the amendments to the Social Security Act increasing the creditable wages under that Act to $3,600 a year, benefits awarded in the future would be based on all creditable railroad compensation and, if the average is less than $300 a month, nonrailroad wages up to a combined total of $3,600 a year.

8. According to the provisions of H. R. 3669 as introduced by Mr. Crosser, persons eligible for benefits, including employees and their dependents, or survivors as the case may be, would receive at least as much under the Railroad Retirement Act as that to which they would have been entitled under the amended Social Security Act if the service of the employee or employees were creditable under that Act.

9. Under the present law, a retired railroad employee may not work in the railroad industry or for the person by whom he was last employed in nonrailroad work before his annuity began, without giving up his annuity for the months he so works. The original bill, H. R. 3669 as introduced by Mr. Crosser, would not change this provision. However, he would, under the terms of the bill, also be required to give up his annuity for any month in which he earns more than $50 in work covered by the Social Security Act, except that this provision would not apply to a disability annuitant before age 65. Until then, a disability annuitant may earn up to $100 a month in work covered by the Social Security Act. The $50 restriction would not apply to work in which an annuitant is permissibly engaged before the amendment.

10. Service before 1937 (prior service) would continue to be credited as under the present law except that an annuitant could not get both credit for such service and an old-age benefit under the Social Security Act. He would have to give up the lesser of the two amounts (thereby eliminating duplicate payments for prior service) because the Social Security formula is so weighted as in effect to allow credit for service before 1937.

11. If an employee's annuity is reduced because he had elected to leave part of it to a surviving widow, and his wife will have died before him, his annuity would be restored by the Crosser bill to the amount he would have received if he had not made such election.

12. The cost of crediting railroad service under the Social Security Act and crediting nonrailroad service under the Railroad Retirement Act in certain cases as provided in H. R. 3669 would be adjusted between the Railroad Retirement Fund and the Old-Age and Survivors Insurance Trust Fund so that the Old-Age and Survivors Insurance Trust Fund would neither gain nor lose from the operation of the separate Railroad Retirement System.

EMPLOYEES WITH LESS THAN 10 YEARS OF RAILROAD SERVICE UPON RETIREMENT OR DEATH

The original bill H. R. 3669 would remove, from the application of the Railroad Retirement Law, employees who will have had less than 10 years of railroad service at the time of their retirement and would transfer these employees to the Social Security System. The survivors of employees who at the time of their death will have had less than 10 years of railroad service would also be transferred to the Social Security System.

The Railroad Retirement System was established to meet the retirement needs of railroad career employees. The bulk of the working

force at any given time is composed of people who make railroading their life's work. Experience, however, under the Act has shown that this career force is supplemented by numerous casual employees among whom there is tremendous turn-over. Under present law, anyone who performs any service at all for a railroad is entitled to an annuity upon reaching age 65 based on that service, no matter how slight. In the aggregate over a period of years the number of casual employees is many times the number of the career employees. The annual report of the Railroad Retirement Board for the fiscal year 1949 shows that at the close of 1947 there were 4,811,700 former railroad employees with less than 10 years of service who had worked in the industry since 1936, and who were alive and not retired but were not employed in the industry in 1947. Of these 4,811,700 former employees, 4,023,300 or 83.6 percent had less than one year of railroad service, and 703,500, or 14.6 percent had more than one year but less than five years of railroad service. Less than 85,000 employees, or 1.8 percent of the total, had from 5 to 9 years of service. Unless, therefore, a correction is made, the time will come when the vast majority of annuitants will be people who will have had only a casual and incidental connection with the railroad industry, usually many years before reaching retirement age.

For their old-age protection, these casual employees must look principally to the Social Security System, under which the bulk of their employment is covered. The fact that their railroad service is not counted under Social Security diminishes their benefits, and in some cases prevents their acquiring any insured status at all under that system.

The original H. R. 3669, as introduced by Mr. Crosser, meets the casual employee problem in a reasonable and thoroughly practical way. It provides a 10-year minimum railroad service requirement for Railroad Retirement benefits, credits railroad service under the Social Security Act for those who at death or retirement have less than 10 years of railroad service, and guarantees that in such cases the benefit value of the railroad service will be at least equal to the assessments paid to the Railroad Retirement System plus an allowance for interest. Thus the Railroad Retirement System is confined to its original purpose, the casual employees are properly protected, and at the same time savings accrue to the Railroad Retirement System that can be used to finance badly needed increases in benefits. The Railroad Retirement System would of course have to make a proper settlement with the Social Security System for the cost of crediting to its system the casual employees' railroad service.

FIFTY DOLLAR WORK CLAUSE

A saving of almost the equivalent of 1 percent of payroll (about $50,000,000 annually) would result from confining retirement benefits to those who have in reality retired. Although retirement is permissible at age 65, the average retirement age at present is 68. The fact that employees normally work for 3 years beyond age 65 has resulted in savings to the Railroad Retirement Account in two respects: (1) no annuities are paid for the 3 years during which annuities would be payable under the law, to persons over 65 years of age; and (2) taxes are being collected during the same 3 years from the same persons who could have received annuities if they had retired at age 65.

Considering the incentives now offered by the 1950 amendments to the Social Security Act, under which a person in advanced years may qualify for a maximum old-age insurance benefit of $80 (or $120 if he has an eligible wife), if he should work only six quarters earning $300 a month, many railroad employees are likely to find it advantageous to retire, not only at age 65 (and thus lose the savings on the difference between 65 years service and 68 years service, which is the average) but those with 30 years of service could retire in the early sixties at a reduced annuity. This would place an additional burden on the Railroad Retirement Account.

Although the present law requires retirement from railroad service and from the service of any other employer by whom the individual may have been last employed, it permits annuitants to engage in any other employment. There is thus presented an incentive, as above stated, to those of retirement age who have no intention of retiring, to leave railroad employment and draw their Railroad Retirement annuities while engaging in employment under the Social Security Act and qualifying for an additional benefit under that Act. The original H. R. 3669, as introduced by Mr. Crosser, provides that no annuity may be drawn for any month in which the retired employee earns more than $50 in work covered by the Social Security Act. This restriction, however, will not apply to employment in which the annuitant is engaged on the enactment date.

With respect to disability annuitants, the present $75 limit is raised to $100, and this provision as a whole will solve a series of administrative problems now confronting the Board in disability annuity cases.

The $50 work clause, which the Hall substitute eliminates, not only makes funds available for paying more adequate benefits to those who have actually retired, but, since the Social Security Act contains a like provision, it also makes workable the minimum guaranty that benefits shall not be less than they would be if the Social Security Act applied to railroad service.

SPOUSE'S ANNUITY

The spouse's annuity provided in H. R. 3669, as introduced by Mr. Crosser, should not be regarded as a new and distinct benefit unrelated to existing benefits. It is closely related to and integrated with other provisions of the original bill, particularly with the provision for the increase in retirement annuities and with the stipulation that beneficiaries should in no case receive less than they would have received had their railroad service been covered by the Social Security Act. The principle of a spouse's benefit has already been adopted by the Congress with respect to employees covered by the Social Security Act. If the finances were sufficient to permit doing all the other things that should be done and also to increase all retirement annuities by, say, 65 percent, one might then consider such a course as an alternative to providing for a spouse's annuity. Since such a course is obviously impossible the spouse's annuity affords a means of providing for a reasonable increase in the cases of greatest need, that is to say where two people must live on the benefits provided under the Railroad Retirement Act.

Although 65 is the permissible retirement age, the actual average retirement age is about 68 at present. Hence in the typical case of a wife 2 or 3 years younger than the husband the wife is likely to be age 65 or over at the time of her husband's retirement. And even if the wife is more than 2 or 3 years younger, the spouse's annuity nevertheless gives the employee a far greater feeling of assurance and a very large measure of additional security. In such cases, indeed, the employee may decide to work a year or two beyond the time when he would otherwise retire.

As of any given time over 90 percent of the railroad employees are married. The provision of a spouse's annuity, therefore, will provide added security to virtually all employees even though the proportion of retired employees with eligible living wives at any particular time is smaller. It was estimated that some 40 percent of the employees now retired will immediately receive the advantage of the spouse's annuity, and that percentage will increase in time.

INCREASE IN TAXABLE AND CREDITABLE COMPENSATION FROM $300 TO $400 A MONTH

Although the tax rate is not increased by the original bill H. R. 3669, as introduced by Mr. Crosser, additional revenues are provided by raising the limit on creditable and taxable compensation from $300 per month to $400 per month. At the time the $300 limit was set, very few employees were earning in excess of that amount. Ninety-eight percent of the total payroll was creditable and taxable. Since the $300 limit was set, wage rates have more than doubled so that now only 84 percent of the whole railroad payroll is creditable and taxable. Consequently, the maximum annuities payable are disproportionately low compared to said wages, and the income to the fund is arbitrarily limited. By increasing the limit from $300 to $400, additional revenues of $80,000,000 per year would be provided. Such a limit is still lower in relation to present wages than $300 was in comparison with the 1937 wages; under a $400 limit only 95 percent of present payrolls would be creditable and taxable. The employee paying the additional tax would be adequately compensated by the increased benefits resulting from crediting the additional compensation; he would receive $3 for each $1 in taxes he paid by reason of this provision. The carrier portion would be offset to the extent of more than half by reductions in corporate income taxes, and by an additional amount in reductions of its supplemental pensions. The remainder would be no significant burden on the industry. As indicated above, the tax would still apply to a smaller percentage of the total payroll than was the case in 1937. The increase in creditable and taxable compensation from $300 to $400 a month will also operate to increase survivor benefits.

DUPLICATION OF BENEFITS

Another saving provided in the original bill results from the elimination of duplicate benefits based on prior service, that is, service before 1937, in the case of a retired employee who qualifies for an annuity under the Railroad Retirement Act and an old-age benefit under the Social Security Act. Although the Social Security Act

does not specifically credit service performed before that Act was passed, the benefit formula is so weighted as in effect to give credit for such service. The Railroad Retirement Act specifically credits service rendered before that Act was passed. Consequently, individuals who qualify under both Acts get, in effect, duplicate credit for service on which no tax was paid. To overcome such windfalls, the original bill, H. R. 3669, provides that in such cases the Railroad Retirement annuity shall be reduced to the extent that it is based on prior service, or by the amount of the Social Security benefit, whichever is less.

MINIMUM GUARANTY

The original Railroad Retirement Act of 1937 contained a minimum provision that the benefit paid should in no case be less than the benefit or additional benefit that would have been payable under the Social Security Act if railroad service were covered by that Act. That provision became inoperative when the Social Security Act was completely revised in 1939. With the very substantial liberalization of the Social Security Act in 1950, it again becomes a matter of real concern to insure that railroad employees, paying far more taxes, should in no case receive less than they would have received if they had been under Social Security and had paid the lesser tax. The original bill so provides, because it was recognized that even with the provisions for a spouse's annuity and the liberalized survivor benefits there would still be many cases in which the benefit formula would not produce as high a benefit as the Social Security formula, particularly for individuals having from 10 to 20 years of service. The terms of the substitute proposed by Mr. Hall would eliminate that minimum. Under said proposal, substantially all survivor beneficiaries and many thousands of Railroad Retirement annuitants would draw less than they would if employment had been covered under the Social Security Act.

REVOCATIONS OF ELECTIONS

There are still in existence a few "joint and survivor" annuities which are paid pursuant to an election of the employee to take a reduced annuity during his lifetime so as to provide an annuity for his wife if she survives him. This was the only way by which a survivor could be protected before 1946. Since that time no new elections have been permissible, survivor benefits being payable as a matter of right. Where such elections, made before 1946, are still in effect and the wife has died the employee nevertheless gets only the reduced annuity, although no benefit can be paid to the wife. The original H. R. 3669, as introduced by Mr. Crosser, would permit the employee, after the death of the wife, to draw the same annuity he would have received if no election had been made. The Hall substitute, however, would eliminate this provision even though the cost thereof is negligible.

CREDIT FOR SERVICE AFTER AGE 65

Under the present law employees working after age 65 continue to pay taxes but receive no credit for their service. Such employees consider themselves subjected to an arbitrary discrimination. The

original Crosser bill, H. R. 3669, would credit such service on the same basis as service before age 65, but the Hall substitute would continue the present discrimination, even though the cost of this provision is negligible.

FINANCIAL ADJUSTMENT BETWEEN RAILROAD RETIREMENT SYSTEM AND SOCIAL SECURITY SYSTEM

Under existing law railroad employment and social-security employment are combined for survivor-benefit purposes and the benefits are paid under one act or the other depending upon whether or not the employee will have been connected with the railroad industry at time of death. The present law provides for periodic settlements between the two funds for the cost of such crediting of social-security service under the Railroad Retirement Act and vice versa. However, there is another problem for which no solution is provided by the present law. The separate existence of the Railroad Retirement System relieves the general Social Security System of a higher-than-average-cost segment of the working population. It was recognized when the two systems were established that this represented a windfall to the Social Security System which should at some appropriate time be made good to the Railroad Retirement System. (See Appendix A to this statement.) We believe that the appropriate time to make the necessary change in law has arrived. Under the bill, as introduced by Mr. Crosser, the standard established for settling all accounts between the two systems is that the Old-Age and Survivors Insurance Trust Fund is to be put in the same position in which it would have been if railroad employment had been covered under the Social Security Act. The Fund should neither gain nor lose from the separate existence of the railroad retirement system. The net result of all transactions between the two systems would make available to the Railroad Retirement System savings estimated by the Board's actuaries as the equivalent of a little more than 2 percent of payroll, or in excess of $100,000,000 annually. The Hall substitute, however, makes no provision for such adjustment and therefore fails to secure the savings of about $100,000,000 annually for appropriate increases in the Railroad Retirement System benefits.

FINANCIAL SOUNDNESS OF RAILROAD RETIREMENT SYSTEM

The cost of Railroad Retirement benefits under existing law is 12.60 percent of payroll, based on a $4.9 billion annual payroll. The cost of benefits under the law as it would be amended by H. R. 3669, as introduced by Mr. Crosser, would be 13.90 [2] percent of payroll, assuming a $5.5 billion [2] annual payroll. The latter assumption is absolutely valid in view of the contemplated increase in the tax base from $300 to $400 a month, under the terms of the original bill, H. R. 3669.

All concerned agree that the increases in benefits must be provided without sacrificing the financial soundness of the system and without increasing the rate of taxes imposed for the support of the system. Employers and employees each now pay 6 percent and under present law this rate will increase to 6¼ percent beginning January 1, 1952. Employees under the Social Security Act pay only 1½ percent now and are scheduled to pay only 3¼ percent many years hence.

[2] See appendix E to the minority views.

Among the witnesses appearing before the Committee, there was some difference of views as to how costly a program could be prudently financed without increasing tax rates. The Railroad Retirement Board's actuaries estimated the cost of the original bill to 13.90 [3] percent of the taxable payroll. The combined tax rate is 12.5 percent, thus leaving an apparent discrepancy of 1.4 percent between the tax rate and the actuarial cost level estimate. Experience, however, with the retirement system during the past 15 years, has shown that the actual cost of benefits has been less than the actuarial estimates, with the result that similar discrepancies in the past have disappeared when new estimates were made after a few years of actual experience under a liberalized system. On the basis of this experience, the majority of the Railroad Retirement Board and the Railway Labor Executives' Association feel that the original H. R. 3669 as introduced by Mr. Crosser is altogether in harmony with the policy of prudent financing. During the 1948 hearings on the bill which later was enacted as Public Law 744, Eightieth Congress, for example, it was shown that the increase in retirement annuities then proposed would result in a total cost of a little over 1 percent above the established tax rate. Then, as now, the Board concluded that the enactment of the 1948 amendments would not impair the financial soundness of the Railroad Retirement System. Congress was of the same opinion, and the 1948 bill was enacted. Within a very short time thereafter, both the Board and the Congress were vindicated. The latest actuarial valuation of the Railroad Retirement System showed it to be financially sound. Moreover, we know now that economic conditions are more favorable today than were anticipated in our earlier valuations, and we expect these conditions to continue for some years. Favorable conditions in the railroad industry mean, of course, higher railroad payrolls and more income for the Railroad Retirement System.

PRESERVATION OF THE RAILROAD RETIREMENT SYSTEM

What prompted the Hall substitute, proposing far less adequate benefits but costing, nevertheless, more than the adequate benefits proposed in H. R. 3669 as introduced by Mr. Crosser, is a matter of controversy. The consequences of the enactment of the Hall substitute language are, however, sufficiently clear. The industry member on the Railroad Retirement Board said, in his separate statement on the Hall substitute, that it "is much to be preferred over the original bill." His statement, however, indicates that the enactment of this substitute would leave the job incomplete, and that his aim is the coverage of railroad employment under the Social Security Act. The assumption is warranted that those who are hostile to the existence of the Railroad Retirement System would favor enactment of the Hall substitute in the expectation that the System would be left in such an unsatisfactory condition that Social Security coverage would be accepted as the lesser evil.

We believe that the Railroad Retirement System should be preserved, improved, and strengthened. We believe that H. R. 3669 as introduced by Mr. Crosser will accomplish these objectives. The majority of the Railroad Retirement Board has recommended enact-

[3] See appendix E to the minority views.

ment of the original bill, H. R. 3669, and opposes the recommendations of the Hall substitute.[4] The Railway Labor Executives' Association, the sponsor of the original law and of all amendments thereto which have been made to date, and which represents three-quarters of the railroad employees, has strongly expressed the same view. We earnestly recommend enactment of the bill, H. R. 3669, as introduced by Mr. Crosser, who is the author of the original Railroad Retirement Act.

Conclusion

For all the reasons set forth above, we recommend that the Hall substitute be rejected by the House, and further recommend that H. R. 3669, as originally introduced by Mr. Crosser, be adopted by the House and that it be enacted into law.

Robert Crosser.
Lindley Beckworth.
Arthur G. Klein.
William T. Granahan.
John A. McGuire.
Peter F. Mack, Jr.
Louis B. Heller.
Morgan M. Moulder.
Harley O. Staggers.

Appendix A to Minority Views

February 9, 1937.

The Honorable John G. Winant,
Chairman, Social Security Board, Washington, D. C.

Dear Mr. Winant: On December 28, 1936, the President addressed a letter to representatives of the railroad managements and railway labor organizations urging upon them "the desirability of a conference * * * to consider the retirement problem and attempt to find a satisfactory solution." He suggested that the conference formulate joint recommendations for the benefit of Congress.

In accordance with this suggestion, a series of conferences has been held in Washington. At the direction of the President, this Board has placed its information and technical facilities at the disposal of the conference and has made estimates of the cost of various retirement plans which have been under discussion by the conferees.

The calculation of costs has raised a question having to do with the general policy underlying the formulation of social-security measures: Shall a railroad retirement system be regarded as an independent plan having no relation to other similar measures instituted by the Federal Government or shall it be regarded as a combination of the general old-age benefit system with a structure of additional benefits and financial support superimposed thereon?

The practical bearing of the question on the problem under discussion can be made clear by a recital of certain facts.

At the moment of its enactment, the old-age benefit system created by the Social Security Act embraced railway employment. Certain taxes were levied which, it was estimated, would reimburse the Government for the expenditures made under the old-age benefit system.

[4] A majority of the members of the Railroad Retirement Board reported favorably on H. R. 3669 as introduced by Mr. Crosser, but reported unfavorably on the Hall substitute. These reports are shown in Appendixes B and C, respectively, to the Minority Views. Mr. F. C. Squire, the industry member of the Railroad Retirement Board, submitted dissenting statements to the report of the majority of the Retirement Board on the original bill and on the Hall substitute. His statement as to the report on the original bill is contained in Appendix B to the Minority Views, and his statement on the Hall substitute is shown in Appendix 1 to the Majority Report. The Bureau of the Budget has indicated that there is need for the additional benefits of the kind provided for in the original Crosser bill, H. R. 3669. (See Appendix D to the Minority Views.) The Federal Security Agency is in accord with the views expressed by the Bureau of the Budget. (See Appendix D to the Minority Views.)

A few weeks later Congress enacted legislation which excluded employment on railroads and closely allied organizations from the definition of employment of the old-age benefit system and of title VIII of the Social Security Act which levied taxes on wages received and paid in corresponding employments. As a result of that action, according to calculations made by our actuarial staff, benefits payable under title II were reduced by an amount greater than the reduction of taxes under title VIII.

We have made various measurements of the benefits and taxes under titles II and VIII. Calculations may be made in terms of present values or of annual amounts of differentials between total benefits and the so-called earned portion. For present employees, these differentials, assuming retirement at age 65, have a present value, as of today, of the order of $650,000,000 and an aggregate, without allowance for time of payment, of upward of 2 billions. For an average retirement age of 67½, the present value of the differential will be about $350,000,000 and the actual gross excess will exceed 1 billion. These differentials exist generally in the early years of operation of the old-age benefit system; but they are offset by later increased financial provision.

By reason of the relatively advanced ages of railroad employees as compared with those employments covered by the old-age benefit system, both for present employees and new entrants, the differentials for railroad employment would be to a large degree permanent.

The question therefore, in more specific form, is this: In the calculation of costs must we regard the railroad retirement system as an entity in itself or can the costs be regarded as having been provided for if the financial provision in the retirement act is such that the Government books are in the same state of balance for the combination of old-age benefit and railroad retirement systems as they would be were railroad employment embraced in the former system?

If, in your judgment, the second of these alternatives constitutes the proper policy, we raise the further question as to whether you would favor the adoption of a formula by which the differentials would be actually placed in a railroad retirement account currently or whether the Government, on a showing as to the existence of balance between expenditure and financial support, taking both systems into account, should merely underwrite the payment of benefits, leaving to later determination, in the light of subsequent developments, the specific form and method of providing financial recognition of the differentials. The financial provision contemplated for the railroad retirement system will, taking no account of financial recognition of the differentials, support the proposed system, including expenses of administration, during the next generation.

Since the recommendations of the conference will undoubtedly be referred to you for scrutiny as to conformity with general social-security policy, I suggest that it would be appropriate for you to make known your views to the conferees in order that they may be governed thereby.

Yours very truly,

MURRAY W. LATIMER.

SOCIAL SECURITY BOARD,
Washington, D. C., February 10, 1937.

Mr. MURRAY W. LATIMER,
Chairman, Railroad Retirement Board, Washington, D. C.

DEAR MR. LATIMER: This will acknowledge your letter of February 9 asking for the opinion of this Board as to certain matters of general social security policy. Since similar questions are likely to be raised from time to time in other connections a statement of the general principles on which our answers are based is appropriate.

We regard the old age benefit system created by the Social Security Act as the necessary basis of all programs for old age security within the range of its initial coverage. We have not and do not favor exclusion from coverage based on any action in the field undertaken voluntarily by a single employer or a group of employers, although we believe voluntary benefits provided to supplement the old age benefit payments are worthy of encouragement.

Under certain circumstances, we believe a Federal system created by legislation apart from the general old age benefit system would be warranted. To be justified the following conditions should be present:

1. The industry should be one affected by a national public interest, and one to which normally Federal legislation and regulation apply;

2. The old age retirement system should provide larger aggregate benefits than those of the general old age benefit system and no individual employee should be worse off by reason of being covered by the special system rather than by the general old age benefit system;

3. The machinery for administration of the system should be so organized as to operate with maximum effectiveness in conformity with policies adopted by Congress for administrative management;

4. The creation of a separate system should in no way adversely affect the financial support of the general old age benefit program.

A special railroad retirement system created by Congress would, of course, meet the first of these conditions. We understand from your letter that the proposed railroad retirement system meets the second condition. The application of the third principle will be dependent upon congressional policies now in the process of formulation.

The fourth principle furnishes the answer to the first of your specific questions; provision of an old-age retirement system for any specific group is to be regarded as composed of the general old-age benefit system, with its correlative financial support, with a superimposed structure of benefits and a corresponding means of providing for them. In other words, the creation of the special system should not affect the balance between income and outgo which would exist without it. Creation of a separate railroad retirement system has not, of course, adversely affected this balance, but in other cases this would not be true and it is important to establish a precedent here so that the acceptance of the principle may be assured.

As to the second question: it seems to us unwise to formulate at this time any rule for the purpose of including currently in the railroad fund the differentials referred to by you. It appears more appropriate for the Government to agree to underwrite the benefits on a showing by you of the existence of the general balance. This view is based on several considerations. First, the Social Security Act is still in a developmental stage; doubtless changes will from time to time be found desirable. Changes affecting the old-age benefit system will produce corresponding changes in the differential, and any measurements now made would require revision. Second, changes in conditions may require modification of reserve policy and the Government should, in this respect, be left free to work out that problem without unnecessary restriction. Third, current financial recognition of the differential is not needed to support the benefits for many years; and, the assurance of old-age security for the employees affected is in no way diminished by leaving the Government free to determine its financial policy in this respect as conditions may from time to time indicate.

In accordance with your suggestion I am sending a copy of this letter to Mr. J. J. Pelley, president, American Association of Railroads, and Mr. George M. Harrison, chairman, Railway Labor Executives' Association.

Sincerely,

JOHN G. WINANT, *Chairman.*

APPENDIX B TO MINORITY VIEWS

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., April 24, 1951.

Hon. ROBERT CROSSER,
Chairman, House Committee on Interstate and Foreign Commerce,
New House Office Building, Washington 25, D. C.

DEAR MR. CROSSER: This is the report of the Railroad Retirement Board on the bill (H. R. 3669) to amend the Railroad Retirement Act now pending before the House Committee on Interstate and Foreign Commerce.

The Board believes that benefits under the Railroad Retirement Act should be increased. Ever since the summer of 1946 when the present inflationary period began, the Board, the standard railway labor unions, and many members of Congress have been seriously concerned with the inadequacy of the benefits under the Railroad Retirement Act to cope with the increased cost of living. The formula for computing retirement annuities under the act was adopted in 1937, when the amount of the annuity bore some reasonable relationship both to current wages and to the cost of living. In view of the rise both of wages and the cost of living since that time, a change in the formula so as to produce higher benefits became imperative. Similarly, the formula for computing survivor benefits, though adopted by Congress in 1946, was in fact established long before the beginning of

the present inflationary period; namely, in the spring of 1944 when the first bill to provide benefits for survivors of railroad employees was introduced in Congress. Consequently, a change in this formula so as to produce higher benefits has also become imperative. Although the amendments made to the Railroad Retirement Act by Public Law 744, Eightieth Congress, provided a 20-percent increase in retirement annuities (which increase was inadequate to cope with the constantly increasing cost of living), such amendments provided no increase whatever in the survivor benefits.

The railroad retirement system is financed by a tax of 6 percent of wages up to $300 a month on employees and a like amount on their employers. This tax rate is scheduled to increase to 6¼ percent on each side beginning next January. The Board believes that the payroll tax on employees and their employers for the maintenance of the railroad retirement system should not now be increased and that if benefits are to be increased, and the Board believes that they should, a method to finance the added cost by other than increasing tax rates must be provided.

The Board has examined all the bills introduced in this session of Congress to increase benefits under the Railroad Retirement Act on the basis of the following three tests:

1. The increase in benefits must be in conformity with the high payroll taxes paid by railroad employees and their employers for the maintenance of the system;
2. The added benefits must be financed by a method other than increasing tax rates; and
3. The added benefits and the method of financing them must be such as not to affect the financial soundness of the system.

Of all the bills above mentioned, the bill H. R. 3669 is the only one which meets all the three tests and makes many other improvements as follows:

(1) It provides a generally well-rounded system of retirement and survivor benefits, which are analyzed in detail in exhibit (A) hereto attached.

(2) It takes cognizance of the fact that the tax rates for the maintenance of the railroad retirement system are higher than those for the maintenance of the social security system and, accordingly, provides not only higher benefits than under the social security system, but guarantees in addition that in no case shall the benefits under the Railroad Retirement Act be lower than the benefits or additional benefits which would be payable under the Social Security Act if service covered under the Railroad Retirement Act were "employment" under the Social Security Act.

(3) It takes account of the growing disparity between increased wage rates and retirement benefits by increasing the creditable and taxable compensation from $300 to $400 a month. This increased monthly creditable amount will be reflected both in retirement and survivor benefits, and will result in additional revenue.

(4) It meets the demand of many railroad workers for the crediting of their service after age 65 by providing such credit with respect to awards made after the date of enactment of the bill, even though such service was rendered prior to such date.

(5) It meets the demand which has often been made upon the Board by employees who elected joint-and-survivor annuities, and whose wives predeceased them to restore the annuity in such cases to the original amount.

(6) It solves a problem which developed since the enactment of the Social Security Act, and is threatening to become serious. The railroad industry quite often offers employment to casual workers for short periods of time. These casual workers do not make railroading their careers, so that after working 30 or 40 years in their lifetime, their total work in railroad industry is seldom as much as 10 years. The problem created by such casual workers is solved by a provision transferring their benefit rights to the Social Security Act, as is more fully explained in exhibit (A).

(7) It utilizes the savings to the old-age and survivors insurance trust fund, resulting from the existence of the separate railroad retirement system, as is explained in exhibits (A) and (B) to assist meeting the cost of the increase in benefits.

Attached hereto and made a part hereof are exhibits (A) and (B). Exhibit (A) is an analysis of the bill H. R. 3669 both in general terms and in detail and exhibit (B) is a statement of the cost of the bill H. R. 3669.

It appears from exhibit (B) that there is a difference of about 1½ percent between the total tax rate and the estimated actuarial level cost of the system as it

would be amended by the bill. But in the Board's opinion this does not require an increase in the tax rate to maintain the system on a financially sound basis. The railroad retirement system was in a similar position in 1948. During the hearings on the bill which was later enacted as Public Law 744, Eightieth Congress, it was shown that the increase in retirement annuities then proposed would result in a total cost of a little over 1 percent above the established tax rate. Then, as now, the Board concluded that the enactment of the 1948 amendments would not impair the financial soundness of the railroad retirement system. Congress was of the same opinion, and the 1948 bill was enacted. Within a very short time thereafter, both the Board and the Congress were vindicated. The latest actuarial valuation of the railroad retirement system showed it to be financially sound.

The Board, therefore. approves and urges the speedy enactment of the bill H. R. 3669. A separate statement by one member of the Board will follow.

Due to the urgent request of your committee, time has not permitted submission of this report to the Bureau of the Budget. When we have received the comments of that Bureau, we shall forward them to you.

Respectfully submitted.

WILLIAM J. KENNEDY, *Chairman.*

SEPARATE STATEMENT OF F. C. SQUIRE, MEMBER, RAILROAD RETIREMENT BOARD

I cannot concur with the majority of the Board in favoring H. R. 3669 in its present form.

I do agree in principle with the apparent intent of the bill to provide for a measure of coordination between the railroad retirement system and the social security system, and to use the resulting savings to liberalize the benefits to railroad workers. I have advocated for several years that some such general step should be taken in order to decrease the cost to the railroad retirement system of the benefits provided for in the Railroad Retirement Act. The resulting savings that would thus afford additional financing would probably be in the neighborhood of $100,000,000 a year on a "level" basis.

I oppose the bill because I think it goes too far in its liberalization of benefits and will put the railroad retirement system in a position of unsoundness. The increases in benefits for which the bill provides would add about $180,000,000 a year to the cost of the system, or about $80,000,000 in excess of the savings that would result from the proposed coordination if actually made effective. Since the system is now just about in balance, this would mean that we would be incurring a deficit of about $80,000,000 a year immediately the bill became effective.

I regard the bill as objectionable also because of its failure to provide definitely for such coordination with social security as may be intended. While it provides definitely for the increased costs of $180,000,000 it leaves to mere inference the intent that the railroad retirement system will receive anything from social security. Clearly that is something which should be made certain and not left to mere inference.

I oppose the bill with respect to the manner of effecting coordination with social security. In my opinion the coordination should be brought about in some such way as was contemplated with respect to survivor benefits in the 1946 amendments, to the Railroad Retirement Act. This would eliminate the present inequity of "dual" benefits and discrimination against the man who spends his entire life in the railroad industry as compared with one who shifts back and forth from one system to the other and is qualified for retirement under both. Only in this manner can the maximum saving (about $25,000,000 a year more than is possible under the bill) to the railroad retirement fund be accomplished by reason of the lower cost of the social security system, and maximum benefits accordingly be provided to railroad employees within the present tax rate.

The only money available for the railroad retirement system is the amount now in the fund plus future taxes and plus the savings to be obtained from coordination with social security. I differ from the bill in that I would not spend so much of the available total on survivors. The bill proposes increasing survivor benefits by amounts that average over 80 percent. In my opinion this is much more than is justified. Furthermore, most of the demand has been for increasing employee annuities. I would give survivors exactly the same benefits as social security. As the result of the recent liberalizing of the Social Security Act, this would mean an increase of over 40 percent over our present Railroad Retirement Act benefits for survivors. Moreover, the survivor benefits I suggest could be

administered much more simply than those provided in the bill and the revisions in the present law would be simpler and more straightforward.

The following are some specific comments I wish to make on H. R. 3669:

1. *Last regular actuarial valuation.*—It should be borne in mind that the last regular triennial actuarial valuation showed that on a level basis the cost of the benefits provided by the present law exceeds the taxes provided by the present law by 0.3 percent of payroll, or about $15,000,000 per year. While this was as of December 31, 1947, the calculations were completed late enough so that they took into account the 20 percent increase in retirement annuities and the restoration of residual payments provided for in the 1946 amendments to the Railroad Retirement Act, and also took into account wage levels approximately equal to those of 1949.

2. *The unfunded accrued liability of the railroad retirement system will be increased by above $1,600,000,000 by H. R. 3669.*—In its reports upon the last two routine valuations, the Actuarial Advisory Committee criticized the continued increases in the unfunded liability and warned against further increases unless provision is made to amortize the liability. At the request of the chairman of the Senate subcommittee, one of the members of the Actuarial Advisory Committee and the assistant of another member, appeared at the hearing on S. 1347, companion bill of H. R. 3669. They expressed themselves in similar veins. The trend of the unfunded accrued liability is shown below:

Dec. 31, 1938	$3, 389, 095, 264
Dec. 31, 1941	3, 619, 000, 000
Dec. 31, 1944	4, 331, 020, 000
Dec. 31, 1947, includes effect of 1946 and 1948 amendments	7, 382, 600, 000
Dec. 31, 1950, including effect of H. R. 3669	9, 000, 000, 000

Under H. R. 3669 there will be no excess of taxes over benefits to permit amortization. On the contrary, the taxes will be inadequate to meet the costs on a level basis, so that the unfunded liability will be constantly increasing.

The existing unfunded liability of about $7,380,000,000, which would be increased upon enactment of this bill to about $9,000,000,000, constitutes a burden upon the younger employees of today and all future employees over and above what they would have to pay if they had to meet the expense of only their own insurance. I am opposed to saddling upon these present younger employees and upon future employees any more burden than is necessary.

Many people think the $2,300,000,000 balance now in the railroad retirement account warrants increasing benefits. They overlook the unfunded liability mentioned above. Compared with either receipts or disbursements, the reserve fund of the railroad retirement system is lower than that of social security, civil service retirement, Canal Zone, or Alaska Railroad.

3. *Cost of benefits proposed in H. R. 3669 will exceed by $80,000,000 per year the income from taxes plus transfers of funds hoped for from Social Security on a "level" basis.*—Even according to the not very conservative estimates of our actuaries, the "level" cost of the bill would be 14.13 percent of the taxable payrolls, as compared with income from taxes of 12.5 percent. The deficiency when expressed in percentage may not sound great—it is only a little over 1½ percent—but it means a shortage of about $80,000,000 per year. Therefore, the system would be financially unsound even disregarding the failure to provide any allowance for amortization of the growing unfunded liability. For some years to come, the people who will benefit from the liberalizations proposed in H. R. 3669 are those already on the annuity rolls and those who will retire within the next few years. If it were the tax money that they have paid (and the matching amount that has been paid by the railroads) that would be paid out or risked for these liberalizations, that would be all right. But it is the money of the employees who are not going to retire for many years yet that would have to be used to pay extra benefits to the older ones who have already retired or are now nearing retirement.

4. *The estimate of cost of 14.13 percent of payroll is not conservative.*—(a) The estimate is based on retirement rates that contemplate that the full age annuitants will retire at ages averaging about 67½. That is all right for the present because those retiring today do so at ages averaging about 67½. But these estimates necessarily take into account the distant future. Our law permits full annuities at age 65. More and more railroads are requiring their employees not under labor agreements to retire at 65. If the average age of those retiring should drop only from the present 67½ to 66, it would increase the cost of the system about

$25,000,000 a year over the present estimate. No allowance has been made for such a possibility.

(*b*) The mortality rates used in the estimate of cost are based on our experience in the last several years and that would be all right as long as that experience continues. But, unlike a life-insurance system which benefits financially as longevity increases, an annuity insurance system loses financially. If the railroad age annuitants should commence to live 1 or 2 years longer, the increased cost to the railroad retirement system would be several tens of millions of dollars a year. That would be offset in part by a saving in a lesser number of disabilities that would probably come from the same improvement in health and medical care. Nevertheless, there is the possibility of substantial increases in cost in this respect, for which no allowance is contained in the estimate of cost.

(*c*) The estimated cost of 14.13 percent is based on the assumption that payrolls in the future will average $5,200,000,000. This estimate assumes some years hence a reduction of about 10 percent in the number of railroad employees. While I hope that it may turn out to be no worse than that, I think it by no means conservative to rely on such a future. In the last 25 years there has been a reduction of about 25 percent in number of railroad employees. The estimate of cost does not allow for a reduction consistent with past experience.

(*d*) Amounts aggregating about 1.50 percent of payroll (or $75,000,000 per year) have been deducted in arriving at the level cost estimate of 14.13 as estimates of the savings in benefit payments principally by reason of the $50 a month work clause. I do not question the potential savings but I feel that the estimated actual saving is too optimistic. Recipients of benefits will not always report the receipt of earnings of $50 or more in a month, because of ignorance of the law, inadvertence, carelessness, or other reasons and there is no penalty imposed for failure to make such report. Therefore, the Board must make such investigations as are practical. There are 350,000 adults receiving monthly annuity checks from us. Our principal check would be to obtain periodic reports of earnings from social security. By the time we thus learned that an annuitant had also been earning over $50 per month, 6 months to a year would have elapsed and he would have received, say $500 to $1,000 in annuities to which he was not entitled and which the Board has the discretion to recover or not recover. The man is old, and if apparently not too literate and he pleads ignorance and no other income, it is rather difficult to recover the $500 to $1,000 by withholding from his future annuities. In my judgment the $75,000,000 is too high an estimate of savings.

5. *Does the higher earning employee really want his maximum creditable and taxable compensation per month raised from $300 to $400?*—Presumably, the increase from $300 to $400 in the maximum creditable and taxable compensation serves a dual purpose, (1) to increase the annuities of employees earning over $300, and (2) provide some additional funds for distribution to those in lower brackets.

It is not my purpose to discuss the advisability of increasing the tax load on employers, but it is of interest to point out what the employee would have to pay and what he might receive from such payment.

Take the case of an employee now earning over $400 per month who will retire 2 years after the effective date of H. R. 3669. The change to $400 maximum will make him pay $6.25 more taxes per month during those 2 years, or $150. In return his monthly annuity will be increased $2.80, assuming he has 30 years of service. If he dies at the end of the 2 years, his widow's monthly annuity after she is 65 would be increased by $1.18, assuming that he has had continuous service since 1936.

Take the case of an employee now earning over $400 who will retire 10 years after the effective date of H. R. 3669. The change to $400 maximum would cost him $6.25 per month during the remaining 10 years that he will work. In return his monthly annuity when he retires 10 years hence would be $14 greater. If he dies at the end of the 10 years, the monthly annuity for his wife after age 65 would be $4 greater.

Under the present law and also under H. R. 3669 employees whose "average compensation as defined in the act, is over $150 per month, receive proportionately less benefits compared with their taxes than do those whose earnings have been less. Attempting to increase their annuities by adding another bracket, $300 to $400, simply increases the discrimination that already exists against them by reason of the "bent" annuity formula. A very small "unbending" of the "bent" formula by increasing the annuity factor for the bracket over $150 by only 0.1 percent would increase monthly annuities by amounts varying up to $4.50 (or

more when more than 30 years may be counted) without requiring employees to pay additional taxes. Total cost of the 0.1 percent increase in the upper bracket would be about 0.2 percent of payroll or $10,000,000 per year but would help decrease the existing discrimination against the higher earning employees who have been getting and are getting decidedly the short end considering the taxes they pay. In my opinion this change should be made and offset by reductions in some of the overly liberal survivor allowances in the bill.

6. *Proposal to include wages and service after 65 in the computation of annuities* would increase the cost of the railroad retirement system by $10,000,000 per year. Under the present law credits stop at age 65 but taxes continue if a man continues working. Many have complained that the present law is unjust in this respect, but this feeling comes from only superficial consideration.

I believe it comes in part, at least, from the fallacious thinking that railroad employees when they retire today have "paid for" what they get. (In the amount "paid" I include not only the retirement tax deducted from the employees' pay checks but also the matching amounts paid by the railroads.) The fact is that most of those retiring today and in the near future will have "paid for" only part of what they get. This is because most of them draw benefits based in substantial part on service before taxes commenced in 1937 and also because for many years their tax payments were inadequate for the schedule of benefits which the law now gives them after the 1946 and 1948 amendments.

Such benefits are partly at the expense of the younger employees and future employees in that they will have to pay higher taxes or get less pensions than they otherwise would. Hence, it seems to me that it would be unjust to the present younger employees and to future employees to grant now the desire for credits after age 65.

Fifteen or twenty years from now, when the majority of those then retiring will have paid taxes for all their creditable years, it may well be that justice would dictate that they should then be credited with service after 65.

Attached are a few illustrations of men retired in December 1950 at ages over 65. Comparison of columns 6 and 8 indicates that those retiring now are already getting several times what they have paid for, and that the same is true if the amount shown in column 6 is doubled so as to include also the tax paid by the railroads. The amount by which the benefits exceed the taxes, except for interest, must be provided at the expense of the present younger and future employees. Column 9 plus column 10 shows the increases provided in H. R. 3669 over and above the present annuities shown in column 7. The part shown in column 10 is what would be added by crediting wages and service after 65 in accordance with the provision in the bill to which I object.

Occupation	Age at retirement	Years creditable service through age 65	Retirement taxes paid by annuitant			Present railroad retirement annuity	Value of his annuity and survivors' benefits under present law	Increase in annuity under H. R. 3669 without crediting service after 65 [1]	Additional increase produced by crediting service after 65 [1]
			Before age 65	After age 65	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Station agent	79	27	$26	$1,382	$1,408	$81.75	$7,078	$30	$22
Yard engineer	68	30	993	629	1,622	106.11	13,295	35	5
Station agent	67	30	898	373	1,271	92.68	11,665	33	3
Shop helper	73	20	237	832	1,069	60.00	6,867	22	16
Road freight conductor	66	30	1,687	216	1,903	127.63	16,813	38	1

[1] The figures in columns 9 and 10 include allowance for the average amount of a wife's annuity.

7. *H. R. 3669 relaxes a number of controls* that are in the present law for the purpose of preventing payment of improper claims.

(1) The present requirement that to be eligible a parent must have been "wholly dependent" is changed to "one-half his support," and the requirement that he file proof of dependency within 2 years after the death of the employee is eliminated. This could permit filing claims 10 or 15 years later when the checking of the claim of dependency might be impossible.

(2) Under the present law a widower is not eligible for a survivor's annuity. H. R. 3669 would make the widower eligible when he reaches age 65 if at the time of his employee-wife's death or retirement he was receiving one-half his support from her. She might have died or retired many years earlier and at that time he might have been only temporarily partially dependent upon her. Furthermore, there is no time limit within which claim need be made so that the Board could check the claim as to dependency. Nor do I see any provision to protect against cases where the claimant was only temporarily dependent upon his wife at the time of her death or retirement.

The Social Security amendments of 1950 made widowers eligible and presumably H. R. 3669 wishes to be as liberal. But H. R. 3669 is more liberal in three respects than social security, (*a*) it does not require proof of dependency within 2 years. (*b*) it requires only "completely insured" instead of both "completely insured" and "partly insured", and (*c*) does not require that death take place after August 1950.

(3) Similar remarks to those made in (2) apply with regard to a husband's benefits.

8. *Dual benefits* are not eliminated by H. R. 3669, although they would be reduced for some years to come by the provision for reducing the allowable prior service in such cases. Later, however, this discrimination in favor of the part-time railroad employee as against the man who has spent his entire working life in railroad service will again come into full play. Aside from curing this discrimination, elimination of dual benefits would save about $25,000,000 per year on a level basis for the benefit of those justly entitled to something. Dual benefits can be entirely eliminated only by coordinating the employee's annuities with social security as was done as to survivors' annuities when they were introduced in the 1946 amendments, and only in that way can this possible saving of $25,000,000 be accomplished and the discrimination against the full-time railroad worker ended.

9. *Other unjustified liberalizations.*—(1) Under the present law an annuity can be made retroactive for not more than 60 days prior to application therefor. The bill proposes to lengthen the retroactive period to 6 months. This change was made to keep up with similar liberalizations made in Social Security by the amendments of 1950. However, the railroad retirement system covers disability and I think it improper to ask the Board to determine disability as of 6 months before the Board is notified and given opportunity to have the claimant examined.

(2) H. R. 3669 provides that an employee annuity that has been reduced because the employee made a joint-and-survivor election, shall be increased if the wife predeceases the employee-annuitant. Following the 1946 amendments joint-and-survivor elections were canceled unless specifically confirmed. What the bill proposes would be equivalent to letting those who at that time confirmed their election eat their cake and have it too. It also would be unfair to future members of the railroad retirement system who must suffer the expense.

As stated at the beginning, I am not in disagreement with the ultimate objective of the bill, namely, to bring about greater coordination between the railroad retirement system and the social security retirement system and to utilize the resulting savings to the former system in liberalizing railroad retirement benefits. My principal objection goes (1) to the failure of the bill to make definite provision for the intended coordination between the two systems, (2) to the manner and extent to which it apparently contemplates that the coordination shall be effected, and (3) to the increases in benefits which are much greater than finances that will be available.

F. C. SQUIRE, *Board Member.*

EXHIBIT A

ANALYSIS OF H. R. 3669

A. General discussion

The bill H. R. 3669 increases retirement annuities by 13.8 percent on the average; minimum retirement annuities by 14 percent when based on years of service and by 13.4 percent when based on a flat amount; and retirement pensions by 15 percent. The bill provides credit for service after age 65 in all future awards, regardless of when such service was rendered; increases the maximum creditable and taxable compensation (with respect to compensation paid after December 31, 1951) from $300 to $400 a month, for both retirement and survivor benefits; and provides an annuity for a spouse of an employee equal to one-half of the em-

ployee's annuity or pension, up to $50 a month, but only when the employee and his spouse are both age 65 or if, when the spouse is a wife under age 65, she has in her care the employee's child under the age of 18.

Eligibility for all benefits under the act (other than the residual lump sum guaranty), whether to the employee or to those deriving from him, is conditioned by the bill upon the employee's having completed 10 years of service (including service before 1937). Upon the retirement or death of an employee who completed less than 10 years of service, benefits to him, to those deriving from him during his lifetime, and to his survivors, will be payable under the Social Security Act. For such cases, and for the purposes of the work clause in the Social Security Act for all cases, "employee" service will be deemed "employment" under that act. In the adjustments that will be made between the railroad retirement and the social security systems the latter will be allowed compensation for the employer and employee taxes it would have received in such cases if such service had been "employment" for tax purposes. Such employees will retain the benefit of the residual lump-sum guaranty in case the total of the benefits paid in such cases under the Social Security Act is less than the taxes which the employee paid (plus an amount in lieu of interest) under the Railroad Retirement Tax Act.

The adjustment between the two systems, mentioned in the preceding paragraph is not exclusively related to the transfer to the social security system of persons who have completed less than 10 years of service. Rather it is an overall adjustment to compensate the railroad retirement system for the savings it affords to the social security system from the separate existence of the former. The recoupment of these savings contributes to making it possible to increase benefits as provided in the bill without affecting the financial soundness of the railroad retirement system. The bill, in substance, declares it to be the congressional policy that the social security system shall neither profit nor lose from the existence of the separate railroad retirement system. Because the railroad retirement system covers an older group and a group which is in other respects a higher-cost segment of the national working population, it has achieved savings to the social security system by removing that higher cost segment from the coverage of that system. The bill utilizes these savings for increasing benefits under the railroad retirement system without increasing the tax rates for the maintenance thereof.

Under the present law, a retired employee cannot work in the railroad industry, or for the person by whom he was last employed before his annuity began, without giving up his annuity for the months he so works. Under the bill, he will also have to give up his annuity for any month in which he earns more than $50 in work covered by the Social Security Act, except that this provision will not apply to a disability annuitant before he attains age 65. Until that age, an individual in receipt of a disability annuity may earn up to $100 a month in work covered by the Social Security Act. The $50 restriction will not apply to work in which an annuitant is permissibly engaged before the amendment, that is, work which before the amendment did not result in forefiting his annuity. Service before 1937 will continue to be credited as under the present law except that an annuitant cannot get both a benefit based on such service and an old-age benefit under the Social Security Act. He will have to give up the lesser of the two, because the social security formula is so weighted as in effect to allow credit for service before 1937.

The bill makes substantial increases in survivor benefits, includes among the survivor beneficiaries a widower, and a former wife divorced if she has in her care a child of the employee under age 18; and simplifies the procedure for calculating a survivor's insurance annuity by fixing it as an amount equal to 40 percent of the first $100 of the employee's average monthly remuneration and 10 percent of such remuneration to to $300 a month if such average includes social security wages or up to $400 if it does not, plus $1 for each year of "employee" service after 1936. A year of service is, as defined, 12 months of "employee" service, whether or not consecutive, except that the ultimate fraction of 6 or more months of service of an employee who has completed 126 months of service will count as 1 year. The survivor's insurance annuity amount will be the same for a widow, widower, child or parent, except that if there is more than one child entitled to a survivor's insurance annuity, each child will receive only two-thirds of such annuity and one-third thereof will be divided among all such children in equal shares.

Under the present law, if upon the death of an insured employee there is no one immediately entitled to monthly survivor benefits, there is payable an insurance lump-sum equal to eight times "the employee's basic amount" to the

survivors of such employee. The bill changes that amount to 12 times the survivor's insurance annuity in such cases and, in addition, provides for the payment of an amount equal to 4 times the survivor's insurance annuity even in cases where the employee leaves survivors entitled to monthly survivor benefits immediately upon his death.

If there should be some cases in which the benefits under the Railroad Retirement Act would be less than the amount, or the additional amount, which would be payable under the Social Security Act if the employee's service were "employment" under the Social Security Act, the benefits under the Railroad Retirement Act would be increased to such amount or to such additional amount.

B. Detailed discussion

The conditioning of eligibility for benefits under the Railroad Retirement Act upon completion by the employee of not less than 10 years of creditable service is first shown by section 1 of the bill which amends section 1 (f) of the Railroad Retirement Act. Under this amendment, the ultimate fraction of 6 or more months can be counted as 1 year of service only if the individual has completed 126 months of service. Section 2 of the bill makes this condition a specific requirement for eligibility and, because of this, eliminates, as superfluous, the 10 years of service requirement (in the first sentence of par. 5 sec. 2 (a) of the Railroad Retirement Act) for a disability annuity. The same condition appears in section 24 (d) and (e) of the bill which require the completion of 10 years of service for an insured status under the Railroad Retirement Act for the purpose of survivor benefits.

The bill changes the present work clause in the Railroad Retirement Act. With respect to disability annuitants, the present law conclusively presumes recovery from disability if the annuitant, though still physically disabled, earns more than $75 in each of six consecutive calendar months. In such cases the annuity ceases, and when the annuitant's earnings drop to the permissible amount his annuity is not restored automatically as in the case of a straight work clause; he has to apply for a new annuity and again establish disability. These complications are avoided by sections 2, 4, and the new subsection (e) provided in section 5 of the bill. Section 2 eliminates the $75 provision referred to earlier, section 4 provides that an individual in receipt of a disability annuity before age 65 will not forfeit his annuity for any month in which he earns no more than $100 in employment covered by the Social Security Act (but he will lose the annuity for any month in which he works for an employer under the act or for the last person by whom he was employed before his annuity began regardless of the amount earned), and the new subsection (e) provided by section 5 of the bill defines what was referred to earlier as "employment covered by the Social Security Act." Upon attainment of age 65, a disability annuitant, the same as all other individuals in receipt of annuities under the act, will be subject to a $50 work clause similar to that contained in the Social Security Act. Section 27 (e) of the bill, however, contains an exception which makes the new $50 work clause inapplicable to work in which an annuitant is now engaged if it is the kind which does not now result in his forfeiting the annuity. The reason for this exception is that many annuitants now on the rolls may have decided to retire when they did relying on the provisions of the present law permitting them to engage in employment other than for an employer under the act or for the last person by whom they were employed before their annuities began. Accordingly, an applicant for a retirement annuity had reason to assume that he would have a source of income in addition to the annuity, and he may have made plans for his old age on this basis.

Section 3 of the bill amends section 2 (c) of the act to permit a retirement annuitant to begin to accrue 6 months prior to the date on which the application is filed, assuming, of course, that the applicant is otherwise eligible. There are two reasons for this change. Experience has shown that in many cases employees have failed to file their applications for as long as 6 months or more after they had ceased compensated service. The other is that section 9 of the bill provides an over-all minimum; that is, if the amount of an employee's annuity is less than he would receive as an old age insurance benefit under the Social Security Act if his "employee" service were "employment," his annuity is to be increased to the greater amount. Under the Social Security Act, however, an old age insurance benefit may begin as early as on the first day of the sixth month preceding the month in which the application is filed. Consequently, in a case in which an employee fails to file his application under the Railroad Retirement Act for six or more months after he has ceased all compensated service, the problem would have arisen as to whether the employee who, under the Social Security Act, would

have received old age insurance benefits for 6 months prior to the month in which the application is filed should be paid annuities under the Railroad Retirement Act for such months even though under the Railroad Retirement Act his annuity could not begin earlier than 2 months before the day on which his application was filed. The amendment made by section 3, therefore, which makes possible the beginning of the annuity as early as 6 months before the date on which the application is filed, eliminates this problem.

It should be noted, however, that 6 months before the date on which the application is filed could be a day after the first of the month; and in such case the problem would still exist with respect to the first month in which the annuity begins to accrue. The sponsors of the bill did not wish to depart from the long-established principle under the Railroad Retirement Act that an employee's annuity may begin to accrue on the day following the last day of his compensated service. To avoid the administrative problem of applying the over-all minimum formula to the annuity which begins to accrue on other than the first of the month, the proviso in section 9 of the bill limits the application of the over-all minimum to benefits accruing for an "entire month." The effect of the phrase "entire month" is that even if the employee is entitled to an annuity for an entire month but his spouse's annuity begins on a day after the first of the same month, the over-all minimum will not apply with respect to such month.

Section 5 of the bill adds to section 2 of the act four new subsections. The first, the new subsection (e), was discussed earlier. The new subsections (f), (g), and (h) provide an annuity for the spouse of an employee equal to one-half the employee's annuity, but not in excess of $50 per month. The first proviso of the new subsection (f) avoids an inequity which would occur if the spouse's annuity were one-half of an annuity that has been reduced by reason of retirement before age 65. The employee in such case has already paid for the earlier beginning of his annuity by accepting a reduced annuity under section 2 (a) 3 of the Railroad Retirement Act. Consequently, if the spouse's annuity were one-half of the reduced annuity, the employee would be paying twice for the privilege of having his annuity begin between age 60 and 65. The phrase "or recomputed," in the first proviso, has special significance. It is provided in section 7 of the bill that if an annuitant at any time becomes entitled to an old age insurance benefit under the Social Security Act, his annuity shall be reduced in such manner as to be based only on service and compensation after 1936; but if such a reduction in the annuity would be by an amount greater than his old age insurance benefit his annuity shall be reduced by the smaller amount; that is, by the amount of the old age insurance benefit. In a case in which an individual was awarded a reduced annuity under section 2 (a) 3 and is not entitled to an old age insurance benefit under the Social Security Act when he attains age 65, his wife's annuity when she attains age 65 will be one-half of the amount to which he would have been entitled had his annuity been awarded to him when he attained age 65. If, sometime later, he does become entitled to an old age insurance benefit, his annuity will then be recomputed in accordance with the proviso in section 7 of the bill and his wife's annuity will likewise be recomputed to be one-half of the smaller annuity. To compensate the wife for this reduction, however, the second porviso of the new subsection (f) permits her to retain also the wife's benefit under the Social Security Act, which is one-half of her husband's old age insurance benefit.

The second proviso in the new subsection (f) also makes certain that in the event the wife's benefit is lost under the Social Security Act because she is entitled under that act to another monthly benefit in excess of the wife's benefit, the reduction in the wife's benefit under the Railroad Retirement Act will be such as to permit her to retain an amount equal to the full wife's benefit under the Social Security Act. This proviso will be applied as follows: If the wife's benefit under that act is, say, $30, which is lost to her because she is also entitled to a parent's benefit under that act in the amount of $40, the reduction in the wife's benefit under the Railroad Retirement Act will be only by the excess of the parent's benefit over the wife's benefit, which is $10; if instead of being entitled to a parent's benefit of $40 in the same example, she should become entitled to an old-age insurance benefit of $20 by reason of which a wife's benefit is reduced to $10, the reduction under the Railroad Retirement Act will be zero since the excess of the old-age insurance benefit over the wife's benefit is zero.

The new subsection (g) defines "spouse" in terms which ordinarily would require that the spouse be married to the employee for a period of not less than 3 years immediately preceding the day on which the application for the spouse's annuity is filed. Where this requirement applies, if the employee's and the spouse's applications should be filed when they are both 65½ years of age, after exactly 3

years of marriage, the employee's annuity could begin 6 months earlier (assuming he was otherwise eligible) but not the spouse's annuity because 6 months before the application was filed she had been married to the employee only 2½ years. However, if the spouse is the parent of the employee's son or daughter the period of marriage to the employee is not material.

In addition to marriage for at least 3 years or parentage of the employee's son or daughter, the spouse must be a member of the same household as the employee or be receiving regular contributions toward support from the employee or the employee must have been ordered by a court to contribute to the spouse's support. If the spouse is the husband of the employee he must have been receiving at least one-half of his support from his wife at the time her annuity or pension began.

The term "spouse" is defined in the same terms as husband and wife, respectively, under the Social Security Act, except that under the Railroad Retirement Act the husband is not required to file proof of support within any specific period of time. Under the Railroad Retirement Act it is possible for a woman employee to become eligible for an annuity at age 60. At that time her husband, even if he already were 65, would not be entitled to a husband's annuity until his wife had attained age 65. He would probably not think of filing proof until 5 years later when the 2-year period prescribed in the Social Security Act for filing proof of support would have passed and his right to an annuity would be forfeited solely on technical grounds. Therefore, since the filing of proof of support is merely evidence of dependence, it is deemed sufficient to submit such evidence whenever it will serve a purpose. That conclusion having been reached, serious doubt arises whether the requirement of the present law that a parent file proof of support within 2 years of the death of the employee is justified. Section 24 (a) (3) of the bill eliminates that requirement. There is no prohibition, however, against filing proof of support whenever the husband or parent wishes to do so.

By providing for the spouse's annuity in section 2 of the act, the application for the spouse's annuity will be subject to the same conditions as applications for other annuities under that section. The spouse, like the employee, will have to cease service for an employer and for the last person by whom the spouse was employed before the spouse's annuity began, as provided in section 2 (a), and relinquish rights to return to service as provided in section 2 (b). The spouse's annuity beginning date will be subject to the provisions of section 2 (c); and the new subsection (h) of section 2, provided in section 5 of the bill, makes the spouse's annuity subject to the same work clause provisions in section 2 (d) as the annuitant's, and in addition, a spouse's annuity will not be payable in any month in which the employee from whom the spouse's annuity is derived loses the annuity by reason of such provisions.

A spouse's annuity will terminate in effect, under the same conditions as a spouse's annuity would terminate under the Social Security Act; and the term "absolutely divorced" in the new subsection (h) is intended to have the same meaning as the term "divorced a vinculo matrimonii" in section 202 (b) and (c) of the Social Security Act.

Section 6 of the bill changes the percentages of average monthly compensation to be multiplied by the years of service in the formula for determining the annuity, producing an increase in the amount by 13.8 percent, on the average. At present these percentages applied to the average monthly compensation are 2.4 percent of the first $50, 1.8 percent of the next $100, and 1.2 percent of the balance. The bill substitutes for these percentages 2.8, 2.0, and 1.4 percent, respectively. For a $50 monthly compensation, the increase will be 16.7 percent; for $100, 14.3 percent; for $150, 13.3 percent; for $200, 13.9 per cent; for $250, 14.3 percent; for $300, 14.6 percent; for $350, 14.8 percent; and for $400, 15 percent. The phrase "remainder of his monthly compensation" is limited by section 8 of the bill to $300 a month with respect to compensation paid through December 31, 1951, and to $400 a month with respect to compensation paid thereafter.

Section 7 of the bill, by striking out paragraph 4 of section 3 (b) of the act, makes possible the inclusion of all service after age 65, subject to the maximum of 30 years as provided in paragraph (1) of section 3 (b) of the act. In addition to this amendment, section 7 provides against duplication of credit for prior service. The amended Social Security Act is so weighted as, in effect, to give credit for service before 1937. In view of this, and since employees who now receive credit for service before 1937 have not paid any taxes with respect to such service, the sponsors of the bill deemed it appropriate to continue to give credit under the Railroad Retirement Act for prior service, but only if the employee does not also

receive an old age benefit under the Social Security Act. Consequently, whenever an annuitant is or becomes entitled to an old age insurance benefit under the Social Security Act, his annuity will be so computed or recomputed as to base it entirely on service and compensation after 1936, except that the employee will be assumed to have met whatever service and other requirements were necessary in the computation of the original annuity. Thus, if the original annuity was a reduced age annuity, the annuity based on service and compensation after 1936 will be computed as a reduced age annuity even though the employee has less than 30 years of service after 1936. If, however, the amount of his old age insurance benefit, either as originally computed, or as later recomputed upon his application therefor, is less than the amount by which his annuity would be reduced as above stated, the reduction will be by the smaller of the two amounts. In the case of a pensioner, of course, the reduction will be only by the amount of his old age insurance benefit since his pension is based on prior service only. The reduction in the annuity of a spouse of such an employee will be by an amount which would result in the spouse receiving one-half the annuity or pension the employee is receiving after such reduction.

Section 8 of the bill increases the creditable monthly compensation from $300 to $400 a month beginning with compensation paid after December 31, 1951.

Section 9 eliminates the requirement of 5 years of service as a qualification for the minimum (since the bill now requires 10 years of service for eligibility), and increases the minimum annuity from $3.60 to $4.10 for each year of service, making $41 the lowest possible minimum unless the monthly compensation is less than $41 which is unlikely for an employee with as much as 10 years of railroad service. Where the minimum is based on a flat amount, the increase is from $60 to $68. The proviso in section 9 of the bill is in essence a guaranty that in no case will a benefit under the Railroad Retirement Act to an employee and to those deriving from him be less than the amount or the additional amount which would be payable under the Social Security Act if the individual's service as an employee after 1936 under the Railroad Retirement Act were "employment" under the Social Security Act. To illustrate, if the total annuities to the employee and his spouse is $100 and if the employee's service were "employment," the total of monthly benefits to the employee and his spouse under the Social Security Act would be $90, and such employee and his spouse have a child under the age of 18 so that the monthly benefits to all three under the Social Security Act would be $110, the annuities of the employee and spouse would be increased proportionately to a total of $110. The same guaranty applies to annuities of survivors of an employee; so that if the total of survivor annuities under the Railroad Retirement Act is less than would be the total of monthly benefits to such survivors if the employee's service were "employment" under the Social Security Act, such total of annuities would be increased proportionately to such greater total.

In the application of this proviso a number of problems had to be taken into account. Thus, an annuity under the Railroad Retirement Act may begin on some day during the month while a benefit under the Social Security Act always begins only on the first day of the month. In order to avoid the administrative problem of applying this over-all minimum guaranty to a part of a month, the proviso is made applicable to "any entire month." That this will also apply to a case in which the spouse's annuity begins on some day during the month has already been shown earlier.

If an annuity is reduced as provided in section 3 (b) of the act (sec. 7 of the bill) or by reason of other payments based on creditable military service (as provided in sec. 4 (i) of the act) the proviso of section 9 will be applicable to the annuity to which the employee is "entitled"; that is, after such reductions. In both instances the employee is entitled only to the reduced annuity.

A section 2 (a) (3) annuity to a male employee is reduced by one-one hundred and eightieth for each month that he is under age 65; and an annuity pursuant to a joint-and-survivor election is reduced to permit the payment of part of the employee's annuity to his surviving spouse (in addition to the survivor annuity pursuant to sec. 5 of the Railroad Retirement Act). If the over-all minimum provided in section 9 were applied to the annuities so reduced the employee in each such case would receive greater benefit from the over-all minimum than is intended or warranted. The language in the parentheses, therefore, avoids this possibility.

In order to determine whether an employee is insured under the Social Security Act for the purpose of applying the over-all minimum, it will be necessary to apply the provisions of that act. This will not be necessary, however, if the employee is completely or partially insured, in accordance with the provisions of section

5 (l) (4), of the Railroad Retirement Act; in such case, he will be deemed to be fully or currently insured respectively, under the Social Security Act.

Section 203 (f) of the Social Security Act imposes penalties in addition to the work clause for failure to report earnings of more than $50 a month by individuals in receipt of monthly benefits under that act. The Railroad Retirement Act provides no penalties in addition to the work clause. The question whether the over-all minimum would apply where no monthly benefit would be payable under the Social Security Act (because of this additional penalty provision) while the annuity under the Railroad Retirement Act would nevertheless be payable, is answered in the affirmative by the language in the parentheses. On the other hand, the over-all minimum provision will not apply with respect to a month in which the annuitant (including a spouse annuitant) works for an employer under the act or for the last person by whom he was employed before the annuity began even though the amount earned is less than $50 or the annuitant is over 75 years of age. Under those conditions no annuity is payable under the act, and the proviso applies only for months in which an annuity accrues and is payable. The proviso in section 9 will assume timely applications for the social security benefits but section 27 (j) will not permit such assumption with respect to recomputation of the social security benefit.

Section 10 of the bill, by striking out section 3 (h) of the act, will make possible the recomputation of an annuity previously awarded on the basis of additional creditable service and compensation accumulated after the annuity has begun to accrue. While this amendment will not permit changing from one annuity to another, it will make increases in the same annuity possible in cases where the original annuity was based on less than 30 years of service.

Sections 12 through 25 amend section 5 of the Railroad Retirement Act. Section 12 adds an annuity to a widower age 65 and provides that in no case shall the "survivor's insurance annuity" of the widow or widower be less in amount than she or he received during the lifetime of the employee as a spouse's annuity. The same provision is made in section 13 of the bill for a widow's current insurance annuity. The term "widow" in section 5 (b) and 5 (i) (1) (iii) of the act will include a former wife divorced. (See sec. 24 (a) (2) (i) of the bill.)

Under the present law a widow's annuity is three-fourths of the "employee's basic amount," a child's and parent's annuity is one-half of the "employee's basic amount," and an insurance lump-sum is eight times the "employee's basic amount." Many persons misunderstood the quoted term to mean the employee's annuity when in fact it bears no relation to the employee's annuity but is more nearly analogous to a primary benefit under the Social Security Act, and serves no purpose other than to arrive at a figure of which a fractional part is paid as a survivor benefit. The new term "survivor's insurance annuity" will not be subject to such misunderstanding. Moreover, under the bill the widow, widower, child and parent of a deceased employee will receive the same "survivor's insurance annuity" rather than three-fourths and one-half, respectively, of the "employee's basic amount." Since under present law an insurance lump sum is eight times the "basic amount" and a widow's monthly survivor benefit is three-fourths of a basic amount, the insurance lump sum is eight times four-thirds or 10⅔ times a widow's monthly survivor benefit. To maintain approximately the existing relationship between the insurance lump-sums and widows' monthly survivor benefits the bill measures the insurance lump sums by 12 times a monthly survivor benefit (10⅔ being rounded out to 12).

Section 14 of the bill provides that a child shall receive the full amount of the "survivor's insurance annuity," except that if there is more than one child surviving the employee, each child shall receive two-thirds of the survivor's insurance annuity and one-third thereof shall be divided equally among all such children.

Section 15 provides against the payment of a parent's annuity not only, as in the present law, if the employee died leaving a widow or child but also if there is a surviving widower; and, for the reasons stated earlier, section 24 (a) (3) of the bill dispenses with the requirement of filing proof of support. The same section 24 (a) (3) of the bill liberalizes the extent of the support required.

Section 16 deals with a situation in which two or more children survive parents both of whom were employees and died insured. In such a situation, unless special provision were made the amounts of the children's benefits would vary depending on which child filed with respect to the death of which parent. In order to avoid such fortuitous variations in benefits section 16 provides that all children shall be deemed to apply for annuities with respect to the death of only one of such parents. In the selection of such one parent, however, this section requires that such parent be the one with respect to whose death the children would

receive the largest possible annuities, regardless of whether the applications are filed at the same time. If the amount of the child's annuity is the same with respect to each parent, the selection of the parent is immaterial.

Section 17 of the bill includes a widower among those entitled to share in the insurance lump sum provided by paragraph (1) of subsection (f) of section 5 of the act, and in addition makes the following changes in the existing law: At the present time if an insured employee dies leaving no one entitled immediately to monthly annuities, a lump sum of eight times the basic amount is payable to his survivors in the order provided in that subsection. This insurance lump sum, however, is not payable if at the time of the employee's death there is a survivor entitled to monthly benefits, except that if the total of the monthly benefits paid within 1 year of such death is less than the insurance lump sum of eight times the basic amount, the difference is then paid to his survivors in a certain order as provided in that subsection. The bill provides for the payment, upon the death of an employee leaving no one entitled immediately to monthly benefits, an amount equal to 12 times the survivor's insurance annuity to the same persons who are entitled under the present law to the amount of eight times the basic amount. As has previously been pointed out, 12 times the survivor's insurance annuity in lieu of 8 times the basic amount will preserve approximately the same relationship between the insurance lump sum and a widow's monthly survivor benefit as now exists. This section provides also for the payment of an amount equal to four times the survivor's insurance annuity in cases in which an employee dies leaving survivors entitled immediately to monthly benefits. The payment of such a benefit in such cases corresponds to a change made in the Social Security Act by the 1950 amendments. In addition, if the total of monthly benefits paid to the survivors of the employee within 1 year after his death is less than an amount equal to eight times the survivor's insurance annuity the difference will then be paid to persons in the order provided in the bill, so that survivors of an employee who leaves someone immediately eligible for monthly benefits cannot be paid less than they would have received if there had been no one immediately eligible for monthly benefits.

Section 18 of the bill includes a widower among the beneficiaries of the residual lump sum provided in section 5 (f) (2) of the act. With respect to the benefits to be deducted from the residual amount, a distinction is made between (i) monthly insurance benefits paid to survivors on the basis of combined "employee" and "employment" service, and (ii) old age insurance benefits to, and benefits to dependents of, individuals with less than 10 years of service. In the latter case the deductions of the Social Security benefit is only to the extent that it is based on "employee" service. The reason for the distinction is that in the case of survivor benefits paid under the Railroad Retirement Act, all of such benefits are deducted from the residual, including benefits based on the combined service. In order to avoid discriminating against individuals with "a current connection with the railroad industry" the act now provides that monthly survivor benefits paid under the Social Security Act on the basis of combined service should likewise be deducted. However, no retirement benefits are paid under the Railroad Retirement Act on the basis of combined service and hence there is no deduction of any such benefits in arriving at the residual lump sum. It would be inappropriate, therefore, to deduct more than the amounts attributable to railroad service and compensation when social security old-age benefits are paid on combined service to individuals having less than 10 years of railroad service.

Section 19 of the bill is designated to avoid duplication of benefits either through receipt of more than one survivor benefit under the Railroad Act, or through receipt of a survivor benefit under that act together with any monthly insurance benefit under the Social Security Act, or together with a retirement annuity under the Railroad Act. An individual will receive the equivalent of the larger benefit, but not both.

Section 20 of the bill provides a new formula for determining the maximum and minimum totals. If the total of annuities is more than $40 and exceeds an amount equal to 2⅔ times a survivor's insurance annuity the totals will be reduced to the smaller of the two amounts, but in no case to less than $40. If the total is less than $20, it will be increased to $20. All increases and decreases will be made proportionately. The maximum will be applied only after an annuity has been adjusted by reason of other benefit payments and after reductions by reason of the provisions in subsection (i). The minimum, however, will be applied prior to such adjustment and deduction. After applying the maximum provision, the total, if less than it would be under the proviso of section 3 (e) of the act (as amended by sec. 9 of the bill), will be increased to the greater amount. Similarly,

if after applying the maximum, the widow or widower should receive less than she or he received as a spouse's annuity, the widow's or widower's survivor insurance annuity would be increased to the greater amount.

Section 21 incorporates the same work clause as is now in effect under the Social Security Act in addition to the work clause in effect now under the Railroad Retirement Act with respect to employment by an employer under the act.

Section 22 extends the period for the beginning of a survivor's insurance annuity to the month in which the individual became eligible even though the application therefor was not filed for as much as 6 months after such month. This section thus eliminates from the present law the provision that if the application is filed more than three months after the month of eligibility, the annuity cannot begin earlier than the first of the month in which the application was filed.

The effect of section 23 of the bill is to transfer to the social security system all persons who at retirement or at death have completed less than 10 years of service under the Railroad Retirement Act, the spouses and children of such persons, and their survivors, with the same effect as if the service of such persons were included in the term "employment" in the Social Security Act. The bill makes a distinction between those considered to be career railroad employees and those who work casually in the industry from time to time. For this purpose some reasonable line must be drawn. The bill classes as not career railroaders those who at retirement or death have completed less than 10 years of service. In order to make this provision applicable to noncitizen employees working, say, in Canada for an employer conducting the principal part of its business in the United States, section 23 provides that such service shall for the purposes of the Social Security Act be deemed to have been rendered within the United States. The same section changes the present provision of section 5 (k) (2) of the act to declare it to be the policy of Congress that the old-age and survivors insurance trust fund shall be in no better and no worse position than it would have been if there had been no separate railroad retirement system. This policy is related to but not exclusively concerned with the transferring to the social security system of individuals with less than 10 years of service. The discharge of liabilities to those with less than 10 years of service will be given appropriate credit in the adjustment, so as to avoid any inequitable imposition of liabilities on the social security system. But beyond that, the bill contemplates that the adjustments will embrace whatever transfers are necessary to assure that the social security system will neither gain nor lose from the separate existence of the railroad retirement system.

Section 24 (a) of the bill includes the definition of "widower" among other definitions of survivors; provides the conditions of eligibility both for a widow and a widower for survivor benefits; includes in the term "widow" a former wife divorced, but subject to the conditions specified in that section; dispenses with the requirement of filing proof of support within a specified time for reasons stated earlier; and provides against forfeiture of a child's annuity if such child is adopted by a stepparent, grandparent, aunt, or uncle. These provisions conform to the amended Social Security Act.

Section 24 (b) provides an alternative method of allocating compensation to the several quarters of the year in determining insured status under the Railroad Retirement Act; section 24 (c) redefines the term "wages" to include not only wages covered by the Social Security Act but also self-employment income covered by that act as well as amounts deemed wages under section 217 (a) of the Social Security Act, on account of military service other than that creditable under the Railroad Retirement Act.

Section 24 (d) and (e) limit eligibility for survivor benefits to survivors of employees who have completed 10 or more years of service. For determining a fully insured status, section 24 (d) provides for the exclusion from the elapsed quarters any quarter during any part of which a retirement annuity is payable and which is not a quarter of coverage.

Section 24 (e) includes in the period within which a partially insured status may be acquired by an employee the quarter in which death or retirement occurs; and in addition provides for the continuance of such status if the employee had the necessary quarters of coverage in the quarter in which a retirement annuity will have begun to accrue to him. Under this provision if he has a partially insured status at the time an annuity begins to accrue to him, he will continue to be partially insured even though he would not otherwise be so insured at the time of death.

Section 24 (f) provides that in determining the average monthly remuneration, "wages" will be included only if (i) the total creditable compensation for any calendar year is less than $3,600, and (ii) the average monthly remuneration, if

based on compensation alone, would be less than $300. In such case, the amount of wages included will be an amount not to exceed the difference between the compensation for such year and $3,600; and the divisor will not include any quarter during any part of which a retirement annuity is payable and which is not a quarter of coverage.

Section 24 (g) substitutes the term "survivor's insurance annuity" for the term "basic amount"; changes the formula for computing the survivor's insurance annuity by taking 40 percent of the first $100 and 10 percent of the remaining average monthly remuneration, plus $1 for each year of service after 1936. The maximum average monthly remuneration possible will be $400, except that where the average monthly remuneration is based on the employee's insured status as an annuitant or pensioner, the maximum average monthly remuneration possible will be $300. Related changes are likewise made in the provisions for computing survivor benefits from pensions where wage records are not available.

The Railroad Retirement Tax Act now provides that, with respect to compensation paid after December 31, 1951, the tax rate on employers and employees shall be 6¼ percent of the monthly compensation up to $300. The only amendment made by secton 26 is to change the figure $300 to $400.

Section 27 (a) makes the bill effective with respect to benefits accruing after the last day of the month in which the bill is enacted, irrespective of when service or employment occurred or compensation or wages were earned. The proviso in section 27 (a) will facilitate the recertification of annuities now on the rolls of the Board. The punch-card records of the Board show the amount of the monthly compensation and average monthly remuneration (on the basis of which the annuities have been awarded) without fractions of a dollar. If it were not for this proviso, the recertifications made by the use of these records would not reflect fully the increase provides by the bill unless each file were examined separately, but this would be a serious administrative task.

Section 27 (b) makes effective the provisions for annuities to begin earlier than permissible under the present law with respect to annuities awarded in whole or in part after the enactment of the bill. The same section makes the crediting of service after age 65 effective only with respect to annuities awarded after the enactment of the bill. This provision was not made applicable to annuitants now on the rolls because the administrative problems of doing so appear insurmountable.

The effect of section 27 (c) has already been considered earlier in the discussion of section 4 of the bill. The term "engaged" on the enactment date does not require that the individual be actually working on that date; the term is intended, in a broad sense, to include individuals who were on such date in an employee or business relationship to the job or business.

Under section 23 of the bill, individuals who have completed less than 10 years of service, and persons deriving from such individuals, will not be entitled to benefits under the Railroad Retirement Act. But section 27 (e) confers upon both retirement and survivor annuitants whose annuities have been awarded on less than 10 years of service, and the spouses of present retirement annuitants (but only during the lifetime of such annuitants), all the benefits of the bill.

Section 27 (f) of the bill is the answer to numerous complaints from annuitants whose annuities were reduced because they elected to leave part thereof to their surviving widows, but whose wives predeceased them.

Section 27 (h) makes certain that the benefits of the bill will apply to individuals to whom annuities were heretofore awarded under the Railroad Retirement Act of 1935. The same section 27 (h) precludes the application of the bill to annuities heretofore awarded in lump sums equal to their commuted value.

Section 27 (i) provides that the annuity of a spouse of an individual in receipt of a reduced annuity under the Railroad Retirement Act of 1935, or under the Railroad Retirement Act of 1937 in effect prior to its amendment in 1946 shall be one-half of the unreduced annuity.

Under section 3 (b) of the present law, age annuities cannot be recomputed by reason of additional service rendered after the annuity has begun to accrue. This section is repealed by the bill making recomputations in such cases possible, but only upon application therefor as provided in section 27 (g). Further, the proviso in section 9 of the bill will require the Board to take into account an increase which would be granted under the Social Security Act upon application for recomputation of benefits. While, as stated earlier, for the purpose of this proviso original applications will be assumed to be filed on time, the effect of section 27 (j) is that no such assumptions will be made for recomputation purposes in applying the proviso of section 3 (e) of the act. For such purposes, applications will have to be filed with the Railroad Retirement Board.

EXHIBIT (B)

COST OF THE BILL H. R. 3669

The latest valuation of the Railroad Retirement Account was made as of December 31, 1947. The next will be as of December 31, 1950, but data will not be available to permit its completion until some time in 1952. For the 1947 valuation, an extensive study was made of all factors entering into the cost of the railroad retirement system. These factors include the rates of retirement of railroad employees, the rates of disability, mortality rates, withdrawal rates, nonfiling, effect of work clauses, payrolls, benefit payments, family composition, revenues, and others. On the basis of these studies, certain assumptions were made. For the purpose of estimating the cost of H. R. 3669. all of the assumptions of the 1947 valuation were retained except the estimate of future payrolls, and the effect of work clauses. A change in estimated payrolls is made necessary by the change in economic conditions and rates of pay in the railroad industry. As for the fourth valuation, the level payroll used in these calculations has been derived from studies of estimated future annual creditable payrolls prepared by the Board's economic staff. Changes in the work clause allowance are necessary because of the more restrictive provisions of the bill as applied to employee annuitants. There is no reason to believe that the studies for the next valuation will change other assumptions in any material way. All assumptions remain reasonably conservative, though probably slightly less so than for the 1947 valuation.

Since the task of estimating the costs of H. R. 3669 is more complex than that for the present Railroad Retirement Act or for other amendments which have from time to time been proposed or adopted, the resulting level cost estimates are necessarily subject to some change up or down. The time available would not have permitted a complete analysis of all the factors involved, even if all necessary data were available.

A future equivalent level payroll of $5.2 billion is used. The equivalent level payroll is one figure which is used for all years in the future. It is a kind of weighted average of a series of differing future annual payrolls in which the heaviest weight is applied against the earliest years to take into account the effect of compound interest. The effect on reserve balances is over the long-range equivalent to the results that would be attained if the same flat tax rate were applied to the varying annual payrolls.

In the 1947 valuation, an equivalent level payroll of $4.6 billion was used. In that figure, only a slight allowance was made for wage increases in the future. Such increases have already considerably exceeded the allowance made. Moreover, economic conditions in the railroad industry have been more favorable than was anticipated and will probably continue so for a number of years. Indications are that a payroll estimate on assumptions between reasonably high and reasonably low at the present time would be a little under $5 billion. This and the $4.6 bill figures are on taxable compensation not in excess of $300 per month. H. R. 3669 increases the taxable compensation to $400 per month. The increase of the taxable payroll to $5.2 billion on the $400 per month base is quite moderate. A greater increase might be justified, but if made would require such changes in other assumptions that the net result on tax rate would be minor.

On the basis of these assumptions, the following estimates of costs in terms of tax rates have been made for the various types of benefits provided by the Railroad Retirement Act as amended by H. R. 3669:

Retirement annuities:		
Age	6.95	
Disability	3.00	
		9.95
Spouses' annuities		1.11
Survivors' annuities:		
Aged widows and parents	2.75	
Widowed mothers	.21	
Children	.43	
Insurance lump sums	.42	
		3.80
Residual lump sums		.40
Maximum and minimum provisions		.20
Total gross benefit cost		15.46

Net offset:		
A. Value of future benefits according to social-security schedule on railroad compensation credited under Railroad Retirement Act	6.27	
B. Taxes according to social-security schedule on railroad payrolls after 1950	5.63	
C. Excess of accumulated social-security taxes on railroad retirement payrolls in 1937–50 over additional social-security benefit which would have been paid if railroad retirement earnings had been included in definition of "wages"	.40	
D. Net value of adjustments with OASI trust fund [A—(B+C)]	.24	
E. Funds on hand	1.22	
F. Administrative expenses	.13	
G. Net offset (D+E—F)		1.33
Total net cost		14.13

APPENDIX C TO MINORITY VIEWS

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., August 21, 1951.

Hon. ROBERT CROSSER,
Chairman, House Committee on Interstate and Foreign Commerce,
New House Office Building, Washington 25, D. C.

DEAR MR. CROSSER: This is in response to your letter of August 17, 1951, requesting a report on the bill H. R. 3669 as voted out of the House Committee on Interstate and Foreign Commerce on August 17. In order to distinguish between the bill H. R. 3669 as originally introduced, and the substitute bill H. R. 3669 as voted out by the committee, as above stated, the former will be referred to hereinafter as the "original bill" and the latter as the "committee bill."

During the hearings on the original bill which began on May 15 and ended on June 6, 1951, the sponsors and opponents of the bill were given the opportunity to be heard, and the committee was given the opportunity to examine them. Since there was no such opportunity with respect to the committee bill, the Board believes that it would be helpful if a comparison of at least the major provisions were made between the two bills.

THE COMMITTEE BILL

The committee bill amends the Railroad Retirement Act as follows:

1. On the retirement level, each of the portions of the annuity factor per year of service is increased by 15 percent.

2. A corresponding change is made in the minimum annuity provision which now would come to $4.14 per year of service up to $69 or the "monthly compensation," whichever is less. Together with item (1) this means that, in effect, all retirement annuities hereafter awarded would be increased by 15 percent above the present level.

3. The widow's annuity and the widow's current insurance annuity are increased from 75 percent to 100 percent of the employee's basic amount as defined in the existing act. The children's and parents' benefits are correspondingly increased from one-half to two-thirds of such basic amount.

4. The maximum survivor amount payable in a month to a family where otherwise greater than $30 according to the regular formulas is modified to $160 or two and two-thirds times the employee's basic amount, whichever is less, or to $30, whichever is greater. Note that there is no longer any provision to limit the survivor family maximum on the basis of a certain percentage of the average monthly remuneration. (Such original maximum feature of 80 percent of the average monthly remuneration was a relatively ineffective provision which is pertinent only at the lower earnings levels.) Also, the minimum family survivor benefit total is increased from $10 to $14. In terms of effective cost, the changes indicated in this item along with those made in the regular monthly insurance benefits result in a step-up of 33⅓ percent over the existing level.

5. The lump-sum insurance benefit payable at the time of the insured employee's decease where no monthly benefit is otherwise immediately available is increased from 8 to 10 times the basic amount.

6. The benefits of this amendment are applied retroactively to the extent of increasing all retirement benefits on the rolls by 15 percent and the survivor annuities by 33⅓ percent.

The cost of the Railroad Retirement Act, as it would be amended by the committee bill, would be 14.71 percent of payroll, resulting in a difference of 2.21 percent of payroll between the total tax rate (12.50 percent of payroll) and the estimated level cost of the railroad retirement system as it would be amended by the committee bill. Exhibit A attached gives a more detailed analysis of the cost of the committee bill.

THE ORIGINAL BILL

The original bill provides the amendments to the Railroad Retirement Acts which the Board has described in its report to you on that bill, dated April 24, 1951, as follows:

"(1) It provides a generally well-rounded system of retirement and survivor benefits, * * * [it increases retirement annuities by about 14 percent and pensions by 15 percent; it provides that if an employee is also entitled to a retirement benefit under the Social Security Act, his railroad retirement annuity shall be reduced by the amount of the social-security benefit, or the portion of the annuity based on prior service, whichever is less; it makes substantial increases in survivor benefits; and it provides spouses' annuities equal to one-half the employee's annuity (but not to exceed $50), when both are age 65 or, when the spouse is a wife, if she has in her care the employee's child under age 18].

"(2) It takes cognizance of the fact that the tax rates for the maintenance of the railroad retirement system are higher than those for the maintenance of the social-security system and, accordingly, provides not only higher benefits than under the social-security system, but guarantees in addition that in no case shall the benefits under the Railroad Retirement Act be lower than the benefits or additional benefits which would be payable under the Social Security Act if service covered under the Railroad Retirement Act were 'employment' under the Social Security Act.

"(3) It takes account of the growing disparity between increased wage rates and retirement benefits by increasing the creditable and taxable compensation from $300 to $400 a month. This increased monthly creditable amount will be reflected both in retirement and survivor benefits, and will result in additional revenue.

"(4) It meets the demand of many railroad workers for the crediting of their service after age 65 by providing such credit with respect to awards made after the date of enactment of the bill, even though such service was rendered prior to such date.

"(5) It meets the demand which has often been made upon the Board by employees who elected joint-and-survivor annuities, and whose wives predeceased them to restore the annuity in such cases to the original amount.

"(6) It solves a problem which developed since the enactment of the Social Security Act, and is threatening to become serious. The railroad industry quite often offers employment to casual workers for short periods of time. These casual workers do not make railroading their careers, so that after working 30 or 40 years in their lifetime, their total work in railroad industry is seldom as much as 10 years. The problem created by such casual workers is solved by a provision transferring their benefit rights to the Social Security Act, * * *

"(7) It utilizes the savings to the old-age and survivors insurance trust fund, resulting from the existence of the separate railroad retirement system, * * * to assist [in] meeting the cost of the increase in benefits."

The cost of the Railroad Retirement Act, as it would be amended by the original bill, would be 14.13 percent of payroll, resulting in a difference of 1.63 percent of payroll between the total tax rate (12.50 percent of payroll) and the estimated actuarial level cost of the railroad retirement system as it would be amended by the original bill. Exhibit B, attached, gives a more detailed analysis of the cost of the original bill.

With regards to the formula for increasing retirement annuities, the two bills compare as follows:

The committee bill would change the factor of "2.40" to "2.76", "1.80" to "2.07", and "1.20" to "1.38."

The original bill would change the factor of "2.40" to "2.80", "1.80" to "2.00", and "1.20" to "1.40."

With regard to the formula for increasing minimum annuities, the two bills compare as follows:

The committee bill would change "$3.60" to "$4.14" and "$60" to "$69."

The original bill would change "$3.60" to "$4.10" and "$60" to "$68."

This comparison shows clearly that the difference in the formula for increasing annuities under the two bills is not such as to warrant the elimination of the spouse's benefits which the original bill contains but which the committee bill discarded. Moreover, under the committee bill, the retirement annuities of tens of thousands of railroad employees (who pay four times as much in taxes as are paid by employees covered under the Social Security Act) would be less than under that act because, under that act, the length of service is not material in determining the amount of the monthly benefit, but under the Railroad Retirement Act the years of service do make a difference in the amount of the annuity. The original bill, however, guarantees against the possibility of a railroad employee's annuity being less than the benefits he would receive under the Social Security Act by providing that if a retirement annuity is less in amount than it would be if the employee's railroad service were covered under the Social Security Act, the annuity shall be increased to the greater amount. There is no such guaranty in the committee bill.

Similarly, the original bill makes substantial increases in survivor benefits to compensate for the higher taxes paid by railroad employees, and guarantees that if such benefits are less than they would be if railroad service were "employment" under the Social Security Act, they shall be increased to the greater amount. Under the committee bill, however, survivor benefits would be less than those under the Social Security Act, even though the taxes for the maintenance of the Railroad Retirement Act are now four times as high as those for the maintenance of the Social Security Act.

The benefits and the cost of the two bills may well raise the question as to why the original bill, the cost of which is less than that of the committee bill, can provide so much more in benefits, including spouse's annuities, than the committee bill. The answer to this question is to be found in the financing provisions of the two bills. The committee bill makes no provision whatsoever for the financing of the additional costs; while the original bill provides for savings and additional revenues to the railroad retirement system totaling about $230 million to be derived from the following three sources:

	Per annum
(1) The $50 work clause (provided for in the original bill but not in the committee bill)	[1] $50, 000, 000
(2) Financial adjustment between the railroad retirement and social security systems (provided for in the original bill but not in the committee bill)	[1] 100, 000, 000
(3) Change in the taxable and creditable monthly compensation from $300 to $400 (provided for in the original bill but not in the committee bill)	[1] 80, 000, 000
Total savings and additional revenues (provided for in the original bill but not in the committee bill)	[1] 230, 000, 000

[1] Approximate.

The Board recommends that no favorable consideration be given to the committee bill because this bill fails to meet the problems now confronting the railroad retirement system. Specifically:

(1) The committee bill fails to provide spouse's annuities. The increase in retirement benefits is by itself wholly inadequate for a retired employee to support himself and his wife. If the finances were adequate to permit doing all the other things that need to be done and also to increase all retirement annuities by, say, 65 percent, one might well consider that as an alternative to providing a spouse's annuity. But since such a course is obviously out of the question, the spouse's annuity affords a means of doing substantially that in the cases of greatest needs, i. e., where two people must live on the annuity. Moreover, since the taxes for the maintenance of the railroad retirement system are now four times as high as those for the maintenance of the social security system, it is highly indefensible to deny spouse's benefits to railroad workers when they are provided for other workers who pay only one-fourth of the taxes paid by railroad workers.

(2) The committee bill fails to recoup the savings of about $100 million which the social-security system gains from the existence of the separate railroad-retirement system. Those savings are utilized by the original bill to increase benefits under the Railroad Retirement Act.

(3) The committee bill fails to recognize the growing disparity between increased wage rates and retirement benefits by failing to increase the creditable and taxable compensation from $300 to $400 a month. This failure deprives the railroad-retirement account of an additional $80 million which could be used for increasing benefits under the railroad-retirement system.

(4) The committee bill fails to eliminate the incentive now offered by the 1950 Social Security Act (under which a person in advanced years is eligible for a maximum old-age insurance benefit of $80 (or $120 if he has an eligible wife) if he works only 1½ years earning $300 a month). Although retirement is permissible at age 65, the average retirement age at present is around 68 years. This has resulted in savings to the railroad-retirement account in two respects: (i) No annuities have been paid for the 3 years during which annuities could be payable under the law, and (ii) taxes have been received during the same 3 years from the same persons who could have received annuities instead. These savings are in danger of being lost because the committee bill failed to adopt the $50 work clause provided in the original bill. Without this $50 work clause many railroad employees are likely to find it profitable to retire not only at age 65 (and thus wipe out the savings above described) but those with 30 years of service would retire in the early 60's; and this would place additional burdens on the railroad-retirement account. The total loss to the railroad-retirement account resulting from the failure of the committee bill to adopt the $50 work clause is, according to the Board's actuaries, 0.96 percent of payroll, or approximately $50 million a year which could be used for increasing benefits under the Railroad Retirement Act.

(5) The committee bill fails to eliminate the discrimination in the present law against railroad employees which denies them credit for service after age 65 even though their compensation for such service is taxable.

(6) The committee bill fails to solve the problem presented to the railroad retirement system by millions of persons, 85 percent of whom have less than 1 year of railroad service and all of whom have less than 10 years of railroad service, by failing to transfer them to the social security system.

(7) The committee bill fails to recognize the fact that the tax rates for the maintenance of the railroad retirement system are now four times as high as those for the maintenance of the social security system by failing to provide higher benefits than under the social security system, and by failing to guarantee that in no case shall the benefits under the Railroad Retirement Act be lower than the benefits or additional benefits which would be payable unddr the Social Security Act, if service covered under the Railroad Retirement Act were "employment" under the Social Security Act.

To conclude the comparison between the two bills, the original bill, at less cost than the committee bill, does meet the problems now confronting the railroad retirement system by specifically directing itself to, and by providing with respect to, all the issues just enumerated. The Board, therefore, again urges the enactment of the original bill.

Due to the urgent request of your committee, time has not permitted submission of this report to the Bureau of the Budget. When we have received the comments of the Bureau, we shall forward them to you.

One member of the Board, Mr. F. C. Squire, does not agree with this report and will later submit a separate statement of his views.

Respectfully submitted.

WILLIAM J. KENNEDY, *Chairman.*

EXHIBIT A

The cost estimate prepared in accordance with the provisions of the committee bill is summarized in the table below. Except for the adoption of a future assumed equivalent level payroll of $4.9 billion, the basic factors underlying this estimate are the same as for the fourth valuation of the assets and liabilities of the railroad retirement system. Included among such factors are the fourth valuation retirement rates, which have been assumed to remain unchanged, even though a rise might ordinarily be expected as benefits increase. It should be noted, of course, that the calculation is made as of December 31, 1950, and is related to the accrued reserve balance at that time.

Cost estimate as of Dec. 31, 1950, for benefit provisions of H. R. 3669 (the committee bill), as reported out by the Committee on Interstate and Foreign Commerce

[Based on $4.9 billion payroll and limit on creditable monthly earnings of $300]

Item	*Cost as percent of payroll*
A. Retirement benefits	12.16
1. Age annuities, pensions, and options	8.92
2. Disability annuities payable before age 65	1.68
3. Disability annuities payable after age 65	1.56
B. Survivor insurance benefits	3.16
1. Aged widows' and parents' annuities	2.32
2. Widowed mothers' annuities	.23
3. Children's annuities	.37
4. Lump sums	.24
C. Other costs	.69
1. Residual payments	.55
2. Administrative expenses	.14
D. Summary:	
1. Total gross costs	16.01
2. Reduction on account of funds on hand	1.30
3. Net costs	14.71

NOTE.—Except for the payroll assumption, all other cost factors and employment assumptions of the fourth valuation were retained.

EXHIBIT B

COST OF THE BILL H. R. 3669 (THE ORIGINAL BILL)

The latest valuation of the railroad retirement account was made as of December 31, 1947. The next will be as of December 31, 1950, but data will not be available to permit its completion until some time in 1952. For the 1947 valuation, an extensive study was made of all factors entering into the cost of the railroad retirement system. These factors include the rates of retirement of railroad employees, the rates of disability, mortality rates, withdrawal rates, nonfiling, effect of work clauses, payrolls, benefit payments, family composition, revenues, and others. On the basis of these studies, certain assumptions were made. For the purpose of estimating the cost of H. R. 3669 (the original bill), all of the assumptions of the 1947 valuation were retained except the estimate of future payrolls, and the effect of work clauses. A change in estimated payrolls is made necessary by the change in economic conditions and rates of pay in the railroad industry. As for the fourth valuation, the level payroll used in these calculations has been derived from studies of estimated future annual creditable payrolls prepared by the Board's economic staff. Changes in the work clause allowance are necessary because of the more restrictive provisions of the bill as applied to employee annuitants. There is no reason to believe that the studies for the next valuation will change other assumptions in any material way. All assumptions remain reasonably conservative, though probably slightly less so than for the 1947 valuation.

Since the task of estimating the costs of H. R. 3669 (the original bill) is more complex than that for the present Railroad Retirement Act or for other amendments which have from time to time been proposed or adopted, the resulting level cost estimates are necessarily subject to some change up or down. The time available would not have permitted a complete analysis of all the factors involved, even if all necessary data were available.

A future equivalent level payroll of $5.2 billion is used. The equivalent level payroll is one figure which is used for all years in the future. It is a kind of weighted average of a series of differing future annual payrolls in which the heaviest weight is applied against the earliest years to take into account the effect of compound interest. The effect on reserve balances is over the long-range equivalent to the results that would be attained if the same flat tax rate were applied to the varying annual payrolls.

In the 1947 valuation, an equivalent level payroll of $4.6 billion was used. In that figure, only a slight allowance was made for wage increases in the future. Such increases have already considerably exceeded the allowance made. Moreover, economic conditions in the railroad industry have been more favorable than was anticipated and will probably continue so for a number of years. Indications are that a payroll estimate on assumptions between reasonably high and reasonably low at the present time would be a little under $5 billion. This and the $4.6 billion figures are on taxable compensation not in excess of $300 per month. H. R. 3669 (the original bill) increases the taxable compensation to $400 per month. The increase of the taxable payroll to $5.2 billion on the $400 per month base is quite moderate. A greater increase might be justified, but if made would require such changes in other assumptions that the net result on tax rate would be minor.

On the basis of these assumptions, the following estimates of costs in terms of tax rates have been made for the various types of benefits provided by the Railroad Retirement Act as amended by H. R. 3669 (the original bill):

Retirement annuities:		
Age	6.95	
Disability	3.00	
		9.95
Spouses' annuities		1.11
Survivors' annuities:		
Aged widows and parents	2.74	
Widowed mothers	.21	
Children	.43	
Insurance lump sums	.42	
		3.80
Residual lump sums		.40
Maximum and minimum provisions		.20
Total gross benefit cost		15.46
Net offset:		
A. Value of future benefits according to social security schedule on railroad compensation credited under Railroad Retirement Act	6.27	
B. Taxes according to social security schedule on railroad payrolls after 1950	5.63	
C. Excess of accumulated social security taxes on railroad retirement payrolls in 1937–50 over additional social security benefit which would have been paid if railroad retirement earnings had been included in definition of "wages"	.40	
D. Net value of adjustments with OASI trust fund [A−(B+C)]	.24	
E. Funds on hand	1.22	
F. Administrative expenses	.13	
G. Net offset (D+E−F)		1.33
Total net cost		14.13

Appendix D to Minority Views

Executive Office of the President,
Bureau of the Budget,
Washington 25, D. C., August 9, 1951.

Hon. Robert Crosser,
Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

My Dear Mr. Crosser: I have been advised that the criticisms of H. R. 3669 offered in the Bureau's letter to you of May 22, 1951, have been interpreted as opposition to granting the benefits proposed in the bill.

In the interest of clarifying our position, I wish to advise you that while the Bureau believes that the defects which we see in H. R. 3669 are valid and while we believe that there is a simpler and more equitable way, and incidentally a less expensive way, to provide the benefits contained in the measure, we recognize that these are matters for consideration by the Congress. We also recognize that it may be impracticable to give attention to these problems at this time. We do

not deny the need for, nor have we ever opposed, an increase in benefits or the new benefits provided. Of particular importance are the increase in wage base and the provision of spouses' benefits.

In the long run, the interests of the railroad workers would be better served by basic coverage under the OASI system and with additional benefits payable from the railroad retirement system. Until such time as this end can be brought about, we agree that additional benefits of the kind proposed in H. R. 3669 are needed and if the Congress believes that they can be equitably given by the enactment of H. R. 3669, we do not wish to object to passage of the bill, subject to one condition. We cannot recommend passage of the measure unless it provides for current transfers between the OASI and railroad retirement systems in whichever direction is necessary, presumably in most cases from railroad retirement to OASI, in order to pay for the costs of the transfers that occur between the two systems. It is certain that an immediate cost to the OASI trust fund will result from the enactment of those provisions in H. R. 3669 which call for the payment of benefits from the OASI trust fund for railroad workers with less than 10 years' service in the railroad industry.

Sincerely yours,

F. J. LAWTON, *Director.*

FEDERAL SECURITY AGENCY,
Washington 25, August 13, 1951.

Hon. ROBERT CROSSER,
Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

DEAR MR. CROSSER: On August 9, Mr. Lawton, Director of the Bureau of the Budget, wrote you regarding H. R. 3669, in reply to your letter of August 7.

The Federal Security Agency is in accord with the views expressed by the Bureau of the Budget.

Sincerely yours,

JOHN L. THURSTON,
Acting Administrator.

APPENDIX E TO MINORITY VIEWS

WASHINGTON, D. C., *September 13, 1951.*

Hon. ROBERT CROSSER,
Chairman, Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

DEAR MR. CROSSER: Please refer to the report of the Railroad Retiremen t Board, dated April 24, 1951, on the bill H. R. 3669 as introduced by you. Exhibit B of that report shows that the cost of the Railroad Retirement Act, as it would be amended by the bill, would be 14.13 percent of payroll based on a $400 maximum monthly compensation and a $5.2 billion payroll. (The "14.13" figures were later changed to "14.12.")

At the time exhibit B was prepared, it was believed that the increase in the maximum taxable monthly compensation from $300 to $400 would add $300,000,000 annually to the $4.9 billion payroll which is based on the present $300 maximum monthly compensation. Recently, however, two separate investigations, one made by the Board's Office of Director of Research, and the other by the Association of American Railroads, disclosed that the increase in the maximum monthly compensation from $300 to $400, as proposed in the bill, would add to payrolls $600,000,000 annually, so that the cost calculations of the bill should have been based on a $5.5 billion payroll instead of $5.2 billion.

In view of this recent development, the Board's actuary has recalculated the cost of the bill on the basis of the $5.5 billion payroll and has prepared a new table for exhibit B, hereto attached. As shown by this new table for exhibit B, the cost of the Railroad Retirement Act, as it would be amended by the bill H. R. 3669 as introduced by you, would be 13.90 percent of payroll.

The Board therefore requests that this letter be published in the committee reports with a notation that the figures "14.13" or "14.12," wherever they refer to the cost of the act as it would be amended by the bill, should be read as "13.90."

This letter is on behalf of the majority of the Board; one member of the Board will send you his own comments within a few days.

Sincerely yours,

WILLIAM J. KENNEDY, *Chairman.*

NEW TABLE FOR EXHIBIT B

Costs of benefits under H. R. 3669 and S. 1347, based on a $5.5 billion payroll assumption and a $400 maximum monthly compensation

Item	Cost as percent of payroll
A. Railroad Retirement Board benefits and administrative expenses	15.28
1. Age annuities, pensions, and options	6.81
2. Disability annuities payable before 65	1.59
3. Disability annuities payable after 65	1.35
4. Wives' benefits	1.09
5. Aged widows' annuities	2.69
6. Widowed mothers' annuities	.21
7. Children's annuities	.42
8. Insurance lump sums	.41
9. Residual payments	.39
10. Allowance for maximum and minimum provisions	.20
11. Administrative expenses	.12
B. Benefits according to social-security formulas based on compensation and wages for cases adjudicated by the Railroad Retirement Board	6.20
1. Employee retirement benefits	3.65
2. Wives' benefits	.58
3. Survivor benefits	1.97
C. Social-security benefits based on wages alone for cases also adjudicated by the Railroad Retirement Board	.63
1. Employee retirement benefits	.54
2. Wives' benefits	.09
D. Excess of social-security taxes on railroad payrolls during 1937–50 over additional social-security benefits which would have been payable if railroad earnings were credited	.38
E. Social-security taxes on railroad payrolls after 1950	4.96
F. Funds on hand	1.15
G. Summary:	
1. Railroad Retirement Board benefits and administrative expenses (A)	15.28
2. Reimbursements from OASI (B−C)	5.57
3. Amounts due OASI (D+E)	5.34
4. Funds in railroad account (F)	1.15
5. Net costs ((1)+(3)−(2)−(4))	13.90

Source: Actuarial Division, Railroad Retirement Board, Office of Director of Research.

RAILROAD RETIREMENT BOARD,
Chicago, Ill., September 14, 1951.

Hon. ROBERT CROSSER,
Chairman, House Committee on Interstate and Foreign Commerce,
New House Office Building, Washington 25, D. C.

DEAR MR. CROSSER: In Mr. Kennedy's letter to you dated September 13, 1951, on behalf of the majority of the Board, concerning H. R. 3669 as introduced by you, he kindly mentioned in the last paragraph that one member of the Board (myself) would send you his separate comments, which I respectfully submit below.

The $5.5 billion future payroll mentioned in Mr. Kennedy's letter assumes a reduction of only about 10 percent in the number of railroad employees in the future. Looking at what has occurred in the recent past we find that the average number of employees of class I railroads during the 1920's was 1,750,000. During the last 3 years, 1948–50, the average number has been 1,249,000, a reduction of 28 percent, despite the fact that traffic units have increased from an average of 475 billion during the 1920's to an average of 656 billion for the last 3 years. This 28 percent reduction in number of employees has occurred in only 25 years. The $5.5 billion estimate certainly does not allow for a reduction in the number of employees in the future consistent with past experience.

Respectfully submitted.

F. C. SQUIRE, *Board Member.*

ADDITIONAL MINORITY VIEWS

Our study of H. R. 3669, as originally introduced, and of the evidence in support of it, convinced us that it was a carefully prepared, integrated, and sound means of providing admittedly critically needed relief to the beneficiaries of the Railroad Retirement Act.

We share the unanimous determination of our colleagues on the committee that this relief should be provided as soon as possible.

But we believe also in the fundamental principle that the solvency of the Retirement Fund must be maintained. From the inception of the Railroad Retirement System, it has been axiomatic that the benefits paid must be measured in terms of the revenues provided.

The bill reported by a majority of the committee violates that principle. If adopted, it would result in depletion of the Fund and its ultimate insolvency. Since the bill was reported a further report has been made on it by a majority of the Railroad Retirement Board. The following excerpt deals with the cost and revenue factors of the committee bill:

> The cost of the Railroad Retirement Act, as it would be amended by the committee bill, would be 14.71 percent of payroll, resulting in a difference of 2.21 percent of payroll between the total tax rate (12.50 percent of payroll) and the estimated level cost of the railroad-retirement system as it would be amended by the committee bill.

Stated in terms of dollars, based upon an estimated future annual taxable payroll of $4.9 billion, this would bring the following results:

Estimated cost of committee bill	$720, 790, 000
Estimated annual income	612, 500, 000
Estimated annual deficit	108, 290, 000

The obvious result would be exhaustion of the present balance of the Fund, $2.3 billion, in a little over 22 years. Such a result would be tragic.

On the other hand, H. R. 3669, in its original form, through the savings and the additional revenue provided, gives proper consideration to the principle of solvency. This would be through three provisions, which are not contained in the committee bill, as follows:

(1) The $50 work clause	[1] $50, 000, 000
(2) Financial adjustments between railroad retirement and social-security systems	[1] 100, 000, 000
(3) Changes from $300 to $400 in taxable and creditable monthly compensation	[1] 80, 000, 000
Total annual savings and increased revenue	[1] 230, 000, 000

[1] Approximately.

It is reliably estimated that the end result would be an increase of the reserve to approximately $7.6 billion in between 15 to 20 years and then a stabilization at a level of approximately $7.5 billion.

In addition to this fundamental defect in the committee bill, it fails to meet or to deal with several pressing inequities which H. R. 3669, as originally introduced, does.

Nearly all widows and other survivors, including orphans, would receive less under the committee bill than would be the case had the employee been under the Social Security System. H. R. 3669, as originally introduced, would guarantee that all such benefits would be equal to the amounts which would have been paid under the Social Security System. Under the provisions of H. R. 3669, as originally introduced, there would be increases from 60 to 75 percent. In contrast, the committee bill provides for only a 33⅓-percent increase in these annuities. Survivors did not receive the 20-percent increase in 1948 provided for other annuitants.

Enactment of the committee bill, with its flat percentage increase, would fall far short of meeting one of the most compelling cases under the Railroad Retirement System. Today surviving widows are receiving an average of $29.68 monthly. An increase to $39.57, under the committee bill, constitutes no real relief. The average dependent child is receiving $17.18 a month. An increase to $22.90 can hardly be described as adequate relief.

Since railroad employees are paying taxes into the Fund four times higher than employees covered by the Social Security System, we submit it is simple equity to make this adjustment.

The committee bill would result in lower payments to thousands of annuitants and pensioners than would be the case under H. R. 3669, as originally introduced. This is by reason of the guaranty referred to in the preceding paragraphs.

The committee bill eliminates the spouse's benefit provision contained in H. R. 3669, as originally introduced. This would result in an allowance of one-half of the retired employee's annuity monthly to the living spouse up to a maximum of $50. This would be a significant increase in the income which would be available immediately to the retired employees. We believe this is a sorely needed adjustment.

Many railroad employees who have retired, or who will retire soon, will have done so some years after reaching the retirement age of 65. Many of these men patriotically continued to work during World War II as their contribution to the defense of their country. Many were also forced to continue to meet the high cost of living. However, these years of service after 65, when generally higher earning rates have prevailed, are not included when their annuities are calculated. Obviously, this means a lower average earnings base, as the annuities will have been computed by using lower income received years ago rather than higher income received of late. H. R. 3669, as originally introduced, proposed to give credit for years worked even after the age 65. The committee bill makes no provision for these employees.

Many railroad employees, either through the present higher level of income or through advancement within the railroad service, have had or will have had upon retirement some monthly earnings in excess of $300. Under present law, they cannot use amounts over $300 to "average up" the earlier months when they earned less than that amount. H. R. 3669, as originally introduced, attempted to attack this problem by increasing the base used in annuity computations from $300 to $400, thus permitting the higher earnings of today and the future to offset the lower earnings of earlier years. The committee bill is silent as to this problem.

In recapitulation, we believe:

1. Because of the type of formula contained in H. R. 3669 as originally introduced, foruse in computing annuities, benefits in future years will automatically be substantially larger than those now provided since they would be based on today's higher level of railroad earnings. To the degree that such earnings are in keeping with the present and probable higher living costs, the discrepancy between the amounts of benefits and the costs of living will diminish.

2. The most pressing need is of those who must meet today's living costs with annuities computed largely on yesterday's level of earnings. Failing any change in the formula which takes into account the difference between yesterday's and today's level of earnings, those who are in need today may be afforded some relief through (*a*) a change in the percentage factors used, such as survivors; (*b*) an additional allowance for a living spouse; and (*c*) a guaranty of benefits at least equal to those received by beneficiaries under the Social Security System.

3. To the extent that experience in the operation of the system has shown and shows that benefits may be increased and that the fund will continue to be maintained solvent, all annuities should be increased. This can be done through change in percentage factors in the formulas as provided in H. R. 3669, as originally introduced.

4. We believe that these basic requirements, as well as a number of others which we have not attempted to discuss in detail, are approached in H. R. 3669, as originally introduced. It represents a well-thought-out and integrated program to provide for needs while also meeting revenue requirements to maintain the integrity of the system, and we recommend that it be supported.

JOHN W. HESELTON.
HUGH D. SCOTT, Jr.
JOHN B. BENNETT.

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Union Calendar No. 298

82D CONGRESS
1ST SESSION

H. R. 3669

[Report No. 976]

IN THE HOUSE OF REPRESENTATIVES

APRIL 12, 1951

Mr. CROSSER introduced the following bill; which was referred to the Committee on Interstate and Foreign Commerce

SEPTEMBER 19, 1951

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

[Strike out all after the enacting clause and insert the part printed in italic]

A BILL

To amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, ~~That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase "one hundred twenty-six" for the phrase "fifty-four" and by adding after subsection (p) thereof a new subsection as follows:~~

~~"(q) The terms 'Social Security Act' and 'Social Security Act, as amended,' shall mean the Social Security Act as amended in 1950."~~

SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after "enactment date," the following: "and shall have completed ten years of service,"; by inserting in the first sentence of paragraph 5 of said subsection, a period after the phrase "regular employment" and striking out all of that sentence following that phrase; and by striking out the next to the last sentence of such subsection (a).

SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days", the phrase "six months".

SEC. 4. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence "(i)" after "individual" and by changing the period at the end of the first sentence to a comma and inserting after the comma the following: "or (ii) is receiving an annuity under paragraph 1, 2 or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age sixty-five, is under the age of seventy-five, and shall earn more than $50 in 'wages' or be charged with more than $50 in 'net earnings from self-employment', or (iii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of sixty-five, and shall earn

more than $100 in 'wages' or be charged with more than $100 in 'net earnings from self-employment'."

SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"(e) For the purpose of this section and of subsection (i) of section 5, 'wages' shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and 'net earnings from self-employment' shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (c) of that Act.

"(f) SPOUSE'S ANNUITY. The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or, in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $50: *Provided, however,* That if the annuity of the individual is

awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual has been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further*, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this subsection shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

"(g) For the purposes of this Act, the term 'spouse' shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the

application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"(h) The spouse's annuity provided in subsection (f) shall, with respect to any month, be subject to the same provisions of subsection (d) with regard to service, 'wages' and 'net earnings from self-employment' as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act."

SEC. 6. Subsection (a) of section 3 of the Railroad

Retirement Act of 1937, as amended, is amended by changing "2.40" to "2.80", "1.80" to "2.00", and "1.20" to "1.40"; and by striking out the phrase "next $150" and substituting for said phrase the following: "remainder of his 'monthly compensation' ".

SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by substituting (in each instance in the parenthetic phrase of paragraph (1)) "his 'monthly compensation' " for "$300"; by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension."

SEC. 8. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by insert-

ing in the last sentence thereof after "$300" the following: "through the calendar year 1951, and in excess of $400 thereafter,".

SEC. 9. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "and not less than five years of service"; by changing the phrase "subsection 2 (a) (3)" to "sections 2 (a) 3 or 3 (b) (4)"; by changing "$3.60" to "$4.10", and "$60" to "$68", and by changing the period at the end of the subsection to a colon and inserting after the colon the following: "*Provided, however*, That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsection (f) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that

Act and quarters of coverage were determined in accordance with section 5 (1) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount."

SEC. 10. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

SEC. 11. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

SEC. 12. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "and Widower's" after "Widow's"; by inserting "or widower" after "widow"; by inserting "or his" after "her", by inserting "or he" after "she"; and by substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor's insurance annuity, the widow's or widower's annuity shall be increased to such greater amount".

SEC. 13. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by sub-

stituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor's insurance annuity, the widow's current insurance annuity shall be increased to such greater amount".

SEC. 14. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "an annuity for each month equal to one-half of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii) one-third of a survivor's insurance annuity divided by the number of such children".

SEC. 15. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ", no widower," after "widow"; and by substituting for the phrase "an annuity for each month equal to one-half of the employee's basic amount" the phrase "a survivor's insurance annuity".

SEC. 16. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all after the phrase "whose death" and substituting the following: "the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one of such employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees."

SEC. 17. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" where this word first appears; by substituting in the first sentence "twelve times the survivor's insurance annuity" for "eight times the employee's basic amount"; by inserting after the first sentence thereof the following: "Upon the death, on or after the first day of the month next following the month of enactment hereof, of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the

order provided in this paragraph."; by inserting before "would" in the fourth sentence thereof the following: "of twelve times the survivor's insurance annuity", by inserting in that sentence "widower," after the word "widow," wherever it appears, and by substituting in that sentence the phrase "eight times the survivor's insurance annuity" for the phrase "such lump sum" wherever it appears.

SEC. 18. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" wherever this word appears; by inserting "or her" after the words "his" and "him" wherever these words appear, by inserting after "$300" the following: "through the calendar year 1951 and $400 thereafter"; by inserting immediately before ", or to other" in the first sentence the following: ", and to others deriving from him or her, during his or her life,"; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: "except that the deductions of the benefits paid pursuant to subsection (k) of this section, under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in 'employment' pursuant to said subsection (k)."

SEC. 19. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity."

SEC. 20. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to sub-

section (g) (2) and after any deductions under subsection (i), is more than $40 and exceeds an amount equal to 2⅔ times a survivor's insurance annuity, such total of annuities shall, subject to the provises in subsection (c) of section 3 and in subsections (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deductions under subsection (i), be increased proportionately to $20."

SEC. 21. (a) Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subdivision (ii) of paragraph (1) and inserting in lieu thereof the following:

"(ii) is under the age of seventy-five and will have earned more than $50 in 'wages' or will have been charged with more than $50 in 'net earnings from self-employment'; or".

(b) Such subsection (i) is further amended by striking out subdivision (iii) thereof and by redesignating subdivision (iv) as subdivision (iii).

SEC. 22. Subsection (j) of section 5 of the Railroad

Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 23. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said paragraph after the word "Act" where it first appears the following: "to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" the following: "and for the purposes of section 203 of that Act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following

sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States."

(b) Paragraph (2) of the said subsection (k) is amended by changing "1950" to "1956"; by inserting after the word "awards" where it first appears the following: "and in administering the proviso in section 3 (c) of this Act"; by substituting "Federal Security Administrator" for "Social Security Board"; and by striking out from said paragraph (2) all after the phrase "such legislative changes as" and substituting the following: "would be necessary to place the Federal Old Age and Survivors Insurance Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act."

SEC. 24. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "'widower'," after "'widow'," where this word first appears; by substituting "216 (c), (c) and (g)" for "209 (j) and (k)", and by substituting "202 (h)" for "202 (f)".

~~(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:~~

~~"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began. For the purposes of subsections (b) and (i) (1) (iii) of this section, the term 'widow' shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (C) was married to him at the time both of them legally adopted a child under the age of eighteen; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;".~~

~~(3) The said paragraph (1) is further amended by~~

~~inserting in subdivision (ii) after the phrase "such death" the following: "by other than a step parent, grand parent, aunt or uncle"; by substituting in subdivision (iii) for the phrase "shall have been wholly dependent upon and supported at the time of his death by" the phrase "shall have received at least one-half of his support from"; by changing the semicolon after the phrase "is claimed" in said subdivision (iii) to a period and striking out the portion of the sentence following that phrase.~~

~~(4) Paragraph (1) of the said subsection (l) is further amended by substituting for all the matter which follows subdivision (iii) the following: "A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A 'child' shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (g) of section 2 whether an applicant is the wife, husband, widow, widower, child or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;".~~

~~(b) Paragraph (4) of subsection (l) of section 5 of~~

the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: "If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made."

(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking "(a)" after "209" and by inserting after the word "Act", the following: ", and, in addition (i) 'self-employment income' as defined in section 211 (b) of that Act and (ii) wages deemed to have been paid under Section 217 (a) of that Act on account of military service which is not creditable under section 4 of this Act".

(d) Paragraph (7) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word "had" the phrase "completed ten years of service and will have"; and by inserting in the parenthetical phrase in subdivision (i), after the word "quarter" the following: "which is not a quarter of coverage and".

(e) Paragraph (8) of subsection (l) of section 5 of

the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(8) An employee will have been 'partially insured' at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs."

(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month through 1951, and any excess over $400 for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee

has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:"; by inserting in the second proviso after the word "quarter" the following: "which is not a quarter of coverage and"; and by changing the period at the end of said proviso to a colon and adding the following: "*And provided further,* That if the exclusion from the divisor of all quarters after the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded."

(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the phrase "'survivor's insurance annuity'" for the phrase "'basic amount'" wherever this phrase appears; by substituting in subdivisions (i) and (ii) of said paragraph "$100" for "$75"; by substituting for "$250" in subdivision (i) the following: "$400 if wages are not included in the average monthly remuneration, or $300 if wages are included"; and by striking out from sub-

division (i) all the language after the phrase "plus (C)", up to and including the phrase "or more", and by substituting for said language the following: "$1 for each of his years of service after 1936"; by substituting in said subdivision (i) "$20" for "$10" wherever the latter figures appear; by substituting in subdivision (ii) of said paragraph the phrase "the survivor's insurance annuity" for the phrases "the amount computed under his subdivision" and "such amount"; by substituting "$35" for "$33.33", and for "$25" and substituting "$15" for "$13.33" and "$300" for "$250", and by striking out the phrase "four thirds of".

SEC. 25. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out "subsection (b) of".

AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

SEC. 26. Sections 1500, 1501 (a), 1510, and 1520 of the Railroad Retirement Tax Act are amended, effective with respect to compensation paid after December 31, 1951, by substituting for the figures "$300", wherever they appear in said sections, the figures "$400".

EFFECTIVE DATES

SEC. 27. (a) Except as otherwise specifically provided the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Act and the Social Security Act after the last day of the

month in which this Act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however,* That in the recomputation pursuant to this Act of retirement and survivor annuities heretofore awarded, the monthly compensation and average monthly remuneration shall not be recomputed but shall be increased to the next highest multiple of one dollar.

(b) The amendments made by sections 3 and 22 of this Act and the elimination of the language in section 3 (a) 4 of the Railroad Retirement Act shall apply to benefits awarded in whole or in part after the enactment of this Act.

(c) The amendments made by sections 4 and 21 with respect to "wages" and "net earnings from self-employment" shall not apply to "wages" from service, or to "net earnings from self-employment" in which an individual (other than a disability annuitant under the age of 65) in receipt of an annuity on the enactment date hereof was engaged on such date without forfeiting the annuity.

(d) The amendments made by sections 17 and 18 of this Act shall take effect with respect to deaths occurring after the enactment of this Act.

(e) With respect to retirement and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act to, and with

respect to the death of, individuals who have completed less than ten years of service, and with respect to spouses of such individuals during such individuals' lifetime, the amendments made by this Act shall apply in the same manner as to, and with respect to the death of, individuals who have completed ten years of service.

(f) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

(g) All pensions due in months following the first calendar month after the enactment hereof, shall be increased by 15 per centum.

(h) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" shall include the wife or husband of an employee

~~who has been awarded an annuity under that Act. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.~~

~~(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, 79th Congress, shall, subject to the provisions of this Act, be one-half the annuity such employee would have received had the annuity been awarded at age sixty-five.~~

~~(j) All recertifications required by reason of the provisions of this Act other than section 10 shall be made without application therefor. Recomputations pursuant to sections 9 and 10 of this Act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.~~

That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (p) thereof a new subsection reading as follows:

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

SEC. 2. Subsection (a) of section 3 of the Railroad

Retirement Act of 1937, as amended, is amended by changing "2.40" to "2.76", "1.80" to "2.07", and "1.20" to "1.38".

SEC. 3. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing the phrase "subsection 2 (a) (3)" to "section 2 (a) 3", and by changing "$3.60" to "$4.14" and "$60" to "$69".

SEC. 4. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "three-fourths of".

SEC. 5. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "three-fourths of".

SEC. 6. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "equal to one-half" the phrase "equal to two-thirds".

SEC. 7. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "equal to one-half" the phrase "equal to two-thirds".

SEC. 8. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "eight times the employee's basic amount" the phrase "ten times the employee's basic amount".

SEC. 9. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14."

EFFECTIVE DATES

SEC. 10. (a) Except as otherwise specifically provided, the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Act after the last day of the month in which this Act is enacted, irrespective of when the service occurred or compensation was earned.

(b) The amendments made by sections 4, 5, 6, 7, 8, and 9 of this Act shall take effect with respect to deaths occurring after the enactment of this Act.

(c) All retirement annuities, all pensions, and all joint

and survivor annuities deriving from joint and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act and due in months following the first calendar month after the enactment of this Act, shall be increased by 15 per centum.

(d) All monthly survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act and due in months following the first calendar month after the enactment of this Act, shall be increased by 33⅓ per centum.

(e) All recertifications required by reason of the provisions of this Act shall be made without application therefor.

Amend the title so as to read: "A bill to amend the Railroad Retirement Act, and for other purposes."

Union Calendar No. 298

82D CONGRESS
1ST SESSION

H. R. 3669

[Report No. 976]

A BILL

To amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

By Mr. CROSSER

APRIL 12, 1951

Referred to the Committee on Interstate and Foreign Commerce

SEPTEMBER 19, 1951

Reported with amendments, committed to the Committee of the Whole House on the State of the Union, and ordered to be printed

AMENDMENT TO RAILROAD RETIREMENT ACT AND THE RAILROAD RETIREMENT TAX ACT

Mr. MITCHELL. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 428 and ask for its immediate consideration.

The Clerk read the House resolution, as follows:

Resolved, That immediately upon the adoption of this resolution it shall be in order to move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes. That after general debate, which shall be confined to the bill and continue not to exceed 2 hours, to be equally divided and controlled by the chairman and ranking minority member of the Committee on Interstate and Foreign Commerce, the bill shall be read for amendment under the 5-minute rule. At the conclusion of the consideration of the bill for amendment, the Committee shall rise and report the bill to the House with such amendments as may have been adopted and the previous question shall be considered as ordered on the bill and amendments thereto to final passage without intervening motion except one motion to recommit.

Mr. MITCHELL. Mr. Speaker, I yield 30 minutes to the gentleman from Illinois [Mr. ALLEN] and I yield myself such time as I may use.

Mr. Speaker, this resolution makes in order the consideration of H. R. 3669, a bill to amend the Railroad Retirement Act and the Railroad Retirement Tax Act. The bill proposes sorely needed increases in pensions and annuities for retired railroad employees. In asking for a rule on the bill the committee pointed out that there has been no raise in the payment to annuitants since 1948, and no raise in payments to survivors since 1946. The cost of living increase since these dates has been tremendous. The lag between retirement payments and costs is great and emphasizes the desperate need of those retiring after long years of railroad service.

The bill reported by the committee majority, provides briefly a 15-percent increase in annuities and pensions for retired employees, and a 33⅓-percent increase in each of the survivors benefit. The committee, at the same time it granted the rule on the measure, reported out a resolution brought to the committee by members of the Interstate and Foreign Commerce Committee which provides for further study of the whole problem. It provides for committee appointment of an advisory council composed of representatives of the interested Federal agencies which handle the retirement acts, railroad labor unions, and informed disinterested individuals.

There is no controversy on the need for increased pensions but because there is controversy in this technical and difficult field, this rule provides for 2 hours' debate after which the bill is open for amendment so that the committee can work its will. The bill to be considered, of course, strikes out the Crosser bill and substitutes the Hall bill.

Mr. HARRIS. Mr. Speaker, will the gentleman yield?

Mr. MITCHELL. I yield to the gentleman from Arkansas.

Mr. HARRIS. As I understand, the gentleman from Washington [Mr. MITCHELL], who has charge of the rule, has just stated that at the same time of reporting a rule making this bill in order the Committee on Rules reported a resolution providing for further study on certain basic issues involved.

Mr. MITCHELL. That is correct.

Mr. HARRIS. Do I understand then it is the intention, under the announced program, for the gentleman or some other member of the Committee on Rules to call up this resolution immediately following the consideration of this bill?

Mr. MITCHELL. That is the understanding. I do not think any definite agreement or arrangement was made, but that is the understanding.

Mr. HARRIS. That was the understanding in the Committee on Rules in reporting the legislation?

Mr. MITCHELL. That is correct.

Mr. HARRIS. The majority leader, I believe, in making the statement last week on the program for this week, which is included in the RECORD of Thursday, stated the resolution would be called up immediately after the consideration of this bill.

Mr. MITCHELL. That is correct.

Mr. CROSSER. Mr. Speaker, if the gentleman will yield, there was no understanding of that kind with me, and I was there during the discussion.

Mr. HARRIS. Mr. Speaker, if the gentleman will yield further, I would like to say to my very distinguished chairman that I did not imply or intend to imply that he agreed to any such procedure or program, but I am merely relating what happened in connection with the legislation.

Mr. MITCHELL. Of course, that is a decision the House will have to make when the resolution comes up.

I have no further requests for time, Mr. Speaker.

Mr. ALLEN of Illinois. Mr. Speaker, H. R. 3669, as reported in the House, amends the Railroad Retirement Act of 1937 to provide an immediate across-the-board increase of 15 percent to all annuitants subject to it; and an increase of 33⅓ percent in survivors' annuities. These increases are to be accomplished without raising the railroad retirement tax, already embodied in the act, above the maximum of 6¼ percent, effective January 1, 1952.

The committee amendment proposes no changes in the act itself except the stated increases. It leaves to the future

any amendments to the classes of beneficiaries, or any correlation of the Railroad Retirement Act with the Social Security Act.

RETIREMENT BENEFITS

An average increase of 15 percent is made in the retirement annuities by increasing the percentages for computing the amount as follows: 2.76—now 2.40—percent of the first $100 of compensation, 2.07—now 1.80—percent of the second $100, and 1.38—now 1.20—of the third $100. This increase applies also to minimum retirement annuities for those having more than 5 years of service.

SURVIVORS' ANNUITIES

A 33⅓ percent increase is made in the survivors' annuities payable, first, to widows over 65 years of age; and, second, widows not of that age but having a dependent child in their care. These latter have previously received three-fourths the employee's basic amount; and will now receive an amount equal to his basic amount.

A 25 percent increase is made in insurance lump sums of employees who die leaving no one immediately entitled to a monthly annuity by setting the sum payable to the survivor at 10 times the employee's basic amount—now eight times.

For those employees who are separated from railroad service with benefits transferable to social security, the benefits paid their survivors shall be those provided for by the Social Security Act amendments of 1950.

ANNUITY TOTALS

A perfecting amendment is made to the section controlling minimum and maximum survivor annuity totals to increase the minimum to $14—now $10; and the maximum to $160—now $120. This increase averages 40 percent and 33⅓ percent, respectively.

EFFECTIVE DATES

First. The increase of 15 percent in currently payable retirement annuities, pensions, that is, private pension amounts taken over and incorporated in the Railroad Retirement Act of 1937—and joint and survivor annuities, shall be effective with respect to amounts due the first calendar month after enactment.

Second. The increase of 33⅓ percent in currently payable survivors' annuities shall be effective as of the same date.

Third. The use of the new formulas for computing retirement benefits and survivors' annuities shall be effective (a) after the last day of the month when the bill is enacted, and (b) with respect to deaths occurring after enactment, respectively.

Mr. MITCHELL. Mr. Speaker, I move the previous question.

The previous question was ordered.

The SPEAKER. The question is on the resolution.

The resolution was agreed to.

Mr. CROSSER. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the consideration of the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the consideration of the bill H. R. 3669, with Mr. DAVIS of Tennessee in the chair.

The Clerk read the title of the bill.

By unanimous consent, the first reading of the bill was dispensed with.

Mr. CROSSER. Mr. Chairman, I yield 10 minutes to the gentleman from Texas [Mr. BECKWORTH].

Mr. BECKWORTH. Mr. Chairman, our committee spent a good many hours trying to work out legislation which would aid our railroad employees as much as possible. We had a unanimous objective in mind; that is, to raise the amount which annuitants, pensioners, and survivors currently receive from the railroad retirement fund. Many competent witnesses came before us representing each of the points of view. The committee worked diligently, and in my opinion, many of the some twenty-odd brotherhoods worked diligently to try to arrive at what might be termed a unanimous decision as to what is the proper answer to this problem.

After all of the efforts made by the various brotherhoods and by the various members of our commitee, on both the Democratic and Republican sides of the aisle, we failed to agree as to what is the best method to meet what we all recognize as a real problem; to wit, the raising of the benefits of these people.

We all know it is very much apparent that those who receive pensions and annuities and survivors' benefits are having greater difficulties than ever before in paying for the necessities of life. I personally do not question the motives of any of those on our committee with whom I happen to find myself in disagreement concerning this bill. Both bills have some merit, undeniably that is true. The Hall bill, which is in the form of an amendment to the Crosser bill, definitely would undertake to raise by 15 percent all of those who receive annuities and pensions. It would undertake to raise by 33⅓ percent survivors' benefits. No one can dispute the fact that that objective is a laudable one. The Hall bill is a simple bill, there is no question about that. The Crosser bill, on the other hand, approaches this problem from a different standpoint. It is a more involved bill. But, again, the Crosser bill has for its objective the same worthy purposes, although to be arrived at in a different way, than the Hall bill has.

This fact must be borne in mind definitely when we consider retirement systems that the Government backs. In the case of social security, you find that your legislation is written in a manner that is weighted in favor of those who receive the lesser incomes and those who have worked shorter periods of years. On the contrary, the railroad-retirement legislation is weighted more in favor of those who receive the larger incomes and those who have worked a longer period of time. That fundamental difference exists between these two Government-backed retirement systems.

Consequently, we find that those who are receiving the least amount now in the railroad-retirement system naturally are in far greater need than those who receive a lot more. That stands to reason. What the Crosser bill is trying to do, in my opinion, through its provisions, is to bring about some adjustment that will enable those who need help the most to get more help. It is that simple, in my opinion.

It stands to reason that if a fellow is getting $20 a month as a pension or an annuity and you raise him 15 percent you raise him about $3. You certainly have helped him some; you have helped him $3 worth. On the other hand, if a fellow is getting $150 a month, and you raise him 15 percent, you have helped him more.

One of the primary objectives, I repeat, and one of the fundamental differences is that we are undertaking to bring about some adjustments that will give the greatest benefit to those who need help the most. As I said originally, the railroad brotherhoods are not together on this. Naturally, any time you draw a line, any time you make a fundamental change, there are some who are not as favorably affected as others. In this instance undeniably there are some who are not as favorably affected as others. All annuitants, pensioners, and survivors are favorably affected by the Hall and Crosser bills. The ones in my opinion who are most favorably affected by the Crosser amendments are the ones who need the help the most, such as survivors and particularly pensioners and annuitants who are receiving the least. I have given you the kind of illustration which I think makes that clear. The Hall bill, as I say, raises by 15 percent the pensioners and annuitants. It raises by about 33⅓ percent, those who obtain benefits as survivors. The Crosser bill undertakes to raise by 60 to 80 percent approximately, the benefits that survivors receive, and roughly by about 29 percent the pensioners and annuitants. In order to do that, however, the Crosser bill has some innovations and some changes that have themselves been points of controversy. For example—and of course I realize there is a place for argument with reference to this provision which I shall mention—there is a provision which says that if a man receives a pension or an annuity, he will be allowed to earn no more than $50 per month. I do not necessarily like this provision; however, the Social Security Act has it; the Congress approved the Social Security Act, of course. Naturally, that brings up controversy. It was discussed at length in our committee, and, of course, voted upon. Anybody can question it who wishes to, but the purpose of the sponsors of this provision is very clear. The purpose is to try to keep people working longer—incidentally statistics show that they have been working longer without it, and I want the committee to get that—they have been working longer recently, and the purpose is to keep them working longer and paying in longer, and therefore getting greater benefits instead of drawing

from the funds. This provision if enacted is a net gain for the fund as I understand. Of course, it is needed in order to bear part of the burden we have been told.

Then we have another provision in the Crosser bill, which I feel is meritorious although controversial, and that is with reference to bringing up to what might be termed the social-security standard all recipients of pensions and annuities under the Railroad Retirement Act. That may be unsound, but it was felt by several members of the committee that that objective at least is one that we should be interested in attaining. So, we have written a piece of legislation—the Crosser bill—which seeks to attain that very objective.

Still another objective which we have had is to try to give the annuitants and pensioners more by approaching it from the direction of helping the spouse, and giving the spouse one-half that which the annuitants or pensioners receive up to an amount of $50 a month. True enough, that will not give some people very much, but it will again aid those who, in the opinion of us who support the Crosser bill, most need aid.

Let us take a few examples that relate to what the two bills, the Hall bill and Crosser bill, do.

A man who is now receiving $72 a month under the Railroad Retirement Act would receive from the Crosser bill a total annuity of $92.88. The Hall substitute would give that same man $82.80, or $10 a month less.

A man now receiving $90 a month under the Crosser bill would be increased to $116.10, an increase of $26. Under the Hall substitute the man would receive $103.50, or $13 less than under the Crosser bill.

These are actual statistics I am bringing to you in order that you may know as you decide this issue what you are doing. I am not one who is coming here trying to tell you that this is an open and shut case; it is naturally a controversial case, and the membership, irrespective of what group of railroad employees or employers favor one thing or another, the membership should try to decide this on the basis of what you yourselves wish to do with reference to those who need help, and they all do need help.

A man who is now receiving $144 a month would be given $185.76 by the Crosser bill, or an increase of $41.76. Under the Hall substitute this man would receive $165.60, or $20 less than under the Crosser bill.

These three illustrations represent a relatively low paid annuitant, an average annuitant, and a high level annuitant. Let us now take three examples from among the lower class of survivors' widows and children. These examples are even more startling because they demonstrate that railroad widows and children are being asked by the supporters of the Hall substitute to accept less than is given the people under social security, as I pointed out a moment ago.

A widow without any children now receiving $34.11 would be given $45.48 a month if the Hall bill were enacted. As I told you a moment ago, the Hall bill does raise this group 33⅓ percent, approximately. The Social Security Act, and that is the standard we seek to reach by the Crosser bill, would provide this same woman with an annuity of $48.75. Therefore this widow is being offered less than we are now giving people under the Social Security Act. The Crosser bill undertakes to recognize that fact and to bring up to the social-security standard that widow and those who survive with her. The Crosser bill, on the other hand, would give the widow a total of $57 a month.

A widow with one dependent child who is now receiving $43.43, under the Hall substitute would receive $57.97; and, yet, this same woman under social security would receive $75 a month. The Crosser bill provides a total annuity for such a widow and child of $94 a month, almost doubling her present annuity.

Let us take another illustration, that of a widow and two dependent children, who are now receiving $56.85, under the Hall substitute would receive $75.80. The social security would provide this same woman $97. Under the Crosser bill she would receive a total annuity of $114.

I have tried to point out some examples of just exactly what the operation will be under the Hall bill, under the Crosser bill, and what the operation actually is under the Social Security Act. I want to say again what I said originally, that in the opinion of those who support the Crosser bill we are trying as best we can to give more aid where more help is needed; we are trying to give the greatest benefits where the greatest need exists. Also we are definitely trying to help them all. I personally like all our railroad people. I simply wish to do what is right and sound not only in regard to the employees, but also in regard to the employers who participate, I might add also.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. BECKWORTH. I yield.

Mr. COOLEY. What would the widow receive who had three children?

Mr. BECKWORTH. I do not happen to have those figures but I would say that we are trying not only to take care of that type of family you mention but we are also trying to take care of the families I have just mentioned. I did not try in collecting the figures I have referred to, to go into too much detail because of the shortness of time, but I will try to get the information for the gentleman quickly.

Mr. CANNON. Mr. Chairman, will the gentleman yield?

Mr. BECKWORTH. I yield to the gentleman from Missouri.

Mr. CANNON. May I take advantage of the opportunity to express a deserved and richly merited tribute of appreciation to the Great Commoner from Ohio, the chairman of the committee, and the author of more beneficial labor legislation than any other man who has ever sat in the American Congress.

It is said that history is made up of the biographies of great men. Certainly when the biography of the gentleman from Ohio [Mr. CROSSER] is written it will constitute one of the most important chapters in the history of progressive legislation ever written by any government on the globe. He has in his more than a third of a century of service in the House sponsored and supported measures which have changed the course of American life and American standards of living and brought health and happiness and prosperity to millions of families who, from children to grandsires, today rise up to call him blessed.

And here in the House among his colleagues who know him best, there is none whom we, in the Biblical language of the book of Esther, more delight to honor.

Mr. BECKWORTH. The gentleman from Ohio for 15 years has worked diligently on this problem. I have had occasion to work on this type of legislation with him and others on the committee for a number of years and I say that he as well as others has done a constructive piece of work unquestionably and undeniably. There is no question about that. In my opinion, he is not undertaking to mislead those of us who are working with him on this bill nor the House when he undertakes to say what he is trying to do in this bill.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. WOLVERTON. Mr. Chairman, I yield 8 minutes to the gentleman from New York [Mr. LEONARD W. HALL].

Mr. LEONARD W. HALL. Mr. Chairman, we spent weeks and really months working on this bill. I agree with the gentleman from Texas that on at least one thing we were unanimous. Every member of our committee desired to increase the benefits under the Railroad Retirement Act.

There was quite a bit of controversy, however, during all of the hearings. The first thing we learned was that the Federal Security Administration said it could not support the bill. The Budget advised us by letter that the bill—and when I speak of the bill I mean the original Crosser bill—had a number of defects and that there should be a real study of the whole situation.

I offered my substitute at the end of the hearings in executive session. It provides a 15 percent increase for pensioners and annuitants, a 33⅓ percent for survivors and a 25 percent increase in lump-sum survivorship cases. I want to make it clear at the outset that the substitute was not offered by me and was not supported by other members of the committee with any understanding that it was going to remain permanent law. We feel, however, that something should be done immediately to help these poor people who are not getting very much in the way of pensions and annuities. We intend the committee bill to be stopgap legislation to be followed by a study which you will have a chance to vote on tomorrow, setting up a committee to report back here on February 15, 1952, as to what we can do for the annuitants, the pensioners, and the survivors under the Railroad Retirement Act and at the same time keep the retirement fund solvent.

Of course, the gentleman from Texas [Mr. BECKWORTH] has told you of some of those provisions of the Crosser bill

which seem very attractive when you just mention them. He mentions, for instance, the benefit that the living spouse gets of $50 a month under the Crosser bill. Mr. Chairman, I think that is nothing more than bait for other provisions of the bill.

Let us look at that provision for the sponse in connection with the $50 work clause in the Crosser bill. Think of it. A man on retirement under the Railroad Retirement Act amended as the Crosser bill would have it amended if he makes $50 a month, he loses his retirement pension and his spouse would not get the $50 a month that the gentleman from Texas [Mr. BECKWORTH] talked about. So I claim that is just bait. Congressmen pay no more money into the pension fund than do the railroad workers who today pay 6 percent into that fund. Next year they will pay 6¼ percent. We as Congressmen pay 6 percent. Have we any work clause in our pension law? Have any of the Army and Navy people any work clause in their pension law? Has any civil servant of the Government any work clause in his retirement law? Of course not. Once we retire, once an Army or Navy individual retires, once a civil servant of the Government retires, he can go out and make as much as he wants. Are we going to say to railroad workers: You can pay as much into your fund as Congressmen do but if you quit and take your pension and make $50 a month, we are going to take you off the pension rolls? Those who voted for my substitute for the Crosser bill felt that would not be fair.

Now, of course, when you give new benefits you must have more money. The gentleman from Texas [Mr. BECKWORTH] passed over this very quickly. One of the places where they are going to get extra money is by raising the wage base from $300 to $400 a month, the base that will be taxed. We are told by those in charge of the Crosser bill that it will raise $80,000,000. Now where does that $80,000,000 come from?

That $80,000,000 comes from two sources. First, The railroad workers will be assessed or taxed $40,000,000 more if the Crosser bill is enacted into law. The railroad workers will have to pay, those making $400 a month, $6 a month on top of the additional income tax which will be required by the new tax bill that we passed. Second, The other $40,000,000 will come from the railroad companies. And, Mr. Chairman, where will the companies get the $40,000,000? That amount of money is figured in their rate base, and if we pass the Crosser bill the railroads can go before the Interstate Commerce Commission and ask for new rates to take care of the payment of that $40,000,000.

Yes there is great controversy about this bill. When the brotherhoods themselves are split, when you have government bureaus and commissions opposed to this bill, when you even have our great committee split into three groups, I think it is time that we very carefully consider it. I think we, who supported the substitute, took the simple, the best and the fairest course. We said, "Yes, we agree with you that these annuitants and pensioners need more money" I say to you frankly that the quickest way to give them that relief is to vote for the committee bill. If you do that they can begin to get relief in the month of November. If we pass the Crosser bill, no one here today can tell us when they will receive any benefits whatsoever.

So, in conclusion, let me say this: First, the committee bill is nothing but a stopgap bill; we admit that. We want to study the situation, and when we come back next year with the result of that study, we hope we can give these pensioners and annuitants even more money. But until we have that study I do not think we should attempt to amend the splendid railroad retirement law in any broad scale fashion as is attempted by the Crosser bill.

Mr. KEATING. Mr. Chairman, will the gentleman yield?

Mr. LEONARD W. HALL. I yield to the gentleman from New York.

Mr. KEATING. Did the Federal Security Agency and the Bureau of the Budget review and take any position in regard to the substitute?

Mr. LEONARD W. HALL. They did not, because my substitute was offered at the last session of the committee. But I will say this, that a member of the Railroad Retirement Board wrote in and said that the committee bill was the better bill.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. LEONARD W. HALL. I yield to the gentleman from New Jersey.

Mr. WOLVERTON. Notwithstanding the fact that the bill introduced by the gentleman from New York was not presented to the various agencies of Government, yet a reading of the report of the Bureau of the Budget and the Federal Security Administration shows that they are in entire accord with the approach made by the gentleman from New York in the bill reported by a majority of the committee. In fact, the majority of the committee has followed the recommendations that were made by both of these bureaus.

Mr. LEONARD W. HALL. Those reports indicate that they would approve the provisions of the committee bill.

Mr. CROSSER. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Chairman, I dislike very much to take a position opposed to that of my colleague, the gentleman from New York [Mr. LEONARD W. HALL] who has just spoken. But I believe, for one thing, if you will look into the sponsorship of the Crosser bill, who was the author of the original Railroad Retirement Act, and who has devoted a substantial part of his life to the betterment of conditions of railroad employees, you will realize that this is not a hodgepodge as stated by the gentleman from New York, but is the result of intensive study over many, many years. As a matter of fact, if we use the term "hodgepodge" it seems to me, as a member of this committee, that that language might well be applied to the substitute offered by the gentleman from New York. He admits his amendment was offered on the last day of our deliberations, and was never submitted to any of the departments or to the brotherhoods themselves, and therefore we never really had any indication of how they would feel about it.

Mr. Chairman, along with 11 other members of the House Committee on Interstate and Foreign Commerce, I am urging the House to adopt the original Crosser bill in place of the Hall substitute which has been reported out of our committee. The Crosser bill represents many months of painstaking study on the part of the most competent experts in the field of railroad retirement. The Railroad Retirement Board has endorsed this legislation as well as a majority of the employees who are affected, as well as the A. F. of L. and 80 percent of the railroad brotherhoods.

There is a sharp difference in the approach of the Crosser bill to the retirement problems that we face and the approach of the so-called Hall substitute. The Hall substitute is meager in that it gives inadequate benefit increases to those who are most in need. In addition, it leaves these needy people, for the greater part surviving widows and children, in a position of receiving less benefits than they would receive if covered by social security.

That is very significant. Why should these employees of the railroads be treated any differently from other employees in industry? In many cases the railroad employees have paid more into the system, yet they will be receiving less.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. KLEIN. I yield to the gentleman from Arkansas.

Mr. HARRIS. Is it not a fact that under the committee amendment as reported, the retired annuitants and pensioners will receive a 15-percent increase, and under the original bill which was introduced by our distinguished chairman, the retired annuitants and pensioners will receive an increase of 13.8 percent?

Mr. KLEIN. That may be true, but it is only a half truth, because there are other benefits which they would receive under the Crosser bill which they will not receive under the Hall substitute. As a matter of fact, taking into consideration the other benefits to the railroad workers in the Crosser bill, the increase is about 30 percent.

There is no defense for such an action. The simple issue is whether we want to vote railroad men adequate benefits in the form of the Crosser bill or inadequate benefits in the form of the Hall substitute.

Probably in no area is there a sharper difference between these two bills than in the treatment of aged wives of retired railroad men. Under the present law no benefit is given to a man who is retired and who has the responsibility of supporting his wife. In every conceivable governmental policy we have recognized the added responsibility of a man who has a family to support. For example, in the Internal Revenue Code, the Congress, for many years, has recognized the problem by giving to an employee added deductions to compensate him for the care of a wife, or any other dependent. There is a reason for this.

Obviously, a man who has a wife to support has more basic responsibilities and is under a greater financial burden than one who is single and with no dependents.

In the social security laws we have recognized this burden on the aged annuitants and pensioners and made provision for a spouse's benefit. Under the Social Security Act a retired employee whose wife is 65 years of age or more is given a benefit up to a maximum of $40. There again we find clear expression on the part of Congress in recognizing the greater need of those with wives to support, in comparison with those who have none.

The Crosser bill, which we are now considering and which I hope we will pass, provides a spouse's benefit. This benefit amounts to one-half the retired employee's annuity with a maximum of $50. There can be no question as to the valid need of this benefit. That old maxim about two being able to live as cheaply as one more often than not is feminine propaganda which proves very effective at the age of 20. By the time these railroad men, or for that matter any individual, have reached the age of 65 the wisdom and maturity of age prove that two cannot live as cheaply as one. A man with a wife to support is deserving of great consideration. Such a benefit as is proposed in the Crosser bill is entirely in keeping with our American concept of the home and the family. It recognizes marriage as an institution and also the basic fact of life that a retired employee who has a family is under a greater financial burden than a single one.

There are some who say that single men should not be taxed to support the wives of those railroad men who are employed. This is a ridiculous statement. It is just as ridiculous to say this as it would be to say that healthy railroad men should not be taxed to support disabled railroad men as is presently the case. It is just as nonsensical to say that people who have no children should not be required to pay taxes for the upkeep of schools. The fact is that of those who are now retired, almost 50 percent have wives who would immediately begin to draw this spouse's benefit. In addition, almost 70 percent of all retired employees have wives who at one time or another will enjoy this provision. The inclusion of this spouse's benefit on the retirement benefits proposed in the Crosser bill bring the average payments to all retired employees up to a point which represents a general increase of about 30 percent. This increase for retired employees of 30 percent coupled with the increases provided for survivors of more than 75 percent make the Crosser bill, by all odds, the best possible bill for railroad employees. I urge all of the Members of the House to support our chairman, the gentleman from Ohio [Mr. CROSSER], and his original bill. BOB CROSSER is making this appeal on behalf of the rank-and-file railroad employees. I have never seen nor heard of a Congressman having regretted adopting the advice of BOB CROSSER in a railroad retirement matter. His advice has always been sound and completely safe in this field. I urge all Members to support the original Crosser bill.

Mr. WOLVERTON. Mr. Chairman, I yield myself 7 minutes.

Mr. Chairman, retired railroad workers and the survivors of those who are deceased are in need of immediate relief. The need for increasing the amount of monthly benefits paid to them under the Railroad Retirement Act is urgent. It demands immediate action upon the part of Congress. Relief must be given at the earliest possible day.

For several years now the scale of the benefits to retired railway workers and their survivors has lagged far behind the steadily rising cost of living. This has produced a situation that cannot and should not be ignored any longer. The condition of some of these retired workers and their families, whom we seek to aid by increased benefits, is desperate. In many instances, it is pathetic. They all need help and they need it now without further delay.

The bill which we have reported goes to the very heart of the matter by eliminating all controversial issues raised by the bill being supported by a minority of the committee and does the all-important thing, namely, increases benefits to all beneficiaries now under the railroad retirement system and thereby grants immediate relief to enable them to live more in accord with what they are entitled to have as a result of long years of service and the high rate of taxes that have been paid into the retirement fund.

The bill we support provides the additional aid in an easy and effectual way by making a straight increase of 15 percent to all retired workers and 33⅓ percent to their survivors, over and above the amounts they now receive. These increases would be effective immediately upon the enactment of the bill. The increase provided by this bill for retired workers is larger than that provided in the bill supported by the minority for this class of beneficiaries and the amount of increase provided by the bill for survivors is far in excess of the average paid under social security to this class of beneficiaries. Furthermore, it is hoped that as a result of the study of the retirement act, as provided in a special resolution introduced on behalf of the majority of the committee by the gentleman from Arkansas [Mr. HARRIS], and which we seek to have adopted in connection with this bill, that it will be possible to find ways and means of still further increasing benefits and improving the stability of the retirement fund.

MINORITY (CROSSER) BILL

The committee did not consider it advisable to accept H. R. 3669 as originally introduced, and, voted upon in the committee, for two basic reasons. First, it was so involved and complex that it would have taken many months, and, in the opinion of some even more than a year, before the necessary records could be completed to provide the information on the basis of which the benefits could be paid. In contrast to this the committee bill now before you, and, which represents the views of a majority of the committee, has removed all technicalities and makes it possible for the increased benefits payable within 1 month after enactment. All that it will require is one letter to the Treasury Department to increase the present benefits of retired workers by 15 percent and survivors of deceased workers by 33⅓ percent. It would be just as easy as that. We recognized that there was need for immediate relief. Our bill gives it.

The second reason the committee selected the more simple and easy approach in preference to the involved and controversial provisions of H. R. 3669, was because it introduced new principles into the Railroad Retirement Act, that were foreign to, and, in conflict with, the fundamental principles that formed the basis of the Railroad Retirement Act.

A short summary of some of these provisions is as follows:

(a) Transfer from railroad retirement to social security all railroad employees having less than 10 years of service. Under this provision of the minority—Crosser bill—the railroad retirement fund would be entirely relieved of the payment of benefits to persons who have had less than 10 years of service in the railroad industry, and all such would be transferred to the social security system. This would affect approximately 5,000,000 individuals now having the right to benefits, either present or future, under the Railroad Retirement Act. All of these individuals have paid into the retirement fund four times greater than that paid under social security, and, yet they are stricken from railroad retirement rolls and put under social security without any compensation for the additional tax they have paid and which under the minority bill would be forfeited. There are many who believe that a system can be devised that will correlate the railroad retirement benefits with those of social security, but, everyone almost without exception, including Murray Latimer, recognized today, as the outstanding pension economist in this country, Social Security Administration, Bureau of the Budget, are all of the opinion that the method provided in the so-called Crosser bill would be inequitable, unjust, and, fall far short of accomplishing the benefits claimed for it, and in fact would prove a great detriment to stability of the railroad retirement fund, and would weaken rather than strengthen the fund.

(b) Fifty - dollar - work - limitation clause: The minority sponsored Crosser bill—H. R. 3669—provides what is termed a $50-work-limitation clause. This would deny a retired worker the right to earn more than $50 monthly in employment covered by the Social Security Act without losing his pension or annuity. At present there is no such limitation in the law.

Under the present Railroad Retirement Act the only work restriction imposed upon retired employees provides that while receiving an annuity, they must not be employed by a common carrier railroad recognized under the Railroad Retirement Act or by their last regular employer prior to going on pension.

Benefits under social security are not restricted in any way if annuitants are

employed on the railroads or in any other employment except that covered under the Social Security Act. The retired Government employee is not restricted as to earnings because of employment in any other field except employment in the Federal Government. It is only reasonable and fair that railroad employees, who will pay a higher tax rate than either of the above-mentioned groups, beginning January 1, 1952, be given the same privilege to supplement their fixed retirement incomes in other fields.

One of the provisions of the present Railroad Retirement Act provides that an employee who has attained age 60 and has 30 years of service may retire on a reduced annuity. Each year a number of employees who have been disqualified for work by the railroads and who do not meet the Railroad Retirement Board's disability test, as well as many others who meet the requirements for a reduced annuity before age 65, retire on such a reduced railroad retirement annuity and they obtain work outside the railroad industry to supplement their retirement benefits. This $50-work-restriction clause will create a great hardship upon the disqualified employee who did not qualify for a disability annuity, and of course it would discourage others from retiring on a reduced annuity. It would practically nullify the reduced annuity provision in the present act.

The only argument that has been made in favor of the $50-work restriction contained in the minority bill is that such a provision will provide additional funds with which to finance the increases and new provisions, such as the spouse's annuity, proposed by the minority bill.

Although the present Railroad Retirement Act provides for retirement at age 65 the average retirement age is about 68 years, which means that there has been a saving in the railroad retirement fund in two respects: First, no annuities have been paid for the 3 years from 65 to 68; second, taxes have been received during the same 3 years from these employees who could have been receiving annuities.

Of course the $50 work restriction is intended to create further savings by discouraging retirement even at age 68. The Railroad Retirement Board has estimated that the $50 a month work restriction will save the Railroad Retirement Fund $50,000,000 a year. When you consider that the average annuity paid each year is about $1,000, then such a $50,000,000 a year saving would mean approximately 50,000 employees who are ready for retirement will not retire because of the $50 limitation on earnings. Thus, the minority—Crossser—bill changes the Retirement Act into a compulsory work act.

The Railroad Retirement Act as enacted by Congress was intended to make it possible for men to retire, rather than to be restrictive legislation. That is, it proposed to provide benefits and encourage retirement of railroad employees at age 65, instead of imposing restrictions upon the aged employee to discourage his retirement at age 65.

Another feature overlooked in the $50-work-restriction clause is the administrative problem, which will mean the policing of some 200,000 retirement claims each month by a corps of new employees.

The Railroad Retirement Board's experience with respect to the policing once every 6 months of the present work-restriction clause as applied to the disabled employee, should certainly provide sufficient evidence as to the amount of extra work that can be expected if a monthly check is necessary. All of this is so unfair to retired workers that it is inconceivable that anyone would recommend its adoption.

(c) Increased tax base from present monthly wage of $300 to $400: The minority bill—H. R. 3669—seeks additional revenue by providing that the present payroll tax rate be applied to all wages up to $400 per month instead of $300 as under the present law.

This increase of the tax base was vigorously opposed by the representatives of the operating brotherhoods and others coming within that classification on the basis that in many cases it would result in increasing the individual's tax from the present $18 to $24 per month, an increase of 33⅓ percent.

There are many other controversial provisions of the minority sponsored bill that might be enumerated and enlarged upon if the available time had not been limited to 2 hours of debate. It is inconceivable that debate on a bill of this importance should be limited to such a brief period. When it is considered that this bill affects the welfare of thousands of aged people sufficient time should have been allotted to enable the fullest discussion to be had.

Before closing, however, I do wish to emphasize that the committee in reporting a bill that leaves out all the controversial features that would delay passage, create dissension, and delay the payment of increased benefits, has acted wisely and in the best interests of these needy retired railroad workers and their survivors.

In this connection I direct your attention to the hearings that were held by the committee. They demonstrate that the sponsors of the proposed Crosser bill—H. R. 3669—are the only supporters of the bill. In contrast we find that the Social Security Agency, the Bureau of the Budget, and, practically every actuary either opposed the bill—H. R. 3669—as introduced, or, withheld approval. In making this statement I do not wish to reflect on the sincerity of those who worked long and hard in seeking to find a complete solution of all the problems inherent to the legislation, but, the fact remains that H. R. 3669 is not the answer. Its provisions call for further study and additional information before approval can be given. I favor the adoption of the resolution that will provide such a study, but, in the meantime it is imperative that we provide immediate aid to the retired railroad workers and survivors of deceased workers. This is what our bill does.

ALL EXPERTS, SOCIAL SECURITY ADMINISTRATION, AND BUREAU OF BUDGET OPPOSE MINORITY BILL

Before voting on either the majority or minority bill, I recommend that the Members of the House read the reports received from the Bureau of the Budget, Social Security Administration, the Squire report dissenting from Railroad Retirement Board report, the testimony of Murray Latimer, the most outstanding pension economist in this country today, together with the testimony given by all the actuaries who testified in the Senate hearings but were not called to testify in the House hearings, and, you will find that all of them disapproved of the changes sought to be made by the minority report in the basic principles of the present Railroad Retirement Act or testified that the plan submitted would be highly detrimental to the stability of the retirement fund.

BUREAU OF BUDGET OBJECTS TO MINORITY BILL

The Bureau of the Budget in a clear, logical and forceful manner opposes the adoption of the minority bill—Crosser—H. R. 3669, and, recommends only a reasonable increase in present benefits to be followed by a study of a plan that would make the railroad retirement system supplementary or additional to social security old-age benefits. This would give immediate relief to retired workers and their families without delay and then a study with a report at an early date of the possibilities of increasing benefits under a combination of railroad retirement and social-security benefits. This is exactly the position taken by the majority of the committee. They believe in giving immediate aid by increasing benefits at once and then a study as to ways and means of increasing them, with a report to be made by February 15, 1951.

The following is the report of the Bureau of the Budget appearing on pages 40 and 41 of the committee report:

BUREAU OF THE BUDGET,
Washington, D. C., May 22, 1951.

Hon. ROBERT CROSSER,
Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington, D. C.

MY DEAR MR. CROSSER: In response to an oral request from your committee the Bureau of the Budget hereby submits a report on H. R. 3669, a bill to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

This bill would liberalize employee retirement benefits by roughly 15 percent, would add spouse's benefits paterned after the old-age and survivors insurance system, and would raise considerably the level of survivor benefits. It would raise the taxable wage base from $300 to $400 a month. It would not raise railroad retirement tax rates. Instead the bill proposes to meet in part the cost of these benefit increases by shifting to the OASI system the full responsibility for paying benefits to short-term workers (those with less than 10 years of railroad service). The bill would not require any transfers of money between the trust funds but would merely call for a joint Federal Security Agency-Railroad Retirement Board report by 1956 recommending such legislative changes as would be necessary to place the Federal OASI trust fund in the same position in which it would have been

if railroad employment had been covered under OASI since 1936.

At the outset it should be made clear that the principle of making the OASI system the basic form of protection for all employed people, would carry out the President's recommendation made in his 1952 budget message, to the effect that:

"Our aim should be to establish for all employed people a minimum protection that each person takes with him wherever he works. Pension and insurance plans for special groups should supplement social-security benefits as industry pensions already do for several million workers."

This principle was also the recommendation of the Advisory Council on Social Security of the Senate Committee on Finance which reported as follows on April 20, 1948:

"Railroad employees: The Congress should direct the Social Security Administration and the Railroad Retirement Board to undertake a study to determine the most practicable and equitable method of making the railroad retirement system supplementary to the basic old-age and survivors insurance program. Benefits and contributions of the railroad retirement system should be adjusted to supplement the basic protection afforded by old-age and survivors insurance, so that the combined protection of the two programs would at least equal that under the Railroad Retirement Act."

H. R. 3669, although it appears to move in the direction of interrelation, has a number of serious defects.

1. The workers with less than 10 years' service in the railroad industry—and these make up a very large percentage of the total—would get virtually all of their benefits from the OASI system and nothing from the railroad retirement system; yes under the bill they would pay for the same OASI benefits four times as much taxes as nonrailroad workers pay currently. In a sense, the short-term employees would be forced to subsidize the longer-term employees—a situation that might result in considerable discontent.

2. Any breaking point between programs, such as the 10-year limit, produces glaring inequities. For example, under the bill, the total retirement benefits at age 65 for a man with earnings of $300 a month and with 9 years of railroad service and 11 years under social security, would be reduced from $103 a month to $80. The total benefit for a man with 10 years of service under each system would rise from $105.50 to $112.50 a month.

3. The principle set forth to govern the joint report on financial adjustment, if implemented by law, would establish a very questionable precedent, i. e., the favorable tax rate and slower accumulation of reserves under OASI would be made available to another, separate program with limited coverage. In effect, it puts the OASI system in the position of paying benefits to another system for the use and advantage of that system, rather than directly to the individual workers. Such a precedent might be used to obtain for other special programs with limited coverage the advantage of favorable OASI financing without actual participation in that system. The strength of a comprehensive social-security program depends on wide coverage with its pooling of high-cost and low-cost risks; the proposed arrangement would weaken the system.

4. Because of the extreme complexity of the proposed interrelations between the two systems, those persons who are covered under both would be thoroughly confused as to their rights, benefits, and equities. This complexity would also give rise to delays in adjudicating claims and to heavy administrative expenses to both systems.

5. According to the estimates submitted to the Senate Committee on Labor and Public Welfare by the Railroad Retirement Board, the cost of the benefits of the railroad retirement system would exceed the combined employer-employee tax rate by 1.6 percent of payroll, which, on a level-premium basis, is approximately $60,000,000 a year. The estimates of the Board show that in the absence of additional financing the trust fund would be exhausted within the next 50 years. Moreover, according to the testimony which the Federal Security Agency has presented to the Senate committee, the division of cost between the railroad retirement program and the old-age and survivors insurance program would call for transfers in the opposite direction from that indicated by the Railroad Retirement Board, and in this event the inadequacy of the railroad tax rate would be even more than indicated above. Because of the great importance of this to the financial soundness of both systems, this question should not be left unresolved.

6. An increase of $1,500,000,000 in the unfunded liability of the railroad retirement fund would result under H. R. 3669, largely from credits to be given to older workers for their service prior to the establishment of the system. This presents a serious question of financial policy for a system with limited coverage.

7. The Federal Government has appropriated $330,000,000 for military service credits of railroad workers. Most of this amount is attributable to the military service of individuals whose benefits would, under the bill, become a responsibility of the old-age and survivors insurance system. The bill fails to require the railroad retirement fund to make a refund to the Treasury to reflect this transfer of liability.

8. The absence of authority for financial adjustments means that the OASI trust fund would actually pay benefits to short-term workers until 1956, with no legislative assurance of a subsequent settlement from the Railroad Retirement Board. This lack of assurance may well cause considerable apprehension on the part of the workers and their families who are relying on old-age and survivors insurance for their basic economic security.

Any need to provide higher and more varied benefits for railroad workers toward which the bill is pointed should and can be met in a simpler and more equitable way, consistent with broad national interests and long-range objectives. Better dollar-for-dollar value can be given by providing coverage for all railroad workers under the old-age and survivors insurance system, with the railroad retirement program retained to supplement the old-age and survivors insurance benefits. This would carry out the recommendations of both the President and the Senate Advisory Council on Social Security.

The railroad workers would get more benefits for less money if OASI benefits were made available to all railroad workers, with the Railroad Retirement Board paying the difference between OASI benefits and the present railroad retirement benefits. That is, the workers would get the more advantageous OASI survivors protection and, at the same time, the present 12 percent railroad retirement tax rate could be lowered to a combined OASI-railroad retirement rate which has been estimated roughly at 8.5 percent. As the OASI rate rises over the years, the combined rate would, of course, rise also, but it would not reach its peak of about 12 percent until 1970, whereas the railroad retirement rate is 12 percent now and will rise to 12.5 percent next January. Alternatively, railroad retirement benefits might be increased with less of a tax decrease.

We shall be glad to arrange for elaboration of the points made in this letter should your committee so desire.

SOCIAL SECURITY ADMINISTRATION OBJECTS TO MINORITY BILL

The following are extracts from the social-security report recommending against adoption of H. R. 3669 in its present form:

While the Federal Security Agency strongly recommends the coordination of the railroad system with the old-age and survivors insurance program, we believe that the method of coordination proposed in H. R. 3669 has serious defects. In the opinion of this agency the provisions of the bill would cause misunderstanding and confusion among those affected by it, and the financial arrangements proposed in the bill might have adverse effects.

The provisions of H. R. 3669 which govern the coordination of payments by the two programs are inconsistent and difficult to understand and to explain. The general principles on which they are based apparently are that old-age and survivors insurance should pay the short-term railroad worker and his survivors, and the railroad program should pay the long-term worker and his survivors, and that wage credits under the two programs should be combined. However, these principles are not consistently carried out in the coordination provisions and as a consequence, many inequitable and anomalous situations would arise.

RECOMMENDATIONS OF THE FEDERAL SECURITY AGENCY

In view of the above considerations the Federal Security Agency cannot recommend the adoption of H. R. 3669 or H. R. 3755. As indicated, though, we are convinced that a satisfactory method of coordination can be developed. This should not be excessively time consuming. However, we recognize that there is a problem which must be solved immediately. This problem, of course, is that of the railroad workers who are already retired and about to retire, as well as the survivors of those workers who have died, or will die within the near future. These people are faced now with rising living costs and inadequate benefits. There is no need to postpone alleviating this problem until a coordination plan has been developed.

It would be possible, of course, simply to provide a flat increase or a percentage increase in the benefits payable to these beneficiaries. Alternatively, the committee might wish to consider a solution to the problem similar to that which was adopted for old-age and survivors insurance beneficiaries who were on the rolls at the time of the 1950 amendments to the Social Security Act.

While the above is sufficient to show the opposition of the Social Security Administration to H. R. 3669 as originally introduced, yet, a reading of the whole report will prove most helpful in determining the wisdom of the majority of the committee in striking out of H. R. 3669 the controversial features and leaving a straight increase of 15 percent to retired workers and 33⅓ percent to survivors with a study as advised by the Social Security Administration, as well as the Budget Bureau, to be conducted immediately.

MURRAY W. LATIMER, OFTEN REFERRED TO AS THE FATHER OF THE RAILROAD RETIREMENT SYSTEM, IS OPPOSED TO H. R. 3669

In testifying before the Senate Committee on Labor and Public Welfare on S. 1347, a bill identical with H. R. 3669, and confirmed by similar testimony before the House Committee on Interstate and Foreign Commerce qualified himself to an extraordinary degree as an expert

on all matters pertaining to old-age pensions, and, with particular reference to railroad retirement legislation.

He said:

My name is Murray W. Latimer. I am now a consultant on pension, insurance, and other employee benefit plans with offices at 1625 K Street NW., in Washington. I have asked for the privilege of appearing before you today out of a sense of civic duty, because I have had unusual opportunity, through the years, to study this type of legislation. From July 1934 to January 1946 I was Chairman of the Railroad Retirement Board. It was my duty to present to the committees of Congress, on behalf of the Railroad Retirement Board, proposals for the major part of the railroad retirement legislation as it now appears on the statute books. By the enactment of S. 1347 you would throw into the discard certain principles which I had thought basic to the railroad retirement system, or for that matter to any other system providing social insurance against the hazards of age. I feel a deep personal concern about what happens to those principles in the railroad retirement system.

Second, I have devoted more than 25 years to the promotion of old-age security. I am the author of several intensive studies of industrial pension plans. Before there was a Railroad Retirement Act I was in charge of the studies made by the office of the Federal Coordinator of Transportation, Joseph B. Eastman, which formed the basis for the original cost estimates of the railroad retirement system.

I was the Chairman of the Technical Board of the Committee on Economic Security and Chairman of the Old-Age Security Committee of that Board, and as such I was in charge of the studies which preceded the old-age parts of the Social Security Act; and I was the first Director of the Bureau of the Social Security Board which administers the old-age insurance title of the Social Security Act.

During the past 4 years I have represented the labor organization which is the bargaining agent for about 90 percent of the workers in the basic steel industry in the formulation and revision of retirement plans applicable to more than 600,000 men in the steel industry. I am currently serving as pension consultant to employers in the automobile manufacturing, telephone, and distilling industries, to unions in the newspaper, the paper manufacturing and lithographic industries, and to joint trustees representing management and labor in the hosiery industry in relation to problems having to do, among other things, with the coordination between private pensions and the Social Security Act. What I have to say, therefore, is predicated not only on my 11½ years of experience with the railroad retirement system but also on similar experience with title II of the Social Security Act and with a variety of private pension systems covering more than 1,000,000 workers in other industries.

This background of experience gives added weight to the testimony he gave against the provisions of H. R. 3966—Crosser bill. It is only by a full reading of his testimony that the full significance of the dangers involved can be understood and appreciated. I, however, in part, said:

Now I have a number of objections to H. R. 3669. First of all, it would result in a tax levy on the vast majority of railroad workers from now on in perpetuity, and in return for which it is not proposed to give equivalent value.

Second, it would produce a forfeiture of annuity rights for an unknown but undoubtedly large number—when I say "large" I mean in the millions—of former railroad workers with no adequate offsetting value, and frequently no offsetting value at all.

Third, it would have the effect of reducing some annuities immediately and many others within the next 2 or 3 years. This is far from a bill to increase annuities.

Fourth, it would introduce inequities and anomalies on a staggering scale, and that also in perpetuity.

Fifth, it would worsen labor relations on the railroads, already in rather substantial need of improvement, to the great detriment of the national interest.

Sixth, it would adopt policies for the railroad retirement systems which, if applied to a private pension plan intended to supplement the Social Security Act, would preclude an employer from getting credit as a cost of operation for his contributions to that pension fund. That is a matter on which I am particularly concerned.

Seventh, it would permit the railroad retirement account to retain all the appropriations on account of military service, without any justification. It would amount to a Government subsidy of about a quarter of a billion dollars.

Eighth, it would make impossible the adoption by Congress of a uniform national policy on social security.

And finally, in my judgment, it would lead with certainty to the creation of a Government subsidy for this system, not disguised in the form of an end subsidy, not disguised in the form of a Government subsidy, but a plan, outright, unequivocal, unadulterated subsidy.

With reference to the injustice incident to transferring railroad workers with less than 10 years of railroad service from Railroad Retirement to Social Security, in part, he said:

The next valuation of the liabilities under the railroad-retirement system, and I pass on to the second point, Mr. Chairman, would, I suppose, indicate some 5,600,000 or 5,700,000 persons who have been under the railroad-retirement system since January 1, 1937, and who in 1950 were not under the system. Everyone of these has paid a tax rate at a rate higher than he would have paid under social security, and everyone of those who has less than 10 years of service will have his railroad retirement annuity wiped out. He paid a tax on what I think he had a right to assume was a promise of the Government of the United States to pay him an annuity. The Government now says it will not do so if it passes H. R. 3669. Now that wipes out probably $350,000,000 or $400,000,000 right off the books. That may be exaggeration.

I feel a rather keen personal interest on that point because I have perjured myself numerous times, involuntarily, but nevertheless I have told many people things which just are not so. So I feel somewhat keenly about it, and I would feel nonetheless so if it could be shown that my estimate is grossly exaggerated, but it is not.

I do not think that I have ever seen another legislative proposal by a serious group of people who advocated a plain, outright, point-blank repudiation of Government obligation. That is exactly what it is.

The impression has been that the bill H. R. 3669, Mr. Chairman, is a bill to increase annuities under the Railroad Retirement Act. That is one of its purposes. It also has another purpose which is to reduce a good many thousand annuities which are now being paid. Section 7 provides precisely that. There is to be coordination after this bill is passed by which those persons who have in all good faith taken social-security employment, thereby acquired the right to benefits, primary insurance amounts under the Social Security Act, will have their benefits with respect to prior service under the Railroad Retirement Act reduced for that reason. I do not know and neither does anybody else know how many annuities that would reduce, but I would guess that it is in the neighborhood of 20,000 to 25,000.

In concluding his testimony, Mr. Latimer points out a method which could in his opinion get desired results to the benefit of those under the Railroad Retirement Act. He said:

I make this statement advisedly. You can do this some other way and you will come back eventually to doing it in the way that is the one sensible way of doing it, which is to accept the principle of the universality of the social-security system, and build on top of that for the railroad retirement people.

Now they ought to have a system over and above social security. In particular the disability annuities are very, very desirable. It would be unfortunate in the extreme to take them out. Larger annuities than those under the Social Security Act are needed. It would be unfortunate in the extreme to suggest that they be reduced, but to increase them by taking it out of the hides of the short-service people and to increase them by reducing 20,000 or 25,000 of the present annuitants and to increase them by taking away the annuities which 5,000,000 people have had the right to think they had is surely not the way to do it.

There is a way to do it, there is a better way to do it, and it will get more—I say this all advisedly—it will get more for the long-service railroad employees whom this bill benefits to a great degree, it will get more for them than H. R. 3669 will give them. And you would get rid of the anomalies and the inequities, you would get rid of the instabilities that H. R. 3669 would introduce because of its very great dependence on the rate of forfeiture, and you would introduce equity where now you have chaos.

That concludes my statement, Mr. Chairman.

Mr. Chairman, in conclusion I want to make it distinct and clear: There is no dissension within the Committee on Interstate and Foreign Commerce in its desire to give increased benefits to retired railroad workers and their survivors. The controversy that has arisen and that has undoubtedly become apparent to the Members of the House is the result of provisions that are contained in the Crosser bill which, in the opinion of a majority of the committee, would change the basic principles upon which the original Railroad Retirement Act was passed. A large majority of the members of the committee were of the opinion that the primary thing to be done at this time is to give immediate relief to retired railroad workers and their survivors. The stories that have come to us are pathetic. They show that an urgent condition resulting from the present high cost of living makes it imperative that relief be given at the earliest possible moment to these retired workers. The committee bill went to the very heart of the matter. We eliminated all the controversial questions that were contained in the Crosser bill, and went to the very heart of the matter by saying we will at once give to retired workers, a 15 percent increase and to the survivors a 33⅓ percent increase, which raises their benefits above the social security allowance, and is in a larger amount because 2 years ago we raised

the pensioners but did not raise the survivors. This is an endeavor to correct that situation. If that is done, I call your attention that all that is necessary for these retired workers and survivors to get the increase, is for the Railroad Retirement Board to write a letter to the Treasury and say "increase pensioners and annuitants by 15 percent and survivors by 33⅓ percent." And in the next month's mail, they will have their increase.

What would happen under the Crosser bill? If past experience can be any guide to us in this matter, there is no doubt whatsoever in my mind, that it would be, as some have testified, as much as a year and maybe more before all those who would seek to benefit under that bill would receive their increased benefits.

The majority of the committee adopted the substitute, with no desire other than to do something, do it quickly, do it easily, and in a way which would be helpful until we could study the more controversial features which are contained in the Crosser bill, H. R. 3669.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. Very briefly, if the gentleman please.

Mr. COOLEY. Will the gentleman tell us about the impact on the fund?

Mr. WOLVERTON. I will. Every actuary who testified in the other body, testified that the Crosser bill would deplete the fund within 50 years, and that at the time the fund would be depleted, there would be $16,200,000,000 of unpaid liabilities on the books to which the railroad workers would be entitled with no money in the fund to pay them a single dollar.

That is too serious a situation, in my opinion, for those who are interested in retired railroad workers to adopt a plan without any testimony of actuaries to support it. None were called for that purpose. All who did appear testified against the Crosser bill as being unsound and detrimental to the stability of the retirement fund. Bear in mind that not an actuary from either the Security Administration or the Railroad Retirement Board, or the Bureau of the Budget was ever called before our committee to give any testimony whatsoever, probably due to the fact that when they did testify in the other body, they testified against the Crosser bill in that particular.

Mr. COOLEY. Will the gentleman tell us the impact of the Hall bill on the fund as compared to the Crosser bill?

Mr. WOLVERTON. The impact of the Hall bill, if you read the testimony, is such that in time—in perpetuity—it would affect the fund, but it would not do it immediately, nor anywhere near the extent that the Crosser bill would affect the soundness of the fund. The Hall bill would not do it within the time that we propose to make this study and report back to the Congress.

Let me tell you what is in the offing. I think you will agree with me that there is a great deal of sense to it. I have not committed myself to the proposition as yet, but to show you the advantages that might come from a study, toward increasing all the benefits to railroad workers and their survivors without raising either the tax rate or the tax base, is a suggestion which has been made by the Bureau of the Budget, the Social Security Board, and Mr. Latimer, who is above all others, the father of railroad legislation.

They say, and it is true, that railroad workers are paying four times as much in the way of taxes as are paid by those under social security, yet retired railroad workers or their survivors are not receiving comparative benefits based on the amount they pay. The suggestion is made by the agencies I have referred to, that the Railroad Retirement Board could purchase from the Social Security Administration for all retired railroad workers all benefits under the social-security system at the 3-percent rate the amount now being paid by employers and employees under the social-security system. That would leave 9 percent difference between the 3 percent now being paid by workers under social security and the 12 percent being paid by railroad workers. This method would provide retired railroad workers increased benefits to a considerable amount. I take it there is a lot of real sense in that. It deserves consideration to say the least.

When you talk about sincerity of interest in behalf of the retired railroad workers it does not begin or end with any one individual in this House. I have been in this House for 25 years. There has never been a retirement bill that I have not supported with my vote. There is no one in this House, I care not what his name may be, who has had and now has a more sincere desire to be helpful to the railroad workers than I have; and I propose to do what I think is in their interest and I will not be deterred from doing that.

In conclusion permit me to suggest this to the membership: Read the report of the Bureau of the Budget; read the report of the Social Security Administration; read the testimony of Mr. Squire, the dissenting member of the Railroad Retirement Board; read the testimony of Mr. Latimer, and I am just as certain as that I stand here that you will agree that the majority of the committee have acted wisely and well in saying that we will give immediate relief to those who are in need, and make a complete study between now and February of next year under the resolution that is pending to see what further help can be given. We ask you to support our program by supporting the Hall bill and the Harris resolution for an immediate study as to ways and means of further increasing benefits and strengthening the stability of the retirement fund.

Mr. Chairman, I yield 5 minutes to the gentleman from Florida [Mr. ROGERS].

Mr. CROSSER. Mr. Chairman, I yield 5 minutes to the gentleman from Florida [Mr. ROGERS].

The CHAIRMAN. The gentleman from Florida is recognized for 10 minutes.

Mr. ROGERS of Florida. Mr. Chairman, I hope we can get the import and purpose of the report as made by a majority of your committee. We are bringing in here a bill which gives relief, temporary relief, needed relief, until a constructive bill can be worked out under which we can get the brotherhoods to agree. I wish you would go back and study the history of the Railroad Retirement Act. When it first started there was a fight between the railroads and labor and the act was held unconstitutional. Then they got together in a friendly manner and agreed on a bill and it was passed and no question of constitutionality was raised. In 1948 we gave a 20-percent increase in benefits. Now they want more. Surely they are entitled to some further relief, and that is what your committee has provided. That is what your committee has done. There appeared before your committee four brotherhoods one way, some brotherhoods the other way—a divided approach.

Even your committee is divided. Look at the report. We have been 2 or 3 months considering this question and we differ on what to bring in. We have three reports filed here. We have a majority report, we have one minority report and an additional minority report. If we cannot arrive at something good or worth while in that length of time, how in the name of heaven can we call upon you to exercise the privilege and function that you have to legislate on this very important matter?

It is important, Mr. Chairman, something should be done, and we ought to do it in unison instead of coming in here and fighting and fighting and fighting. That is what we are doing. This is an opportunity to get together.

The Bureau of the Budget has said it cannot recommend at this time the Crosser bill. The Social Security Administration came in with a report saying that it does not favor the Crosser bill. If you were to take the Crosser bill you would have three changes from present law.

First. It would integrate the railroad retirement system into the social security law. It would tie up the Railroad Retirement Act with social security. The Railroad Retirement Act has been outstanding legislation within itself to take care of railroad men. Now, they come in here and try to tie it in to the social security system. The Bureau of the Budget says that should not be done without further study and they say in reference to the feasibility of integrating this system into the social security system that they could not give their endorsement to such a program.

Second. Increase taxes to be paid by railroad workers.

Third. It prevents an annuitant or pensioner from earning more than $50 after retirement unless he wants to lose his retirement pay.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Florida. I yield to the gentleman from New Jersey.

Mr. WOLVERTON. Is it not a fact that that provision under the Crosser bill that would transfer workers with less than 10 years of service on the railroads to social security would affect approximately 5,000,000 previous and present workers?

Mr. ROGERS of Florida. I think that is correct.

Let me tell you what they are trying to do further than that. Your Ways and Means Committee is the father of the social-security legislation. That committee has not been consulted and its members do not know anything about the provisions of this Crosser bill. They ought to have an opportunity to come in here and say to this House: Before we let you ruin a system that we put into force and effect we want to study it some, we want a further investigation.

It is not fair for the Committee on Interstate and Foreign Commerce to impose upon the functions of the great Ways and Means Committee, that has jurisdiction of social-security legislation.

This is all we are asking you to do: Just give these railroad people immediate relief. They need it. But while we are doing that let us make a study. Let us get the Social Security Board, the Railroad Retirement Board and the Ways and Means Committee together before we integrate and tie it up with the social-security system. Let us not take apart such legislation in effect until we know what we are going to do. Let the committee have further study on this legislation.

We went through very active hearings and we heard evidence. We came to the conclusion that the thing to do is to give some temporary relief to these people until we could work out a good bill. That will not be long and there will not be any further expense.

The bill, as reported by the committee, provides for an increase of 15 percent in annuities and pensions and provides, in general, for a 33⅓-percent increase in survivor benefits.

want to say to the gentleman further that the Social Security Administration, the acting chairman of the Social Security Administration, said that they cannot recommend the adoption of H. R. 3369. In the Crosser bill they have a provision that these fellows who have paid their security tax, who have been with the railroads for 30 or 40 years, and when they get 65 years old and want to retire—and they have a vested right in that—if they do retire and get more than $50 through self-employment or through working for anybody else they lose their retirement benefits. The enactment of this provision would be unconstitutional on the ground of impairment of contract.

Does that appeal to you as being fair? If it does, let us attach an amendment here that the Congressmen who have taken advantage of the retirement pay, when they quit this House, cannot go out and secure employment or be hired by anybody else and make more than $50. If you do that, all right, but if you are not willing to do that, let us not adopt the Crosser bill. Now, the Crosser bill will increase the tax base, thus increasing the tax on employees as well as on employers.

Mr. HALLECK. Mr. Chairman, will the gentleman yield?

Mr. ROGERS of Florida. I yield to the gentleman from Indiana.

Mr. HALLECK. I have said to a number of railroad men who talked to me in recent times, particularly during the recess, that I thought they were entitled to an increase in their pension and the pensions of their widows, and I wanted to vote for it. Would I be fulfilling that obligation if I voted for the committee brotherhoods that come here and point out the defects in the Crosser bill, and they say this:

> We earnestly favor the passage of this majority bill. It will accomplish four things:
>
> 1. Increase pensions and annuities 15 percent.
>
> 2. Increase survivor annuities 33⅓ percent.
>
> 3. Increase lump-sum death benefits 25 percent.
>
> 4. Provide for a thorough study of the railroad retirement system in order to determine what further benefits may be provided without jeopardizing the fund.

That is what we want to do. We want just a little more time to get all these brotherhoods and agencies together if you are not in too big a hurry.

The report goes on to say:

> We oppose the minority bill (the original Crosser bill) because:
>
> 1. It proposes a tie-in with social security which will reduce the annuities of thousands of retired railroad workers.
>
> 2. It increases the taxes to be paid by railroad workers.
>
> 3. It limits to $50 a month the amount that can be earned by a pensioner or annuitant.
>
> 4. According to every actuary who testified, it will bankrupt the railroad retirement fund.

Are we going to let them do that? Is it not to the interest of this Government and to the interest of the brotherhoods to give us a little time to study this bill more thoroughly? That is all the committee amendment seeks to do. Let us endeavor to get unity and harmony among all classes of railroad employees before passing a bill under the terms of which all employees will have to abide.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the gentleman from Massachusetts [Mr. HESELTON].

Retirement Act. There is the greatest need, however, for the beneficiaries who are receiving the least, and under the committee bill as reported those people will suffer most in terms of being deprived of the benefits they need and which we could provide under the original H. R. 3669.

Let me give you two simple illustrations: This flat percentage increase to the surviving widow would increase her benefit from $29.68 a month to $39.57. That is under the committee bill. It constitutes no relief.

For the average dependent child that receives $17.18 a month now, an increase to only $22.90 under the Hall substitute can hardly be described as adequate relief.

However, under H. R. 3669, as it was originally introduced, by reason of the guaranty that these beneficiaries would receive at least a minimum of what they otherwise would be receiving under Social Security, you would increase these benefits up to between 60 and more than 75 percent, to people who desperately need that assistance.

Let me give you two further specific examples. Where the average monthly pay was $150, under the present act a widow receives $30.10 monthly. Under the committee bill, she would receive only $40.13; a widow under similar circumstances under the present Social Security Act receives $43.13; under H. R. 3669, as originally introduced, she would receive $52.

In the case of a widow with one dependent child where the average monthly pay was $150, under the present act she receives $50.17. Under the committee bill she would receive only $66.88; a widow under similar circumstances under the present Social Security Act receives $86.26; under H. R. 3669, as originally introduced, she would receive $104.

In the second place, I think we are all agreed upon the principle that in trying to provide this relief we must not jeopardize this fund. The gentleman from North Carolina [Mr. COOLEY] asked a question a few minutes ago as to the possibility of jeopardizing the fund. In our additional minority views we have taken the report of the Railroad Retirement Board on the cost of the Hall substitute. It is covered in the fourth and fifth paragraphs. We have tried to translate that in terms of dollars.

The result is the estimated annual cost of the committee bill would be $720,790,000. The estimated annual income under a $4,900,000,000 payroll, the payroll they originally started with, would be $612,500,000. So you have an estimated deficit annually of $108,290,000.

My colleagues and friends have indicated to you their conviction that something further must be done, but I say to you when we are confronted with a propcsition that can and, I assert, would result in the complete insolvency of this fund in a little over 22 years, it would be a most serious step for you to take.

What would be the result if we pass the original H. R. 3669? Through the savings involved and the additional revenue provided, you would be assured that you would not jcopardize the solvency of the retirement fund. The total estimated annual savings and increased revenue would be approximately $230,000,000. The committee received a responsible and, I think, reliable estimate that the end result would be an increase of the reserve to approximately $7,600,000,000 in between 15 to 20 years and from that the fund would be stabilized at a level of approximately $7,500,000,000.

The original H. R. 3669 has been described as a hodgepodge. Let me say to you that it is the work of a responsible committee of 18 standard railroad labor organizations over a period of more than a year. They are not coming in here with an overnight draft of legislation and asking you to accept it. They recognize what these changes will mean to them and to the people whom they represent.

It is true that the four operating brotherhoods are opposed to the original H. R. 3669, and I recognize their sincerity. But I suggest to you that when you weigh all the evidence and arguments in reaching your final decision you should take into consideration that the people who have been working sincerely and intelligently on this bill for this long period of time and who have supported it and defended it ably and successfully before the committees of both the House and the Senate are people who have the best interests of all railroad workers at heart. We have a right to rely upon their integrity, their honesty, their intelligence, and their knowledge of the matters which they place before the committee and before this House.

May I now briefly touch upon a few of the major differences between the original H. R. 3669 and the committee bill.

H. R. 3669 would provide increases for annuitants and pensioners and benefits for aged wives of a total of 29 percent.

The committee bill would provide increases for annuitants and pensioners of only 15 percent and provides no benefits for aged wives.

H. R. 3669 provides increases for survivors ranging from 60 percent to more than 75 percent.

The committee bill would provide increases for survivors of only 33⅓ percent and the end result would be a very large number receiving lower benefits than if the workers had been covered by social security.

H. R. 3669 provides a fundamentally vital guaranty that no beneficiary would receive less than if the worker had been under the social-security system.

The committee bill contains no such guaranty.

H. R. 3669 establishes, as our minority views attempt to explain, a sound system of financing these necessary increased benefits.

The committee bill is entirely silent on the matter of additional financing but proposes to take the necessary funds from the existing reserve, although it has been asserted that the existing reserve itself is very close to the danger point under the present system of benefits.

I recognize that in some quarters there is considerable opposition to any increase in the tax-rate base. But I would like to point out that this increase is not only one so far as taxes are concerned but that it also would provide increased benefits of itself since those benefits would be based upon that same increase so far as computation is concerned.

There is one incidental but very important provision in the original H. R. 3669. It has already been stated that a great many railroad workers continue work beyond the age 65 and that the average age of retirement is approximately 68. Under existing law, such an individual does not get any credit in the computation of his annuity for any service he renders after the end of the year in which he becomes 65. He continues to pay the same taxes on his earnings as persons under 65 pay but receives no credit for that service. This seems to me to be completely unjustifiable and the original H. R. 3669 does provide that any such individual will receive the same credit for service after 65 that he now receives up to 65. The committee bill does nothing about this.

In conclusion, I would like to call your attention to a letter which has been delivered to all our offices today. It is possible that it has escaped the attention of many. Consequently, and because it is a concise and strong statement with reference to the two proposals before us, under the permission I received in the House, I wish to insert it at this point:

AMERICAN FEDERATION OF LABOR,
Washington, D. C., October 3, 1951.

To All Members of Congress:

I am advised that amendments to the Railroad Retirement Act will be before the House of Representatives on Thursday and Friday of this week.

As you know, a majority of the Committee on Interstate and Foreign Commerce reported the Hall substitute for the original Crosser bill, H. R. 669. This substitute seriously reduces the benefits provided in the original Crosser bill. The Crosser bill was carefully prepared by the best experts in this particular field, in cooperation with the 18 standard railway labor organizations affiliated with the A. F. of L. and with Members of Congress who are recognized as having comprehensive knowledge of railroad retirement matters.

The American Federation of Labor has officially endorsed the original Crosser bill, H. R. 3669, which provides the minimum benefits necessary to meet the absolute needs of railroad workers, their wives, widows and survivors, and at the same time maintain the financial soundness of the railroad retirement fund. Conversely, the Hall substitute reported by a majority of the committee fails in many important respects to provide necessary benefits. Neither does the substitute proposal provide the savings and additional revenue required to maintain the retirement fund in a sound financial condition.

Therefore, in behalf of the 8,000,000 members of the A. F. of L. and particularly the 1,200,000 railroad workers who are members of the A. F. of L. and an additional 2,000,000 A. F. of L. members who have had railroad service and who have contributed to railroad retirement, I sincerely urge that each Member of Congress support Congressman CROSSER in his efforts to restore the original provisions of H. R. 3669 when this matter comes before the House.

With best wishes, I am,
Sincerely yours,

WM. GREEN,
President.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the gentleman from California [Mr. HINSHAW].

Mr. HINSHAW. Mr. Chairman, I think by this time every Member of the House is impressed with the fact that our committee wants to do something constructive for the retired railroad people and their survivors. Indeed they need it.

But when you get to looking this situation over, and regardless of all of the ins and outs you may hear on the floor, you get down to some very queer deals that are contained in this Crosser bill before us. That is what troubles our committee. We find these queer things and we do not know what to do about them because we cannot find anybody that agrees upon what can and should be done. Nobody seems to agree, in or out of the Government, as to what ought to be done permanently. That is why we want to make a further study of it and learn the true facts. Numerous important witnesses appeared before the Senate committee that were not permitted to testify before our committee.

Let me point out to you one thing. Perhaps this may seem right or wrong to you as you may see things, and you can decide that for yourselves. You have the Railroad Retirement Act that provides that the men must pay in 6 percent of their income to the fund and the railroads pay in 6 percent of payroll to the fund. It is proposed in the bill introduced by the gentleman from Ohio [Mr. CROSSER]—and God love him, he is a great fellow—that at the time of retirement if a person has not served 10 years in railroad employment his retirement business shall automatically be transferred from under the Railroad Retirement Act to the Social Security Act. Provision is made for the transfer of funds by the Railroad Retirement Board to the Social Security Agency on the basis of 1½ percent, of course, because that is the social-security tax rate, so 1½ percent of that worker's income for whatever time he work on a railroad—less than 10 years—goes from the railroad-retirement fund to the social-security fund. Meantime, that worker has paid a tax of 6 percent on his salary or wages. I would like to ask you what happens to the other 4½ percent which he has contributed to the railroad-retirement fund. Under Government civil-service retirement procedure, within a given length of time, I think it is 20 years, he gets a chance to get that money back, if he asks for it. But you do not get it back out of this deal, not by the Crosser bill, because that extra 4½ percent he has paid in is retained in the railroad-retirement fund for the benefit of those who stay longer than 10 years in the railroad service or their survivors. In other words, under Mr. Crosser's bill if you are a railroad man who worked 9 years and 11 months for the railroad before retiring, you will have made an outright gift of 4½ percent of your salary, not for the benefit of yourself or your own beneficiaries, but for the benefit of those who will benefit ultimately under the Railroad Retirement Act, because they worked for a railroad more than 10 years. That seems to me to be wholly unfair. It is estimated that 5,000,000 workers are so affected.

Then comes this business of the $50 work clause. We have always thought that railroad employees who contribute such a high proportion of their income to their own retirement fund should be free agents when they retire, as they are now. After all, they contribute just as much of their salaries as a Member of Congress contributes to his own retirement. They contribute 6 percent, which is four times the social security tax rate. There is nothing that restricts a Member of Congress as to what he may do after he retires. He can do anything, and make any money he may. But under the Crosser bill when a railroader reaches age 65, and retires after having served more than 10 years in railroad employment, if he earns more than $50 a month on the side, then he automatically goes off the pension rolls. Why is that? That is for the purpose of forcing those old railroaders to stay on the job as long as they can stand up in order to provide another forty or fifty million dollars, or whatever the figure is, for these new Crosser benefits. If the old railhead keeps on working on the railroad after he is 65 then, of course, he is not drawing his pension. When he does not draw his pension that money is not paid out of the fund, of course, so it becomes a saving to help pay for the new Crosser benefits. That seems to be wholly unfair to the oldster.

One of the real objectives of the Railroad Retirement Act, in my humble opinion, is to get these old people retired after they reach age 65 and not to keep them at work on the railroad, and that is just what this bill will do.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. I yield.

Mr. WOLVERTON. I would like to emphasize the argument that the gentleman is making at the present time, which in my mind is a very effective one. It is alleged by the sponsors of the Crosser bill that this work clause would result in a saving of $50,000,000 to the fund. If you figure that out, it means this—considering that the average annuitant or pensioner receives $1,000 a year—that is about the average—it would mean that 50,000 railroad workers would have to continue at work beyond the retirement age in order to make this saving of $50,000,000.

Mr. HINSHAW. Of course, and from my own observation, it is in the interest of public safety and welfare, particularly, to have the operating men retired when they reach age 65. We do not want old engine men falling asleep in the cab, and we do not want trainmen slipping because their aged limbs cannot lift them up over the rungs of the ladders. We want such people to retire. That is what the act is for. We do not want to keep them at railroad work. This bill will keep them at work.

Mr. Chairman, one more thing—there are several more things, but there is one I want to mention at this time to show you how cockeyed this whole deal is. In 1948, we passed an act which brought the veterans who had railroad employment under the Railroad Retirement Act, giving them credit for railroad service while they were in the military service. Many veterans came back and took railroad employment, believing of course that the contributions, made in conjunction with the time that they were in the service, would add up and benefit them. Most of these veterans did not stay in the railroad service. Many of them have left for better jobs after a year or 2 years of service with the railroads. But, under the act, which we passed here a while back, $300,000,000 has been appropriated by Congress to the Railroad Retirement Act, and another $60,000,000 is due to be appropriated as a contribution to the fund on behalf of these veterans for the time they spent in military service. Most of these people are not any longer in the service of the railroads, and unless they actually work for 10 years for the railroads, they will not come under the Railroad Retirement Act under the Crosser bill amendments. Hence, there are $300,000,000 or $360,000,000, most of which will become a straight contribution of the Congress, without any credit whatsoever to the side of the social security fund on their behalf, so the act of Congress intended to benefit them will be a farce.

Those are some of the things we have had to consider. That is why the majority of the committee—I think 18 members because there were 10 against it, the majority of the committee, and the division is across the aisle, there is no division in the committee down the middle—thoroughly believe that we need another 5 or 6 months to get the proper reports from the various agencies of the Government, and to get these union organizations together, and get everybody together on a program which will really work, and which will be right and honest while maintaining the solvency of the fund.

Mr. Chairman, I hear people say that under the Crosser bill there is no increase in the tax rate, and that is true—but that does not mean that there is no increase in tax under the Crosser bill. In fact the Crosser bill does increase taxes on the railroad worker by increasing the tax base. Heretofore, the railroad worker has been taxed 6 percent on his salary up to $300 per month. Under the Crosser bill he would pay 6 percent on his salary up to $400 per month. If that is not an increase in taxes I would like to know what you call it. It is an increase of $6 tax per month if he earns $400 or more. The railroad workers that I know about do not want any increase in their taxes, but they will get an increase if the Crosser bill is adopted.

Mr. WOLVERTON. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. I yield.

Mr. WOLVERTON. I think it might be well to bring to the attention of the committee that at no time did the committee have before it anybody representing either actuarily or otherwise the Budget Bureau or the Social Security Administration, or the actuary of the Railroad Retirement Board.

Mr. HINSHAW. The list of witnesses brought before the committee was in-

I listened to the hearings on this bill literally for weeks on end, and I think

Mr. BECKWORTH. Mr. Chairman, will the gentleman yield?

ployees are likely to find it profitable to retire, not only at age 65—and thus wipe out the savings above described—but those with 30 years of service would retire in the early sixties. This would place additional burdens on the railroad retirement account. Obviously, this should be avoided. The savings described above should be used to increase benefits without increasing taxes rather than to keep benefits at the present inadequate rates and forego the savings. The $50 work clause is, of course, a limitation; but this is part of the price for substantial benefits. It really comes down to this choice. Either there will be substantial benefits for everybody with the $50 work clause for everybody, or there will be insubstantial benefits for everybody without that clause in order to provide a windfall for the group that can secure coverage under the Social Security Act. Aside from the fact that substantial benefits are obviously preferable to insubstantial benefits, the beneficiaries cannot afford the losses, described above, which we would incur in the absence of the $50 work clause.

The $50 work clause will not apply to services not covered under the Social Security Act, such as employment by the Federal Government or services otherwise excluded from the Social Security Act. This is so because, first, the Social Security Act itself does not prohibit the payment of benefits to anyone while engaged in such excluded services, and we did not want to discriminate against railroad employees in this respect. Second, the coverage under the Social Security Act is now so wide, and the excluded services so specialized that the number of persons who, after retirement, could secure employment in such services is very small indeed. Finally, the policing of work in the excluded services would be extremely difficult since the earnings from such service are not reported to the Social Security Administration.

Available information indicates that less than 10 percent of the employees now retired on old age annuities are employed in any service which pays them as much as $50 per month. It would be manifestly unfair to deprive 90 percent of the retired employees of an increase in their annuities of approximately 10 percent to take care of the 10 percent or less who work and earn more than $50 per month in outside employment following their retirement.

The $50 work clause will not apply to persons who retired before the enactment date of the bill and who on such date were engaged in service that is now permissible employment, that is, service in which an annuitant can now engage without forfeiting the annuity. The reason for this is that many annuitants now on the rolls may have decided to retire when they did relying on the provisions of the present law permitting them to engage in employment other than for an employer under the act or for the last person by whom they were employed before their annuities began. Accordingly, an applicant for a retirement annuity had reason to assume that he would have a source of income in addition to the annuity, and he may have made plans for his old age on this basis.

Mr. CROSSER. Mr. Chairman, I yield 5 minutes to the gentleman from New York [Mr. HELLER].

Mr. HELLER. Mr. Chairman, I want to commend the gentleman from Texas [Mr. BECKWORTH] and the gentleman from New York [Mr. KLEIN] for their fair and excellent presentation of the salient points of the bill under consideration.

Mr. Chairman, I, too, desire to be recorded in favor of the Crosser bill. I shall vote to restore the original purposes of that bill and oppose the so-called Hall substitute. I am aware that there is a division among the labor groups. Similarly, the House Interstate and Foreign Commerce Committee, of which I have the honor to be a member, is divided in its views. But the fact remains, as a number of Members have already indicated, that the pensioners are desperately and urgently in need of relief. Evidently, some of us are not aware that people are actually going hungry while Members here ask for further study. Who, may I ask, will feed them in the meantime?

The railroad workers in my district are desirous of obtaining the best bill possible with the most benefits. The Crosser bill is just that kind of a bill. If you reject the Crosser bill, you will be rejecting substantial increases and benefits for retired people and survivors. Let's face the facts squarely. You will be recorded in favor of the Association of American Railroads and the representatives of only 20 percent of the railroad employees, if you support the Hall substitute.

Among the advertising hucksters who cater to the soap-opera trade there is an old stand-by slogan—beware of substitutes. Never was that slogan more apropos than it is in this case. The House should beware of the Hall substitute. This bill will leave thousands of retired railroad men getting less than social security would provide for them. The Hall substitute also leaves a majority of the widows and children of railroad men in worse shape than under social security.

Why are the supporters of this substitute measure so anxious that the benefits under the Railroad Retirement Act should not be superior to social security? Is it mere coincidence that everyone who favors a merger of the social-security system and the railroad-retirement system is also favoring the Hall bill? The railroad system was started with benefits superior to social security. Why, then, is it so wrong to aspire to restore that position to the railroad man? Why should the people who contribute more of their wages toward their retirement not be entitled to greater benefits?

Some Members claim they cannot support the Crosser bill because of the $50 work clause. This point was raised by my distinguished friends and colleagues, the gentleman from New York [Mr. HALL] and the gentleman from New Jersey [Mr. WOLVERTON]. Concern is felt that this measure in some way takes away a vested right on the part of retired people. I do not agree with this view. To begin with, less than 10 percent of all persons now retired under the Railroad Retirement Act are presently employed. Therefore, even if this were an injustice, which I certainly deny, it would affect only 10 percent of the retired employees as against the other 90 percent, whom it would favor.

Let us examine this section a little closer. Social security, as was just so ably explained by the gentleman from Texas [Mr. BECKWORTH], contains this provision, known as the $50 work clause, which was put into the act by this body. Tens of millions of people now come under social security. If the $50 work clause is wrong for railroad retirement, then it is just as wrong for social security. But this section is not wrong. Annuities under this retirement system are not meant to supplement wages. This is not a funded insurance plan. This plan contemplates that everyone should contribute a share of his earnings in order to assure decent retirement upon reaching the retirement age. If this were an insurance plan, the people on the rolls now and for the last 14 years would be getting very little each month because they have paid practically nothing into the fund.

Men who are now retiring will draw about 10 times as much from the system as they paid into it. Those who have retired in past years have paid in even less. Why is it, then, that we pay these people such benefits? Is it to enable them to continue working? Do the younger men enable these people to draw pensions so they can go on working? Of course not.

The question in connection with the work clause boils down to this: Shall we have high benefits for everyone by adopting the work clause or low benefits for all in order to permit less than 10 percent of the people to continue to work? I think the answer is obvious.

In connection with the work clause there is another important fact. The law now prevents people from working in the railroad industry after they retire; consequently, those who are working do so outside the industry after their retirement. With the exception of some management people, others in the railroad industry are permitted to work as long as they are able to do so. Therefore, an employee is not forced to retire if he feels he cannot get along on his annuity. If this be the case, is not this man better off to stay in railroad work where he is more valuable, rather than go off into another work? Our country is in a difficult situation, and we need skilled manpower in the railroad field. If this work clause is not adopted we are encouraging able-bodied people past 65 who want to work to leave the industry where they are most valuable and seek other pursuits.

In summarizing, I want to make it clear that if a railroad man feels he wants to work after 65, we should make it possible for him to continue to work in the railroad industry. If he desires to retire, he should be able to do so and enjoy the benefits which this work clause will make possible.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the gentleman from Pennsylvania [Mr. VAN ZANDT].

Mr. VAN ZANDT. Mr. Chairman, like all of you, I have been the recipient of

personal calls and printed material setting forth the arguments for and against pending amendments to the Railroad Retirement Act.

I can truthfully say that those who contacted me did so in a cooperative manner, thus convincing me of their sincerity of purpose. Without doubt, the information furnished me has been very helpful in my study of this subject.

As many of you know, I am a railroad man on furlough while a Member of Congress. I come from a railroad family and represent a congressional district that has, without doubt, on a percentage basis, the greatest number of active and retired railroad employees in the United States. I mention this to assure you that my interest in the Railroad Retirement Act is not seasonal because the subject is one that has been with me since the law was enacted in 1935.

I have introduced over a score of bills during my congressional career designed to liberalize the provisions of the Railroad Retirement Act. These bills were introduced because of the need for increased benefits to those retired and to surviving widows and children. They also provided for structural changes in the act regarding the age of retirement, the years of service required, and would have amended other provisions of the law.

To get action on these bills, I was constantly in touch with the House Committee on Interstate and Foreign Commerce to such an extent that I know at times my tenacity must have exhausted the patience of the chairman and the professional staff. This resoluteness on my part was not confined to the House of Representatives, because I was equally active in Senate circles.

Ever since the Eightieth Congress increased benefits under the Railroad Retirement Act by 20 percent to annuitants and pensioners, the only replies I received to my repeated requests for action on my bills were that no consideration could be given any railroad retirement amendments until actuarial studies could be completed, revealing the financial condition of the railroad retirement fund and the impact such amendments would have on it.

Speaking frankly, the repeated statements that nothing could be done until the actuarial reports were available, were accepted by me as an exhibition of sound judgment, because the future of the Railroad Retirement Act depends upon maintaining the solvency of the railroad retirement fund. In short, those who have retired and those who will retire must be able to look forward to receiving their monthly retirement checks with absolute certainty and without any interruption.

Therefore, any vote I cast on railroad retirement amendments will depend upon their relationship in maintaining the solvency of the retirement fund. In other words, can the fund stand the additional cost of proposed amendments, or will such amendments so impair the fund that their approval will threaten the future of the Railroad Retirement Act by making it financially impossible to fulfill its obligations to its beneficiaries?

Another basic factor that I intend to keep in mind during our consideration of this legislation is that it is generally agreed that retired employees and survivors of deceased employees must have immediate relief. I know it will not surprise many of you to learn that I have retired railroad employees and survivors of deceased employees in my congressional district who are actually hungry and living under conditions that you and I would find repugnant to the American way of life. These people are the victims of a frozen income over which they have no control and Congress, as custodian of the railroad retirement fund, is obligated to provide relief to these people through sound amendments to the Railroad Retirement Act.

According to the Railroad Retirement Board, the average age of the disabled and retired annuitant is 70.3 years and the pensioner 83.2 years; while the average of the widow is 73.1 years. The average monthly benefit received by the annuitant is $82.75 monthly; the pensioner $79.79 monthly; and the widow $29.62 monthly.

Keeping in mind the present scale of benefits, it may be well to look at the cost of living figures as furnished by the Bureau of Labor Statistics of the United States Department of Labor. As of July 15, 1951, or about 3 months ago, the cost of living had increased 82.7 percent over the cost of living in 1937, the year the Railroad Retirement Act became effective.

For an illustration, food had increased 114.8 percent; wearing apparel, 98.3 percent; rent, 34.9 percent; fuel, electricity, and so forth, 45.3 percent; house furnishings, 103.6 percent; and miscellaneous, 63.5 percent. As I stated, prices of everyday commodities have increased during that period.

While these increases in the cost of living were mounting during the period from 1937 to 1951 the recipients of railroad retirement benefits received but one increase—the 20 percent granted by the Eightieth Congress. The widows, however, received no increase.

It may be well for me to remind you at this point that the 1937 or 1939 dollar is not the same dollar in value that these retired railroaders or their survivors receive today. It can truthfully be said that they are the victims of not only the high cost of living, but of the inflated dollar. For that reason, they need assistance and they need it immediately.

It is to the credit of the advocates and opponents of the proposed legislation that they are in agreement on the fact that those already retired and the survivors of deceased employees must have immediate relief.

Another factor that I cannot ignore is one which concerns the railroad man of today who will be the retired man of tomorrow. He definitely is in favor of structural changes in the Railroad Retirement Act, that involve the reduction of the retirement age from 65 to age 60 and he desires the option of retiring on a full annuity after 30 years of service, regardless of age. In addition, he also wants an increase in present benefits without any increase in payroll taxes. Above all, he wants nothing to do in any way, shape, or form with the Railroad Retirement Act becoming related to the Social Security Act.

It is unfortunate that we have so much difference of opinion with respect to the proposed amendments. For example, members of the Railroad Retirement Board are divided, actuarial experts cannot agree in their opinions, the House Interstate and Foreign Commerce Committee is divided and railway labor groups have opposite views. Among the thousands of railroad employees, you find the same state of confusion exists regarding the provisions of these proposed amendments. Frankly, from my conversations with railroad employees, there is no doubt that there is favorable sentiment for liberalizing the Railroad Retirement Act, but, as many employees have warned, all amendments should be sound and should not impair the financial stability of the railroad retirement fund.

In my great desire to protect the interest of active and retired railroad employees and the survivors of deceased employees, I have spent hours in diligently studying not only the many bills introduced in Congress but also the printed hearings in the Senate and House of Representatives, together with the viewpoints of various railway labor organizations.

In addition, I have studied the majority and minority reports issued by the House Committee on Interstate and Foreign Commerce.

At this point I should like to discuss House bill 3669 as originally introduced and which is commonly referred to as the minority or Crosser bill.

The original House bill 3669 provides that retirement annuities shall be increased on an average of 13.8 percent, pensions to be increased by 15 percent, survivor benefits to be increased from 60 to 100 percent, and in addition to provide for a spouse's annuity. The report on the bill states that—

> These substantial increases provided in the original bill, H. R. 3669, are made possible only because said bill makes certain of the adequate financing by assuring certain savings to the railroad retirement fund and by providing additional income for the fund. The Railroad Retirement Board estimated that the combined yield of such savings and additional revenue would amount to about $230,000,000 annually.

It might be well at this time to discuss the source of these savings and additional revenue from which the proposed increases and new benefits are to be financed. Let us first discuss the $50-work-restriction clause.

The Crosser bill provides that annuitants and pensioners are prohibited from earning in excess of $50 a month unless they forfeit their monthly benefit for such month. This same provision is in the present Social Security Act and has been the basis of bitter and widespread criticism.

Under the present Railroad Retirement Act, the only work restriction im-

posed upon retired employees provides that while receiving an annuity, they must not be employed by a common carrier railroad recognized under the Railroad Retirement Act or by their last regular employer prior to going on pension.

Benefits under social security are not restricted in any way if annuitants are employed on the railroads or in any other employment except that covered under the Social Security Act. The retired Government employee is not restricted as to earnings because of employment in any other field except employment in the Federal Government. It is only reasonable and fair that railroad employees who will pay a higher tax rate than either of the above-mentioned groups, beginning January 1, 1952, be given the same privilege to supplement their fixed retirement incomes in other fields.

One of the provisions of the present Railroad Retirement Act provides that an employee who has attained age 60 and has 30 years of service may retire on a reduced annuity. Each year a number of employees who have been disqualified for work by the railroads and who do not meet the Railroad Retirement Board's disability test, as well as many others who meet the requirements for a reduced annuity before age 65, retire on such a reduced railroad retirement annuity and they obtain work outside the railroad industry to supplement their retirement benefits. This $50-work-restriction clause will create a great hardship upon the disqualified employee who did not qualfiy for a disability annuity, and, of course it would discourage others from retiring on a reduced annuity. It would practically nullify the reduced annuity provision in the present act.

The only argument that has been made in favor of the $50-work restriction contained in the Crosser bill and which has been borrowed from the Social Security Act, is that such a provision will provide additional funds with which to finance the increases and new provisions sponsored by the Crosser bill.

Although the present Railroad Retirement Act provides for retirement at age 65, the average retirement age is about 68 years, which means that there has been a saving in the railroad retirement fund in two respects: First, no annuities have been paid for the 3 years from 65 to 68; second, taxes have been received during the same 3 years from these employees who could have been receiving annuities.

Of course the $50-work restriction is intended to create further savings by discouraging retirement even at age 68. The Railroad Retirement Board has estimated that the $50-a-month work restriction will save the railroad retirement fund $50,000,000 in a year. When you consider that the average annuity paid each year is about $1,000, then such a $50,000,000-a-year saving would mean approximately 50,000 employees who are ready for retirement will not retire because of the $50 limitation on earnings.

The Railroad Retirement Act as enacted by Congress was intended to make it possible for men to retire, rather than to retire by restrictive legislation. That is, it proposed to provide benefits and encourage retirement of railroad employees at age 65, instead of imposing restrictions upon the aged employee to discourage his retirement at age 65.

Another feature overlooked in the $50-work-restriction clause is the administrative problem, which will mean the policing of some 200,000 retirement claims each month by a corps of new employees.

The Railroad Retirement Board's experience with respect to the policing once every 6 months of the present work-restriction clause as applied to the disabled employee, should certainly provide sufficient evidence as to the amount of extra work that can be expected if a monthly check is necessary.

Also included in the $230,000,000 savings and additional revenue mentioned in the minority report is the $100,000,000 savings estimated to be provided for in the financial adjustment between the railroad retirement and social security systems.

The Railroad Retirement Board's actuaries have estimated that approximately $40,000,000 of this saving would be realized through the transfer to social security of railroad employees with less than 10 years of service, and the remaining $60,000,000 savings would be the result of future contemplated legislation, which is to be recommended jointly by the Railroad Retirement Board and the Federal Security Administrator by June 1, 1956.

Under this proposal, railroad service after 1936 is to be considered employment under the Social Security Act—see section 23 of original bill, H. R. 3669. It might be well to point out at this time that the Railroad Retirement Board actuaries have estimated that the cost of the Crosser bill would be 14.12 percent of a $5,200,000,000 annual payroll. However, this cost estimate is based upon the financial adjustments between the railroad retirement and social security systems which include the so-called $60,000,000 contemplated savings for which no legislation has been introduced or recommended.

The Railroad Retirement Board's actuaries have also estimated the cost of the Crosser bill without the $60,000,000 contemplated savings would be 15.32 percent of a $5,200,000,000 annual payroll.

With respect to the adequate financing claimed of the Crosser bill, Mr. Musher, chief actuary for the Railroad Retirement Board, in his testimony before the Senate committee, introduced a table—see page 238 of Senate hearings—which showed that, under the Crosser bill, the railroad retirement fund would be entirely exhaused by the year 2000. Mr. Musher in his appearance before the Senate committee also testified that to continue the railroad retirement system after the reserve was exhausted would require a pay roll tax rate of approximately 20 percent. Also, according to exhibit on page 429 of the House hearings, which was prepared by the Railroad Retirement Board's actuarial staff, there would be an outstanding liability of $16,200,000,000 when the railroad retirement fund became exhausted in the year 2000 under H. R. 3669, as originally introduced and commonly known as the Crosser bill.

Mr. Robert D. Holran, a member of the Railroad Retirement Board's actuarial advisory committee, also appeared before the Senate committee and testified that in his opinion Mr. Musher's cost estimates were on the low side. Mr. Donald M. Overholser, an associate of Mr. George D. Buck, labor's member, on the Board's actuarial advisory committee, in his testimony before the Senate committee, said that the plan embodied in S. 1347, which is identical to the Crosser bill, "would go on the rocks. That is definite." He further stated that if he were a member of the railroad unions he would "be scared about this plan."

Mr. Murray W. Latimer in his prepared statement on S. 1347—which is identical to the Crosser bill—stated that under that bill that—

> Either the railroad retirement system will collapse or there will be a Government subsidy. He further characterized the bill, from the standpoint of financial soundness as the extreme of recklessness.

Mr. Meyer, Chief Actuary for the social security system, was in complete disagreement with Mr. Musher as to the amount of possible savings that could be realized by adjustments with the social security trust fund under the Crosser bill. According to Mr. Meyer's statements the savings would be only about $50,000,000 instead of $100,000,000.

Under the Crosser bill there is a new eligibility requirement which provides that a railroad employee must have completed at least 120 months of compensated service in order to receive any benefits himself under the Railroad Retirement Act. The so-called residual lump sum benefit is a death benefit that may be payable to survivors.

The bill provides that upon retirement or death of an employee who has completed less than 10 years of service, benefits to him or his spouse, or his survivors, will be payable under the Social Security Act. However on the other hand there is also a minimum service requirement provided in the Social Security Act before benefits can be paid under that act. According to the amended Social Security Act of 1950, generally speaking, any individual who attains age 65 after 1970 must have completed 40 quarters of coverage—calendar quarters—in order to receive any benefits for himself, his spouse, or survivors under the Social Security Act.

Briefly this would mean that a railroad employee after performing less than 10 years of compensated service on which compensation he paid a tax three to four times higher than paid under social security, would not be entitled to any benefits at all under the Railroad Retirement Act, and if he attained age 65 after 1970, then he also would not qualify under the Social Security Act for any old age and survivor insurance benefits.

Under the present Railroad Retirement Act an employee who has a current connection with the railroad industry,

and who has less than 10 years of service and has attained age 60, is entitled to a monthly disability annuity provided he has been disqualified for work in his regular occupation. An employee who is totally disabled and who has less than 10 years of service is entitled to a disability annuity provided he has attained age 60.

Under the 10-year provision of the Crosser bill, such disabled employees would not be entitled to any benefits under the Railroad Retirement Act. However, if such employee had completed sufficient service to meet the requirements of the Social Security Act, he would qualify under that act at age 65. According to the Board's statistics there were 453 disability claims awarded in 1949 to disabled employees at age 60 who had less than 10 years of service.

According to the Railroad Retirement Board's annual report for the year 1949 there were 4,811,700 former railroad employees with less than 10 years of service, of which some 4,000,000 had less than 1 year of railroad service. The Crosser bill proposes to forfeit the annuity rights of such former employees and transfer them to the social security rolls. To begin with, none of these 4,000,000 former employees with less than 1 year of service would qualify for benefits under the Social Security Act unless they had performed additional employment covered under social security. It is reasonable to assume that practically 90 percent of these 4,000,000 employees with less than 1 year of railroad service did engage in and are still engaged in social security employment. This being the case, and because of the new effective date of January 1, 1951 of the Social Security Act, the crediting of service and compensation earned before that date will not increase the old age insurance benefits payable to such former railroad employees.

The statement has been made by the supporters of the Crosser bill that the transfer of employees with less than 10 years of service to social security will provide higher benefits than under the present Railroad Retirement Act. There is no doubt that if a study is made of these 4,811,770 cases of former employees with less than 10 years of service, it would reveal that in at least 90 percent of the cases the employee would receive higher benefits under the present dual system of paying both railroad retirement and social security benefits.

The Bureau of the Budget in response to a request from the House committee has the following to say with respect to the section of the Crosser bill providing for the transfer of the less than 10-year men to social security:

1. The workers with less than 10 years' service in the railroad industry—and these make up a very large percentage of the total—would get virtually all of their benefits from the old-age and survivors' insurance system and nothing from the railroad retirement system; yet under the bill they would pay for the same OASI benefits four times as much taxes as nonrailroad workers pay currently. In a sense, the short-term employees would be forced to subsidize the longer-term employees, a situation that might result in considerable discontent.

The Crosser bill provides that the retirement annuity or pension of an individual shall be reduced beginning with the month in which such individual is receiving or is entitled to receive an old-age insurance benefit under the Social Security Act.

To give an example: Take the case of a former railroad employee who retired in 1941 on 30 years of service at age 65 on an annuity amounting to $90 a month. Assume further that during the war he had social-security-covered employment from 1942 through 1946, and applied for and received a social-security benefit of $20 a month, which was later increased to $40 under the social-security amendments of 1950.

By the operation of the Crosser bill the railroad retirement annuity of $90 would be increased to $102 a month. However, under the above provision, where the retired employee in this case was receiving $40 a month under social security, his railroad retirement annuity would be reduced from $102 a month to $62 a month, which would mean that instead of this retired worker receiving higher total benefits, he would suffer a reduction of $28 a month in his total railroad-retirement and social-security benefits, from $130 to $102 a month.

The impression has been given that the Crosser bill is to provide increases in all retirement annuities and pensions payable under the Railroad Retirement Act. That is one of its purposes. It has another purpose, and that is to reduce many thousand annuities which are now being paid to individuals who have acquired rights for benefits under both the Social Security and Railroad Retirement Acts.

Mr. Lester Schoene, counsel for the Railway Labor Executives' Association before the House committee in support of the original H. R. 3669, which is now the Crosser bill, when asked by Congressman BENNETT if, under the present act, an individual could draw benefits under both the railroad retirement and social security, he stated, "That is true under the present law; yes." Then, in answer to Congressman BENNETT'S question, "Is that happening in a good many cases?" Mr. Schoene answered, "I do not know in how many cases it happens, but I would say in a substantial number; yes"—see page 542 of House hearings.

Mr. Murray W. Latimer, in his testimony before the House Committee—page 278—in reference to the number of cases in which retirement annuities now being paid would be reduced under this provision of the Crosser bill stated:

I do not know and neither does anybody else know how many annuities would be reduced, but I would guess it is in the neighborhood of 20,000 or 25,000.

Of course, this is another of the proposed savings provisions to provide additional income to finance the increased and new benefits of the Crosser bill. It sounds more like robbing Peter to pay Paul.

The additional income listed as part of the $230,000,000 made possible under the Crosser bill to finance the increases and new benefits of the bill is provided by increasing the taxable compensation from $300 to $400 a month. The House report on the Crosser bill states that "by increasing the limit from $300 to $400, additional revenues of $80,000,000 per year would be provided."

However, of the $80,000,000 additional taxes obtained by raising the maximum taxable and creditable compensation from $300 to $400, only a fraction would be available to finance the new increases and benefits proposed in the Crosser bill. The greater part of this additional revenue would be used to meet the increase in benefits that would result from the use of creditable compensation up to $400 a month in calculating employee and survivor benefits.

The proponents of the Crosser bill and other proposals, as well as the House Committee, were unanimous on one point and that was in view of the rising cost of living, which substantially reduces the standard of living of retired workers and the survivors, who are on a fixed income, the first problem to be met was the urgent necessity for increasing the amount of the monthly benefits payable to retired workers and survivors who are now on the current retirement rolls.

In order to meet this need, it will be necessary to enact legislation that will not require any administrative difficulties. There are some 400,000 retirement and survivor claims in current status; therefore, there should not be any legislation enacted at this time that will require a reexamination of such claims before any increased benefits can be paid. Such a delay is an absolute certainty under the Crosser bill.

As an illustration, under the 1946 amendments to the Railroad Retirement Act 200,000 claims had to be reexamined in order to determine if and how much increased benefits would be payable on each claim. It required over 1 year to complete the reexamination of those 200,000 cases, and of course, that meant considerable delay in paying increased benefits as provided under the 1946 amendments.

The Crosser bill proposes many changes which will require considerable correspondence and handling before a claim can be certified for additional benefits.

For example, the spouse's annuity. This is a new benefit which is payable to the spouse and will require the filing of an application and evidence to establish the date of marriage and age of the spouse.

The Railroad Retirement Board does not even have a record of employees who have a spouse, let alone the necessary evidence to establish the date of birth and marital status of such spouse. In addition, the Board will have to hire and train additional employees to process these cases. The present employees of the Railroad Retirement Board that are trained to handle cases under the Crosser bill will be busy handling the current new claims.

On the other hand, we have before us for consideration the Hall bill which provides for a 15 percent increase to all annuitants and pensioners, and a 33⅓-percent increase to widows and surviv-

ing children. This bill has been referred to as stop-gap legislation because it does not contain any of the controversial features of the Crosser bill, but does provide an immediate increase to retired employees and to widows and surviving children.

My study of the so-called Hall bill reveals there is a difference of opinion as to its cost. Some say it will completely wreck the railroad retirement fund in some 20 years; while others are of the opinion that it is the only sound approach to amending the Railroad Retirement Act without increasing the payroll tax or adding to the cost of administering the existing law.

Advocates of the Hall bill support their position by stating that the increases are reasonable and will not impair the railroad retirement fund. They also point to the fact that the 1948 amendments granting a 20 percent increase did not cost as much as originally estimated, due to increased wages, with the result that the railroad retirement fund is in a healthy condition today.

I recognize the honest differences of opinion that exist between advocates of the Crosser and Hall bills.

After detailed study and serious reflection, I am convinced that there is only one position I can take to guarantee the solvency of the railroad retirement fund and to grant immediate relief to retired employees and to widows and surviving children and that is to support the bill reported by the House Committee on Interstate and Foreign Commerce and referred to as the Hall bill.

In my support of the Hall bill, I realize it is stopgap legislation, yet it provides immediate relief to those in need of assistance, and that is the crying need of the hour.

On the other hand, I am in favor of many of the provisions of the Crosser bill, if it can be shown after further study on the part of the House Committee on Interstate and Foreign Commerce that these new benefits will not endanger the financial condition of the railroad retirement fund and that the relationship between the Railroad Retirement Act and the Social Security Administration, proposed in the Crosser bill, is not one that will eventually result in having the railroad retirement system absorbed by social security.

In supporting the Hall bill I am doing so with the understanding that the House Committee on Interstate and Foreign Commerce will be charged, as the result of a House resolution, with the responsibility of conducting a complete review of all the provisions of the Railroad Retirement Act for the purpose of liberalizing them if it is deemed possible to do so.

To guarantee action by Congress on the recommendations of the House Committee on Interstate and Foreign Commerce the committee is instructed to report to the House of Representatives in the form of a bill not later than February 1952. In my opinion such procedure is a sane and practical manner of liberalizing the Railroad Retirement Act.

In conclusion, by approval of the Hall bill we will furnish immediate relief to retired employees and to the surviving widows and children. Next February we can complete the task of liberalizing provisions of the Railroad Retirement Act in general.

Mr. CROSSER. Mr. Chairman, I yield 5 minutes to the gentleman from Connecticut [Mr. McGUIRE].

Mr. McGUIRE. Mr. Chairman, in case there is any false impression here today about any strife in our committee, I want to have you know that a grander group of fellows could not sit around a table than the Republicans and Democrats on the Committee on Interstate and Foreign Commerce.

The gentleman from Pennsylvania [Mr. VAN ZANDT] said he comes from a district which has the most railroad men. I want you to know that I come from the center of culture, which is noted for Yale. I went to Dartmouth so I am not trying to give them a plug. We have Herman Hickman who is not only a great football coach, but is practically omniscient on television. Thirdly, we have the New Haven Railroad, which has the finest passenger equipment on wheels, and they were awarded a plaque for this from the American Railroad Association. I ride on the railroads every single week. I was home Monday, came back Tuesday morning, and I went back home yesterday morning, and then came back this morning. I always insist on riding the New Haven cars because they are so good. Somebody has mentioned here that it is a terrible thing about having this $50 work clause. Are we aware of the fact that over 30,000,000 workers who are under social security have that same thing, and are subjected to that $50 work clause?

I rise in support of the Crosser bill as originally introduced. This is the bill that a majority of the railroad workers want passed. A minority of the organizations of railroad employees and the Association of American Railroads are supporting the so-called Hall substitute. The issues here are clear. There is no doubt as to where all the interested parties stand in this matter. We are faced with a bill on one hand sponsored by BOB CROSSER that will put railroad retirement benefits back to the position they occupied for many years and at the same time pay for those benefits. On the other hand the substitute of the railroad companies leaves thousands of retired employees and a majority of the survivors worse off than they would be under social security.

Much has been made of the fact that the railroad organizations have not been able to achieve a united front on this matter. Because I am on the committee and because I have an interest in this problem, I want to make my views clear. First, let me say that an overwhelming majority of the employees—about 80 percent—are supporting the Crosser bill. At the same time I want to say as emphatically as I can that the Hall substitute is being supported by the Association of American Railroads. No Member of the House need assume that this is a dispute between the two labor groups. A majority of labor is for Crosser. Management is backing the Hall bill.

Ever since the Railroad Retirement Act was first passed, the railroad companies have been reluctant to agree to liberalizing it. Each time the matter has come before the House, the battle cry that the railroad lobby has raised has been "Let us have an investigation. Then we can determine what we want to do." Once again the people who are against the increases in the Railroad Retirement Act are saying, with an appropriate amount of accompanying crocodile tears, "We want to increase the benefits for these people, but, let us take about 6 months to study the matter." The railroad men who are interested in this have been studying it for 2 years. The Crosser bill is the result. This talk about another study is just a sham; a delaying tactic that the House has heard since 1935 when the original act was passed.

I do not like the fact that the unions are not united on this any better than the rest of the House. I have friends in both camps the same as every other Congressman. At the same time, I want to assure the House that I will not let this division deter me from making the best possible decision under the circumstances. I am the fellow that must answer to the retired employees in my district and I want to be able to say that I supported the best bill. I want to be able to prove that the maximum possible benefits will be made available to retired people, their wives, and their survivors.

All kinds of misunderstandings seem to be running through the House. Some have said that the operating unions represent a majority of the employees. As a matter of fact, the operating unions according to their own testimony before our committee represent 22 percent of the railroad employees. Others have said that if the Crosser bill is passed, the benefits will not be placed in effect for several months. This is a misrepresentation of fact. The Chairman of the Railroad Retirement Board has stated that within 30 days his organization will be making payments under any bill that the Congress passes. Others are saying that everyone is in agreement that we should pay 15-percent increases for retired people and 33⅓ percent for survivors now and let the rest of the program wait until the study is made. I am opposed to this procedure. Chairman CROSSER is opposed to this approach, and the Railway Labor Executives Association, which speaks for 80 percent of the affected employees, is opposed to it.

There is little good to be gained from talking at length from the floor about this matter. Right-thinking Members of the House are faced with a problem. The man who wrote the original Railroad Retirement Act has introduced several amendments to the Railroad Retirement Act. This same man has been responsible for every amendment to the Railroad Retirement Act since it was passed. The House now has the choice of following the advice of this expert, BOB CROSSER, or not. There is no question as to what the employees want;

They want the Crosser bill and I will vote for it.

As I told you before, I get home to my district every single week, and some times two or three times a week. The American people are sick and tired of stalling. I do not want any more stalling when it comes to making improvements in railroad retirement.

Mr. WOLVERTON. Mr. Chairman, I yield myself one-half minute to correct a statement which I understand was made by the preceding speaker, the gentleman from Connecticut [Mr. McGUIRE] that the Railroad Retirement Act and the amendments thereto since 1935 were due entirely to the gentleman from Ohio [Mr. CROSSER]. While I do not wish to take any credit away from the gentleman from Ohio, I think with pardonable pride I am justified in referring to the fact that during a portion of the time there was a Republican Congress. I had the honor of being chairman of the Committee on Interstate and Foreign Commerce during that session. I introduced legislation to increase benefits. The committee reported favorably a bill that increased benefits. It was passed by the House and Senate. It was approved by the President.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Kansas [Mr. REES].

Mr. REES of Kansas. I just want to suggest to the gentleman from Connecticut that he has not ridden on the Atchison, Topeka & Santa Fe on the Super Chief.

Mr. Chairman, the approval of this legislation would, in my opinion, be an act of simple justice. Only recently Congress approved legislation liberalizing and increasing coverage under the Social Security Act. Congress also provided for increases in benefits for those retired from Government service. Liberalization for other groups has also been approved. The reason for such action, of course, was largely because of the mounting increased cost of living.

There have been little changes or amendments to the Railroad Retirement Act since 1937, except a slight increase that was granted 5 years ago. I think I should add right here that Congress has seen fit to approve increased pensions or benefits for other groups where the entire increases came from Federal funds. I mention this only to indicate a policy that has been pretty well followed by Congress in dealing with the question of retirement benefits.

The railroad retirement system is the only one I know of where contributions are of sufficient amount by the employer and employee to make it actuarily sound and without contributions from the Federal Government.

Comparing the program and benefits of the Railroad Retirement Act with the Social Security Act, it is observed that social security in some respects is more liberal than railroad retirement, especially as it applies to the average worker who has a wife and two or three or four children. There are other things to be considered, however, that are more favorable to the Railroad Retirement Act, among which are the very important disability benefits.

I want to commend the great organization of railroad employees, numbering approximately a million and a half people, who occupy such an important place in the business and industry of this country, for the conservative and careful manner in which they have guarded the funds of this organization to make sure it is solvent, so there may be no question of its ability to meet payments to those who are dependent upon its benefits for a living after retiring from active service.

I had hoped the commitee would recommend more liberal increases to the recipients under this legislation. Of course I do not want to impair the fund. I do think, however, the fund would not be impaired if the benefits to the retired employees were increased 25 percent, instead of 15 percent, and the payments to dependents increased 50 percent instead of 33⅓ percent.

In support of that statement I would like to make a few brief observations. The fund during recent years has been accumulating in considerable amounts, and rightly so. As of of June 1 this year the fund amounted to $1,419,261,626 according to the committee report. It is $356,000,000 more than the year before. During the present year, according to the report, the increase will be even greater, due to increases in wages and increases in taxes collected for this fund. I might add that the proceeds of the fund are invested in Government securities and the returns in that respect are to that extent increased. Personally, I feel there could be some savings in administration expenses. Applications could be processed through the railway organizations and thereby save some of so-called red tape. Burden against the fund should be lighter because of a lesser number of retired employees who had retired when the Retirement Act was enacted. Let me further quote from the report of this committee:

> Furthermore, it should be remembered that with the adoption of the present benefits under the Railroad Retirement Act in 1946, the actuaries at the time overestimated the cost of the additional benefits then proposed and underestimated the funds to be available from tax collections. In fact, the estimates were conservative enough at that time to permit within 2 years, 1948, an increase of 20 percent for pensioners and annuitants without affecting the solvency of the fund. Also, since the increase in benefits, the fund has continuously progressed beyond the estimates of the actuaries, both in 1946 and in 1948. The major reason is that payrolls have been constantly increasing. Therefore, the committee is convinced from the testimony as a whole that the benefits to be increased under the committee substitute can be provided without immediately affecting the solvency of the fund.

Mr. Chairman, the present need of so many people who are recipients under the terms of this act is such that relief ought to be granted. When the railroad retirement bill was passed, it was certainly expected there would be sufficient funds that recipients would be reasonably well taken care of. Now because of increased cost of living and other expenses, their benefits are reduced by more than 50 percent. The situation is imperative. It was certainly not anticipated these older people would be required to use up their accumulated savings, if they had any, as they are doing now, or to adjust themselves to a far-below-normal class of living.

Here is a group of thousands of highly respected American citizens, nearly all of whom have given their lives to a highly important and responsible business, that of handling the transportation of this country. They constitute a big segment of the leadership of real American citizens. They are the people who have had so much to do with the building and developing of American life.

It is not right that this group of American citizens should be neglected because of the failure of Congress to take action in their behalf. After all, the funds upon which they are dependent do not come from the Federal Treasury, but from their own wages and allocations from their employers, such allocations being contributed as a part of the compensation of the workers. I hope the House will see fit to approve this legislation.

I observe that the Bureau of the Budget in commenting on this proposed legislation calls attention to certain defects, and recommends a study of the railroad-retirement system. This is a recommendation long past due. I hope this Committee on Interstate and Foreign Commerce, together with representatives of the various railway employees, and representatives of the railroads of this country, will at the earliest possible time proceed to examine and study this important problem and then make recommendation to Congress with respect to further needed legislation.

Mr. WOLVERTON. Mr. Chairman, if it is in order to do so, having in mind the limited time at the disposal of the chairman and myself, I ask unanimous consent that all Members be given the privilege of extending their remarks on the bill in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. GOLDEN. Mr. Chairman, this will be a good day in the lives of the men and women who work for the railroad companies in this country, who have over years past made their monthly contributions from their wages to the railroad retirement fund. These employees of this tremendously important American industry have waited a long time for the Congress of the United States to amend and improve the provisions of the Railroad Retirement Act.

We Members of Congress who have for such a long time struggled and worked toward economy and who have steadfastly tried to protect the overburdened taxpayers, can support this legislation wholeheartedly without any pangs of conscience.

From 1937, when the Railroad Retirement Act was created, the railroad companies and the railroad employees have paid their own money into this fund until the accumulated surplus in the fund, over and above all pensions, annuities, and expenses paid out of the fund, has reached the gigantic sum of in excess of $2,300,000,000. This sum repre-

sents the savings for security that came out of the wages of the railroad employees and the earnings of the railroad companies; none of it came out of the pockets of the taxpayers. Therefore, we all can support fair and reasonable improvements and amendments to this Railroad Retirement Act and know that we are justly returning to these men and women who have served the railroad company and who are serving it, their own money.

Under the provisions of the Railroad Retirement Act, the Congress of the United States has the power and the right to enact legislation, to regulate and govern the pensions and annuities that are paid out of this fund.

I suppose that every Member of Congress has a large number of citizens in their home districts that have been and are employees of some railroad company. As their representatives, we have the obligation and duty to first see that this fund that they have provided for their own security, shall be and remain solvent. This is the best service we can render to them. On the other hand, and in view of the tremendous rise in the cost of living over the past few years, and in view of the further fact that the pensions and annuities being paid under the present Railroad Retirement Act falls so far short of giving to these men and women the sort of protection and security that is necessary for them to live in decency and to maintain their standard of living, it is up to the Members of Congress and the great committee that has jurisdiction over the Railroad Retirement Act, the Committee on Interstate and Foreign Commerce, to enact amendments to the Railroad Retirement Act that will give to all of the participants of this fund just as large benefits as can be justified by the present size of the fund and the enormous intake of wages and earnings that is flowing into the fund each month, having in mind that our constituents want us to be sure that we maintain the soundness and solvency of their fund and that we, as Members of Congress, give a good account of our trusteeship in managing this fund for them.

I represent a large number of citizens in my home district who have made railroading their life's work. It is my considered opinion that considered as a whole and as a group, the railroad employees over the Nation constitute as substantial a group of citizens as could be found anywhere in the United States. Most of these men and women have chosen the railroad industry for their life's work; many hundreds of thousands of them have been in this employment for long periods of years; a large percent own their own homes; they are vitally interested in the stability and progress of their country; they are loyal American citizens; and they deserve at our hands the most careful consideration that this committee and each Member of Congress can give to them in dealing with this trust fund that they have created out of their labors and that we administer for them.

Realizing as I did when I first came to Congress, that I had the honor of representing a congressional district that had a very large percentage of railroad employees in it, I felt it was my duty to acquaint myself with the Railroad Retirement Act from its very beginning to the present time. I have made an exhaustive study of the history of the Railroad Retirement Act, of the provisions and amendments that have heretofore been enacted by the Congress and I have studied the financial structure of this fund and its administration from the beginning up to the present time. During my first term of Congress, I prepared and introduced a new Railroad Retirement Act; during my second term, I prepared and introduced a second bill, providing the four amendments to the Railroad Retirement Act. I have heretofore spoken in Congress, trying to represent my people, urging the Members to enact a new and improved Railroad Retirement Act at the present session of Congress. I had the honor and privilege of appearing before this great Committee on Interstate and Foreign Commerce while it was considering this much needed and improved legislation and I gave to them such help and assistance as I could from my study of this situation.

I said a moment ago that I felt that this would be a glad day for our railroad people here in the United States. We have waited far too long to grant to them improvements and amendments that would afford larger payments of annuities and pensions to the railroad employees, those who have retired and those who will retire, and to their dependents. It is my earnest hope that we may complete and enact into law at the present session of this Congress a much improved railroad retirement bill that will afford to all of our railroad constituents the very best possible increases in payments to them from this fund.

There are two things which I regret very deeply. Those two things are these: The members of this committee are not agreed among themselves as to the kind of bill that we should enact. One group of Members favors the committee bill; another group favors the Crosser substitute. It is to be regretted that this great committee could not have agreed upon one bill, but I think I know that each member of this committee is sincere in the position he is taking, and it is right and proper under our form of Government that we should bring these bills before the Congress for public debate so that each man on the committee can give to us the facts as he sees them and the reasons for his position.

The other things which I deeply regret is that the large groups of railroad employees represented by the many different brotherhoods who are so vitally interested in this legislation could not agree among themselves.

This committee was in session for a long time and it gave opportunity to representatives of the various brotherhoods to bring their experts before the committee and advocate their views. However, we are here today confronted with the fact that one large group of railroad employees favor the committee bill and another large group of railroad employees favor the Crosser substitute.

It is my belief that every Member of Congress has constituents in his home district that are members of these various railroad brotherhoods. It is perfectly apparent with the committee divided and the brotherhoods divided, that we will not be able as Members of Congress to enact a new bill that will be entirely pleasing and satisfactory to everybody. Under these circumstances, it is up to every Member of Congress to let his conscience be his guide and to do the very best he can for his people under these trying and difficult circumstances. There is one good thing about it, the committee bill brings larger pensions and annuities to these men and women, and the Crosser substitute likewise brings added benefits and payments of annuities and pensions to these men and women who are entitled to same.

While the bill which we will presently enact is not perfect, we can enjoy with all of the railroad men and women of this country the fact that either one of these bills is far better than the present law that falls so far short in meeting the high cost of living with which these people whom we represent have to contend. Even if we cannot bring out a bill that everybody agrees upon, it is vital and necessary that we do pass some amendments that will give to these worthy and needy people all of the benefits that the fund can afford, and that we do it now at the present session of Congress, without any further delay.

Mr. SIEMINSKI. Mr. Chairman, constituents in my congressional district, who are receiving railroad retirement pensions, annuities, widow's and survivor's benefits, have written to me for aid in having a law passed to increase the benefits they are now receiving which are much too meager to enable them to live in a decent manner.

I am advised that railroad labor organizations representing only 22 percent of the railway workers are opposing this legislation, notwithstanding the dire need for these increases and the fact that there are other provisions in the bill which will effect savings and make up the money needed to pay for these much-needed benefits and insure the financial soundness and solvency of the Railroad Retirement Fund.

I seriously ask, "Is it fair for these railroad organizations, representing a small minority of the railway workers, to deprive, by their actions, these worthy retired railroad workers, their beloved wives, and the widows and children of deceased railroad workers, of the increased benefits provided in the Crosser bill which are so sorely needed at this time?"

Mr. WOLVERTON. Mr. Chairman, I yield 3 minutes to the gentleman from Maine [Mr. HALE].

Mr. HALE. Mr. Chairman, I rise in support of the committee bill.

I think it would be a great misfortune to adopt the Crosser substitute; because, after all, the committee bill is the committee bill and any other measure which may be offered in opposition to the committee bill would be in the nature of a substitute.

The committee bill is what you might call a "quickie"; it gives quick relief across the board. It is a short bill and

it is an intelligible bill. If you will look at it you will find that it consists of but three pages; you can read it and it is readily intelligible. The original H. R. 3369 takes up 24 pages; its provisions are extremely complicated and anything out intelligible on a superficial reading. It is very difficult to understand after you have studied it a long time. The most serious complication in the Crosser bill is the attempt to transfer the railway employee with less than 10 years of service to the social security system.

My own point of view is that social-security legislation should be made applicable to everybody in the United States and that the privileges of the Railroad Retirement Act and the burdens of the Railroad Retirement Act should be superimposed upon the social-security legislation. That is not what the Crosser bill does. Let me read to you what the Federal Security Administrator has to say about the Crosser bill:

> The provisions of H. R. 3669 which govern the coordination of payments by the two programs are inconsistent and difficult to understand and to explain. The general principles on which they are based apparently are that old-age and survivors insurance should pay the short-term railroad worker and his survivors, and the railroad program should pay the long-term worker and his survivors, and that wage credits under the two programs should be combined. However, these principles are not consistently carried out in the coordination provisions and as a consequence many inequitable and anomalous situations would arise.
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> It is very difficult to justify the inconsistency of these provisions on any basis other than a historical one, and it would be almost impossible to secure a clear understanding among the noncareer railroad workers and their families as to what program they should look to for benefits, or what protection they are actually afforded.

I would also call attention very particularly to the testimony, and I wish I had time to read it, because it is most impressive, of Mr. Murray W. Latimer, who was for 11 years a member of the Railroad Retirement Board. If you will read a summary of his objections to the Crosser bill on pages 274 and 275 of the hearings I think you cannot fail to be very deeply impressed.

Mr. Chairman, I would also call particular attention to the language used by the Bureau of the Budget at page 325 of the hearings.

Mr. WOLVERTON. Mr. Chairman, I yield 2 minutes to the gentleman from Pennsylvania [Mr. DENNY].

Mr. DENNY. Mr. Chairman, there are several compelling reasons why I am very strongly in favor of the committee bill to amend the Railroad Retirement Act.

First. The first consideration is the immediate increase in annuities payable to the retired railroad employees. This is the great necessity because of the increased cost of living and because the previous payments to the men have been less in many cases than under Social Security.

Second. This bill provides a material increase in the payment to widows. This is an essential, because of the fact that, to my personal knowledge, widows of railroad employees in my District are being paid less than widows who obtain their pension from Social Security. This bill completely corrects this disparity.

Third. The tax deducted from the employee's payroll is not increased under this bill to the extent that it would have been increased under H. R. 3669. In the latter, in some cases, the tax deduction would have amounted to one-third more.

Fourth. There is no possibility, according to the best actuarial authorities, of the benefits and pensions under this bill endangering in any way the principal fund under the railroad retirement system, and the same authorities agree that it would have been in jeopardy under the original bill.

It is true that there are several controversial features that are not covered by this bill, but it is the purpose of the Interstate and Foreign Commerce Committee of the House and the express purpose of the Senate Committee to immediately initiate studies in order that in the year 1952 what might be termed an ideal pension bill may be drawn in simple terms readily understandable with the intention of covering all of these controversial matters. The committee firmly believes that a sound and equitable pension plan can be drawn based on actuarial principles which will include the three basic conditions of a good bill, First, the benefit of the pensioner; Second, the benefit of his survivors; and third, the security of the principal fund. This will require considerable study for the reason that there was such a great difference of opinion between the railroad brotherhoods, the railroad executives, the operators and the members of the committee. This is a consummation devoutly to be wished. I can assure you that it will have the earnest effort of every member of our committee.

Mr. WOLVERTON. Mr. Chairman, I yield 2½ minutes to the gentleman from Arkansas [Mr. HARRIS].

Mr. CROSSER. Mr. Chairman, I also yield the gentleman 2½ minutes.

Mr. HARRIS. Mr. Chairman, I appreciate the position we are in with reference to time for discussing this very important bill. When I appeared before the Committee on Rules I asked the committee to give us a minimum of 3 hours anyhow. In its wisdom it reported the rule providing 2 hours for general debate.

Mr. Chairman, I could not undertake to say what I would like to say to explain to Members of the House in 5 minutes this involved problem. I appreciate very much the position of the chairman of our committee, but 2½ minutes is very little time. I regret exceedingly that I find myself, as other members of the committee, on the other side of this discussion from that of the very fine, able, and distinguished chairman of the committee. He is an outstanding Member of this House. I have the highest regard for him. He has had great interest in railroad employees as well as all other people of the United States. He is to be highly commended for his active and conscientious efforts over the period of years in this Congress.

In reference to the merits of the bill, I merely want to say, Mr. Chairman, that when we get into the 5-minute rule, it will be my intention to ask for 5 minutes and perhaps an additional 5 minutes under the circumstances, at which time I expect to try to outline to you briefly some of my own thoughts regarding this railroad retirement bill.

Mr. Chairman, I am supporting the provisions of the committee substitute. It was reported by our committee after lengthy hearings and long and careful consideration. The reason for my position is this: The Social Security Administration is opposed to both bills which were originally introduced by the chairman of our committee, one bill sponsored by the nonoperating employees and the other sponsored by the operating employees of the railroads. They gave their reasons for opposing both bills, but said: There is a way that immediate relief can be given by a simple increase in percentages and give it now. I intend to undertake to explain some of the things that the Social Security Administration recommended to our committee, which caused me, among other things, to form my own opinion in this matter. The Bureau of the Budget is opposed to the bill as introduced by our fine and distinguished chairman, and they set out, I believe, some 10 or 11 reasons why they were opposed to it. The Railroad Retirement Board is divided on it, one to two; two members of the board taking one viewpoint and the other member taking another viewpoint. The railroad employees are at variance, sharply divided. Mr. Chairman, I want to say the attitude of the members of this committee to me clearly illustrates what I think is the attitude of most members; that we regret to find ourselves in the middle, and we are going to have to pass on something where there is such wide diversion of views among those most vitally affected. So consequently, because of all of these involvements and the five major policies, I intend to draw to your attention the fundamental issues when we get under the 5-minute rule.

I say to you we need to give the immediate relief now that can be given without affecting the soundness of the fund, without becoming involved with all the frills of the social security integration with railroad retirement, and then adopt the resolution the Committee on Rules reported calling for an immediate study that will bring together all these elements that are in dissension. Let us do what we can now and treat these employees, who are paying 6 percent now and 6¼ percent beginning January 1, a total of 12½ percent going to the fund, fair, and see what should be done for them after further study on these highly controversal points that they may get what they are entitled to have.

Mr. WOLVERTON. Mr. Chairman, I yield 5 minutes to the distinguished majority whip, the gentleman from Tennessee [Mr. PRIEST].

Mr. PRIEST. Mr. Chairman, I appreciate very much the generosity of the distinguished ranking minority member of the committee in yielding me these 5 minutes. Obviously I cannot go into all of the details of this rather complicated legislation in that time, but as the

gentleman from Arkansas [Mr. HARRIS] suggested, I intend to get time under the 5-minute rule to explain fully why I believe that the wisest policy of the House of Representatives at this time is to adopt the substitute bill reported by the majority of the Committee on Interstate and Foreign Commerce. There are some very impelling and compelling reasons why I believe that this should be done at this time. Most of them already have been mentioned but there are a few angles that I think deserve further consideration.

I now want to make reference to one statement made by my very distinguished and good friend from New York [Mr. HELLER] in the remarks he made to the House. He intimated that those who are supporting the so-called Hall bill are those who want to bring about a merger of social security and the railroad retirement system.

I have made a pledge time after time to the railroad people in my district, and I have three railroads that center in Nashville, Tenn., that I would unalterably oppose the merger of the social-security system with the railroad retirement system. I told some of the nonoperating men of that district last week that if we adopt this 10-year provision in the Crosser bill, taking men with less than 10 years service and placing them under social security this year, next year we will be taking the 15-year men and the next year the 20-year men. Make no mistake about it. If you are opposed to merger of social security with the railroad retirement system, you are beginning that thing right now if you adopt that provision. I have always been opposed to it and I am opposed to it still.

Let me emphasize also that, as other members of the committee have stated, there is no great dissension among members of the committee on what we want to do. Everybody wants to do a job at this time, and do a good job for the beneficiaries of the railroad retirement system.

I do want to mention also this one thing, because it has been brought up time after time. I am unalterably opposed on moral grounds, if no other grounds, to this so-called $50 work clause. I was opposed to it in social security and I am now having prepared an amendment that I shall introduce in the House of Representatives to repeal that part of the Social Security Act. I believe it is morally wrong, it is ethically wrong, and I do not believe it is sound Americanism to say to an American citizen who works 30 years for a railroad, or however many years he might work, and pays 6 percent into a retirement fund, "When you retire you cannot make more than $50 in a month."

I know of a case in my district of a man who has worked for the N. C. & St. L. Railroad 37 years. He has a little workshop in his basement and does upholstery work. I asked this question of a witness: "If this man in any month takes in 10 chairs at $6 apiece and finishes those 10 chairs earning $60 in that month, would he lose the $92 annuity for that month?" The answer was, "Yes, if this provision is adopted." Is there anything sound, is there anything moral in that sort of situation?

Mr. Chairman, the majority of the commmittee has shown in this bill what we believe can be done now to afford quick relief. We propose to bring up as soon as this bill is passed a resolution providing for study to clarify a lot of these provisions that have created so much confusion among so many different segment of our economy and agencies of the Government that are interested in this situation. It is my opinion that the best thing we can do is pass the substitute, the committee bill, and then engage in that study and report back to the Congress later.

The bill reported by the committee does not represent hasty action on the part of the committee. On the contrary, it is the result of action taken only after extended hearings and numerous executive sessions at which painstaking consideration was given to a great variety of proposals for a liberalization of benefits under the Railroad Retirement Act. The hearings covered some thirty-odd bills, but the testimony was directed largely to two bills, one, H. R. 3669, sponsored by the nonoperating group of employees, and the other, H. R. 3755, sponsored by the operating group. These bills were strikingly different in their proposals, but I do not have the time to go into details with respect to that. What I wish to emphasize right now is the extent to which there was agreement on the part of all interests represented at the hearings.

Two matters on which there was virtually complete unanimity on the part of all who appeared at the hearings were, first, the importance of preserving the solvency of the retirement system, and, second the undesirability of any increase in the present tax rate on employers and employees for the support of the system. The rate is now 6 percent on each and next year will reach its final level of 6¼ percent on each. In striking contrast, the rate for the support of the social security system of old-age and survivors insurance is only 1½ percent each on employers and employees and is scheduled to go up gradually until it reaches a final level of 3¼ percent on each in 1970. In other words, the tax on employers and employees covered by the railroad retirement system is now exactly four times that paid by employers and employees covered by the social security system. As the two sets of taxes are now scheduled, this difference will gradually decrease until 1970 and thereafter the railroad tax will be only slightly less than twice the social security tax.

The problem with which the committee was confronted in considering this proposed legislation, therefore, was that of determining what, if any, increases could be made in the benefits under the Railroad Retirement Act without seriously endangering the solvency of the system and without increasing the rate of tax now imposed on employers and employees for the support of the system. The bill reported by the committee represents the best judgment of the majority as to the maximum extent to which present benefits may be increased within these two limitations.

Under the bill as reported by the committee, all retirement annuities and pensions are to be increased 15 percent, all survivor annuities are to be increased 33⅓ percent and all lump-sum death payments are to be increased 25 percent. These increases are both substantial and generous. According to estimates made by the actuaries of the Railroad Retirement Board, the increases proposed in the bill would add more than $100,000,000 a year to the present cost of the railroad-retirement system, raising the cost from 12.60 percent of the estimated level payroll of $4,900,000,000 to 14.71 percent of such payroll. When it is remembered that the present total payroll tax for the support of the system is 12 percent, to be increased next year to the final figure of 12.5 percent, it is obvious that such an increase in benefits would carry a serious threat to the solvency of the system in the absence of some way of offsetting it through savings or otherwise. In recognition of that fact, the committee has accompanied its report on the bill with a recommendation for a prompt study of the possibility of relating the railroad retirement system to the social-security system in some such way as to bring about savings to the railroad retirement system sufficient to offset, or at least largely to offset, the cost of the increases in benefits for which the reported bill provides.

The liberality of the increases provided for in the bill as reported by the committee is evident when the resulting benefits are compared with the corresponding ones paid under the Social Security Act, bearing in mind that one of the principal reasons for the demand by railroad employees for an increase in benefits under the Railroad Retirement Act was the action taken by Congress last year greatly liberalizing the benefits payable under the Social Security Act.

The basic benefit under both the railroad retirement system and the social security system is the monthly benefit payable to an employee upon his retirement, which, although paid monthly, is commonly referred to as a retirement annuity. This is unquestionably the benefit with which all employees are primarily concerned. With respect to this paramount benefit, the Railroad Retirement Act, as amended by the committee bill, would be far more than twice as liberal as the Social Security Act.

As a result of the 1950 amendments, the maximum old-age-retirement annuity now payable under the Social Security Act is $68.50 per month. Within the next few years, however, when the new-start provisions of that act become operative, the maximum will be $80 per month. Without further amendment of the statute, it will never exceed that amount. Moreover, that maximum of $80 is far more theoretical than real. Only a comparatively few workers will ever receive that much because of the method prescribed in the Social Security Act for determining the amount of the annuity. The act fixes it at 50 percent of the first $100 of the average monthly

wage not in excess of $300, plus 15 percent of the balance. The average monthly wage, however, is determined by dividing a man's total earnings while in covered employment, not in excess of $3,600 in any calendar year, not by the number of months during which he was actually at work, but by the total number of months elapsing between December 31, 1950, or the date he reached the age of 22, whichever is later, and the date he reached age 65. The result is that in order for anyone who reached age 22 after 1950 to have an average monthly wage of $300, when he comes up for retirement, he must have worked steadily in employment covered by the act from age 22 to age 65 and earned as much as $3,600 in each of those 43 years. As I have said, only a relatively few can be expected to meet that requirement.

Under the Railroad Retirement Act, the amount of the annuity depends upon the number of years of railroad service and the actual average monthly earnings during such period of service, not in excess of $300 in any calendar month. An employee is entitled to credit for all railroad service up to age 65, including service prior to 1937, the year the present system was established, up to the point where it does not result in a total of more than 30 years of service. Because of that limitation, the maximum annuity under the present act is now $144, and will remain at that figure until after 1967. Thereafter an employee may obtain an annuity based upon as much as 45 or more years of service. Under the present act, the maximum for that length of service would be $216. Under the bill as reported by the committee, the maximum annuity under the Railroad Retirement Act would be raised immediately to $165.60, as compared with the present maximum under Social Security of $68.50, and the ultimate maximum under the bill would be about $250, as compared with the ultimate maximum under Social Security of $80 per month.

So much for the maximum retirement annuities under the two systems. What is of greater immediate interest, I think, is the results of the actual operations of the two systems. According to statistics regularly compiled by the Federal Security Agency and the Railroad Retirement Board, the average of all old-age retirement annuities now being paid under the Social Security Act is about $43 per month, while the average under Railroad Retirement is about $83 per month. Under the bill as reported by the committee, the latter figure would immediately be raised to over $95, thus making the average payment under railroad retirement well over twice the average under social security.

Another important fact to be taken into consideration in comparing the retirement annuities under the two systems is that the Social Security Act provides only for old-age retirement annuities. It does not recognize disability as a basis for a retirement annuity. A man covered by that act who becomes totally disabled at any age under 65 must wait until he reaches that age before he can obtain a retirement annuity and then his annuity will be based on an average monthly wage arrived at by including in the divisor all the months elapsing between the date he became disabled and the date he reached 65. The railroad retirement system, however, provides for annuities in full amount in case of total disability after 10 years of railroad service, regardless of a man's age, or at age 60, regardless of his years of service. Even in case of disability which merely incapacitates the employee from engaging in his regular occupation, it provides for full payment after 20 years of service or at age 60. Disability annuities now being paid under the railroad retirement system average $81.50 per month, and, under the bill reported by the committee, would be raised to about $94.

With respect to benefits to survivors of deceased employees, the situation under the two systems is quite different. Prior to the 1950 amendments to the Social Security Act, the survivor annuities payable under the Railroad Retirement Act were more liberal than those payable under social security. As a result of the 1950 amendments, however, such benefits under social security now average about 25 percent higher than those under railroad retirement. The increase of 33⅓ percent in such benefits under the Railroad Retirement Act, which is proposed in the bill as reported by the committee, would again place such benefits under the Railroad Retirement Act above those payable under social security. For example, statistics contained in the Social Security Bulletin for August 1951, show that the average of all survivor annuities under the Social Security Act which were in current payment status during the month of May 1951, was $30.55. Corresponding statistics given in the Monthly Review of the Railroad Retirement Board for July 1951, show that all survivor annuities awarded under the Railroad Retirement Act which were in current payment status during the month of May 1951, averaged $25.26. Under the committee bill, the latter figure would be increased to $33.68, which would be slightly over 10 percent higher than the average payment under the Social Security Act. These figures are sufficient to refute any claim that the increase of 33⅓ percent in survivor annuities for which the committee bill provides would leave such annuities still below those now payable under social security. It is true that in some instances such benefits under the committee bill would be somewhat lower than those payable under social security, but, in general and on the average, they would be considerably higher.

In addition to what is disclosed by the comparison of the survivor annuities actually being paid under the two systems, there was other evidence before the committee which showed quite clearly that an increase of 33⅓ percent in all survivor annuities under the Railroad Retirement Act would result in raising them considerably above those payable under the Social Security Act. The committee received a report from the Railroad Retirement Board on a bill which proposed to place all survivor benefits under the Railroad Retirement Act on exactly the same basis as those now payable under the Social Security Act. The report of the board was that, according to its actuaries, this would result in increasing the cost of such benefits under the Railroad Retirement Act to the extent of 0.63 percent of the payroll, raising the total cost from 2.38 percent of the payroll to 3.01 percent. That would represent an increase of about 26½ percent. Obviously, if it would require an increase of only 26½ percent in survivor benefits under the Railroad Retirement Act to place them an on exact parity with those payable under social security, an increase of 33⅓ percent would raise them substantially above the social security level.

As I have said, the increases in benefits proposed in the bill as reported by the committee are substantial and generous. To go beyond what is there proposed would be to proceed in reckless disregard of the solvency of the railroad retirement system, as to the importance of which all interests profess to be in agreement.

Mr. WOLVERTON. Mr. Chairman, how much time have I remaining?

The CHAIRMAN. The gentleman from New Jersey has 3 minutes remaining.

Mr. WOLVERTON. May I be informed as to the number of minutes remaining to the chairman of the committee?

The CHAIRMAN. Nine minutes.

Mr. WOLVERTON. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. WOLVERTON. In view of the fact that the majority of the committee favor the Hall bill, does that give the majority of the committee the right to close the debate or does it remain with the chairman of the committee, notwithstanding the fact that he does not represent the majority of the committee?

The CHAIRMAN. The Chair believes that the gentleman from Ohio should now use time. He has 9 minutes remaining.

Mr. CROSSER. Does the Chair state that I may not close the debate?

The CHAIRMAN. The Chair recognizes the gentleman from Ohio [Mr. CROSSER], the chairman of the committee for 9 minutes.

Mr. CROSSER. Mr. Chairman, the tone of much of the opposition's discussion today is very familiar to my ear. It is now more than 20 years since I began to promote railroad retirement legislation. I can recall how at first I was ridiculed by some Members of the House at that time, and was told that I had no more chance of passing a railroad retirement bill than there would be likelihood of my flying to the moon. I said then that there was at least nothing to prevent me from trying. It was not very long—in fact in 1934, I introduced the bill, the first bill that passed the House after a considerable struggle. We again passed a bill in 1935, with pretty much the same chatter that we have heard here today in opposition. Again in 1937, we passed another bill. In 1946, we had a measure, which I think was the target for more bitterness and hostility on the part of the opposition than was experienced by the supporters of the measure

in connection with the discussion of any previous retirement measure.

They, first of all, do everything possible to destroy the measure. They have developed a familiar style of histrionics with which they "view with alarm," wailingly announce "awful surprise," dramatically indicate "terrible shock" and in short leave no doubt that we sponsors of the measure have aroused "consternation," "astonishment," and "dismay" in the guileless opposition to our diabolical efforts to destroy our railroad retirement system. My friends, I have tried hard to present a measure at this time, which would be in keeping with the high order of legislation heretofore enacted in regard to the railroad-retirement system.

You will, I am sure, remember some of the tactics and performances of the opposition, to which, the 1946 amendments were subjected. For months and months dilatory tactics of one kind and another were employed to harass the supporters of the 1946 bill in the hope of defeating the measure in the committee. On the floor of the House it was asserted that our bill would destroy the railroad retirement system. That 1946 bill passed the House, however, with practically no change in the provisions of the bill as it was originally introduced. As a result widows, orphans and others receive benefits who under the previous law received none. From many old railroaders have come to me expressions of gratitude because our 1946 amendments have assured their loyal life partners, their wives, that they will have incomes if their husbands depart this life before them. Every conceivable objection was made to the 1946 bill. One of the great howls that was set up was that we had to have a 3 percent increase in the tax to keep the reserve fund in balance.

They said we must increase the taxes by 3 percent, otherwise they howl that the system would collapse and would no longer be financially sound. Our experts, for the labor groups said that 1½ percent would be sufficient; that 1½ percent would be all that was necessary. Way back at the beginning of the system, the economists and actuaries whom our committee heard, said that in projecting a system like this for 10 years into the future, if you could come within 1½ percent of having the reserve fund on an absolute level you would be doing a perfect job. We found the reserve fund with 1½ percent plus after the 1946 act had been in effect a short time, yet we were urged to provide for an increase of 3 percent in the tax in order to balance the reserve fund. Not only did the 1½ percent increase suffice, but in 1948 by a measure, which I introduced providing for a 20-percent increase in benefits, there was enough money in the reserve fund, to pay the increased benefits.

Those are some of the things that I can not just forget over night. I remember also the tearful pleas for investigation that were made at the very beginning It was almost pathetic to hear the bigwigs pleading: "Oh, we must have an investigation. We must have a thorough study of this proposal before we can take the great risk of passing a railroad retirement bill." That was our experience prior to the enactment of the first railroad retirement bill. It was the cry prior to the enactment of the second bill, and the third, and finally prior to the 1946 amendments. They all pleaded for more investigation, and more study. Why, people who have any experience at all in legislation know that in controversial matters when the opposition has a bad case, they always begin to plead tearfully: "Give us more investigation. We would like to study some more."

As to the dissent of several brotherhood officials I wish to say: They are all friends of mine or at any rate I am their friend, I assure them of that. Some of my good friends come to me and say, "Tell the so-and-sos to go and agree, tell them that you are not going to be the goat." I was not sent to Congress to represent officials of the bankers associations, the spokesmen of the agricultural groups, or the officials of other groups of people, but the rank and file of the people who make them officials. So while I have great respect for and devotion to officials of labor organizations, yet nevertheless my primary duty is to keep secure justice for those who labor to support their families, even though their officials differ among themselves. Much as I would like to be able to have them all say "Hurrah for CROSSER!" I am more concerned in seeing that sound helpful legislation is put through for the benefit of the rank and file of the workers of the United States.

My answer to anyone who thinks that I must be unfriendly to him because I cannot agree with him on some subject, is to be found in four lines which Edwin Edmund Markham shortly before he departed this life, gave me in his own handwriting. These are the lines:

> He drew a circle that shut me out,
> Heretic, rebel, a thing to flout;
> But Love and I had the wit to win;
> We drew a circle that took him in.

That is the way I like to feel toward any one who is displeased with me. I hope to serve well the rank and file, the noble people whom union officials and Congressmen try to represent. That is what I have tried to do.

When you hear this measure discussed in more detail under the 5-minute rule you will agree with me I feel sure, unless partisanship should play a much bigger part than I expect. Nothing is perfect. I should like to see a civilization where we needed no retirement system, needed no pensions; we could have an economic system which would assure real justice in the distribution of the joint product of the natural resources, labor and capital.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

The gentleman from New Jersey [Mr. WOLVERTON] is recognized for 3 minutes to close the debate.

Mr. WOLVERTON. Although my time is very limited I should be pleased to yield a minute to the gentleman from Ohio if he has any additional thought he would like to express.

Mr. CROSSER. It would take me more than a minute to get started and that would waste the gentleman's time. I am indebted to my colleague.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Indiana [Mr. BEAMER].

Mr. BEAMER. Mr. Chairman, I rise in support of the committee bill.

Mr. Chairman, my interest in the railroad-retirement-pension fund stems from a long relationship in connection with railway employees. I know many of those railroad men and count some of them as my closest personal friends over a long period of years.

As a member of the House of Representatives of the Indiana General Assembly in 1949, the record will indicate that I voted 100 percent in favor of legislation that was supported by the railroad brotherhoods. As a member of the Interstate and Foreign Commerce Committee, I have felt the same keen interest in these railroad employees that I have felt throughout my previous years.

My first interest has been to increase benefits that are due to the retired railroad employees to the greatest possible extent without jeopardizing the fund of which they are very rightfully jealous.

I listened carefully to the evidence that was presented in the hearings and also attempted to read additional evidence that was presented in the Senate hearings on the same subject which was not available in our House committee.

It was disappointing to me that all of the railroad brotherhoods were not in agreement on all of the details of the pension plans. It also was alarming when there was a conflict of opinion on the part of the actuaries and also on the part of members of the Railroad Retirement Board.

For my part, I have always felt that it was wise to work on the conservative side rather than place their retirement fund in jeopardy. Even though our Federal Government for the past number of years has followed an unsound fiscal policy, I felt that the railroad-retirement pension fund should be protected from such a procedure.

Not only one but several actuaries pointed out that the original provisions of H. R. 3669, as presented to our committee, would jeopardize this fund, and an actuary employed by the Board, in the Senate hearings, even indicated the possibility that the fund could be depleted by the year 2000 if all of the original provisions of H. R. 3669 were adopted. For this reason only, I felt that it was the better part of caution to protect the fund which has been and should be continued on a sound actuarial basis.

There were extensive and ofttimes delayed hearings, and during some of these delays I sent questionnaires to a large group of railroad employees in the Fifth Indiana District that I have the honor to represent. These three questions were asked:

First. Do you want to protect the pension fund from a possible eventual depletion?

Second. Do you want the railroad-retirement fund united with the social-security fund?

Third. Do you want to be restricted to earning not more than $50 per month from outside sources after retirement?

All of the answers received, that were written by the railroad men themselves, in reply to these questions, indicated that these employees would not want at least these three provisions which were contained in the original H. R. 3669.

This indicates that at the grass-roots level the men are thinking for themselves rather than blindly accepting the dictates and recommendations of some of the heads of their respective organizations. In fact, some of the letters even indicated that this was the condition, and they wanted to express themselves personally, which I felt they did very effectively in this particular case.

I want to just mention briefly one provision which was contained in the bill as originally introduced, and that is the so-called post-retirement work clause. Under this provision any railroad employee who retired in the future would be deprived of his annuity for each and every month during which he earned as much as $50. Here again I want to say that none of the communications I have received urged this provision, and I am inclined to believe that the great majority of railroad employees today, as well as those who are presently retired, are not in favor of such a restrictive provision, nor did they know that the bill as introduced contained such a provision. To forfeit annuity rights already paid for at a high tax rate over a great many years does not seem just nor consistent with the purpose of the bill.

And speaking of the high tax rate—presently 6 percent on the railroads and 6 percent on the employees—while I have been receiving a large amount of mail asking for increased pensions and annuities, and urging passage of H. R. 3669, I have not received a single letter from a railroad employee asking that his taxes for the support of the railroad retirement system be increased—and, if any Member of the House has received any such letter, I would like to hear about it. I think the general feeling among all railroad employees is that the present tax rate and the base on which it is applied is high enough.

As a result of the differences of opinion which prevailed between the brotherhoods, and because the majority of our committee felt that all of the retired railroad men were entitled to immediate increases, the committee reported out this bill by a vote of approximately 2 to 1—and it is a good bill.

The committee bill does not increase the tax rate nor the base. Furthermore, it is simple in its operation because it immediately increases benefits and annuities 15 percent, it immediately increases survivors' annuities 33⅓ percent, it immediately increases the lump-sum death benefits 25 percent, and it does not increase the tax. The Railroad Retirement Board can apply the principle of the committee bill and the very next check after the passage of this bill can include these increased benefits. Thus, there will be no further unnecessary delay.

For my part, I feel that if any additional benefits are available without any additional cost to the members, then they are entitled to these additional benefits.

However, again it seems the better part of wisdom to have authoritative study made in order that not only the committee and the Congress, but also all of the members of the railroad brotherhoods might be definitely certain that these benefits would be available without impairing their fund.

I hope that when this committee has completed its work, which should not require too much time, that it will be possible to further increase benefit payments to all. If the committee finds that this is possible, I certainly shall support it.

This railroad-retirement pension bill is one that is nonpartisan and should continue on that basis. It affects approximately 8,000,000 people who have rights in this fund, even though perhaps one-half of these people had perhaps less than 1 year's service with the railroads.

The cost is approximately $660,000,000 yearly and it represents money that has been contributed by the employees and the management instead of a contribution by the taxpayers. For all of this effort, I feel that the railroad employees and railroad management are to be congratulated. I further sincerely hope that they will continue to wisely spend their money for themselves, and continue to remember the other railroad employees who in future years will be retired and who will be expecting a pension in their later years.

Mr. WOLVERTON. Mr. Chairman, I yield such time as he may desire to the gentleman from Colorado [Mr. CHENOWETH].

Mr. CHENOWETH. Mr. Chairman, I rise in support of the committee bill, as I believe this bill has the support of the railroad men of this country.

I have the honor of representing a large number of railroad workers who live in my district. Five railroads have division points in my district, located in five cities. I try to keep in touch with the sentiment of these railroad employees. When I was home recently I talked to a number of these workers and I believe I know pretty well what their attitude is on this legislation which we are now considering.

Mr. Chairman, I am very much interested in providing increased benefits for our retired railroad employees and their survivors. I am indeed happy to be a member of the Committee on Interstate and Foreign Commerce that has jurisdiction of this legislation. This legislation is close to my heart. I worked for a railroad in my home town for some time, and I am proud to number some of these railroad men among my very best friends. I am anxious to faithfully represent them in this House, and I have taken special pains to find out just what they are thinking about on these railroad retirement bills.

It is my firm conviction that the railroad employees, not alone of my district in Colorado, but throughout the country, would express themselves as follows if allowed to speak on this floor on this bill:

First. They want an increase in benefits.

Second. They want this increase now.

Third. They are opposed to any increase in taxes.

Fourth. They are opposed to any restriction on earnings.

Fifth. They do not want to be joined with social security.

Mr. Chairman, if each Member of this House wants to find out just what the railroad men in his district are thinking, he should go down to the railroad yards and talk to the workers. Let him visit the yard office, the roundhouse, the rip track, the storehouse, as well as the passenger and freight depots. Let him talk to the train dispatchers, the yard clerks, the switchmen, the train inspectors, the machinists, boilermakers, and all groups, including section hands. If you had that opportunity I feel confident you would find that the overwhelming sentiment would be for the five points I have just mentioned.

We should be thinking about the welfare of the railroad men when we discuss this legislation. They are the ones who have paid in their money over the years, having contributed half of the fund now on hand, the railroad companies having contributed the other half. I fully realize there has been a most unfortunate and bitter controversy between certain railroad groups over this legislation. I regret exceedingly that this is the case. However, let us not become involved in this dispute, but go down to the men themselves and find out what they want.

I have been receiving letters, just as you have, urging me to support H. R. 3669, the original Crosser bill. It is obvious that these letters have been inspired by railroad labor leaders in Washington. I am absolutely convinced that most of the men working for the railroads have no idea what is contained in H. R. 3669, as introduced, and that they are opposed to certain provisions of the same.

In answering these letters requesting my support of the so-called Crosser bill, I have pointed out briefly just what is contained in the bill, and why many railroad organizations are opposed to the same. I always mention the restriction of $50 on the amount any retired railroad worker can earn and still be eligible for a pension under the Railroad Retirement Act. I also mention the fact that under the Crosser bill railroad workers earning more than $300 per month must pay increased taxes.

Without exception, when informed of the work-restriction clause, the railroad employee has indicated his opposition to this provision and has urged me to oppose the same. I wish to quote from the following letter which just reached my desk today and is from a retired railroad worker living in my district:

I am not fully informed on the entire provisions of the Crosser bill as against the Hall substitute, but since my monthly annuity payments are only $86.06 I am definitely against the work clause. It is not possible to live on $136.06 per month under present conditions. Furthermore, I feel the principle involved is all wrong. There are certain fields not necessarily in competition with the labor market where we oldsters may still do our part, and I for one, do not relish the prospect of a mere existence and sitting down while waiting for the end to come.

I have always had the greatest admiration for Congressman BOB CROSSER, but I cannot agree with him on the work clause.

Mr. Chairman, I am confident this retired railroad worker has expressed the attitude of the railroad workers of America. They are unalterably opposed to being told they can earn only $50 a month after retiring. They want to be active as long as their health permits. They have paid for their pension, and Congress has no right to tell them how to live, or what they shall do, after they retire. It is unconscionable that we should even consider such a proposal. I am frankly surprised that such a restriction would have the support of any labor leader, as I am sure it is wholly unacceptable to the rank and file of railroad men in this country.

Mr. Chairman, I want to see our retired railroad employees receive the highest possible payments under the Railroad Retirement Act. The committee bill provides for an immediate increase of 15 percent, and 33⅓ percent to survivors. Personally, I am willing to go even further and vote for larger increases. There is now a balance in the fund of almost $3,000,000,000. I think the fund will stand larger benefits, although I do not want to do anything which would impair the solvency of the fund.

I believe that railroad workers today are paying enough for the benefits they are receiving. Under the present law they will pay more starting next January, when their contribution will be 6¼ percent, to be matched with a similar contribution by the railroad company, or a total payment each month of 12½ percent. This is a pretty substantial payment to make each month. I don't think the men want to pay any more.

I strongly feel that a study should be made as proposed in a pending resolution, which I hope will be passed by this House tomorrow. Under the committee bill we will give immediate increases to pensioners and survivors. The proposed study can be completed by February, and we can then determine if further increases can be put into effect without jeopardizing the fund. This seems to be the logical and sensible approach to this very complicated and highly technical problem. I am disappointed that we have not passed a bill providing for these increased benefits months ago. Our committee has been working diligently since May on this legislation. I proposed at the beginning of the hearings that we should provide immediate increases, and then make a more thorough examination into the whole matter. I regret this was not done. Let us not delay any longer what should have been done 6 months ago.

Mr. WOLVERTON. Mr. Chairman, I yield the balance of the time remaining to me to the gentleman from Illinois [Mr. VURSELL].

Mr. VURSELL. Mr. Chairman, I am glad this bill to increase pensions and annuities for railroad employees and to increase survivors' benefits has finally come before the House for consideration. Frankly I think it should, and could have been brought before the House months ago if the administration's leadership who has the responsibility of programing and directing legislation had expressed and exerted the proper interest in this legislation.

I have realized for the past 2 years that due to the increased cost of living that the retirement benefits should be increased. I introduced a bill in the Eighty-first Congress seeking to increase railroad pensions, annuity, and survivor benefits. The administration showed no interest in the legislation.

At the opening of this Congress, I reintroduced the bill and testified before the committee during the hearings in support of the general principle carried in the bill before us. I mailed copies and an analysis of the bill to a majority of the railroad men in my district and explained the purpose of the legislation was to increase pensions, annuities, and survivor benefits as much as the trust fund would stand and still remain sound.

I urged in my testimony before the committee the necessity of passing legislation at the earliest possible moment because of the hardship being brought about by reason of the constant increase in the cost of living.

The railway workers should know consideration of this legislation has also been delayed because of disagreement on the legislation which developed between the operating groups of railroad employees, and the nonoperating groups.

After 3 weeks of hearings and testimony, a majority of the committee, realizing the extreme need of the railway employees for an increase to meet the high cost of living, reported out the bill which is now before us to increase pensions and annuities by 15 percent and to increase survivor benefits by 33⅓ percent.

Mr. Chairman, the operating crafts and many Members of the Congress are supporting this bill because it will give immediate increases to the railway employees as soon as the bill clears the House, is approved by the Senate, and is signed by the President.

Many members and labor officials fear that unless the compromise bill is passed, that no legislation is likely to result because this session of Congress is speedily coming to a close. That would be a tragic mistake if it should happen.

They feel that the controversial issues raised in the Crosser bill should be further considered by the committee, the Railroad Retirement Board, the Federal Security Administration, and the Bureau of the Budget who are generally opposed to the Crosser bill in its present form, and this committee bring in legislation in the succeeding session that will find the right answers to these controversial issues and then be enacted into the present bill by amendments.

Here are some of the objections to the Crosser bill:

First, it would stop the pension on any retirement benefit of a retired railway employee for any month, or months, he earns over $50 a month after he leaves the service. I am opposed to this provision of the Crosser bill for two reasons. First, the pensioner and the management under the Railway Retirement Act has paid for this pension. It belongs to the railway pensioner and we do not have a right to change the law and take it away from him. To me it is unfair and unthinkable.

Secondly, this provision in the Crosser bill tends to encourage him to continue to work beyond his retirement age which in fact prevents younger men from being promoted, and helps to freeze the older men in their jobs to the disadvantage of the younger men. In fact it makes less jobs, when one of the purposes of the retirement act was to make more jobs for younger men in the service.

Another provision of the Crosser bill would put all men now employed on railroads with less than 10 years' service under social security, yet so long as they held their railroad jobs would have to pay 6 percent of their salary into the railroad retirement fund, while all social-security workers in other lines of employment would have to pay in only 1½ percent of their salary or wages. This seems unfair to me and I think should have more study before such a drastic step is taken.

Mr. Chairman, the Crosser bill would broaden the social security base by raising the taxable earnings from $300 a month to $400 a month which would take $6 a month more out of the wages of all employees who earn $400 a month. This would penalize this group and would work a special injustice on the unmarried man who would be making a forced contribution for a surviving wife when he has none.

A number of other objections have been raised to the very confusing and complex provisions of the Crosser bill which time will not permit me to point out.

MUST KEEP RETIREMENT FUND SOUND

Many railroad men for long years have paid a heavy contribution to their railroad retirement fund relying on it to help tide them over their years of retirement. They do not want this fund weakened and endangered. They want it to remain sound. That is the reason the operating brotherhood officials and the members of the committee at this time, and in this legislation, have held the increase of annuities and pensions down to 15 percent increase and the survivor increase down to about 33⅓-percent increase. They believe we should pass this compromise bill now which will give them this much relief, and hold over these new and controversial matters for further and careful study.

GOVERNMENT EXPERTS OPPOSE CROSSER BILL

F. C. Squire of the Railroad Retirement Board testified as follows:

In my opinion, the bill as amended—

The compromise bill before us—

is much preferred over the original bill—

Meaning the Crosser bill—

which contemplates savings from a partial coordination with social security and contains other defects. The study of accounting called for to be reported in 1956 in my opinion would be too long deferred. Moreover, it provides for increases in benefits far in excess of the most optimistic estimates of savings to be realized through any or all the methods provided for or contemplated in the bill and would have the effect of making the Railroad Retirement System unsound.

Mr. Squire, one of the ablest members of the Railroad Retirement Board, gave a clear explanation, pointing out the many defects of the Crosser bill and in closing his testimony, said:

In conclusion, I should repeat that in my judgment the enactment of the Crosser bill in its original form would gravely endanger the solvency of the railroad retirement system. This was also the opinion of the insurance actuaries who testified at the hearings. Further, he said, "I think the bill as amended (the present bill) goes as far in the way of liberalization as reasonable prudence and safety will permit."

Mr. Chairman, these are statements from F. C. Squire, one of the ablest members of the Railroad Retirement Board, and the opinion in substance of its actuaries. I am not willing to go against their judgment and take a chance on destroying the trust fund to the great loss of the railway employees who have sacrificed from their wages to build it up.

FEDERAL SECURITY AGENCY

Mr. Chairman, the Federal Security Agency which should know more about this type of legislation than probably any other agency of Government testified before the committee in detail and at great length in opposition to the Crosser bill. I will quote only a few lines of the testimony given by its representative, John L. Thurston, Acting Administrator. In discussing the social-security proposal in the Crosser bill, he said:

The provisions of the Crosser bill which govern the coordination payments by the two programs are inconsistent and difficult to understand and to explain. It is difficult to justify the inconsistency of these provisions on any basis other than a historical one, and almost impossible to secure a clear understanding among the noncareer railroad workers and their families as to what program they should look to for benefits, or what protection they are actually afforded.

Mr. Chairman, again in his testimony, Mr. Thurston said:

We do not believe that the basis provided in the bill for the financial arrangements with the old-age and survivors insurance program is a sound one.

Further he testified:

It would appear that the coordination provisions of the bill would be cumbersome and expensive from an administration standpoint as a result of the increases in record keeping, transfers of records, and interagency clearances which would be involved.

Mr. Chairman, it appears that the railroad employee when mixed up in this red tape bureaucracy under the Crosser bill could never be sure of his status, and would never know what he had coming, when, or from what agency of Government. It is an unfair position to put the railroad men in when it is so unnecessary.

In closing his testimony on behalf of the Federal Security Agency, Mr. Thurston said:

The Federal Security Agency cannot recommend the enactment of the Crosser bill.

BUREAU OF THE BUDGET

Mr. Chairman, the Bureau of the Budget, when asked for a report on the Crosser bill, pointed out many defects in the bill, and in its analysis at one point said:

An increase of $1,500,000,000 unfunded liability of the railroad retirement fund would result under the bill largely for credits to be given to older workers for their service prior to the establishment of the system, which presents a serious financial problem.

And again the Bureau of the Budget reports that—

The estimates of the Railroad Retirement Board show that in the absence of additional financing under the Crosser bill the trust fund would be completely exhausted in 50 years.

Mr. Chairman, now I want to quote briefly from the greatest authority in the United States who was the father of the Railroad Retirement Act, former Chairman of the Railroad Retirement Board, and who has helped to work out pension-retirement funds for the biggest organizations in America during the past 25 years of his constant study of this subject, Mr. Murray W. Latimer, who testified in opposition to the provisions of the original Crosser bill at the hearings recently held by the Interstate and Foreign Commerce Committee. The printed hearings contain page upon page of his testimony. However, I will quote in substance, for brevity, just a few of his remarks.

Mr. Latimer at one point in opening his testimony before the committee said in substance, "I think there are ways to deal with this problem. Those ways are not in the bill"—the original Crosser bill—"to which I want particularly to address myself financially and otherwise."

Further discussing the original Crosser bill he said:

There were 3 basic principles included in the Railroad Retirement System. The first was, there was to be no forfeiture to the right of an old age annuity on which a tax had been paid. The Railroad Retirement Act said they would pay him an annuity when he became 65 and left his employment. I had assumed that that was a pledge of the Government of the United States which was to be kept.

Referring to the original Crosser bill, he said:

This bill proposes to repudiate that pledge.

He also said:

Now I have a number of objections to the original Crosser bill.

First. It would result in a tax levy on the vast majority of railroad workers from now on in perpetuity and in return for which it is not proposed to give equivalent value.

Second. It would produce a forfeiture of annuity rights for millions of former railroad workers with no adequate offsetting value and frequently no offsetting value at all.

Third. It would have the effect of reducing some annuities immediately and many others within the next 2 or 3 years. This is far from a bill to increase annuities.

Fourth. It would introduce inequities on a staggering scale and that also in perpetuity.

Mr. Latimer said:

This bill is not going to help labor relations and it is going to make labor relations worse and I think I have a right after 25 years in this field to say so.

Summing up, he said:

I do not think that I have ever seen another legislative proposal by a serious group of people who advocated plain, outright, point-blank repudiation of Government obligations. That is exactly what this bill does.

Mr. Chairman, when one reads the testimony given before the committee and observes that the ablest men in Government and elsewhere who testified are practically unanimous in their opposition to the original Crosser bill and that practically all of them favor the bill before us, I think we must come to the conclusion that the best service we can render at the present time to the millions of fine railroad employees is to pass the committee bill, try to rush it through the Congress and to the President as quickly as possible before this session of Congress recesses.

This bill will increase annuities, pensions, and survivor benefits now, as much as competent experts think the trust fund will stand. They need this relief now. We should pass this legislation today and put the increases into immediate effect.

The CHAIRMAN. All time has expired.

Mr. CROSSER. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DAVIS of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, had come to no resolution thereon.

RAILROAD RETIREMENT BILL

Mr. VURSELL. Mr. Speaker, I ask unanimous consent to address the House for 1 minute and to revise and extend my remarks.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

Mr. VURSELL. Mr. Speaker, I want to express my keen disappointment in the fact that by agreement the leadership of the House has put off the vote on the railroad retirement bill until October 16. I think we should have continued with the consideration of this legislation. We could have completed it this week or by the close of Monday next, and would have hastened the relief to many men and women who would benefit by our action in increasing railroad retirement payments. I think it is most unfortunate

that we have not passed the bill before now.

Mr. Speaker, I declare I cannot understand this action. I feel sure that at the close of the debate on the bill yesterday a majority of the Members were ready to vote on the measure. Certainly with 3 hours further debate which could have been had Saturday or Monday next, we could and should have approved the bill and sent it to the Senate.

I repeat what I said on the floor over a week ago, if this legislation is to be continually delayed, no legislation will be passed before the Congress adjourns. Mr. Speaker, we cannot afford to let this happen. The railway employees must have an increase in their retirement benefits to help meet the increased cost of living.

AMENDMENT TO RAILROAD RETIREMENT ACT AND THE RAILROAD RETIREMENT TAX ACT

The SPEAKER. The gentleman from Ohio [Mr. CROSSER] is recognized.

Mr. CROSSER. Mr. Speaker, I move that the House resolve itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

The motion was agreed to.

Accordingly the House resolved itself into the Committee of the Whole House on the State of the Union for the further consideration of the bill H. R. 3669, with Mr. DAVIS of Tennessee in the chair.

The Clerk read the title of the bill.

The CHAIRMAN. General debate having been concluded, the Clerk will read the bill for amendment.

The Clerk read as follows:

Be it enacted, etc., That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase "one hundred twenty-six" for the phrase "fifty-four" and by adding after subsection (p) thereof a new subsection as follows:

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended,' shall mean the Social Security Act as amended in 1950."

SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after "enactment date," the following: "and shall have completed 10 years of service,"; by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase "regular employment" and striking out all of that sentence following that phrase; and by striking out the next to the last sentence of such subsection (a).

SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "60 days" the phrase "6 months."

SEC. 4. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence "(i)" after "individual" and by changing the period at the end of the first sentence to a comma and inserting after the comma the following: "or (ii) is receiving an annuity under paragraph 1, 2, or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age 65, is under the age of 75, and shall earn more than $50 in 'wages' or be charged with more than $50 in 'net earnings from self-employment,' or (iii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of 65, and shall earn more than $100 in 'wages' or be charged with more than $100 in 'net earnings from self-employment.'"

SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"(e) For the purpose of this section and of subsection (i) of section 5, 'wages' shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and 'net earnings from self-employment' shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (e) of that act.

"*(f) SPOUSE'S ANNUITY:* The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or, in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $50: *Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual has been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this subsection shall be only in the amount by which such spouse's monthly insurance benefit under said act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that act but for said subsection (k).

"(g) For the purposes of this act, the term 'spouse' shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than 3 years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"(h) The spouse's annuity provided in subsection (f) shall, with respect to any month, be subject to the same provisions of subsection (d) with regard to service, 'wages' and 'net earnings from self-employment' as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this act."

SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing "2.40" to "2.80", "1.80" to "2.00", and "1.20" to "1.40"; and by striking out the phase "next $150" and substituting for said phrase the following: "remainder of his 'monthly compensation'."

SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by substituting (in each instance in the parenthetic phrase of paragraph (1)) "his 'monthly compensation'" for "$300"; by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension."

SEC. 8. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the last sentence thereof after "$300" the following: "through the calendar year 1951, and in excess of $400 thereafter,".

SEC. 9. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "and not less than 5 years of service"; by changing the phrase "subsection 2 (a) (3)" to "sections 2 (a) 3 or 3 (b) (4)"; by changing "$3.60" to "$4.10", and "$60" to "$68", and by changing the period at the end of the subsection to a colon and inserting after the colon the following: "*Provided, however,* That if for any entire month in which an annuity accrues and is payable under this act the annuity to which an employee is entitled under this act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsection (f) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that act and quarters of coverage were determined in accordance with section 5 (1) (4) of this act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount."

SEC. 10. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

SEC. 11. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

SEC. 12. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "and Widower's" after "Widow's"; by inserting "or widower" after "widow"; by inserting "or his" after "her", by inserting "or he" after "she"; and by substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor's insurance annuity, the widow's or widower's annuity shall be increased to such greater amount."

SEC. 13. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor's insurance annuity, the widow's current insurance annuity shall be increased to such greater amount."

SEC. 14. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "an annuity for each month equal to one-half of the employee's basic amount" the

following: "a survivor's insurance annuity: *Provided, however,* That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii) one-third of a survivor's insurance annuity divided by the number of such children."

SEC. 15. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", no widower," after "widow"; and by substituting for the phrase "an annuity for each month equal to one-half of the employee's basic amount" the phrase "a survivor's insurance annuity."

SEC. 16. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all after the phrase "whose death" and substituting the following: "the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one of such employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees."

SEC. 17. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" where this word first appears; by substituting in the first sentence "twelve times the survivor's insurance annuity" for "eight times the employee's basic amount"; by inserting after the first sentence thereof the following: "Upon the death, on or after the first day of the month next following the month of enactment hereof, of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the order provided in this paragraph."; by inserting before "would" in the fourth sentence thereof the following: "of twelve times the survivor's insurance annuity", by inserting in that sentence "widower," after the word "widow," wherever it appears, and by substituting in that sentence the phrase "eight times the survivor's insurance annuity" for the phrase "such lump sum" wherever it appears.

SEC. 18. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" wherever this word appears; by inserting "or her" after the words "his" and "him" wherever these words appear, by inserting after "$300" the following: "through the calendar year 1951 and $400 thereafter"; by inserting immediately before ", or to other" in the first sentence the following: ", and to others deriving from him or her, during his or her life,"; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: "except that the deductions of the benefits paid pursuant to subsection (k) of this section, under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in 'employment' pursuant to said subsection (k)."

SEC. 19. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity."

SEC. 20. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and minimum annuity totals. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to subsection (g) (2) and after any deductions under subsection (i), is more than $40 and exceeds an amount equal to 2⅔ times a survivor's insurance annuity, such total of annuities shall, subject to the provisos in subsection (e) of section 3 and in subsections (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deductions under subsection (i), be increased proportionately to $20."

SEC. 21. (a) Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subdivision (ii) of paragraph (1) and inserting in lieu thereof the following:

"(ii) is under the age of 75 and will have earned more than $50 in 'wages' or will have been charged with more than $50 in 'net earnings from self-employment'; or."

(b) Such subsection (i) is further amended by striking out subdivision (iii) thereof and by redesignating subdivision (iv) as subdivision (iii).

SEC. 22. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 23. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said paragraph after the word "act" where it first appears the following: "to an employee who will have completed less than 10 years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed 10 years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" the following: "and for the purposes of section 203 of that act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this act shall be deemed to have been performed within the United States."

(b) Paragraph (2) of the said subsection (k) is amended by changing "1950" to "1956"; by inserting after the word "awards" where it first appears the following: "and in administering the proviso in section 3 (e) of this act"; by substituting "Federal Security Administrator" for "Social Security Board"; and by striking out from said paragraph (2) all after the phrase "such legislative changes as" and substituting the following: "would be necessary to place the Federal Old Age and Survivors Insurance Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act."

"SEC. 24. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "'widower'," after "'widow'," where this word first appears; by substituting "216 (c), (e), and (g)" for "209 (j) and (k)"; and by substituting "202 (h)" for "202 (f)".

(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began. For the purposes of subsections (b) and (i) (1) (iii) of this section, the term 'widow' shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (C) was married to him at the time both of them legally adopted a child under the age of eighteen; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;". (3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase "such death" the following: "by other than a step parent, grand parent, aunt or uncle"; by substituting in subdivision (iii) for the phrase "shall have been wholly dependent upon and supported at the time of his death by" the phrase "shall have received at least one-half of his support from"; by changing the semicolon after the phrase "is claimed" in said subdivision (iii) to a period and striking out the portion of the sentence following that phrase.

(4) Paragraph (1) of the said subsection (l) is further amended by substituting for all the matter which follows subdivision (iii) the following: "A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A 'child' shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (g) of section 3 whether an applicant is the wife, husband, widow, widower, child or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;".

(b) Paragraph (4) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: "If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially-insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made."

(c) Paragraph (6) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking "(a)" after "209" and by inserting after the word "act", the following: ", and, in addition (i) 'self-employment income' as defined in section 211 (b) of that act and (ii) wages deemed to have been paid under section 217 (a) of that act on account of military service which is not creditable under section 4 of this act."

(d) Paragraph (7) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word "had" the phrase "completed 10 years of service and will have"; and by inserting in the parenthetical phrase in subdivision (i), after the word "quarter" the following: "which is not a quarter of coverage and."

(e) Paragraph (8) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(8) An employee will have been 'partially insured' at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed 10 years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs."

(f) Paragraph (9) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month through 1951, and any excess over $400 for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:"; by inserting in the second proviso after the word "quarter" the following: "which is not a quarter of coverage and"; and by changing the period at the end of said proviso to a colon and adding the following: "*And provided further*, That if the exclusion from the divisor of all quarters after the first quarter in which the employee was completely insured and had attained the age of 65 and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded."

(g) Paragraph (10) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the phrase "'survivor's insurance annuity'" for the phrase "'basic amount'" wherever this phrase appears; by substituting in subdivisions (i) and (ii) of said paragraph "$100" for "$75"; by substituting for "$250" in subdivision (i) the following: "$400 if wages are not included in the average monthly remuneration, or $300 if wages are included"; and by striking out from subdivision (i) all the language after the phrase "plus (C)", up to and including the phrase "or more", and by substituting for said language the following: "$1 for each of his years of service after 1936"; by substituting in said subdivision (i) "$20" for "$10" wherever the latter figures appear; by substituting in subdivision (ii) of said paragraph the phrase "the survivor's insurance annuity" for the phrases "the amount computed under this subdivision" and "such amount"; by substituting "$35" for "$33.33", and for "$25" and substituting "$15" for "$13.33" and "$300" for "$250", and by striking out the phrase "four-thirds of."

SEC. 25. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out "subsection (b) of."

AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

SEC. 26. Sections 1500, 1501 (a), 1510, and 1520 of the Railroad Retirement Tax Act are amended, effective with respect to compensation paid after December 31, 1951, by substituting for the figures "$300", wherever they appear in said sections, the figures "$400."

EFFECTIVE DATES

SEC. 27. (a) Except as otherwise specifically provided the amendments made by this act shall take effect with respect to benefits accruing under the Railroad Retirement Act and the Social Security Act after the last day of the month in which this act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however*, That in the recomputation pursuant to this act of retirement and survivor annuities heretofore awarded, the monthly compensation and average monthly remuneration shall not be recomputed but shall be increased to the next highest multiple of $1.

(b) The amendments made by sections 3 and 22 of this act and the elimination of the language in section 3 (a) (4) of the Railroad Retirement Act shall apply to benefits awarded in whole or in part after the enactment of this act.

(c) The amendments made by sections 4 and 21 with respect to "wages" and "net earnings from self-employment" shall not apply to "wages" from service, or to "net earnings from self-employment" in which an individual (other than a disability annuitant under the age of 65) in receipt of an annuity on the enactment date hereof was engaged on such date without forfeiting the annuity.

(d) The amendments made by sections 17 and 18 of this act shall take effect with respect to deaths occurring after the enactment of this act.

(e) With respect to retirement and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this act to, and with respect to the death of, individuals who have completed less than 10 years of service, and with respect to spouses of such individuals during such individuals' lifetime, the amendments made by this act shall apply in the same manner as to, and with respect to the death of, individuals who have completed 10 years of service.

(f) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

(g) All pensions due in months following the first calendar month after the enactment hereof, shall be increased by 15 percent.

(h) The increase in retirement annuities provided by this act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" shall include the wife or husband of an employee who has been awarded an annuity under that act. The provisions of this act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.

(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, Seventy-ninth Congress, shall, subject to the provisions of this act, be one-half the annuity such employee would have received had the annuity been awarded at age 65.

(j) All recertifications required by reason of the provisions of this act other than section 10 shall be made without application therefor. Recomputations pursuant to sections 9 and 10 of this act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.

With the following committee amendment:

Strike out all after the enacting clause and insert in lieu thereof the following: "That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (p) thereof a new subsection reading as follows:

"'(q) The terms "Social Security Act" and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

"SEC. 2. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing '2.40' to '2.76', '1.80' to '2.07', and '1.20' to '1.38.'

"SEC. 3. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing the phrase 'subsection 2 (a) (3)' to 'section 2 (a) 3', and by changing '$3.60' to '$4.14' and '$60' to '$69.'

"SEC. 4. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'three-fourths of.'

"SEC. 5. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'three-fourths of.'

"SEC. 6. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'equal to one-half' the phrase 'equal to two-thirds.'

"SEC. 7. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'equal to one-half' the phrase 'equal to two-thirds.'

"SEC. 8. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'eight times the employee's basic

amount' the phrase 'ten times the employee's basic amount.'

"SEC. 9. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(h) Maximum and minimum annuity totals: Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14.'

"EFFECTIVE DATES

"SEC. 10. (a) Except as otherwise specifically provided, the amendments made by this act shall take effect with respect to benefits accruing under the Railroad Retirement Act after the last day of the month in which this act is enacted, irrespective of when the service occurred or compensation was earned.

"(b) The amendments made by sections 4, 5, 6, 7, 8, and 9 of this act shall take effect with respect to deaths occurring after the enactment of this act.

"(c) All retirement annuities, all pensions, and all joint and survivor annuities deriving from joint and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this act and due in months following the first calendar month after the enactment of this act, shall be increased by 15 percent.

"(d) All monthly survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this act and due in months following the first calendar month after the enactment of this act, shall be increased by 33⅓ percent.

"(e) All recertifications required by reason of the provisions of this act shall be made without application therefor."

Mr. ROGERS of Florida. Mr. Chairman, I rise in favor of the committee amendment.

Mr. Chairman, I want to preface my remarks by saying that this is a most important bill. It deals with the first retirement system set up by the railroad industry. I want to call your attention to this fact, that the Railroad Retirement Act was first legislated upon in 1934. It was held unconstitutional by the Supreme Court of the United States. They then came in and passed an act in 1935 and that was also held to be partially unconstitutional, whereupon they got together by agreement in which they did write a Railroad Retirement Act which was not contested but which the railroad management and the railroad brotherhoods agreed upon, and that has been in operation since that time.

Now this is an act that was passed upon and based upon an agreement between the parties, and what the committee desires to do is to bring about an agreement among the various railroad brotherhoods and the various boards that have to administer it. Now let us see. Your committee had lengthy hearings on this bill. We did not come to an agreement because of the fact that the railroad brotherhoods themselves had no agreement. The Social Security Board was not in agreement. The Bureau of the Budget was not in agreement and the Railroad Retirement Board was not in agreement. There was a split everywhere. We recognized the fact that there was some need for an increase of benefits to annuitants and pensioners and also to survivors, and therefore your committee, by a vote of 18 out of a membership, I believe, of 30, recommended for the time being, in order that these railroad employees and pensioners and annuitants might get some relief which they need now, an across-the-board increase of 15 percent to annuitants and 33⅓ percent to the survivors, until we could have a further study, a study that was recommended, as I say to the membership of this House, by the Bureau of the Budget, one member of the Railroad Retirement Board, and also the Security Administration, which is the Social Security Board.

We are proposing here what I think will meet the situation and take care of those who need it until the people who are supposed to know something about it can come in and agree. We ought to send it back to them and say, "Get together." That is what President Roosevelt told them in 1934 when it was held unconstitutional. He said, "If you people do not get together, management and railroad brotherhoods, you are not going to get anything." I think today, if this thing was contested, it could still be held unconstitutional. We only ask this House to provide some relief until we can have a study. Now who can object to that? It will not be long. We will come back here on January 3, and if we can get the various boards together and get their cooperation with the committee, then we can study it and bring in a bill, and I will say that the railroad brotherhoods can get together and agree on it, and management can get together and agree on it. As a matter of fact, management has very little to say for the reason that this is an extra tax that is imposed upon them. The railroads will not bear it, but you will bear it by an increase in freight rates and passenger fares. That is what will happen. I understand that in the increase that was granted to the railroads a few days ago ICC took into consideration the fact that there was an increase in the tax that the railroads had to pay. So, do not base it on the fact that it is the railroads that are being hurt, but it is the common man that will have to pay in increased freight rates and passenger fares for the railroads will pass it on.

Mr. CROSSER. Mr. Chairman, I offer a substitute for the committee amendment.

The Clerk read as follows:

Substitute offered by Mr. CROSSER for the committee amendment: Strike out all after the enacting clause and substitute the following: "That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase '126' for the phrase '54' and by adding after subsection (p) thereof a new subsection as follows:

"'(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1950.'

"SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after 'enactment date,' the following: 'and shall have completed 10 years of service,'; by inserting in the first sentence of paragraph 5 of said subsection, a period after the phrase 'regular employment' and striking out all of that sentence following that phrase; and by striking out the next to the last sentence of such subsection (a).

"SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase '60 days,' the phrase '6 months.'

"SEC. 4. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(d) No annuity shall be paid with respect to any month in which an individual (i) is receiving an annuity under paragraph 1, 2, or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age 65, is under the age of 75, and shall earn more than $50 in "compensation" or "wages" or both, or be charged with more than $50 in "net earnings from self-employment", or (ii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of sixty-five, and shall earn more than $100 in "compensation" or "wages" or both, or be charged with more than $100 in "net earnings from self-employment." Individuals in receipt of annuities shall report to the Board immediately all such compensation, wages, and earnings.'

"SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"'(e) For the purpose of this section and of subsection (i) (1) (i) of section 5, "wages" shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and "net earnings from self-employment" shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (e) of that act.

"'(f) Spouse's annuity: The spouse of an individual, if—

"'(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"'(ii) such spouse has attained the age of 65 or, in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $50: *Provided, however*, That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further*, That if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further*, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit

reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that act but for said subsection (k).

"'(g) For the purposes of this act, the term "spouse" shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than 3 years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband, or such wife or husband and such annuitant or pensioner were not members of the same household and the separation was due to or procured by the annuitant or pensioner without the fault of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"'(h) The spouse's annuity provided in subsection (f) shall, with respect to any month, be subject to the same provisions of subsection (d) with regard to "compensation," "wages," and "net earnings from self-employment" as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii) in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this act.'

"SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing '2.40' to '2.80', '1.80' to '2.00', and '1.20' to '1.40'; and by striking out the phrase 'next $150' and substituting for said phrase the following: 'remainder of his "monthly compensation".'

"SEC. 7 Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by substituting (in each instance in the parenthetic phrase of paragraph (1) 'his "monthly compensation"' for '$300'; by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"'The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old-age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension (as reduced pursuant to clause (i) or clause (ii) of this paragraph): *Provided, however*, That in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.'

"SEC. 8. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the last sentence thereof after '$300' the following: 'through the calendar year 1951, and in excess of $400 thereafter.'

"SEC. 9. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'and not less than five years of service'; by changing the phrase 'subsection 2 (a) (3)' to 'section 2 (a) 3 or the last paragraph of section 3 (b)'; by changing '$3.60' to '$4.10', and '$60' to '$68', and by changing the period at the end of the subsection to a colon and inserting after the colon the following '*Provided, however*, That if for any entire month in which an annuity accrues and is payable under this act the annuity to which an employee is entitled under this act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and concurrently insured, respectively, and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that act and quarters of coverage were determined in accordance with section 5 (l) (4) of this act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.'

"SEC. 10. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof and by redesignating subsection (j) thereof as su section (h).

"SEC. 11. Subsection (k) of section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'sixty days' the phrase 'six months.'

"SEC. 12. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting 'and Widower's' after 'Widow's'; by inserting 'or widower' after 'widow'; by inserting 'or his' after 'her,' by inserting 'or he' after 'she'; and by substituting for the phrase 'an annuity for each month equal to three-fourths of the employee's basic amount' the following: 'a survivor's insurance annuity: *Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor's insurance annuity, the widow's or widower's annuity shall be increased to such greater amount.'

"SEC. 13. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'an annuity for each month equal to three-fourths of the employee's basic amount' the following: 'a survivor's insurance annuity: *Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (f) of section 2 in an amount greater than the survivor's insurance annuity, the widow's current insurance annuity shall be increased to such greater amount.'

"SEC. 14. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'an annuity for each month equal to one-half of the employee's basic amount' the following: 'a survivor's insurance annuity: *Provided, however*, That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii) one-third of a survivor's insurance annuity divided by the number of such children.'

"SEC. 15. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ', no widower,' after 'widow'; and by substituting for the phrase 'an annuity for each month equal to one-half of the employee's basic amount' the phrase 'a survivor's insurance annuity'.

"SEC. 16. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all after the phrase 'whose death' and substituting the following: 'the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one of such employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees.'

"SEC. 17. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ', widower' after the word 'widow' where this word first appears; by substituting in the first sentence 'twelve times the survivor's insurance annuity' for 'eight times the employee's basic amount'; by inserting after the first sentence thereof the following: 'Upon the death, on or after the date of enactment hereof, of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the order provided in this paragraph.'; by inserting before 'would' in the fourth sentence thereof the following: 'of twelve times the survivor's insurance annuity', by inserting in that sentence 'widower,' after the word 'widow,' wherever it appears, and by substituting in that sentence the phrase 'eight times the survivor's insurance annuity' for the phrase 'such lump sum' wherever it appears.

"SEC. 18. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ', widower,' after the word 'widow' wherever this word appears; by inserting 'or her' after the words 'his' and 'him' wherever these words appear, by inserting after '$300' the following: 'through the calendar year 1951 and $400 thereafter'; by inserting immediately before ', or to others' in the first sentence the following: ', and to others deriving from him or her, during his or her life,'; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: 'except that the deductions of the benefits paid pursuant to subsection (k) of this section under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as

are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k).'

"SEC. 19. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

"'(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph.'

"SEC. 20. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(n) Maximum and minimum annuity totals: Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to subsection (g) (2) and after any deductions under subsection (i), is more than $40 and exceeds an amount equal to two and two-thirds times a survivor's insurance annuity, such total of annuities shall, subject to the provisos in subsection (e) of section 3 and in subsection (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deduction under subsection (i), be increased proportionately to $20.'

"SEC. 21. Subdivisions (i), (ii), (iii), and (iv) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, are amended to read as follows:

"'(i) is under the age of 75 and will have earned more than $50 in "compensation" or "years" or both, or will have been charged with more than $50 in "net earnings from self-employment"; or

"'(ii) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);'.

"SEC. 22. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase 'the month in which' (including the proviso), and substituting the following: 'eligibility therefore was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed.'

"SEC. 23. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting '(i)' after the word 'determining' and by inserting in said paragraph after the word 'Act' where it first appears the following: 'to an employee who will have completed less than 10 years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed 10 years of service'; by striking in said paragraph after '1947,' the following: 'to a widow, parent, or surviving child,'; by inserting before the word 'occurring' the phrase 'of such an employee'; by inserting after the phrase 'such date' the following: ', and for the purposes of section 203 of that act'; by substituting in said paragraph '210 (a) (10)' for '209 (b) (9)'; and by inserting at the end of such paragraph (1) the following sentence: 'In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this act shall be deemed to have been performed within the United States.'

"(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"'(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed "Trust Fund") in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, have been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"'(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed "retirement account") to the trust fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"'(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the trust fund would place such trust fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the trust fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the trust fund, the Board shall, within 10 days after the determination, certify such amount to the Secretary of the Treasury for transfer from the retirement account to the trust fund; if such amount is to be subtracted from the trust fund, the Administrator shall, within 10 days after the determination, certify such amount to the Secretary of the Treasury for transfer from the trust fund to the retirement account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the retirement account from the trust fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"'(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate.

"'(E) The Secretary of the Treasury is authorized and directed to transfer to the trust fund from the retirement account or to the retirement account from the trust fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the retirement account or from the trust fund.'

"SEC. 24. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting '"widower",' after '"widow",' where this word first appears; by substituting '216 (c), (e), and (g)' for '209 (j) and (k)', and by substituting '202 (h)' for '202 (f).'

"(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"'(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death, or he or she shall not have been so living with the employee and the separation shall have been due to or procured by the employee without the fault of the employee's death, or he or she shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began. For the purposes of subsections (b) and (i) (1) (ii) of this section, the term "widow" shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of 18, or (C) was married to him at the time both of them legally adopted a child under the age of 18; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;'.

"(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase 'such death' the following: 'by other than a stepparent, grandparent, aunt, or uncle'; by substituting in subdivision (iii) for the phrase 'shall have been wholly dependent upon and supported at the time of his death by' the phrase 'shall have received at least one-half of his support from'; and by changing the semicolon after

the phrase 'is claimed' in said subdivision (iii) to a period and striking out the portion of the sentence following that phrase.

"(4) Paragraph (1) of the said subsection (1) is further amended by substituting for all the matter which follows subdivision (iii) the following: 'A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (g) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;'.

"(b) Paragraph (4) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: 'If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made.'

"(c) Paragraph (6) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking '(a)' after '209' and by inserting after the word 'act', the following: ', and, in addition (i) "self-employment income" as defined in section 211 (b) of that act and (ii) wages deemed to have been paid under section 217 (a) of that act on account of military service which is not creditable under section 4 of this act',

"(d) Paragraph (7) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word 'had' the phrase 'completed 10 years of service and will have', and by inserting in the parenthetical phrase in subdivision (i), after the word 'quarter' the following: 'which is not a quarter of coverage and'.

"(e) Paragraph (8) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(8) An employee will have been "partially insured" at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed 10 years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs.'

"(f) Paragraph (9) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"'(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month through 1951, and any excess over $400 for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:'; by inserting in the second proviso after the word 'quarter' the following: 'which is not a quarter of coverage and'; and by changing the period at the end of said proviso to a colon and adding the following: '*And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of 65 and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation, and wages shall be so excluded.'

"(g) Paragraph (10) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the phrase '"survivor's insurance annuity"' for the phrase '"basic amount"' wherever this phrase appears; by substituting in subdivisions (i) and (ii) of said paragraph '$100' for '$75'; by substituting for '$250' in subdivision (i) the following: '$400 if wages are not included in the average monthly remuneration, or $300 if wages are included'; and by striking out from subdivision (i) all the language after the phrase 'plus (C)', up to and including the phrase 'or more', and by substituting for said language the following: '$1 for each of his years of service after 1936'; by substituting in said subdivision (i) '$20' for '$10' wherever the latter figures appear; by substituting in subdivision (ii) of said paragraph the phrase 'the survivor's insurance annuity' for the phrases 'the amount computed under this subdivision' and 'such amount'; by substituting '$35' for '$33.33' and for '$25' and substituting '$15' for '$13.33' and '$300' for '$250', and by striking out the phrase 'four-thirds of'.

"SEC. 25. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out 'subsection (b) of'.

"AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

"SEC. 26. Sections 1500, 1501 (a), 1510, and 1520 of the Railroad Retirement Tax Act are amended, effective with respect to compensation paid after December 31, 1951, for services rendered after such date, by substituting for the figures '$300', wherever they appear in said sections, the figures '$400'.

"EFFECTIVE DATES

"SEC. 27. (a) Except as otherwise specifically provided the amendments made by this act shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however*, That in the recomputation pursuant to this act of retirement and survivor annuities heretofore awarded, the monthly compensation and average monthly remuneration shall not be recomputed but shall be increased to the next highest multiple of one dollar.

"(b) The amendments made by sections 3, 11, and 22 of this act shall apply to benefits awarded in whole or in part on or after the date of enactment of this act.

"(c) The amendments made by sections 4 and 21 with respect to 'wages' and 'net earnings from self-employment' shall not apply to 'wages' from service, or to 'net earnings from self-employment' in which an individual (other than a disability annuitant under the age of 65) in receipt of an annuity on the date of enactment hereof was engaged on such date without forfeiting the annuity.

"(d) The amendments made by sections 17 and 18 of this act shall take effect with respect to deaths occurring on or after the date of enactment of this act.

"(e) With respect to retirement and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the date of enactment of this act to, and with respect to the death of, individuals who have completed less than 10 years of service, and with respect to spouses of such individuals during such individuals' lifetime, the amendments made by this act shall apply in the same manner as to, and with respect to the death of, individuals who have completed 10 years of service. Where the parent of a deceased employee has, prior to the date of enactment of this act, been awarded a survivor annuity under the Railroad Retirement Acts which is currently payable, the entitlement of such parent to a survivor's insurance annuity in accordance with the amendments made by this act shall be determined without regard to whether or not such employee died leaving a widower or a child.

"(f) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

"(g) All pensions due in months following the first calendar month after the enactment hereof, shall be increased by 15 percent.

"(h) The increase in retirement annuities provided by this act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term 'spouse' shall include the wife or husband of an employee who has been awarded an annuity under that act. The provisions of this act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.

"(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, Seventy-ninth Congress, hall, subject to the provisions of this act, be one-half the annuity such employee would have received had the annuity been awarded at age 65.

"(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this act other than section 10 shall be made without application therefor. Recertifications pursuant to section 10 of this act shall be made only upon application therefor in such manner and form, and filed within such time, as the Railroad Retirement Board may prescribe."

Mr. HARRIS (interrupting the reading of the amendment). Mr. Chairman, this is obviously a copy of the original bill, H. R. 3669, which was introduced by the distinguished gentleman from Ohio, chairman of our committee. It contains 24 pages, and it is all highly technical language.

Mr. CROSSER. Mr. Chairman, I want to correct one statement that the

gentleman makes, and that is that this bill is very much different from the other bill.

Mr. HARRIS. I accept the gentleman's explanation, if that is the case, of course. I have not had a chance to read it.

Mr. CROSSER. This contains a number of amendments, which were not in the original bill.

Mr. HARRIS. In view of that situation, Mr. Chairman, and in order that we might make some progress on it since many of us are quite familiar with this, I wonder if it might not be in order to ask unanimous consent that the substitute amendment be considered as read, and printed in the RECORD at this point so that the gentleman from Ohio [Mr. CROSSER], our chairman, may proceed to explain the changes in the provisions of the bill. I would make that request if it is agreeable to our chairman.

Mr. CROSSER. I think the Clerk should read more of the amendment.

Mr. HARRIS. Mr. Chairman, in deference to my chairman's wishes, I will, of course, not submit the request.

(The Clerk continued the reading of the amendment.)

Mr. ALBERT (interrupting the reading of the substitute). Mr. Chairman, I make the point of order a quorum is not present.

The CHAIRMAN. The Chair will count. [After counting.] One hundred and twenty-two Members are present, a quorum.

The Clerk continued the reading of the substitute.

Mr. HINSHAW (interrupting the reading of the substitute). Mr. Chairman, I ask unanimous consent that the further reading of the substitute amendment be dispensed with.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

Mr. O'HARA. I object, Mr. Chairman.

The Clerk continued the reading of the substitute.

The Clerk concluded the reading of the amendment.

The CHAIRMAN. The gentleman from Ohio [Mr. CROSSER] is recognized in support of his amendment.

Mr. HALE. Mr. Chairman, will the gentleman yield for a unanimous-consent request?

Mr. CROSSER. I yield.

Mr. HALE. Mr. Chairman, I ask unanimous consent that the amendment be rereported because I found it extremely difficult to follow the first reading.

Mr. KLEIN and Mr. PERKINS objected.

Mr. CROSSER. Mr. Chairman, it is almost impossible and very difficult to discuss the question before the House with the sort of good patience that I like to have on all occasions. At one time or another, there have been many things that have been rather exasperating in my experience with this legislation. After all, however, according to the conceptions some have in regard to proper procedure, we must expect such experiences.

Mr. Chairman, I think everyone who has given this matter his or her attention realizes that if we can do so, we should provide benefits to the greatest extent possible in order to meet the difficult situation confronting the great rank and file of railroad workers of the United States at the present time and I assure you that H. R. 3669 as originally introduced represents an earned effort to provide such benefits. The measure which has just been presented to you is the result of work not only by the best special experts who were available, but also by the expert railroad labor men themselves, and by Members of Congress whose hearts were in the cause. These persons spent at least 10 months struggling earnestly to secure the very best bill that could be obtained without jeopardizing the financial stability of the retirement system, and at the same time bring reasonable relief to the rank and file of the railroad workers of the United States. I can say with every assurance, that that is what we have done. The course pursued by those frantically engaged in trying to discredit persons participating in the preparation or advocacy of the original H. R. 3669, when they say: "Let us go straight across the board with a proposal to increase benefits by say, 10 percent, 12 percent, or something like 15 percent and in that way save the trouble of thinking." I say that that is all rubbish. This measure required the very best thought of the experts employed by the railway-labor people, the officials of the Railroad Retirement Board, some of the railway-labor officials themselves, as well as some of the Members of Congress. They have been a source of great help to us because of the fact that they could give us information that nobody else could give us. The Railroad Retirement Board has earnestly approved this legislation by a vote of 2 to 1 all the way through.

You understand, of course, how the members of the Railroad Retirement Board are appointed. The original law required, as does the present law, that the President appoint one member on the recommendation of the railroad industry; one member on the recommendation of the railway labor workers; and one of his own choosing from the public at large. All through this controversy—and I have checked it so that there will be no mistake about it—the Railroad Labor Board, 2 to 1, has been strongly in favor of the measure, H. R. 3669, as originally introduced by me.

I have no quarrel with the member recommended by the railroad companies. It is probably natural for him to hold the philosophy of the railroad owners and so I am not quarreling with him. The Railroad Retirement Board has recommended H. R. 3669, as originally introduced, as a well-rounded-out measure calculated to meet the very trying situation that confronts the railroad workers of the United States at the present time. A majority of the Board will tell you that the other measures are wholly insufficient to fulfill the requirements. This measure, paraded here, as the opposition bill, is substantially what the railroads themselves requested. Such being the case the Association of American Railroads very glibly and eagerly endorse their bill rather than mine. That does not surprise me. I would have been stunned if they had endorsed H. R. 3669, as originally introduced by me. The older Members of the House remember, however, that we have had this struggle for years between the railroad workers on one side and on the other side, we have been accustomed to see the railroad owners and their unions with their chatter against our bill and about those whose duty is to uphold the bill. It is just about the same line-up as has always been the case.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield.

Mr. ROGERS of Florida. Is it not true that the four operating brotherhoods are against the Crosser bill?

Mr. CROSSER. Mr. Chairman, let me tell you: I have never yet come before the House when I did not have officials of at least one or more of the unions in opposition to the bill supported by me. During the long struggle for the 1946 amendments, which ended most successfully in the late summer of 1946, the official representatives of the Brotherhood of Railway Trainmen and the Brotherhood of Locomotive Engineers spoke at great length and also extended additional remarks in the RECORD.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

Mr. HARRIS. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

Mr. LEONARD W. HALL. Reserving the right to object, and I shall not object, but during this time I wish the gentleman from Ohio [Mr. CROSSER] would explain the provisions of his present amendment which are different from the original Crosser bill, H. R. 3669.

Mr. CROSSER. In other words, you would like to have me devote my time and attention to things that you think will be the least significant and so have no time to discuss the main advantages of our measure. Come over after the House will have adjourned, when we will have lots of time, and I will tell you all about it.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas [Mr. HARRIS]?

There was no objection.

Mr. BECKWORTH. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield to the gentleman from Texas.

Mr. BECKWORTH. In the revised bill there is at least one amendment, for example, that we considered in the committee. That is the Heselton amendment. That is an amendment which would permit a wife or husband who does not wish to obtain a divorce or separation order to get the spouse's benefit if it were shown that she or he were not at fault with reference to the separation. That is one of the amendments.

Still another very major amendment is one that was passed——

Mr. LEONARD W. HALL. Mr. Chairman, will the gentleman yield?

Mr. BECKWORTH. Will you permit me to make my statement first, please, and then I will yield.

I started to point out a very important amendment which I understand is found on page 16. In effect, it is a provision that was placed in the Senate bill, which is incorporated in this bill, that protects the railroad retirement fund and the social-security fund, so that the social-security fund will neither gain nor lose because of the separate existence of the railroad-retirement system. As I understand it, this provision was agreed to by the Bureau of the Budget, the Federal Security Agency, and the Railway Labor Executives Association.

Mr. CROSSER. Now, Mr. Chairman, if I may use some of my own time, I would state that although these amendments are new, they are not half as complicated as the opponents of original H. R. 3669 have tried to make them appear; they are relatively simple, in my opinion.

Mr. O'HARA. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield to the gentleman briefly.

Mr. O'HARA. I noticed on going through the gentleman's amendment that there were 15 pages which partially, at least, or in full, were new in the bill or in the gentleman's original bill. In all fairness to the Committee, would the gentleman touch on the important ones which he feels we should understand?

Mr. CROSSER. I want to do just that, Mr. Chairman; I would like to make a speech in answer to some of the prattle we have heard today, if you will excuse me, and I mean no offense to anyone.

After all, this is a very plain common-sense proposition. We are just simply trying to see to it that these men who largely by their own effort, back in the early thirties established this retirement system, are not compelled to witness the ruination of their retirement system.

The CHAIRMAN. The time of the gentleman from Ohio has again expired.

Mr. WOLVERTON. Mr. Chairman, I ask unanimous consent that the gentleman from Ohio may proceed for five additional minutes to explain the changes in the bill.

Mr. TACKETT. Mr. Chairman, reserving the right to object, I wish to state that I sat over here during all the general debate on the bill and I have listened to all this reading and to the speeches thus far, and I do not know one blamed thing about any bill that is before this House on this subject, and I do not believe anybody else does who is not on the committee. I would like to know something of what all these bills are about.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey that the gentleman from Ohio may proceed for five additional minutes?

There was no objection.

Mr. CROSSER. I want to say some things in regard to the tactics that have been employed throughout this debate. It does not seem to make any difference what bill, amendment, or substitute is under consideration; it seems to be more a question of trying to discredit someone.

The railroad workers, as I say, established a statutory retirement system and in it they provided that the Government would not be required to contribute a penny toward the expense. The railroad workers and the employers of the United States paid equal amounts toward the maintenance of the railroad retirement system; each pays an equal amount into the treasury of the Railroad Retirement Board. It was their own plan, their own wish that led to that decision. They had nothing like what the civil service and other retirement systems had in the way of help from outside their organizations. They maintained the system with the contributions of their employers and their own resources. I think that has been a commendable achievement and they have never complained about it. They desire to continue in that way.

I desire to call your attention to the fact that never have we brought before the House a retirement bill or amendments thereto when we did not hear a great hue and cry: "Oh, let us do some more studying, let us have an investigation," every time we brought out a bill for consideration. There is no necessity for an investigation.

We went on without any investigation and we have established what almost everybody admits is the best retirement system in the country today. But the opposition always proposes studies or investigations when they desire to prevent legislation.

In 1935 they came to me when they were hard-pressed and wanted to know what I would think of appointing a commission consisting of nine members, three to be appointed from the Senate, three from the House and three to be appointed by the President, with me as chairman. I said, "Mr. So and So," a very prominent man, "you go back and tell your boss that I desire legislation, not excuses. I am opposed to such subterfuge. I have no authority to speak for the rank and file of the railroad men but I am sure that they would oppose such a move. I am unalterably opposed to it."

The same proposition was again suggested with the same result. Then another Member introduced this resolution for the appointment of such a commission and the resolution for the appointment of the commission of nine members was reported favorably. After our committee had reported the resolution for the appointment of an investigating commission, we succeeded in having our own bill considered in committee. Before we reached the vote, a Member asked me whether or not I would object to adding to our bill the resolution which we had reported providing for the commission. In other words if they should report the bill favorably whether or not there would be any objection to accepting the resolution providing for the appointment of this commission to investigate. I said, "I do not think it is necessary, but on condition that we do not postpone the effective date of the bill itself by any investigation, I will not object." The resolution was added to the bill. The bill passed the House on August 29, 1935, and yet there was no investigation even attempted until about the 20th of December 1935. It was then proposed to extend the effective date of the act and I successfully opposed that proposal. One of the most distinguished Members said to me afterward: "Mr. CROSSER, you do not know what you accomplished in preventing that proposed investigation." He said, "You know, they had planned to trail all over Europe and spend between three and four hundred thousand dollars on an investigation to help us decide whether or not it would be well to provide for the protection of railroad workers in their old age against the menace of poverty."

So I do not take much stock in the blather about investigation. I say the investigation balderdash is for the purpose of interfering with the legislation.

The CHAIRMAN. The time of the gentleman from Ohio has again expired.

Mr. HARRIS. Mr. Chairman, I rise in opposition to the substitute.

Mr. PRIEST. Mr. Chairman, I ask unanimous consent that the gentleman from Arkansas may be permitted to proceed for 10 minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Tennessee?

There was no objection.

Mr. HARRIS. Mr. Chairman, I reluctantly find myself in a position, as I advised a few days ago, as being in opposition to the very fine, distinguished gentleman from Ohio, my chairman. I have the highest regard for the outstanding service that he has rendered in this Congress, in the interest of his constituents, the railroad people, and particularly the employees, and to all the people of the United States. I know that he is as sincere as anyone can be in his position.

Mr. Chairman, I know you want to know what is in the bill. It is a highly technical, involved bill, and I am going to try to tell you in a very few simple sentences what is in the bill which you spent about 20 minutes or more reading a moment ago.

The Railroad Retirement Act was first adopted, as you know, in 1937. It has been amended on various occasions. The major amendment was in 1946, at which time certain important provisions, including survivorship, and so forth, were included. I supported the liberalization bill then. In 1948 it was amended again. At that time 20 percent additional benefits were provided for those who received benefits under this system. I supported the adjustment. It is true that outstanding, able, actuaries, and those interested in railroad retirement, have been studying this bill with a view to amendment for over a year.

I have great sympathy for the viewpoints of people, but I have little sympathy for the viewpoint that you have

got to take one particular viewpoint and nothing else. No one man's or one individual's viewpoint can be right every time as opposed to everything else. Now as to what the bill would do.

In the first place, you would amend it to take the 10 year men, men with less than 10 years of service, and send them to social security. If a man has had 9 years and 6 months of service under the Railroad Retirement Act, where he has paid in his share—today 6 percent and beginning January 1 it will be 6¼ percent, and with the employer paying in a similar amount, making a total of 12 percent now and 12½ percent beginning January 1—he pays his part, but yet he is transferred to social security where only 3 percent is paid for benefits. That is the first major provision.

The second major provision the chairman of our committee, the gentleman from Ohio [Mr. CROSSER] would provide, is the $50 work clause. Notwithstanding what someone might say about how the greater majority of people want it, it is my information that not only do the operating brotherhoods not want that provision, but it is my opinion and judgment that the non-operating members do not want the $50 work clause which means that if a man in any month makes more than $50 after he retires, he is not eligible to receive what he has paid for over a long period of time.

The third major provision in this substitute amendment is the spouse provision providing for a spouse's benefit of one-half of what the retired annuitant, or pensioner, would get, not to exceed $50 a month.

A fourth major provision is the increase for survivors and annuitants. It would provide 13.8 percent increase for annuitants and pensioners, about 85 percent for the survivors. Some say 60 percent to 85 percent, but it is my understanding, according to all the testimony that we have had, that it is an average of about 85 or 87 percent. That is a pretty good jump in percentage increase for survivors all at one time. Certainly we want to give everybody all we can, and we would like to give them as much as possible.

The fifth major provision is that he would increase the taxable base from $300 per month to $400 per month. There is a reason for the operating brotherhoods and the nonoperating brotherhoods being divided on this. It is because all of the operating brotherhoods are drawing $400 per month, and the nonoperating brotherhoods are not, consequently the operating group will have to pay it. That is just a human, practical position to take.

As the amendment is given to us today, there is another, a sixth major change, the one the gentleman from Texas, our good colleague [Mr. BECKWORTH] referred to a moment ago. That is section 23 of the amendment that is proposed here. It is the integration section, correlation of the railroad retirement with social security.

Let me tell you something. It is my information from talking with these men who work on the railroads that they do not want to become a part of the social-security system. It has been my information and understanding up until this moment that all employees and the brotherhoods oppose being tied in and integrated outright with social security. That statement was made by me last week on the floor of this House. Even the proponents of this bill said, "Yes; that is right, they want no part of it." But this is what you do: You integrate social security and railroad retirement with this section here which was put in the bill as passed yesterday by the Senate.

Let me tell you what it does. You go back to 1937, when the Retirement Act was first adopted. You take the payments a man would have paid had he been under social security. You bring that up until this date. This bill provides that by January 1, 1954, the Railroad Retirement Board and the Social Security Administrator will determine those amounts, and it will be in one lump sum dumped over into social security. It means, believe it or not, that retirement will send to Social Security by January 1, 1954, seven to eight hundred million dollars out of their funds. That is what it means. Then each and every employee of the railroad industry will have taken each year, paid into the social-security system, 3 percent of the payroll, and that will continue until he retires.

You say that is a simple amendment? Did I understand you to say that? Now, the men retires. What happens? There is a guarantee provision that he will receive as much under retirement, as a minimum, as he would receive had he been under social security. Here is how it would work.

The CHAIRMAN. The time of the gentleman has expired.

Mr. HINSHAW. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from California?

There was no objection.

Mr. HARRIS. Mr. Chairman, I thank the gentleman. I do not want to impose upon the membership, but these amendments are not as simple as somebody says they are. They are not one of those things that when they are understood everybody is inclined to be favorable.

Mr. Chairman, when a man retires, he gets the guarantee of the minimum. Ultimately, that will be $80 in social security under the amendments that we provided last year. This $80 each month will be paid back from social security into the retirement fund. It will go into the account of that retired annuitant. Then, if he gets what this bill would provide, the maximum of $169, $80 would come out of social security, and the other $89 would come out of the railroad-retirement fund. That is the way it goes. If you think that is simple, and if you think the employees will say in 1 minute, "We do not want to be taken over under social security," and then we come in with this and say, "We are sending you there," it just is not consistent in my book.

Mr. HINSHAW. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield.

Mr. HINSHAW. We have before us a so-called committee print dated October 12, 1951, purporting to be railroad-retirement legislation, carrying the name of the House Committee on Interstate and Foreign Commerce. As one member of that committee, I had never seen this print before. I wonder if the gentleman ever saw this print before. That is the bill offered by the gentleman from Ohio.

Mr. HARRIS. Let me say to the gentleman that the major provisions of this committee amendment, which is the substitute the gentleman has just offered, has been before our committee for the past many, many months. I do know after reading it, that several provisions were lifted from the bill that passed the other body yesterday, and included in this print, including this real integration section. Now, what he provided in the first bill was that it would not be integrated completely, but that by 1956 the Social Security Administrator and the Railroad Retirement Board would come up with a program and report how it might be done. Bless your soul, this does not put it off until 1956. This takes it under social security right now.

In view of that, Mr. Chairman, and in view of the things that have happened since we were here the week before last, and particularly in view of what happened in the other body yesterday, and in consideration of the fact that every person in this Congress is anxious that something be done before we adjourn—if and when we adjourn—now—in order that those living under the benefits of railroad retirement have an increase in their benefits to help take care of the increased cost of living, the majority of the members of the committee, reporting the committee amendment, Hall substitute, are going to ask you to vote down this highly complicated, far-reaching bill, which very few people, in my opinion, want with the exception of certain ones who have been working, hard, diligently, and honestly, of course I know that, and who are as sincere as they can be. We say, "Let us take as much as we can of what the other body has done." If we vote down this substitute, I propose to offer a substitute amendment which will be in line with what the other body did yesterday, except that it will reduce the taxable base to where it is today. They want to send it up to $350; we say leave it at $300 per month, and then also to delete this integration with social security, which would send a third of the funds in the railroad retirement fund to social security. As I say, with those exceptions, take the rest of the Senate bill.

I have tried, Mr. Chairman, as hard and as diligently as anybody has ever tried, since we debated this provision 10 days ago to get the interested parties together, I know what is in the thinking of the people who are interested. I tell you

if we turn down this and take what we propose, then I know in my own mind that it will be acceptable and entirely satisfactory to the greatest number affected.

The CHAIRMAN. The time of the gentleman has expired.

Mr. LEONARD W. HALL. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for two additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. HARRIS. I say this on my honor from what I know, Mr. Chairman, that it will be entirely acceptable by the four operating brotherhoods. In my opinion, if and when it might be acceptable to the other body, notwithstanding what has been said here, it will very likely be acceptable to the nonoperating brotherhoods. Furthermore, I believe I would be right in saying that it would be acceptable to the railroad industry. I say this because I tell you I have tried diligently, in every way, even I have asked my good chairman—God bless him, I love him—to come together with us on some compromise whereby we could do something for these people. I admire him for sticking to what he says is fundamental. Yes. It is fundamental when you raise the taxes of people. This House just now refused to do it. It is fundamental when you take their money, after they have paid it in, and send it to another system? These provisions are too technical to say, "Let us pass it over by saying somebody else has done this and we will not accept it." Senator DOUGLAS in the other body offered a concurrent resolution saying that this is a stop gap. He is one of the outstanding economists in that body. He offered the resolution which I believe the members of our committee are willing to take in order that these other major provisions on how additional security may be bought, may be presented to this House at a later date.

The CHAIRMAN. The time of the gentleman from Arkansas has again expired.

Mr. WOLVERTON. Mr. Chairman, I ask for recognition and I ask unanimous consent to proceed for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. WOLVERTON. Mr. Chairman, the situation that confronts us, I think as it is understood, will enable us to accomplish what I believe is in the heart and mind of every Member of this House. As I emphasized the other day when I spoke upon this bill, there is no difference of opinion with respect to the desire to increase the benefits for pensioners, annuitants, and survivors. The committee took action, and by a majority of the committee, recognized the need that exists for something to be done. It sought to do it in a manner that would bring immediate relief. The letters that come to us, the witnesses who appeared before us, and our correspondence all indicate that there is a real genuine need for an increase in the payments made to beneficiaries under the Railroad Retirement Act. During our discussions in the Committee on Interstate and Foreign Commerce we realized that the bill which is known as the Crosser bill (H. R. 3669) was extremely complicated and had within it many complex questions—provisions that would change the fundamental principles of the Railroad Retirement Act. Therefore, we sought a way to give immediate help to those who are in need, and leave the controversial questions for further consideration under a resolution that we prepared for a study to be conducted.

The present situation is a bit different from that which confronted us when the legislation was before us in the committee. On yesterday the Senate passed a bill. The bill which they passed, in many particulars, is identical with the bill that was reported by a majority of our committee. In some particulars it was different. As we studied that bill—and by "we" I mean those who constituted the majority of the committee on this legislation—as we studied the bill which was passed by the Senate we realized, of course, that there would have to be some compromise between the House and the Senate in order that there might be any legislation whatsoever. The usual procedure is for the House to pass a bill; the Senate passes a bill; conferees representing the two bodies are appointed, and then they meet and endeavor in conference to agree upon the terms of the legislation which they think will prove acceptable to the differing viewpoints in the two bodies. We believe that the bill passed by the Senate is so near what many of us are willing to accept that we should make every possible endeavor to amend the Senate bill on the floor of this House in such manner as to constitute a fair and reasonable compromise and which would have reasonable expectation of being acceptable to the Senate.

The thing we are trying to do is this: We recognize the need; we recognize that if we pass the so-called Crosser bill, which changes so many fundamental principles within the present existing retirement act, that there will be no way whatsoever to bring about an amalgamation between the views of the Senate and the House without a conference, and at this late date in the session to have a conference with minds as set as some of them are in this matter, will make it impossible in my judgment, to come back to this House with any legislation before we adjourn and this would put off the enactment of all legislation until next year when the Congress reconvenes. This would mean delay in getting assistance to those so sorely in need.

If you follow the suggestion that we are making to you today it will enable those who are in need to get help at an early date.

Our compromise bill to take the place of the Hall committee bill is drawn in a way that we hope the Senate can accept it without sending it to conference and thus avoid the consequent delay. Therefore we trust that you will vote down the Crosser bill in order that we may bring before you the Harris bill that is a compromise between the Hall bill and the Senate bill, believing that what we offer is such that it can be accepted in the Senate if adopted in the House. It should have an appeal no matter what the individual views may be with respect to this matter.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield.

Mr. HARRIS. Is it not a fact that the provisions of the committee or the Hall bill as reported out by the committee are identical with the provisions in the bill which was passed by the Senate yesterday?

Mr. WOLVERTON. It has many provisions that are identical. We have modified some that are different and give reasons for the one or two we reject.

It is now my intention to point out to you what the so-called Harris proposal as a compromise to the Hall bill will do. It will accept the Senate provisions with respect to the 15-percent increase for annuitants and pensioners; it will accept the 33⅓ percent increase for survivors; it will give credit to those who work beyond 65 for the years that they work beyond 65 and for which they now pay taxes and get no credit. We correct that inequity. We accept that provision in the Senate bill. We accept the spouse benefit provision of the Senate bill which fixes an amount not exceeding $40; we accept the Senate provision which strikes out of the Crosser bill the so-called work limitation clause—a provision that would not deny to future retired workers the right to earn more than $50 in any one month. If there is anything that has stirred me to the depths of my feelings it has been that provision in the Crosser bill that would deny to an individual who has retired and is 65 years of age or more the right to earn more than $50 in a month, or if he did so would thereby destroy this annuity for that month and every month in which he would earn $50 or more.

I know of nothing more cruel than to expect these individuals who receive retirement benefits of such a small amount to be restricted in what they can earn to supplement their meager annuities or pensions, whatever that may be. Under the law as it exists at the present time they can go out and earn whatever amount is possible. The law should stay that way. We accept the provision in the Senate bill that leaves the law as it is today and strikes out the unjustifiable, inequitable, unfair clause known as the work limitation clause which is presented to us, today, again in the Crosser bill.

We modify in the Senate bill that provision which relates to transferring the men with less than 10 years of service over to the social security. This is in my opinion a breaking of a contractual relationship, to me it is extremely plain that when you take money from individuals year after year up to 10 years on the basis of 6 percent each month of their salary, then tell them that we are

going to take from you your rights under the retirement act and put you under social security it is wrong. Especially in view of the fact that the workers under social security obtained the same benefits for only 1½ percent of their wages and the railroad worker had paid 6 percent. It is so inequitable that the mere statement of it should convince that it is wrong. That is as unfair and I believe as unconstitutional as anything we could do. We modified that in the Harris compromise bill.

We provided that those having less than 10 years of railroad service shall remain on the retirement fund rolls, but further provide that they shall receive in no case less than they would receive under social security. So if there is anything to this statement that under social security they would obtain more benefits than they do under railroad retirement, we say: All right, we will keep them in the railroad retirement fund, we will not pass them out, we will keep them in and we will give them not less than the benefits they would receive in social security.

We reject two provisions that are in the Senate bill.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. CHENOWETH. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Colorado?

There was no objection.

Mr. WOLVERTON. Mr. Chairman, we reject that provision in the Senate bill which increases the tax base from $300 to $350. In the Crosser bill this would be increased from $300 to $400. For those in that class it would mean an increase of 33⅓ percent in the amount that they now pay. Instead of $18 a month that they pay at the present time they would pay $24 a month under the provision that is in the so-called Crosser bill.

Mr. WILLIAMS of Mississippi. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Mississippi.

Mr. WILLIAMS of Mississippi. In my opinion, the most unfair feature of the increase in the taxable base from $300 to $400 is the fact that the benefits to be derived from that increase do not increase proportionately, am I correct in that statement?

Mr. WOLVERTON. The gentleman is absolutely correct. The provision to increase the tax base from $300 to $400 has been offered by the proponents of the Crosser bill as an opportunity to build up the fund. If that be true, then you are building it up at somebody else's expense. The fact of the matter is they would get some additional benefits but not for many years in the future and not in the same comparative degree as their increased taxes bear to their present taxes. Nor could the remaining amount strengthen the fund to the extent that has been claimed.

Mr. O'HARA. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Minnesota.

Mr. O'HARA. With reference to the integration features of the 10-year men with social security at least as it was offered in 3369, that was opposed by both the Social Security and the Bureau of the Budget, is that correct?

Mr. WOLVERTON. You are entirely correct. I was about to speak of that particular provision and call to the attention of the members that both the Bureau of the Budget and the Social Security opposed this provision in the Crosser bill. We reject this provision in the Senate bill because it is such a fundamental change in the Retirement Act that, in our opinion, it would be unwise to adopt such a fundamental change without careful study. There has been no study of it by the committee; absolutely none. So far as the committee is concerned, we had nobody from the Federal Social Security to testify before us. We had no actuary before us. They were not permitted to come before us, but in the reports of the Social Security Administration and the Budget Bureau they oppose it and I ask you folks who are anxious to do the right thing in this matter to read the report of the Federal Security Agency, read the report of the Bureau of the Budget, each of which in language that is plain says this provision of the Crosser bill would produce inequitable results; that it would tend to destroy the fund, and neither of them gave it their support.

Mr. Chairman, where does the support come from for this bill? It comes from no department of Government except, as some may say, the Railroad Retirement Board. Well, that was a divided report, if not a unanimous report. Furthermore the actuaries of the Railroad Retirement Board were not permitted to come before our committee and testify. They did testify in the Senate hearings and said the provisions of the Crosser bill would break the fund within 50 years and leave 16,200,000,000 of unpaid liabilities.

Mr. Chairman, I want to bring to your attention what we think is the sensible thing to do. First, give benefits that will be helpful immediately. Adopt some of these provisions that will enable the House and the Senate to get together on a basis that will give some expectation that the Senate will accept the House compromise bill without going to conference. That would mean immediate legislation and immediate help to those in need.

Now then, as to the study. The most important thing that this House can do, aside from granting these benefits, is to pass legislation that will provide for a study to be made of the possibilities of further improving the retirement and further increasing benefits. The Bureau of the Budget said:

> Any need to provide higher and more varied benefits for railroad workers toward which the bill (Crosser bill) is pointed should and can be met in a simpler and more equitable way, consistent with broad national interests and long-range objectives. Better dollar for dollar value can be given by providing coverage for all railroad workers under the old-age and survivors insurance system, with the railroad retirement program retained to supplement the old-age and survivors insurance benefits. This would carry out the recommendations of both the President and the Senate Advisory Council on Social Security.

What does that mean? I will tell you what I think it means.

The CHAIRMAN. The time of the gentleman from New Jersey has expired.

Mr. LEONARD W. HALL. Mr. Chairman. I ask unanimous consent that the gentleman be permitted to proceed for one additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. WOLVERTON. I will tell you what is in the minds of some people, and I want you to think of it. The report says it can be done in a simpler way. I will tell you what this proposed study should carry out. It should make inquiry as to the feasibility of a plan that would enable the Railroad Retirement Board to remain in existence, purchase from the Social Security for railroad workers for 3 percent all of the benefits that can be obtained under social security, and leave the balance of 9 percent, now being paid by railroad workers into their retirement fund, to be used by the Railroad Retirement Board in increasing the benefits that are now paid to retired railroad workers and their survivors. That is a simple way in which this matter of increased benefits without increased taxes can be approached. I think this is what may have been meant by the Bureau of the Budget as well as of the Social Security Administration when they both suggest that a simpler way than that provided in the Crosser bill is available.

My friends, with all the sincerity that I have in my being, I ask of you in the interest of those who are in need, let us pass this Harris substitute bill that will bring us in line with the Senate bill already enacted and which gives hope that the Senate will accept it without going to conference and thus give immediate help to those who are in need.

Mr. GOLDEN. Mr. Chairman, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Kentucky [Mr. GOLDEN].

Mr. GOLDEN. Mr. Speaker, I believe all Members of Congress have been very seriously trying to find out what is the very best improvements and amendments that we could pass at the present session of Congress for the past and present railroad employees and their dependents.

Neither the committee bill nor the Crosser substitute contains everything that we Members would like to see, in the way of increased annuities and pensions, but we will have to decide which bill is better, because it is apparent that during the past week when the debates on this bill were delayed, no agreement was reached by the various brotherhoods sponsoring the different bills.

While there are many good, beneficial features of the Crosser substitute, there is one section of this bill that I do not like and I think it should be stricken from the Crosser substitute. I refer to

the limitation which cuts off and causes the railroad employee who has retired, to lose his annuity if he should earn as much as $50 per month.

My reasons for concluding that this is a hurtful provision of the Crosser substitute are as follows:

To begin with, it encourages idleness and it robs good, industrious men, who have earned in full and paid for their retirement, of earning money.

Most of these retired railroad men, through long years of work, have acquired useful skills in mechanics and electrical repair work; many of them are excellent cabinet makers and carpenters, and have business ability which would make them useful, constructive citizens who can continue to contribute to the welfare of their communities if it were not for this limitation that would prevent them from earning money when they have retired.

It is bad for the morale of a man who wants to work, knows how to work, and how to create, to be tied down so he cannot work.

You can take, for instance, most any of these men who could render useful service in the communities where they live and think about what will happen if this ball and chain is locked around their legs so they cannot be useful citizens. Take a railroad man who has retired, who is a skillful mechanic and carpenter. Many of his neighbors and friends could bring him all sorts of furniture and machinery that would be out of order and practically useless, and he could repair it and be paid for his work and knowledge, and thereby he could supplement his annuity. He would be better off, his family would be better off, he would have more on which to live, he would feel like he was doing something useful and beneficial for the people among whom he lives.

In addition to this, we should consider some basic facts. Say, for instance, some housewife has a good chair that would cost $25, or maybe $50, to buy one like it and replace it, that is broken and out of repair; say this same woman takes that chair to a good skillful and retired railroad employee who can fix that chair for her for $2 and make it practically as good as new. By his work and skill he has created the equivalent of $25 or more to the wealth of this country. Over a period of a month he would be able to repair many articles of furniture, improve and repair many houses, and possibly create additional wealth of from $500 to $1,000 per month, and maybe he could earn for his own family by this part-time work, $100 for himself. He would be better off, his neighbors would be better off, and his country would be better off. Yet if we adopt this work limitation clause, all of this would be lost to everybody.

Wealth is created in the United States mainly by just a few things. To start with, all wealth comes from the soil and natural resources and the products made from them by the brain and knowledge, skill, and labor of man. There is no other source from which wealth can be created.

In order to have a high standard of living, a very large amount of new wealth created each year, we must have the combined labor, brains, and effort of all the American people applied to all of our minerals, soil, and natural resources.

In order to meet the tremendous strain upon the economy of this country, to produce more wealth for our people to live on, and more wealth for our Government to tax to build up our national defenses, we should do everything possible to take the shackles off of our people, encourage individual initiative, let everybody work who is able to work, and let them make their full contribution to the welfare of society.

If we handicap 100,000 or more of our retired railroad men who possess a large degree of knowledge, experience, and skill and do not allow them to work and contribute to the creation of wealth, we will be taking a backward step.

There is a provision in the social-security law like and similar to this clause in the Crosser substitute, that prevents men and women from working in covered employment and earning as much as $50 per month, that ought to be stricken from the Social Security Act, because it also cuts off a great source of creative wealth; it encourages idleness; it would in some instances place before men and women the temptation not to report their earnings in order to continue to draw their social security, and the first opportunity that we have we should amend the Social Security Act by striking out of it the work limitation contained therein.

There is a direct contractual relationship between the Railroad Retirement Fund and the men who have worked on the railroad and paid in a part of their wages each month in order to become participants in the distribution of these funds for themselves and their dependents, in the way of pensions and annuities. If we come along here in Congress and slap a work limitation on these retired railroad men and knock them out of drawing the annuities which they have paid for, and which belongs to them, if they work, I think we will be violating their vested contractual interest in this fund, if we take away their annuities when they work and make $50 or more per month.

In a free country, there are certain fundamental guaranties under the Constitution that every citizen should enjoy. Each man should have the right to fully enjoy the rights to life, liberty, and the pursuit of happiness, and it is fundamental, in the land of the free and the home of the brave that a man should have a right to work and have a right to earn.

This section of the bill that prevents a man from working and earning, under penalty of losing his annuity, is against fundamental, constitutional rights, and liberties that should be enjoyed by every free man.

It has many evil consequences. Our great free country has been handicapping its citizens and taking away from them their freedom a little at a time, in first one bill and then another, passed by the Congress of the United States. We have too many laws in this country that enables the Federal Government to encroach upon the fundamental freedoms of our citizens. This section of the bill is a rank example of an invasion of the freedom of a large group of American citizens to work and earn. This section of the Crosser substitute, which, in many other particulars, is an excellent bill should be stricken out by an amendment. All people should welcome the fruits of the earnings of retired railroad men without any handicaps or limitations; they should be allowed to continue as free men in a free country, and they should not be handicapped from making their full contribution to the creation of wealth in this country, and their basic, constitutional, contractual rights should not be taken away from them by adopting a law that says, you cannot have your annuity that you have bought and paid for, if you continue to work as a free man in a free land.

Mr. BECKWORTH. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, it is obvious that an area of disagreement does still exist, although I think it likewise is obvious that there is a tendency to agree that some provisions of the Crosser bill are good provisions.

I have been interested particularly to note that some of those who seem to object to bringing up to the social security standard in benefits all railroad retirement annuitants and pensioners now think it is a good thing, and have so stated. That was one of the original contentions of those of us who favor the Crosser amendment.

This question of doing things in a simple way is a two-pronged thing. The Senate just passed the bill yesterday. We have had no hearings on the Senate bill. We have, of course, no reason to doubt our brethren on the committee, but they have already accepted it in part, and perhaps without that great, careful study, that unusual study, that has been indicated as being so necessary.

I want to say something about the study. I think the members of this committee can be assured that the House Committee on Interstate and Foreign Commerce, to the extent of its ability and so far as time will permit, studies all matters that come before us. Whether or not a resolution is passed, whether or not there is a provision in the bill, as and when additional railroad retirement legislation is considered here, you may be sure that this committee, Republicans and Democrats, will have studied it just as much as they can. So in a great measure that is beside the point. We propose to study any future legislation we bring here just as much as possible.

I made the statement originally that the reason I am for the Crosser bill is that in my opinion it undertakes to give the greatest help to those who need help the most. I stand by that statement. If there is any reason for supporting the Crosser bill this afternoon it is because it held out that one important objective of trying to do for the poorest, the one who was receiving the least, the most. Nothing has been said or done that alters the objective of the Crosser bill, I assure you.

I repeat, the important objective of the Crosser bill has been this, to do the most for those whose need is the greatest. What objective is more laudable than that? What bill having provisions that carry that kind of object into meaning can be more meritorious?

Yes, there has been difference of opinion as we have considered this. There is still difference of opinion, and there is still, I might add, some changing of viewpoints, as has been demonstrated here this afternoon. But I repeat that those of us who have suported the Crosser bill have sought to take into consideration that there are thousands of people, thousands of spouses, thousands of children who need help, who are getting practically nothing. It does little good to come here and say that we raise a fellow or a child who is getting $20 per month 15 percent. You raise him $3. Of course, he can buy a few more hamburgers and a little bit more bread with that, but $3 falls far short of the important mark that we all should be interested in attaining. The Crosser bill in helping those people undertakes to raise them, not 33⅓ percent and not 40 percent, but around 80 percent, and that we say is justified and sustainable.

The CHAIRMAN. The time of the gentleman from Texas has expired.

Mr. HESELTON. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for three additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. BECKWORTH. I will try to answer any questions that the gentleman may have.

Mr. HESELTON. In connection with the objections that have been expressed as to the work limitation provisions of the Crosser bill, I would like to ask the gentleman whether or not it is true that this body voted those identical limitations into the Social Security Act?

Mr. BECKWORTH. On how many million people would the gentleman say?

Mr. HESELTON. About 50,000,000 people.

Mr. BECKWORTH. How many?

Mr. HESELTON. About 50,000,000 people are involved under that bill.

Mr. BECKWORTH. Whether it is right or wrong, the Congress has already taken action upon that. Of course, some people do not like it, however, this is not the first restrictive piece of legislation that we have had that causes people not to be able to do what they want to do. All Members of this body have heard me talk about the restrictions that are placed on many, many farmers throughout the country who cannot grow a row of a given crop, even though they own their own farm. This is not the first restriction, and you know that is the truth. There are thousands of people in this country today, because of the statutes that this Congress has put on the law books, who cannot do things that they want to. You know that is the truth. I have not been one who has proclaimed the virtue of the $50 work clause provision. In any bill there are undesirable features. However, I still believe the Crosser bill even though it has defects is a good bill. I know the other side does not claim perfection for their bill or bills. They are this fair and reasonable as legislators.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. BECKWORTH. I yield.

Mr. BENNETT of Michigan. One thing seems to me to have been overlooked in the debate so far. That is that in order to raise the benefits under the Railroad Retirement System, you ought to provide new sources of revenue, or you have to make savings somewhere. The Crosser bill, and this is one of the reasons I am supporting it, provides for new sources of income to meet the increases that are proposed. The committee bill does not do that. It instead proposes a study. You can study this thing from now until kingdom come, but there is one thing that you cannot lose sight of, and that is you have 12 percent of the payroll that goes into this fund. You cannot raise the retirement pensions in any substantial degree today without getting some more money. Now where are you going to get it? You either have to raise the tax base, and transfer part of this load to social security, or you have to make savings elsewhere. That is what the Crosser bill is endeavoring to do. No matter how long this thing is studied, do not forget that in order to raise these benefits and keep the funds solvent you are going to have to find new sources of income.

Mr. BECKWORTH. There has been very excellent evidence of what the gentleman has just stated in the form of a change that has taken place here this very afternoon, if those who are now supporting some of the provisions of the Senate bill actually mean what they say and I know they do. When we were here before, what did they say? They said "Do not raise the tax base from $300 to $400." Then what did the Senate do? They raised the tax base from $300 to $350. What some gentlemen have said, what the Senate has done certainly is making an impression on some of those who have spoken here this very afternoon. They now favor as has been said raising the taxation base from $300 to $350.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. HARRIS. Mr. Chairman, I ask unanimous consent that the gentleman from Texas may be permitted to proceed for two additional minutes, as I would like to ask him a question.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. BECKWORTH. I will be glad to try to answer the gentleman's question.

Mr. HARRIS. On the very point that the gentleman from Michigan [Mr. BENNETT] just asked, with reference to the soundness of the fund, is it not a fact that in your report which was provided in the appendix in the minority report, that the funds as reported by the bill that the gentleman is supporting here will cost a total net of 14.13 percent of payroll?

Mr. BECKWORTH. Are you referring to page 12?

Mr. HARRIS. I am referring to the cost analysis on page 73 of your report.

Mr. BECKWORTH. I might say that I have received some figures, although I do not have them before me, that would indicate that the Hall bill, which was discussed the other day, the one not raising any taxes, as it does not, would actually cost more money—take more of the payroll percentagewise, I mean than the Crosser bill which does raise taxes. Of course, taxes would be included in the Crosser appraisal. In other words, the one that would constitute the greatest net drain on the fund would be the Hall bill. I have received some information like that.

Mr. HARRIS. Is it not a fact that each of the bills proposed, according to the actuaries, will actually cost more than the amounts that are paid in by employee and employer on the taxable payroll?

Mr. BECKWORTH. I think the gentleman is correct.

Mr. HARRIS. And is it not a fact that all bills proposed are unsound, from an actuarial standpoint, and it is necessary that something else be done to raise the money?

Mr. BECKWORTH. I want to try to answer the gentleman. I think the gentleman is right, that actually each bill, the Hall bill and the Crosser bill, will constitute, over and above the situation today, a net drain on the fund.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. BECKWORTH. Mr. Chairman, I ask unanimous consent to proceed for one additional minute.

The CHAIRMAN. Is there objection to the request of the gentleman from Texas?

There was no objection.

Mr. BECKWORTH. But what has seemed to impress the committee is this: that in the past we have feared that as we passed legislation the fund would be depleted in a ruinous or unsound way. Even though that has been the case, we did pass legislation in the past and have found that our estimates have been unusually conservative, and therefore we have felt at liberty to go ahead and do what might be termed "taking some percentage of chance." One of the things that has contributed to that is the fact that employment in the railroad industry has been unusually high in the last few years.

Mr. BEAMER. Mr. Chairman, will the gentleman yield?

Mr. BECKWORTH. I yield to the gentleman from Indiana.

Mr. BEAMER. Is it not true, the gentleman from Texas remembers that in the Senate the actuary for the Railroad Retirement Board testified that by the year 2000 the fund would be absolutely depleted under the provisions of the Crosser bill? That is true, not only of that actuary but of all the other actuaries that appeared before our committee.

Mr. BECKWORTH. Of course, the Railroad Retirement Board does have the benefit of some actuarial advice. I think that is something that has not been mentioned before. Having served on the committee as long as I have, we just do not find in the testimony that the actuaries present what might be termed a unanimity of sentiment. That is one thing that we are constantly baffled about, because one actuary says one thing, another says another, and we have to use our best judgment, based on the best information we can get.

The CHAIRMAN. The time of the gentleman from Texas has again expired.

Mr. HINSHAW. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, if the Members of the House will take the committee report on this bill and turn to the minority report which is represented by those who are speaking in favor of the Crosser bill, on page 75 you will find a table telling where the proponents of the Crosser bill expect to get the money with which to finance this 85 percent increase and so on. The first is the so-called $50 work clause fund. They expect to get $50,000,000 into the fund by causing these people, 65 years of age, to keep right on working after they are 65, and thereby not draw their pensions, so that their pension payments would remain in the fund. That $50 work clause is supposed to provide $50,000,000 which retirable people, under the Railroad Retirement Act, will not draw if they earn over $50 a month.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. HINSHAW. Briefly.

Mr. HARRIS. Is it not a fact that under the testimony there is wide difference of opinion as to whether or not it will actually save $50,000,000 to the fund?

Mr. HINSHAW. Sure; certainly; but that is where they propose to get $50,000,000.

Item No. 2 is the so-called financial adjustment between the railroad-retirement fund and the social-security system. That is supposed to yield $100,000,000. Do you know how it is done? Just sleight of hand. The railroad-retirement fund charges 6 percent to the worker and 6 percent to management on the payroll; that is 12 percent. For 3 percent they, in effect, propose to buy social security for those who work less than 10 years on a railroad, and the difference of 9 percent, half of which is paid by these men and half by the railroads, that difference of 9 percent is considered to be a clear profit to the railroad-retirement fund and hence provides $100,000,000 in benefits. They do that by saying that those who work ultimately less than 10 years for the railroads must go to social security and hence lose the 9 percent that has been paid by them and in their behalf.

Then they get another $80,000,000 from the change in the taxable and creditable monthly compensation from $300 to $400. That is a change in the tax base. They go out and tell these railroad workers that there is no change in the taxes, but actually there is a change, because they change the taxable base pay from $300 a month to $400 a month. That is supposed to bring in $80,000,000.

I think the Committee of the Whole can pretty well understand what the controversy is about in our committee. The committee is 2-to-1 against the Crosser bill. The committee wants to make a basic increase in all of these rates that are now being paid and then give this thing the study that it requires, which will take 4 or 5 months. In the meantime, however, these people will get their increase, those who are now on pension and annuity rolls will get it; they can get it beginning the 1st day of November if we adopt the substitute which the gentleman from Arkansas [Mr. HARRIS] will offer if the Crosser substitute is voted down.

Mr. ROGERS of Florida. Mr. Speaker. I wish to see if we can get an agreement limiting further debate on this amendment. I ask unanimous consent that all debate on the Crosser amendment and all amendments thereto close in 20 minutes.

Mr. CROSSER. Mr. Chairman, I will object unless I can have 10 minutes.

Mr. HARRIS. Mr. Chairman, will not the gentleman modify his request to make it 30 minutes, allotting the last 10 to the gentleman from Ohio [Mr. CROSSER]?

Mr. ROGERS of Florida. I did not think that could be done, but Mr. Chairman, I so modify my request.

The CHAIRMAN. The gentleman from Florida [Mr. ROGERS] asks unanimous consent that all debate on the Crosser amendment and all amendments thereto close in 30 minutes, the last 10 to be reserved to the chairman of the committee. Is there objection?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Michigan [Mr. DINGELL].

Mr. DINGELL. Mr. Chairman, I rise in support of the substitute offered by the gentleman from Ohio [Mr. CROSSER]. In all the years I have served in this House I have always made it a point in matters affecting the railroad workers to follow my good friend from Cleveland, BOB CROSSER. I take what he says about railway-retirement bills at face value and that his views are based on the needs of the railroad workers. I have faith in his judgment.

Originally, the Railroad Retirement Act came before the Committee on Ways and Means of which even at that time I was a member. At that time the gentleman from Ohio [Mr. CROSSER] was the leader and guiding light in connection with that legislation. I have never gone wrong on any proposal he has made regarding the welfare of the railroad workers. I am confident that as regards solvency and providing properly for the railway workers the gentleman from Ohio [Mr. CROSSER] has the issue well in hand.

I do not think he has disregarded common sense or the permanency of the retirement plan involved in this legislation. Therefore, I propose to vote in favor of the substitute he has offered. I am going to hold fast to the views and the course prescribed here by the gentleman from Ohio [Mr. CROSSER].

The CHAIRMAN. The Chair recognizes the gentleman from Wisconsin [Mr. KERSTEN].

Mr. KERSTEN of Wisconsin. Mr. Chairman, I offer an amendment to the substitute.

The Clerk read as follows:

Amendment offered by Mr. KERSTEN of Wisconsin to the substitute offered by Mr. CROSSER. After section 12 insert the following new section:

"Section 12A. employees who, prior to death, had not less than 30 years of service as defined in section 1 (f) of the Railroad Retirement Act of 1937 as amended, and who died in the period beginning August 29, 1935, and ending June 30, 1938, shall be deemed, solely for the purpose of a widow's age 65 annuity, to have died fully insured, within the meaning of section 5 (1) of such act: *Provided, however,* That any annuity awarded under this section shall be computed in the same manner as if such annuity had been awarded under section 5 (a) of such act: *Provided further,* That this section shall apply only with respect to widows who are not receiving monthly pensions (whether under public or private plans) based on the railroad service of their deceased husbands."

Mr. KERSTEN of Wisconsin. Mr. Chairman, this amendment does not involve the main issue which confronts the committee. I shall offer it to the committee amendment provided the Crosser substitute is not agreed to.

My amendment simply provides for consideration for a group of people, namely the widows of those employees who died between August 1935, and June 1938, who are not otherwise provided for, that they may qualify to receive a widow's age 65 pension.

I inquired of the Railroad Retirement Board Research Director as to how many people this would cover and he answered it would cover less than 2,000. In other words, this would seek to provide for the widows of employees of 30 years or more of service and who died during this period, who are not otherwise provided for.

Mr. ROGERS of Florida. Mr. Chairman, will the gentleman yield?

Mr. KERSTEN of Wisconsin. I yield to the gentleman from Florida.

Mr. ROGERS of Florida. Does the gentleman know what it would cost?

Mr. KERSTEN of Wisconsin. Yes. It would cost less than $10,000,000, according to Mr. Matscheck.

Mr. ROGERS of Florida. How much less?

Mr. KERSTEN of Wisconsin. The closest computation I can make is that it would affect less than 2,000 widows. In other words, in all of these measures we are seeking to care for those whose need is greatest, and here is a category of people who are not provided for.

I wish to quote, in part, from the telegram I received yesterday from Mr. Matscheck as to the effect of my amendment:

A precise determination cannot be made of widows that would be affected by your proposed amendment to H. R. 3669. We estimate however that the number would be less than 2,000. The total cost of the proposal on a present value basis would be less than $10,000,000. Such additional cost would not change our estimate of the tax rate necessary to finance H. R. 3669.

Employees of 30 years or more of service on the roads have invested their lives

in the railroad industry. They are the ones who have really built the great railroad system of our country. There are none more deserving of the benefits of this fund than their widows.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. KLEIN].

Mr. HARRIS. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. HARRIS. The gentleman from Wisconsin has just offered an amendment. Would it not be in order to vote on his amendment before further debate?

The CHAIRMAN. Does anyone desire to be heard on the amendment?

Mr. ROGERS of Florida. Mr. Chairman, I rise in opposition to the amendment. Here is an amendment coming in here for the first time. I do not know whether I am for it or against it, because I do not know how it would affect the fund. We ought to really have a hearing on an amendment like this.

Above all, we should always look to keeping retirement funds solvent, and this amendment might affect the solvency of the Railroad Retirement Act.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. KERSTEN] to the Crosser substitute.

The amendment was rejected.

The CHAIRMAN. The Chair recognizes the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Chairman, there is not an awful lot that can be said in a minute and a half, but I take this time to call your attention to a remark of the gentleman from Arkansas my good friend [Mr. HARRIS]. I know that he would never willfully mislead the membership, but he made a statement about the so-called integration amendment, and I believe the gentleman left the impression that this would ultimately result in a complete integration into the social-security system of the railroad-retirement system, and I know the gentleman did not mean that.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. KLEIN. I yield to the gentleman from Arkansas.

Mr. HARRIS. Is it not true that one-third of all funds paid in since 1937 to January 1, 1952, automatically go into the social-security fund? If that does not affect the fund, I do not know what does.

Mr. KLEIN. I do not have the time to engage in any controversy with the gentleman, of whom I am very fond, but I will say that anyone who looks at the record of the gentleman from Ohio [Mr. CROSSER], the father of the railroad-retirement system, who fathered it in 1937, who has devoted many, many years to its study, and is so recognized by all the railroad people of this country, will realize that it is farcical to state that he would possibly want to do away with the railroad-retirement system and integrate it into the social-security system.

In reply to my friend from Arkansas, let me state that over the years, more money will flow into the railroad-retirement system from social security than the other way around, and the railroad-retirement system will be strengthened thereby.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. DENNY].

Mr. DENNY. Mr. Chairman, I ask unanimous consent that the time allotted to me be yielded to the gentleman from Pennsylvania [Mr. VAN ZANDT].

The CHAIRMAN. Is there objection to the request of the gentleman from Pennsylvania?

There was no objection.

The CHAIRMAN. The Chair recognizes the gentleman from Pennsylvania [Mr. HUGH D. SCOTT, JR.].

Mr. HUGH D. SCOTT, JR. Mr. Chairman, I am just as confused as anybody else, but I have heard nothing here to alter my conviction, based upon extensive hearings in our committee, that the Crosser amendment still presents the best possible solution, and I shall support it. If the Crosser substitute amendment passes, I shall be happy about it, and if it does not pass I will continue in my efforts to get the best bill we can so far as my vote may assist in that direction. Certainly we must not adjourn without providing needed relief from the fund to beneficiaries suffering from the burdens of the present inflation.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. HUGH D. SCOTT, JR. I yield to the gentleman from Arkansas.

Mr. HARRIS. Should the Crosser bill be voted down and the proposed substitute as explained be offered, would the gentleman support it?

Mr. HUGH D. SCOTT, JR. I find that the prediction business is very uncertain these days. I have no idea what will happen next on this vote.

The CHAIRMAN. The Chair recognizes the gentleman from Mississippi [Mr. WILLIAMS].

Mr. WILLIAMS of Mississippi. Mr. Chairman, in the brief space of a minute and a half I shall address my remarks to only one aspect of this legislation. From the information I have been able to obtain as a member of the Committee on Interstate and Foreign Commerce from the hearings and from the executive sessions on this legislation, it appears to me that the Crosser bill approaches this problem with a different philosophy from that of the committee bill. The Crosser bill, because of its inclusion of the $50 work clause, approaches this legislation from the standpoint of encouraging men to work beyond retirement age, or giving them the very unhappy alternative of having to live in a state of economic peonage—their income limited to the small, inadequate annuities which they may be able to receive under this bill.

In my opinion, the $50 work clause is in itself sufficient reason why the Crosser bill should be rejected. The committee bill, as it may be amended by the Harris substitute, considers these annuities to be the property of the workers, to do with as they see fit. It has no work clause and is fair in every respect to all annuitants.

I hope the Crosser amendment is rejected and the Harris substitute is adopted.

The CHAIRMAN. The Chair recognizes the gentleman from Connecticut [Mr. MCGUIRE].

Mr. MCGUIRE. Mr. Chairman, after the fiasco of 1948 I can see why the gentleman from Philadelphia did not want to make any predictions.

Mr. HUGH D. SCOTT, JR. If the gentleman will yield, the gentleman made no reference to anything except the railroad retirement bill.

Mr. MCGUIRE. All right. I want to tell you that no one has worked any harder for the Crosser bill than I have. I think we are very lucky that we have a man like BOB CROSSER heading the Democrats and a man like CHARLIE WOLVERTON heading the Republicans. We have a grand committee. I say we are all practical politicians and we ought to give and take.

I contacted the people back in my district. I talk to the railroad men in the New Haven station every week, sometimes three times a week. I will say frankly they do not like this $50 work clause. I would like to see it knocked out. I do not think it is good. But I would like to have said here that just as I think the Korean war situation ought to be run as if everyone of us had our only son in the front line in Korea, as far as the railroad retirement legislation is concerned, I think we should pass legislation as if our only son were a railroad worker.

We have been nice to everybody in the world. I think we ought to start being nice to the American people by treating the railroad workers right now.

The CHAIRMAN. The Chair recognizes the gentleman from Massachusetts [Mr. HESELTON].

Mr. HESELTON. Mr. Chairman, I realize, too, that in a minute and a half it is impossible to cover even the basic grounds for my conviction that the Crosser bill should be accepted by the committee. I do want to try to cover two points, one of which has not been emphasized very much in the course of this debate.

In the first place, one of the principles we must follow is that this fund be kept solvent. If you accept the committee bill, it has been reliably estimated that an annual deficit of over $108,000,000 will be incurred. If you support the bill that the gentleman from Ohio [Mr. CROSSER] has suggested, the estimate is that the fund would rise gradually for between 15 to 20 years to a point of $7,600,000,000, and then level off at $7,500,000,000. To vote for the committee bill, the only alternative that is now before us is a calculated and deliberate action leading to wrecking this fund.

To vote for the Crosser bill is to vote to do as much as can be done for those who need it the most, particularly the widows and the dependent children and still maintain the solvency of this fund. And the needs of these beneficiaries would be more fully met, which is the second point.

Under the committee bill they would get a pitiful increase of anywhere from $7 to $10, but under the Crosser bill would get an increase of at least $60 and possibly up to $75.

I ask you to take these facts into consideration before you vote on these proposals.

The CHAIRMAN. The Chair recognizes the gentleman from Indiana [Mr. BEAMER].

Mr. BEAMER. Mr. Chairman, something is happening in this country. There are too many Members in the House who are forgetting the folks back home, the men who are in retirement, and who are about to go on retirement in a short time. Too many people are listening to the whims of certain bureaucrats. I hope you will think about the people who will be benefiting by this retirement, and who have paid their money into the fund in the past. I have written and received hundreds of letters from those people. Once they learn the contents of the Crosser bill, they are against it. I am speaking in behalf of those people, and that is the reason I cannot support the Crosser bill. When they learn what is in it, they are against it. They said they do not want any increase in the rates, and you have it in the Crosser substitute. They said they do not want to be thrown into Social Security, and that is what has been done by this substitute. They want the fund protected, and I know that you will find that the actuaries who appeared before the Senate and House committees testified that the fund would be depleted.

I would like to read for the RECORD a telegram from 830 Indiana retired railway employees who are now on the retirement list. It is as follows:

The Association of Retired Railway Employees of Indianapolis with a membership of 830 urgently request you to support the Hall amendment or substitute to the Crosser bill.

ASSOCIATION OF RETIRED RAILWAY EMPLOYEES.
VERT M. VILLERS, *President.*

Those are the people who will be benefited. Why do you not listen to them?

Mr. VAN ZANDT. Mr. Chairman, when this legislation was under consideration on October 4, I stated very frankly why I could not support the Crosser bill at this time, but would support the Hall bill, which is stopgap legislation. I also said in my remarks at that time that I would favor the House resolution which provides that a study of the Railroad Retirement Act be made immediately and that by next February 15 a bill be introduced incorporating the recommended changes resulting from the study.

Since October 4, I have talked to many railroaders back in my congressional district and have heard from many others by mail. I am not being critical of any of the railway labor organizations when I say that those railroad men to whom I talked—both active and retired—confessed that to them the debate on the Crosser and Hall bills is too technical and they are bewildered and confused.

When I talked to officials of the various railway unions I found that they knew the good points of both bills but they were reluctant to discuss the controversial features. Regardless of what bill these union officials supported they joined active and retired railroaders in agreeing that the solvency of the railroad-retirement fund is the paramount issue. They were also in complete agreement on the fact that immediate relief must be given to present recipients of railroad retirement benefits.

It was unanimously agreed that the Railroad Retirement Act should be examined with the thought in mind of reducing the retirement age, the years of mandatory service, and liberalizing other provisions of the existing law.

In addition to talking to active and retired railroaders several retired men canvassed members of the railroad fraternity in my congressional district and here is the report I received regarding their interviews:

We can see nothing wrong by having both Houses of Congress accept the Hall bill as an emergency plank for the bridge, thus permitting the Railroad Retirement Act to reecive a general overhauling next February. Meanwhile, we old-timers will receive a much-needed increase as well as the widows and children of deceased employees.

As I said during the debate on this legislation on October 4, I am in favor of many of the provisions of the Crosser bill, if it can be shown after further study that these new benefits will not endanger the financial condition of the railroad-retirement fund.

It is freely said that these new benefits are sugar-coated pills and include the increase of benefits to annuitants and pensioners and the widows and surviving children together with the new monthly benefit to the spouse. These benefits are said to be sugar-coated because they require the acceptance of bitter pills in order to obtain them.

Taking the bitter with the sweet means that in order to obtain these new benefits certain savings to the railroad-retirement fund must be effected and in addition new sources of income must be found in order to provide $230,000,000 estimated to be the annual cost of these new benefits under the Crosser bill.

To raise the $230,000,000 it is proposed that the following changes be made in the existing law:

Recipients of railroad retirement benefits would be prohibited from earning in excess of $50 monthly except if retired on disability. This prohibition means that a retired railroader cannot earn more than $50 monthly in outside employment without forfeiting his monthly railroad retirement check.

This provision in the Crosser bill is designed to force railroad employees to work beyond their retirement age of 65. It is said that such a provision will effect a saving of $50,000,000 annually.

Railroaders in my district resent Congress or anyone else restricting their earnings after they retire under the provisions of the Railroad Retirement Act. They feel that with their employer they have paid for their retirement and that it is rank discrimination if not unconstitutional to apply such a restriction. In my opinion such a restriction is punitive legislation and would force retired railroaders and their families to exist on a fixed income.

The idea of forcing railroaders to work beyond the age of 65 is equally repugnant because the majority of us know that a determined effort is being made in railroad circles to reduce the age of retirement from 65 to 60 years with the option of retiring at age 60 or upon completion of 30 years service regardless of age.

I have petitions from more than 3,400 railroaders in my district urging that the age of retirement be reduced to age 60 and that the Railroad Retirement Act be amended to permit retirement upon completion of 30 years of service regardless of age.

Then too, we must not forget that in times of depression in the railroad industry it is the young man at the bottom of the roster who is furloughed and who urges the retirement of older employees. These young employees will suffer greatly if older employees are forced to work beyond the age of retirement.

Another objection to the Crosser bill is the increase in payroll taxes brought about by taxing earnings up to $400. Under existing law earnings up to $300 are taxable.

This increase which will amount to $6.25 monthly on the additional $100 is estimated to produce $80,000,000 annually after January 1, 1952. While I recognize that the increase of payroll tax will provide additional benefits to the individual upon retirement, yet the average railroadman in my district is opposed to any increase in taxes on his earnings. He knows that to increase payroll taxes will shrink further his take-home pay and he states he fails to see the necessity for an increase since he now pays 4 times the tax imposed under social security, yet, upon retirement receives less benefits.

It has been said that there is only a small percentage of railroad labor to be affected by this payroll increase under the Crosser bill. According to information furnished the House Committee on Interstate and Foreign Commerce as a result of a check of the 10 largest railroads in the United States 46 percent of their 1,490,000 employees receive wages less than $300 monthly. That means that 54 percent of the employees earn in excess of $300 a month and on their shoulders will fall the burden of paying for these sugar-coated pills.

Objection is also voiced to the Crosser bill over the proposal to transfer over 5,000,000 persons with less than 10 years of service to the social security rolls, on the assumption that such action will effect a saving to the railroad retirement fund of $40,000,000.

For the Congress of the United States to arbitrarily transfer these people without any idea of their feelings on the subject and to reduce their benefits at the same time is in my opinion a violation of their rights. I have hundreds of people in my district who would be adversely affected by this provision and those who are aware of it are vigorously opposed to it. Over a period of years railroad brotherhoods have indoctrinated the railroad man and his family with the idea that the social-security system is

intent on taking over the railroad retirement system. With all the sincerity at my command I can tell you that the people in my district feel that the Crosser bill is the first step in that direction and they want nothing to do with it.

According to the testimony in the Senate of Mr. Robert J. Myers, Chief Actuary, Social Security Administration, I look with suspicion upon the provision in the Crosser bill whereby the Railroad Retirement Board and the Federal Security Administrator will, by June 1, 1956, recommend legislation that they hope will make a further estimated annual saving of $60,000,000 in the railroad retirement fund.

Mr. Chairman, as I said on October 4 and I repeat it again today, there is general agreement among all who are interested in amending the Railroad Retirement Act that present recipients of benefits under the Railroad Retirement Act must be granted immediate relief through an increase in benefits. This cannot be accomplished under the Crosser bill, because the Railroad Retirement Board will have to hire and train hundreds of new employees to administer its provisions.

For example, the spouse's provision alone will require the filing of an application with supporting evidence in the form of a marriage certificate together with a birth certificate. In addition the files of more than 5,000,000 employees will have to be examined preparatory to the transfer to social security of those with less than 10 years of service.

Let us not forget the policing job that will have to be done to ferret out retired people earning in excess of $50 monthly so that their retirement check could be stopped as provided by the Crosser bill.

May I remind you that under the 1946 amendments to the Railroad Retirement Act 200,000 claims had to be reexamined in order to determine if and how much increased benefits would be payable on each claim. It required over 1 year to complete the job and that meant considerable delay in paying the increased benefits.

All of us should give particular attention to the division of opinion on the Crosser bill. It starts in the Federal Security Agency, it exists with Railroad Retirement Board, is found among actuarial experts, prevails in the ranks of railway labor and among the members of the House Committee on Interstate and Foreign Commerce, while active and retired railroad employees are equally bewildered and confused.

Nor can we ignore the opinion of experts who are opposed to the Crosser bill, including Mr. Murray W. Latimer, formerly Chairman of the Railroad Retirement Board, and who should know whereof he speaks, for he is a recognized authority on the Railroad Retirement Act. When testifying on Senate bill 1347, which is identical to the Crosser bill, Mr. Latimer said:

> Either the Railroad Retirement System will collapse or there will be a Government subsidy.

He continued by saying that the bill "from the standpoint of financial soundness represents extreme recklessness."

In conclusion, after detailed study and serious reflection I am convinced that there is only one position that I can take to guarantee the solvency of the railroad retirement fund and to grant immediate relief to retired employees and to widows and surviving children, and that is to support the Hall bill, which if approved by both Houses of Congress this week, will mean that the check that all retired employees and survivors receive for the month of November will include an across-the-board increase of 15 percent to all annuitants and pensioners and 33⅓ percent increase to widows and surviving children, with a 25 percent increase in lump-sum death benefits.

It is my intention to support the House resolution which will be considered in conjunction with this legislation and which provides for a thorough study of the Railroad Retirement Act by the House Committee on Interstate and Foreign Commerce in order to determine the extent to which it may be liberalized without jeopardizing the railroad retirement fund.

The House resolution provides that the recommendations of the House Committee on Interstate and Foreign Commerce be submitted to Congress in the form of a legislative proposal following the completion of the study and that such legislation be introduced not later than February 15, 1952. Therefore, Congress will be given the opportunity of liberalizing the Railroad Retirement Act after careful study of the recommendations made, and will not be proceeding in a blind manner.

The CHAIRMAN. The time of the gentleman from Pennsylvania has expired.

The Chair recognizes the gentleman from Florida [Mr. ROGERS].

Mr. ROGERS of Florida. Mr. Chairman, there is just one other feature of this bill that I want to emphasize that has not been emphasized, and that is that the Crosser bill would absolutely make the retirement fund insolvent by the year 2000. That is the testimony of every expert.

Let me read you a quotation from what Mr. Latimer said. As you all know, he is the father of railroad legislation. Here is what he said:

> Mr. Murphy in his prepared statement on S. 1947—

Which is identical with the Crosser bill—

> said that under the bill either the railroad retirement system will collapse or there will be a Government subsidy.

None of us likes subsidies. If you want to subsidize it, all right, vote for the Crosser amendment.

He further criticized the bill from the standpoint of financial soundness as "the extreme of recklessness."

Both Mr. Mercer and Mr. Overholtzer, who is associate to the Railroad Retirement Board, each testified that if you put into operation the Crosser amendment, within the year 2000 you would have an insolvent fund and none of these people would get anything.

The CHAIRMAN. The Chair recognizes the gentleman from Tennessee for a minute and a half.

Mr. PRIEST. Mr. Chairman——

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. PRIEST. I yield to my distinguished colleague.

Mr. HARRIS. Mr. Chairman, I would not want anyone to labor under a misapprehension. I said in my remarks a moment ago that in my judgment if the Crosser bill were voted down and the substitute proposed adopted that it would be in my opinion acceptable to the nonoperating groups. I am advised by a member of the nonoperating group that it would not be acceptable to them. I wanted to make this correction known to the membership before we vote; that information shows how noncompromising some people are and the tough problem we have had.

Mr. PRIEST. Mr. Chairman, I imagine I have perhaps half a minute left, and in that half minute I simply want to say that very shortly the House will make a choice between the Crosser substitute and the Harris substitute that will be offered if the Crosser substitute is voted down.

I can appreciate, I think, having lived rather strenuously with this subject for the last 3 months how the Members feel. I hope, however, that when the decision comes in in about 10 minutes we will defeat the Crosser substitute and open the way for a substitute to be offered by the gentleman from Arkansas [Mr. HARRIS]. Here let me pay him a tribute and express public appreciation for the fact that during the last few weeks the gentleman from Arkansas has labored diligently night and day in an effort to bring about a compromise. I think he deserves great credit for the effort he put forth. I hope we will support his substitute when it is offered.

The CHAIRMAN. The gentleman from Michigan [Mr. SHAFER] is recognized.

Mr. SHAFER. Mr. Chairman, I can state very briefly my reasons for supporting the Crosser bill (H. R. 3669).

This Congress has voted billions of dollars of the taxpayers' money for giveaway programs to other countries and for nonessential Federal expenditures. In so doing it has added to the fires of inflation which victimize persons living on pensions more than any other single group of our fellow citizens.

Can there be any possible question, either on the merits of the case or in the face of this record of profligacy, about voting an increase in retirement benefits for American railroad men when that action involves no increase in taxes and no added cost to the taxpayer?

Can there be any possible question, when the proposed action involves the railroad men's own pension funds, when it adequately safeguards those funds against dissipation, and when the proposed action is necessary in order to bring their pension benefits somewhere nearly in line with pension benefits provided other Americans under social security?

I think the answers to these questions are obvious.

They are, to me, compelling reasons for my support and vote in favor of the Crosser amendments contained in H. R. 3669.

The CHAIRMAN. The gentleman from Ohio [Mr. CROSSER] is recognized for 10 minutes to close the debate on the Crosser substitute.

Mr. CROSSER. Mr. Chairman, during the 2 days I have sat here, while this bill has been under consideration, I could hardly refrain from laughing at some of the manifestations of anxiety for the welfare of the fine railroad-retirement system. Some hearts almost bled in their anxiety—anxiety lest something awful should happen to the noble railroad-retirement system which some of us had already done much to establish; yet I cannot forget the indifference of some of the folks during the early stages of development of the legislation which has brought that retirement system to its present high standard.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield.

Mr. HARRIS. I trust the gentleman would not imply to this Committee that at any time in the past any bill the gentleman has had before the Committee on this subject was not properly considered.

Mr. CROSSER. I was not talking about that.

Mr. Chairman, it is interesting to hear the wailing and dramatic references to the necessity for protecting this great railroad-retirement system. It makes me feel somethink like a kind of pride, though somewhat perplexed, because in the beginning I had the wonderful satisfaction of having the floor almost entirely to myself when the battle for the railroad-retirement legislation was in progress. But enough of that. I think the membership in general can remember something about the experiences I have had in the past.

They try to tell you that railroad men all over the country are overwhelmingly opposed to my bill. The fact of the matter is that 80 percent of the railroad workers of the United States, 80 percent are in favor of this legislation, as stated by the official heads of their organization. Railroad labor organizations favor the bill I have introduced. So let us not have any more of this balderdash about the great majority being against it.

Mr. Chairman, in addition to the fact that 80 percent of all the railroad workers of the United States have committed themselves to this legislation, we have a letter from William Green, for many years president of the American Federation of Labor, in which he wholeheartedly endorses the Crosser bill and urges the Congress as earnestly as he knows how to pass this bill.

We have heard them tell us about the differences between what these bills provide. Let me show you, for instance, what would happen to widows under the three different schemes. Under the present arrangement, the widows get $30.10 a month. The Hall substitute would give them $40. The social security gives them $43. But the Crosser bill would give them $52 a month. A widow with one dependent child under present law receives $50.17. The Hall substitute would give her $66, the social security $86, and the Crosser bill $104, giving some slight indication of the amount of exaggeration with which we have had to contend because of the desperation these men have manifested in order to discredit the bill which I have been supporting.

I think everyone knows I have spent more than 20 years of my time in an effort to perfect the railroad-retirement system and I do not think that I have been far behind the newcomers in my efforts in that respect. Let me tell you that this bill is in harmony with everything I have done before. If I did a good job then, as I have been told heretofore was the case, then this bill improves the work.

Let us pass now to three or four other matters which have been misrepresented, or else those speaking in reference to the same did not know that about which they were talking. I refer to the so-called consolidation of the social-security system with the railroad retirement system. As a matter of fact, I was one of the first who opposed any effort at joining the two systems or absorbing the railroad-retirement system, as some of the self-constituted protectors of the railroad-retirement system desired to do. I not only opposed such consolidation but I advised the railroad workers also to oppose it. This bill I am glad to say does not propose any merger.

There are nearly 5,000,000 men whose names appear on the railroad-retirement records who have had less than 1 year's actual service. These men are not railroad men in the true sense. They are casual workers, do such work as washing windows, sweeping out the buildings, fellows who do a day's work now and then. They are not the rank and file of railroad men of the country for which the railroad-retirement bill was originally planned. These men are not railroad workers at all and they really belong to the lower-cost pension system, social security.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield to the gentleman from Massachusetts.

Mr. HESELTON. I might add to what the gentleman has said that 83.4 percent of these people have service of 1 year or less.

Mr. CROSSER. That is right; practically all of them. The idea of saying we are wrecking the railroad-retirement system, as if I could reasonably desire to do anything of that kind. Years ago there was no one here shouting for a retirement system. The men in those days left the service of the railroads with little hope of having a sufficient income during old age. They had no assurance of protection against want and I can remember how hard we tried to arrange, for the peace and serenity during the evening of life of these old men who had spent the best part of their lives in operating a fine railroad system in this country. Now we hear the opposition talking as if I were anxious to tear down the retirement system. They are hard put for arguments, but nothing is further from the truth. We proposed in our bill in the case of old men who had reached the age of retirement, "If you have a wife, we are going to try to provide additional help, a little more than for those who have no wife to support." So in our bill we provided that wives 65 years of age should receive an additional amount, equal to half of what the man himself would get, but not to exceed $50. We thought that was the sensible way to help when we could not get a large increase for everyone alike.

The CHAIRMAN. The time of the gentleman from Ohio has expired.

All time has expired.

Mr. CROSSER. Well, if there is no objection, I would like to have a little more time.

The CHAIRMAN. By unanimous consent, the time has been fixed.

Mr. LEONARD W. HALL. Mr. Chairman, I ask unanimous consent that the gentleman may be permitted to proceed for three additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. COOLEY. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield to the gentleman from North Carolina.

Mr. COOLEY. I would like to have the gentleman from Ohio tell the House how much consideration was given to this so-called Hall substitute in the committee.

Mr. CROSSER. Less than 15 minutes, I will say to the gentleman. That is how much time was given to it. I am glad the gentleman asked that question.

Mr. LEONARD W. HALL. Mr. Chairman, will the gentleman yield?

Mr. CROSSER. I yield.

Mr. LEONARD W. HALL. Will the gentleman tell the Committee how much time was given to the consideration of the substitute that he has offered today, with the new provisions in it?

Mr. CROSSER. My dear fellow, the new provisions were discussed all the way through. They were not actually in the bill, but they were discussed, practically all of them.

Mr. LEONARD W. HALL. The gentleman has in his substitute integration with social security, which he was against in committee.

Mr. CROSSER. No; I disagree about that.

The work clause has a very good justification. The first bill we passed here had a work clause in it prepared by Murray Latimer, now the adviser of the CIO, in reference to retirement matters. He was their spokesman, a good man.

I would be very glad to give a complete discussion of all the provisions of this bill if I had time, but I do desire to say a word in closing about mankind's obligation to this fellow man. Let me give an illustration of what I think would be our ideal in conduct. Let us follow the example of the man whose life and conduct in his closing days at this earthly

scene are described in the following poem, to wit:

An old man, going a lone highway,
Came at evening, cold and gray,
To a chasm, vast and deep and wide,
Through which was flowing a sullen tide.
The old man crossed in the twilight dim—
That sullen stream had no fears for him:
But he turned, when he reached the other side,
And built a bridge to span the tide.
"Old man," said a fellow pilgrim near,
"You are wasting strength with building here.
Your journey will end with the ending day;
You never again must pass this way.
You have crossed the chasm, deep and wide,
Why build you the bridge at the eventide?"
The builder lifted his old gray head.
"Good friend, in the path I have come," he said,
"There followeth after me today
A youth whose feet must pass this way.
This chasm that has been naught to me
To that fair-head youth may a pitfall be.
He, too, must cross in the twilight dim;
Good friend, I am building the bridge for him."

Friends, let us all try to emulate the example of the old bridge builder. Let us have no more sophistry. Let us pass the Crosser bill, H. R. 3669, which has been carefully prepared and which we have urged for many months.

The CHAIRMAN. The question is on the Crosser substitute for the committee amendment.

The question was taken; and on a division (demanded by Mr. CROSSER) there were—ayes 99, noes 139.

Mr. CROSSER. Mr. Chairman, I demand tellers.

Tellers were ordered, and the Chairman appointed as tellers Mr. BECKWORTH and Mr. WOLVERTON.

The Committee again divided; and the tellers reported there were—ayes 114, noes 158.

So the substitute amendment was rejected.

Mr. HARRIS. Mr. Chairman, I offer a substitute for the committee amendment.

The CHAIRMAN. The Clerk will report the substitute amendment.

The Clerk read as follows:

Amendment offered by Mr. HARRIS as a substitute for the committee amendment: "That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (p) thereof a new subsection as follows:

"2. The term Social Security Act and Social Security Act, as amended, shall mean Social Security Act as amended in 1950."

Mr. HARRIS. Mr. Chairman, we have had this matter before us all afternoon. The original bill was read and it has been debated rather fully. We have explained what the substitute will do already.

In view of that, I ask unanimous consent that the proposed amendment be considered as read and printed in the RECORD at this point.

The CHAIRMAN. Is there objection to the request of the gentleman from Arkansas?

Mr. HESELTON. Mr. Chairman, reserving the right to object, and I do not intend to object, will the gentleman advise the House whether the substitute he is now offering contains all of the provisions of S. 1347, which was passed by the other body?

Mr. HARRIS. I shall be glad to explain to the gentleman, in the very brief remarks that I expect to make, just what the differences are. I would tell him there are some slight differences.

Mr. HESELTON. Are there differences in the bill?

Mr. HARRIS. There are three slight differences in the bill.

Mr. HUGH D. SCOTT, JR. Reserving the right to object, is the gentleman in a position to say that his amendment is substantially the same as the Senate bill?

Mr. HARRIS. There are two major changes in the Senate bill, and one more modified or minor change.

Mr. HUGH D. SCOTT, JR. Will the gentleman explain them?

Mr. HARRIS. I will be glad to, if the unanimous-consent request is granted.

The CHAIRMAN. Is there objection?

Mr. CROSSER. I object; this is important enough that we should have an opportunity to read it and correct it if necessary.

The CHAIRMAN. It will be in the RECORD.

Without objection further reading is dispensed with.

Mr. HESELTON. Mr. Chairman, I shall object to dispensing with the further reading. I wonder if the chairman of the committee has in mind the question of whether this substitute will be voted on tonight before we have an opportunity to read it in the RECORD.

Mr. CROSSER. That is exactly the question I want to ask. We certainly have never seen this; I never have.

The CHAIRMAN. The Chair cannot dispose of that.

Mr. HAYS of Ohio. Mr. Chairman, I object.

Mr. CROSSER. Mr. Chairman, I move that the Committee do now rise.

The CHAIRMAN. The question pending before the Committee is: Is there objection to dispensing with further reading of the amendment, it to be printed in the RECORD?

Mr. HAYS of Ohio. Mr. Chairman, I object.

Mr. RABAUT. Mr. Chairman, a parliamentary inquiry.

The CHAIRMAN. The gentleman will state it.

Mr. RABAUT. Is there objection to having the proposed amendment printed in the RECORD?

The CHAIRMAN. The request submitted was to dispense with further reading of this amendment and that it be printed in full in the RECORD.

Mr. RABAUT. There is no objection to that.

The CHAIRMAN. Objection was heard.

Mr. HAYS of Ohio. Mr. Chairman, I withdraw my objection. I understood we were going to proceed with the discussion of this amendment, but if the Committee is going to rise and the amendment will be printed in the RECORD, the membership will have time to read it. I withdraw my objection under those circumstances.

The CHAIRMAN. Without objection the further reading of this amendment is dispensed with and it will be ordered printed in the RECORD.

There was no objection.

(The amendment referred to follows:)

Amendment offered by Mr. HARRIS as a substitute for the committee amendment: "That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (p) thereof a new subsection as follows:

"'(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1950.'

"SEC. 2. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase '60 days', the phrase '6 months.'

"SEC. 3. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase '60 days' in subsection (k) thereof the phrase '6 months.'

"SEC. 4. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"'(e) Spouse's annuity: The spouse of an individual, if—

"'(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"'(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $40: *Provided, however*, That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further*, That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further*, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that act but for said subsection (k).

"'(f) For the purposes of this act, the term "spouse" shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute

to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"'(g) The spouse's annuity provided in subsection (e) shall, with respect to any month, be subject to the same provisions of subsection (d) as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this act.'

"SEC. 5. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing '2.40' to '2.76', '1.80' to '2.07', and '1.20' to '1.38.'

"SEC. 6. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of paragraph 4.

"SEC. 7. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing the phrase 'subsection 2 (a) (3)' to 'section 2 (a) 3 or the last paragraph of section 3 (b)'; by changing '3.60' to '$4.14', and '$60' to '$69'; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: *'Provided, however,* That in case of an individual having a current connection with the railroad industry and not less than ten years of service that if for any entire month in which an annuity accrues and is payable under this act the annuity to which an employee is entitled under this act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that act and quarters of coverage were determined in accordance with section 5 (l) (4) of this act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.'

"SEC. 8. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'three-fourths of'; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: *'Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.'

"SEC. 9. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'three-fourths of'; and by changing the period at the end thereof to a colon and inserting after the colon the following: *'Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount.'

"SEC. 10. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds'.

"SEC. 11. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds'.

"SEC. 12. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds'.

"SEC. 13. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the first sentence for the word 'eight' the word 'ten'.

"SEC. 14. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(h) Maximum and minimum annuity totals: Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to 2⅔ times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14.'

"SEC. 15. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting '$50' for '$25'.

"SEC. 16. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase 'the month in which' (incluing the proviso), and substituting the following: 'eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed.'

"EFFECTIVE DATES

"SEC. 17. (a) Except as otherwise specifically provided the amendments made by this act shall take effect with respect to benefits accruing under the railroad retirement acts and the Social Security Act after the last day of the month in which this act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however,* That in the recomputation pursuant to this act of survivor annuities heretofore awarded, the basic amount shall not be recomputed.

"(b) The amendments made by sections 2, 3, and 16 of this act shall apply to benefits awarded in whole or in part on or after the date of enactment of this act.

"(c) Where the parent of a deceased employee has, prior to the date of enactment of this act, been awarded a survivor annuity under the Railroad Retirement Act which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this act shall be determined without regard to whether or not such employee died leaving a 'widow', as defined in this act.

"(d) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

"(e) All pensions due in months following the first calendar month after the month of enactment hereof, shall be increased by 15 per centum.

"(f) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term 'spouse' as used in this Act shall include the wife or husband of an employee who has been awarded an annuity under the Railroad Retirement Acts of 1935. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.

"(g) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, Seventy-ninth Congress, shall, subject to the provisions of this Act, be one-half the annuity such employee would have received had the annuity been awarded at age sixty-five.

"(h) All recertifications by the Railroad Retirement Board required by reason of the provisions of this Act shall be made without application therefor.

"AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

"SEC. 18. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding at the end of the first paragraph thereof the following: *'Provided further,* That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.'

"SEC. 19. Subsection a–1 of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subsection (iii) and (iv) thereof.

"SEC. 20. The provisions of sections 28 and 29 of this act shall become effective with respect to registration periods beginning on and after January 1, 1952."

Mr. HARRIS. Mr. Chairman, I ask recognition.

The CHAIRMAN. The gentleman from Arkansas is recognized for 5 minutes.

Mr. HARRIS. Mr. Chairman, it is getting late and it will require but very few minutes to explain this substitute in view of the debate we have had on this subject this afternoon following the debate which we had last Thursday, a week ago. If the membership will listen to me briefly, I will try to explain very quickly just what it will do.

The Committee on Interstate and Foreign Commerce after considering this entire subject for several months, not 15 minutes, as we were told a moment ago, but after considering the entire subject for several months and holding hearings for days and days and meeting day after day in executive session, considered the original bill which was just

now voted down, considered the bill that the chairman introduced on behalf of the operating brotherhoods, and considered some 25 or 30 other bills that were introduced by individual Members of Congress. We considered the entire subject over a long period of time. The committee took up the bill H. R. 3669 and read it paragraph by paragraph and amended it in various ways. After the completion of reading of the bill, a number of amendments were adopted, incidentally leaving the bill at that time pretty much in line with what I am offering here now. The Congress was about to recess for a few days and the members of the committee were anxious to report something before they left. Consequently, we reported the Hall substitute, which would provide 15 percent across-the-board increase for pensioners and annuitants.

Mr. CROSSER. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Ohio.

Mr. CROSSER. And I say without fear of contradiction that I did not see or hear that so-called substitute read until 15 minutes before we adjourned the committee.

Mr. HARRIS. I appreciate that.

Mr. CROSSER. That is what I said before. I did not say we had not considered these bills. That is not it. But we did have about 15 minutes to look at the lines that were written there.

Mr. HARRIS. I still stand on my statement that we considered this entire subject, including this bill, in the course of many, many months.

Mr. CROSSER. And on the same basis I have considered it for 20 years.

Mr. HARRIS. Well, I commend the gentleman for his very fine work.

Mr. CROSSER. I am talking about a specific thing.

Mr. HARRIS. So the committee voted a straight across-the-board increase of 15 percent for annuitants and pensioners. We provide 33⅓ percent for survivors and 25-percent increase for lump-sum payments. We did that in order to get something out of the committee so that some tangible action would be taken by the committee before we left.

I am proposing here the identical increase for the annuitants, pensioners, survivors, and lump-sum payments and the same increase that was included in the bill that was passed by the Senate yesterday. The Senate accepted the action of our committee with reference to increased benefits for beneficiaries. In addition the Senate provided a spouse provision for $40 instead of $50. We are accepting that in the substitute I am offering here.

Mr. HESELTON. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Massachusetts.

Mr. HESELTON. Does the gentleman's substitute guarantee all of the annuitants and survivors the same payments that they received before?

Mr. HARRIS. I will get to that in a moment. We have spouse benefits in this substitute providing $40. That is, one-half of the pensioner's retirement but not to exceed $40 instead of the $50. originally proposed. We do not increase the taxable base from $200 to $350 as was in Senate bill. We strike that provision out and leave the taxable base where it is.

We provide a modification for the 10-year men. The Senate transferred all 10-year men to social security, that is all employees with less than 10 years of service.

The CHAIRMAN. The time of the gentleman from Arkansas has expired.

Mr. HESELTON. Mr. Chairman, I ask unanimous consent that the gentleman may proceed for five additional minutes.

The CHAIRMAN. Is there objection to the request of the gentleman from Massachusetts?

There was no objection.

Mr. HARRIS. Mr. Chairman, we provide that the less than 10-year men will remain just as they are today. We provide a guaranty for those with 10 years or more of current service in the railroad industry, a minimum guaranty that they shall receive what they would have received had they been under social security, just as the bill the gentleman originally introduced provided, the very same thing that the gentleman from Texas has been asking for to help those who need help most.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. Will the gentleman give us an idea of the cost?

Mr. HARRIS. I will come to that. We strike out the provision of social security integration, the one that I explained to you a moment ago, which the chairman accepted and offered today for the first time and which has never been considered by members of our committee. We strike that out. In other words, we modify the 10-year provision. We take out the increase for the taxable base. We strike out the integration provision and we take the rest of the bill which the Senate adopted yesterday in the hope that this House will accept it, that it may go to the Senate and that the Senate will accept it and these people who are entitled to these benefits will receive them without delay.

Mr. BENNETT of Michigan. Does the gentleman know, if his proposal is adopted, that it will cost approximately 17-plus?

Mr. HARRIS. No, the gentleman does not know that. Neither does the gentleman from Michigan know it.

Mr. BENNETT of Michigan. Does not the gentleman agree that the Senate bill as now passed will cost 14.06?

Mr. HARRIS. No. Senator DOUGLAS—and it is in the committee report—says it will cost 13.90 which is more near in line with a sound program than the one the gentleman from Michigan has been supporting.

Mr. BENNETT of Michigan. Does the gentleman know how much his bill will cost?

Mr. HARRIS. It will cost 13.9 plus about one-half percent, because of striking out the spouse provision. It will mean about $45,000,000.

Mr. BENNETT of Michigan. But you are reducing the taxable base from $350 to $300. How much are you going to lose there?

Mr. HARRIS. We do not think that that takes away from the soundness of the fund any more than your proposal. That is the reason we will have to have the resolution for further study.

Mr. BENNETT of Michigan. How much does that increase the cost of your proposal?

Mr. HARRIS. By reducing it?

Mr. BENNETT of Michigan. Yes.

Mr. HARRIS. I will say to the gentleman it is just as sound as any program that has been presented, and the RECORD shows it throughout, because as yet there is no bill that has been offered that has a sound program, that is keeping the fund actuarially sound.

Mr. VAN ZANDT. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. You have eliminated entirely the limitation on earnings after one retires?

Mr. HARRIS. Yes; we have eliminated the $50 work clause altogether.

Mr. PRIEST. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Tennessee.

Mr. PRIEST. In line with what the gentleman just said about cost, the gentleman, I am sure, will point out to the committee, and the committee will recognize, that this also, as a majority of the committee sees it, is in effect stopgap legislation pending a study that must be made of the controversial issues.

Mr. HARRIS. And so stated by Senator DOUGLAS yesterday when the bill passed the Senate.

Mr. BROOKS. Mr. Chairman, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Louisiana.

Mr. BROOKS. Does this increase the tax assessment?

Mr. HARRIS. It does not increase the tax assessment at all.

I urge the committee to accept this substitute because I firmly believe this is undoubtedly the nearest that we can come to satisfying all groups.

Mr. HESELTON. Mr. Chairman, I move to strike out the last word.

Mr. Chairman, at this late hour I do not intend to use 5 minutes. I think the RECORD, however, should be made entirely clear that the bill that has been offered eliminates a provision that is calculated by the proponents in the other body, as well as by those of us who supported the Crosser bill, as involving $50,000,000 that you are going to throw away if you accept this amendment.

Secondly, yesterday afternoon in the other body the gentleman to whom the gentleman from Arkansas referred said flat-footedly that this bill will cost 14.06 percent. That is at the bottom of the first column at page 13117 of the RECORD. You are going to take a real chance on wrecking this proposal if you act hurriedly. There should be a disposition for all of us who want to do the right thing to at least see what is in this RECORD and see what is in this bill that we are asked to vote upon at this time of night. We have no idea, except as the

gentleman has outlined it, and I agree, capably, of what it contains. I think we owe it to ourselves and to the railroad workers of this country, whatever unions they may belong to, that we take considerate and not hasty action, that we know we are acting in their best interests, and that we are individually and collectively measuring up to our responsibilities. We must recognize that in a very real sense we are acting as trustees of this fund. I hope there will be no insistence on hasty action that we may all regret very much in the days to come.

Mr. BENNETT of Michigan. Mr. Chairman, will the gentleman yield?

Mr. HESELTON. I yield to the gentleman from Michigan.

Mr. BENNETT of Michigan. Is it not also a fact that taking the integration with social security out of the amendment offered by the gentleman from Arkansas will cost another 2 percent of the payroll?

Mr. HESELTON. It will.

Mr. BENNETT of Michigan. So that the total cost of the amendment offered by the gentleman from Arkansas on the railroad-retirement fund would be 1.07 percent of payroll. Where in the name of common sense is this money going to come from? The maximum fund that is raised under the present tax is 12½ percent. No one proposes that that tax rate be raised, so how are you going to provide these benefits unless you provide some savings or increase the tax rate here to make the money available?

Mr. HESELTON. I cannot answer the question. But surely it should be answered.

Mr. HUGH D. SCOTT, JR. Mr. Chairman, will the gentleman yield?

Mr. HESELTON. I yield to the gentleman from Pennsylvania.

Mr. HUGH D. SCOTT, JR. Will not the gentleman agree that the best chance of getting a workable bill here is to go along at this point with that provision in the bill from the other body which raises the base pay from $300 to $350, rather than the suggestion offered by the gentleman from Arkansas?

Mr. HESELTON. I would say that many of us who supported the provisions of the amendment offered by the gentleman from Ohio [Mr. CROSSER] would undoubtedly be willing to go along with most of the features of the Senate bill to get something done. The gentleman from Michigan [Mr. BENNETT] suggests that we are literally providing no possibility of paying these increases. How are you going to explain this action to these people when the day comes and you have to say, "We must increase your taxes or we must reduce these benefits." That is the question that will be asked of us if we act hastily tonight without sound consideration of the fiscal side of this picture. I want these benefits increased. I am sure we all do. But I want our action now to be such that we can defend and explain it and that it will be a case of continued maintenance of the increases.

Surely those who have expressed concern about increased payments to this fund because the proposed increase in the tax base should be equally concerned as to whether there will have to be increased tax rates soon under this proposal.

I think we would all expect these beneficiaries to adjust their standards of living upward upon receiving increased benefits. Surely no one would want to have to reduce them later if this proposal made that or an increased tax rate necessary.

From the study I have been able to give to this proposal in these few minutes. I do believe it is an infinitely better suggestion than the committee bill. While I question whether an opportunity for a few short hours' study of it is likely to be granted, I feel strongly that for the RECORD, for the conference, and for the future, at least this warning of the possibilities should be given. I think it is my responsibility to do this and I appreciate the courtesy of my colleagues in permitting me to do so.

Mr. KERSTEN of Wisconsin. Mr. Chairman, I offer an amendment to the substitute.

The Clerk read as follows:

Amendment offered by Mr. KERSTEN of Wisconsin to the substitute offered by Mr. HARRIS: After section 16 insert the following new section:

"SEC. 16 A. Employees who, prior to their death, had not less than 30 years of service as defined in section 1 (f) of the Railroad Retirement Act of 1937, as amended, and who died in the period beginning August 29, 1935, and ending June 30, 1938, shall be deemed, solely for the purpose of a widow's age-65 annuity, to have died fully insured, within the meaning of section 5 (1) of such act: *Provided, however,* That any annuity awarded under this section shall be computed in the same manner as if such annuity had been awarded under section 5 (a) of such act: *Provided further,* That this section shall apply only with respect to widows who are not receiving monthly pensions (whether under public or private plans) based on the railroad service of their deceased husbands."

Mr. KERSTEN of Wisconsin. Mr. Chairman, I shall not take the entire 5 minutes to which I am entitled, because of the lateness of the hour, but I ask the gentlemen of the Committee on both sides to consider seriously the situation of the widows of employees who died during the period from 1935 to 1938; that is not involved in the main issue that is before the House.

My amendment merely seeks to take care of less than 2,000 widows who are 65 or over, who are not otherwise provided for; widows of employees who had 30 years or more of service with the railroads. These employees have helped to build up the roads, and they are entitled to consideration.

Mr. Matscheck, the research director of the committee, estimates that the total over-all cost for all time, not just for 1 year, as I think was understood when I previously argued this point, is less than $10,000,000, for all time, to take care of fewer than 2,000 widows of railroad employees who have 30 years or more of service, in a period of time about 2 years, for which there is no provision.

Mr. BAILEY. Mr. Chairman, will the gentleman yield?

Mr. KERSTEN of Wisconsin. I yield to the gentleman from West Virginia.

Mr. BAILEY. I think the gentleman's amendment is a worthy one, and I think it is justified. I hope it will be the pleasure of the House to adopt it.

Mr. KERSTEN. I thank the gentleman for his observation. I merely want to point out that if we really want to do something for people who are in need, these are the people in greatest need.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. KERSTEN of Wisconsin. I yield to the gentleman from Arkansas.

Mr. HARRIS. I am sure the gentleman will recall that when the Railroad Retirement Act was amended in 1946 very careful consideration was given to the problem the gentleman presents here today. I think we all recognize that the gentleman does have a problem with which we are entirely sympathetic. May I say that a resolution was adopted by the Senate yesterday in which we hope to concur. It is a joint resolution providing for a joint study in order to further work out a program that we hope everyone will be satisfied with. Would it not be better to wait until that time and see if this problem cannot be ironed out with those other problems?

Mr. KERSTEN of Wisconsin. I certainly think it should be taken care of at some time in the very near future, because the widows of these employees are more in need than any other category for which the law was enacted. In response to the gentleman from Oklahoma [Mr. HARRIS] I am happy to know that he is, as he states, entirely sympathetic with the problem of the widows of employees of 30 years or more of service, who are now without any benefits whatsoever from a system that was built up largely by the sweat and toil of their deceased husbands.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Wisconsin [Mr. KERSTEN] to the Harris substitute.

The amendment to the substitute was rejected.

Mr. CHENOWETH. Mr. Chairman, I offer an amendment.

The Clerk read as follows:

Amendment offered by Mr. CHENOWETH to the substitute amendment offered by Mr. HARRIS of Arkansas: Strike all of subsection D, and insert the following:

"(d) All joint and survivor annuities heretofore and hereafter awarded shall be governed by the law under which the election of the joint and survivor annuity was made, except that the individual who made the election shall have the right to revoke the same in such manner and form as the Board may prescribe.

"An election shall be deemed to have been revoked if before or after the enactment hereof the spouse for whom the election was made predeceased the individual who made the election. Upon revocation of the election, or death of the spouse, as herein provided, the individual's annuity shall be increased to the amount which would have been payable had no election been made; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the election was revoked or the spouse died but not before the calendar month next following the month of enactment hereof."

The CHAIRMAN. The gentleman from Colorado [Mr. CHENOWETH] is recognized in support of his amendment.

Mr. HARRIS. Mr. Chairman, will the gentleman yield?

Mr. CHENOWETH. I yield.

Mr. HARRIS. Mr. Chairman, this is an amendment which was considered by the committee. There are few people involved. There is an admitted inequity. Because of the action of the committee, and the feeling at that time, and because we are familiar with what the gentleman's amendment will do, we are prepared to accept the amendment offered by the gentleman.

Mr. CHENOWETH. I thank the gentleman.

Mr. Chairman, in view of the statement made by my distinguished colleague from Arkansas in support of this amendment I will not take the time of the House to explain the same in detail. I greatly appreciate the action of the gentleman from Arkansas in accepting my amendment to his substitute bill.

Mr. Chairman, my amendment deals with joint and survivor annuities, and removes an injustice that is now being done to those retired railroad workers who, prior to the enactment of the Crosser bill in 1946, had elected to take a smaller pension in order to be sure that their widows would receive a pension on their death. I might state that both the Crosser bill, which has been discussed here this afternoon, and the Harris substitute, contain a part of the amendment I am offering. My amendment goes a little further and includes a small group of retired railroad employees who would otherwise continue to be the subject of discrimination.

In this amendment it is provided that the election by the pensioner to take a joint and survivor annuity shall be revoked, first, if the pensioner shall so notify the Railroad Retirement Board; and second, if the spouse for whom the election was made shall die before her husband. Under the present law there can be no relief in cases where the wife dies. The retired worker continues to draw the smaller annuity, even though it will never be possible to enjoy the benefits anticipated when the election was made.

Mr. Chairman, there were three types of these joint and survivor annuities, known as A, B, and C. Under the A annuity the pensioner receives $32 per month less than he is entitled to under the present law. The class B annuity provides for a deduction of $27 per month, and under the class C annuity the pensioner takes $22 per month less than the full amount of his retirement. As stated above, before 1946 many retired workers elected to take these reduced pensions in order that their wives might have certain benefits on their death. Over the years a pensioner would have his pension reduced by several thousand dollars. This became unnecessary after the enactment of the Crosser bill in 1946.

By the adoption of this amendment it will now be possible for retired railroad workers to revoke their annuity contracts and be eligible immediately to receive the full amount of their pension. We are now seeking to repay them for the money they have already lost as a result of their election to take the annuity, and consequently the reduced pension. However, we now provide a way for these men to get their full pension for the remainder of their lives. In many of these cases the wives have already passed on. In other instances the wives are still living, and this additional money each month is needed in order to meet current expenses.

I should also explain that after the passage of the Crosser bill in 1946, which for the first time provided for benefits for widows of deceased pensioners, the period of 1 year was given in which to cancel these annuities. Several thousand retired railroad workers did elect to revoke their annuity contracts then. However, through poor advice, others retained their annuities. They now see their mistake and I am most happy that we are today giving them another opportunity to make this election. In cases where the wives have died, the restoration of the full pension is automatic. Where the wife is still living, the pensioner must elect in the manner and form as the Board may prescribe.

The CHAIRMAN. The question is on the amendment offered by the gentleman from Colorado [Mr. CHENOWETH] to the Harris substitute.

The amendment to the substitute was agreed to.

The CHAIRMAN. The question is on the Harris substitute.

The substitute amendment was agreed to.

The CHAIRMAN. The question is on the committee amendment as amended by the Harris substitute.

The committee amendment, as amended, was agreed to.

The CHAIRMAN. Under the rule, the Committee rises.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. DAVIS of Tennessee, Chairman of the Committee of the Whole House on the State of the Union, reported that that Committee, having had under consideration the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, pursuant to House Resolution 428, he reported the bill back to the House with an amendment adopted by the Committee of the Whole.

The SPEAKER. Under the rule, the previous question is ordered.

The question is on agreeing to the amendment.

The amendment was agreed to.

The SPEAKER. The question is on the engrossment and third reading of the bill.

The bill was ordered to be engrossed and read a third time, and was read the third time.

The SPEAKER. The question is on the passage of the bill.

The bill was passed.

A motion to reconsider was laid on the table.

GENERAL LEAVE TO EXTEND

Mr. WOLVERTON. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days in which to extend their remarks with reference to the Railroad Retirement Act amendments just passed.

The SPEAKER. Is there objection to the request of the gentleman from New Jersey?

There was no objection.

Mr. CROSSER. No, sir. This is just what I showed you. That is all that is necessary.

Mr. HARRIS. I regret I did not see it.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

TO AMEND THE RAILROAD RETIREMENT ACT

Mr. CROSSER. Mr. Speaker, I ask unanimous consent that the Clerk in the enrollment of the bill (H. R. 3669) to amend the Railroad Retirement Act, etc., be authorized to correct the title of the bill so as to read: "To amend the Railroad Retirement Act, and for other purposes."

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

Mr. HARRIS. Reserving the right to object, Mr. Speaker, I understood the unanimous-consent request just made was to amend the title with reference to the amendment of the Railroad Retirement Act.

Mr. CROSSER. That is right.

Mr. HARRIS. Did the gentleman include the Unemployment Insurance Act also?

Calendar No. 842

82D CONGRESS, 1st Session } SENATE { REPORT No. 890

AMENDING THE RAILROAD RETIREMENT ACT OF 1937, AS AMENDED, THE RAILROAD RETIREMENT TAX ACT, AND THE RAILROAD UNEMPLOYMENT INSURANCE ACT

OCTOBER 4 (legislative day, OCTOBER 1), 1951.—Ordered to be printed

Mr. DOUGLAS, from the Committee on Labor and Public Welfare, submitted the following

REPORT

[To accompany S. 1347]

The Committee on Labor and Public Welfare, to whom was referred S. 1347 (introduced by Mr. Murray (for himself, Mr. Hill, Mr. Kilgore, Mr. Douglas, Mr. Humphrey, Mr. Lehman, Mr. Pastore, Mr. Kefauver, Mr. Langer, Mr. Ferguson, and Mr. Malone), to amend the Railroad Retirement Act of 1937, as amended, and the Railroad Retirement Tax Act, and for other purposes, having considered the same, report favorably thereon, with amendments and recommend that the bill as amended, do pass.

TABLE OF CONTENTS

I. INTRODUCTORY STATEMENT

When the committee began its study of proposed amendments to increase the benefits provided by the Railroad Retirement Act, there were 11 bills taken into consideration. However, as the hearings got under way in the latter part of April and the early part of May, it became evident that the issues would be centered about two different

approaches to the problem. These two approaches were embodied in S. 1347 supported by the Railway Labor Executives' Association (often referred to as the non-operating brotherhoods), on the one hand, and S. 1353 supported by four operating brotherhoods, on the other.

The operating brotherhoods advocated an across-the-board increase of 16⅔ percent for pensioners and annuitants only, with an amendment to the Railroad Unemployment Insurance Act.

The Railway Labor Executives' Association advocated more comprehensive changes in the act citing, among other reasons, the recent amendments to the Social Security Act as making this necessary. These changes were embodied in S. 1347. The major provisions of S. 1347 as introduced were as follows:

(*a*) Increase in annuitants' benefits, 13.8 percent.

(*b*) Increase in pensioners' benefits, 15 percent.

(*c*) Increase in survivors' benefits ranging from 65 to 80 percent.

(*d*) The addition of a new provision for a spouse's benefit of 50 percent of the employee's benefit subject to a maximum of $50. (Advocated to bring railroad-retirement benefits for spouses in line with those given to pensioners under social security.)

To make additional revenue and savings to the Railroad Retirement Act in order to pay for these increased benefits, S. 1347 as introduced would make the following provisions:

(*a*) An increase in the taxable base from the existing monthly maximum of $300 to a new maximum of $400.

(*b*) A $50 work clause which would provide that beneficiaries under the Railroad Retirement Act earning more than $50 a month would be denied benefits for such months.

(*c*) A provision which would require the social-security system to pay social security benefits to railroad employees (and those deriving from them) who upon retirement or death have completed less than 10 years of service. In such cases, the railroad retirement account would pay into the social security fund an amount equal to that which would have been paid by these employees (and their employers) had they been covered by the Social Security Act.

The committee adopted S. 1347 as a basic bill but made substantial changes in it. These changes were made in order to meet the major objections of the four operating brotherhoods, the Association of American Railroads, and other interested groups, and in an effort to report a sound bill. The major provisions of the committee bill are as follows:

(*a*) A 15-percent increase in the benefits of both pensioners and annuitants.

(*b*) Survivors' benefit increases to the degree necessary to bring them up to the level of those provided by social security.

(*c*) A spouse's benefit of 50 percent of the retired employee's benefit up to a maximum of $40. The maximum is the same as is provided for those covered by the Social Security Act.

To bring additional revenue and savings to the railroad retirement account to pay for the additional benefits, the committee bill provides:

(*a*) An increase in the tax base from the present maximum of $300 a month to a new maximum of $350 a month. This preserves the historic difference between the tax base of the social security system and the tax base of the railroad retirement system.

(*b*) Adopts the provisions of S. 1347 as introduced which provide for employees with less than 10 years service to be paid benefits from the social security system with the railroad retirement fund paying into the social security system an amount equal to that which would have been paid into the system by such employees (and their employers) had they been covered by the Social Security Act.

The subcommittee which considered this legislation made every effort to help the various parties concerned to reach an agreement. When these efforts failed, the subcommittee reported this bill which it felt was a sound basis for an agreement among all those concerned. When it was found that all parties would not agree to the proposal, the subcommittee felt, nevertheless, that the bill represented sound legislation and that those persons presently drawing benefits from the railroad retirement system should not be compelled to have all increases made necessary by rising prices postponed simply because all parties were not in complete accord.

II. Summary of Legislation to Date

A. THE RAILROAD RETIREMENT ACT

The railroad retirement system developed out of the private pension systems which the railroads established many years ago. Those systems encountered financial difficulties in the early 1930's, and after much effort, the present Federal system was first established by an act of Congress on June 27, 1934. This act was invalidated by a decision of the Supreme Court of the United States on May 6, 1935, but was reestablished by a second act of Congress on August 29, 1935. This act was in turn partially invalidated by a decision of a Federal district court on June 26, 1936. However, the system was fully reestablished by a third Federal act on June 24, 1937, pursuant to an agreement between representatives of the standard railway labor unions and railroad management.

Under the reestablished system, railroad employees assumed one-half the cost, the employers the other half; and a Federal board (composed of a public member as chairman, and two other members, representing railroad management and railroad labor, respectively) was created to administer the system. The Railroad Retirement Act of 1937 is now in effect, although it has been amended a number of times. The first several amendments occurred in the period 1940–42, and the last major amendment was enacted in 1946. Another fairly important amendment was enacted in 1948.

Retirement annuities and pensions.—As now in effect, the Railroad Retirement Act of 1937 provides for the payment of employee annuities to individuals who qualify because they are (1) 65 years of age or over; (2) 60 years of age or over and have completed 30 years of service (in this case there is a reduction of one one hundred eightieth for each month the employee is under age 65, except that there is no such reduction in the case of a woman; (3) 60 years of age or over, are permanently disabled for work in their regular occupations and are currently connected with the railroad industry; (4) less than 60 years of age, are permanently disabled for work in their regular occupations, have completed 20 years of service, and are currently connected with the railroad industry; (5) 60 years of age

and are permanently disabled for work in any regular, gainful employment; (6) less than 60 years of age, are permanently disabled for work in any regular gainful employment, and have completed 10 years of service.

The act also provides monthly pensions not in excess of $144 to individuals who were on the pension rolls of covered employers on specified dates, one preceding and one immediately following the enactment of the act. The annuities are computed by a formula set out in the act based on years of service and average compensation not in excess of $300 for any month. Service in covered employment subsequent to December 31, 1936, except service rendered after June 30, 1937, and after the end of the calendar year in which the individual attained age 65, is creditable toward annuities. Service prior to January 1, 1937, is creditable up to an over-all aggregate of 30 years' service for individuals who had an "employee" status on August 29, 1935. An "employee" status existed on that date if an individual was then either in the active service of, or in an employment relation to, an employer under the act, or was an employee representative.

Under certain circumstances active service in the land or naval forces of the United States is also creditable. When so creditable, there is attributable as compensation paid for each calendar month of such service, the amount of $160 in addition to other compensation, if any, paid to the individual with respect to such month. The maximum annuity payable, based in whole or in part on service prior to January 1, 1937, is $144; a minimum annuity provision applicable where there is a "current connection with the railroad industry" operates to provide an annuity which is equal to whichever of the following three amounts is the least: $3.60 times the number of years of service, or $60, or the average monthly compensation.

Survivors' insurance annuities and lump-sum payments.—The following benefits are payable to the survivors of an employee who died completely insured: (1) a monthly annuity to the widow "living with" the employee at the time of his death, beginning at age 65 and ending at death or remarriage; (2) a monthly annuity to the widow regardless of age as long as she does not remarry and has in her care unmarried children of the employee who are under 18 and were dependent on the employee at the time of his death; (3) a monthly annuity to each unmarried child who was dependent on the employee at the time of his death, as long as the child remains unmarried and is under age 18; (4) a monthly annuity to each dependent parent beginning at age 65 and ending at death or remarriage (a parent's annuity is payable only if the employee leaves no widow or dependent, unmarried children under age 18; (5) an insurance lump sum payable to the widow, or widower, or children, parents, or payers of the funeral expenses (in the order named), if the employee dies after 1946 leaving no survivor entitled to an immediate monthly annuity and if a claim is filed within 2 years of the date of the employee's death.

The payment of an insurance lump sum to a widow or parent does not affect the subsequent payment of a monthly annuity to the same survivor when that person reaches age 65. If the employee died partially, but not completely, insured, only the benefits described in (2), (3), and (5) may be payable. An employee is completely insured at the time of his death if he has "a current connection with the railroad industry" and (1) has 40 or more quarters of coverage, or (2)

has quarters of coverage, not less than 6, equal to one-half of the elapsed quarters (other than those in which a retirement annuity was payable to him) after 1936 or after the quarter in which he attained age 21, if later, and up to but excluding the quarter in which he died or attained age 65, whichever is first.

An employee is also completely insured if (1) a pension was payable to him under the Railroad Retirement Act, or (2) a railroad retirement annuity based on not less than 10 years of service began to accrue to him before 1948. An employee is partially insured if at the time of his death he has "a current connection with the railroad industry" and at least 6 quarters of coverage in the period beginning with the third calendar year next preceding the calendar year in which he died and ending with the calendar quarter next preceding the calendar quarter in which he died. In determining an insured status, quarters of coverage earned in employment under the Social Security Act are combined with quarters of coverage earned in service under the Railroad Retirement Act.

A lump-sum death benefit equal to 4 percent of an employee's creditable compensation after 1936 is payable with respect to his death occurring before 1947, provided a claim is filed within 2 years of the date of the employee's death. In deaths on or after January 1, 1947, a residual lump sum is provided equal to 4 percent of the employee's taxable railroad earnings from January 1, 1937, through December 31, 1946, and 7 percent thereafter, minus any retirement annuities previously paid to the employee under the Railroad Retirement Act and any survivor benefits paid with respect to his death on the basis of service covered under the Railroad Retirement Act or on the basis of combined service under both the Railroad Retirement Act and the Social Security Act. This payment can be made only when no benefits, or no further benefits, are payable with respect to the employee's death. However, a widow (or parent) entitled to monthly benefits on reaching age 65 on some future date, may at any time before that date elect to waive rights to such benefits immediately. The waiver, however, would not deprive the widow (or parent) of any annuity to which she may be entitled at age 65 on the basis of the employee's social security earnings alone. The residual payment is made to a person designated by the employee, or, in the absence of a designation, to the widow (or widower), the children (or grandchildren entitled to share with children under State inheritance laws), or the parents, in that order. If no person is alive to receive the payment, it goes to the employee's estate.

Source of annuities, pensions, and death benefits.—The act created an account in the Treasury of the United States known as the railroad retirement account and authorized the appropriation to the account in each fiscal year of an amount actuarially determined by the Board to be sufficient as a premium to provide for the payment of all annuities, pensions, and death benefits under the Railroad Retirement Acts of 1935 and 1937. That part of the premium which is not immediately required for the payment of annuities, pensions, and death benefits is invested in obligations of or guaranteed by the United States to bear interest at the rate of 3 percent per annum.

The Railroad Retirement Tax Act.—Public Law No. 572, approved July 31, 1946 (formerly the Carriers Taxing Act, or subch. B of ch. 9 of the Internal Revenue Code, now the Railroad Retirement Tax Act),

provides that the tax on employees and employers subject to the act on compensation paid to employees not in excess of $300 a month, shall be 5¾ percent for 1947 and 1948; 6 percent for 1949, 1950, and 1951; and 6¼ percent after December 31, 1951. The tax act also provides a tax on employee representatives with respect to compensation paid to such representatives after December 31, 1946, not in excess of $300 a month at the following rates: 1947 and 1948, 11½ percent; 1949 through 1951, 12 percent; after December 31, 1951, 12½ percent. The taxes are collected by the Bureau of Internal Revenue and are paid into the Treasury of the United States as internal-revenue collections.

B. THE RAILROAD UNEMPLOYMENT INSURANCE ACT

Unlike the railroad retirement system (which preceded the social security system), the railroad unemployment insurance system came into being after the State unemployment systems (established under the provisions of the Social Security Act) had been in operation for several years. The events which led railroad employees to sponsor a bill for a separate unemployment insurance system were highlighted by a series of difficulties which railroad employees experienced in their efforts to obtain unemployment benefits under the State systems. Those difficulties were considered insurmountable except by the establishment of a separate railroad unemployment insurance system. As in the case of the Railroad Retirement Act, the Railroad Unemployment Insurance Act was amended in several respects in the period of 1940–42, and in major respects in 1946 and in 1948.

Unemployment insurance benefits.—As now in effect, the Railroad Unemployment Insurance Act provides for the payment of (1) unemployment benefits to individuals who are unemployed but who are willing and able to work; and (2) sickness benefits (including maternity benefits) to individuals who are unable to work because of sickness or injury. The benefits within the uniform "benefit year," beginning July 1, of each year, are payable on the basis of earnings (excluding any in excess of $300 in any one month) in covered employment in the calendar year, termed the "base year," preceding the beginning of the benefit year. To be eligible for benefits in any benefit year, an individual must have earned at least $150 in covered employment in the appropriate base year.

III. Need for New Legislation

During the hearings on the original bill, there were many controversial issues raised by those concerned with the legislation, but all were in agreement that the need for legislation to increase retirement benefits under the Railroad Retirement Act was urgent.

This bill reported by the committee would amend the Railroad Retirement Act in a number of ways, directed mainly toward providing much needed increases in the benefits payable to railroad workers and their families. For several years now, the scale of these benefits has lagged far behind the steadily rising cost of living and wage rates. The standard railway labor organizations and many Members of Congress have been seriously concerned with the inadequacy of these benefits in view of the steadily rising price level.

When the formula for computing retirement annuities was adopted 14 years ago, annuities bore a reasonable relationship to current wages and to the cost of living. But since that time, prices have skyrocketed and wages have not been far behind. The only increase in railroad retirement benefits was one of 20 percent, provided by Public Law 744, Eightieth Congress, in 1948. But even at that time, there was no increase in survivor benefits, and it was clear that the increase in retirement benefits was far from adequate. Similarly, the formula for computing benefits for survivors of deceased railroad employees was established before the beginning of the present inflationary period. Although these benefits were set up by the amendments of July 1946, the formulas were established in 1944, when the bill was first introduced in Congress. Thus, in one instance benefits were increased, but not enough; and in the other, there was no increase whatsoever. That is the picture we have at this time. In both cases, it has meant extreme hardship for the hundreds of thousands of persons who depend on these benefits for sustenance, and even survival.

The greatest sufferers from the present wave of price inflation are those people who are trying to exist on a fixed income, such as pensions and annuities. They are trying to get along on a fixed number of dollars each month. And these dollars are buying less and less as the cost of the basic necessities of life soars higher and higher. The end result of this situation is that these people are driven to accept greatly lowered living standards. It is indeed a desperate prospect for them. It will be impossible, at least for the present, to bring prices down to a level which would bring any real relief to such people. There is little need to dwell further on the dire need for the increased benefits called for by S. 1347, as reported.

It is a well-known fact that railroad workers have led the way in social insurance in this country. This leadership became manifest in 1935 when Congress passed the original Railroad Retirement Act. There was general agreement until recently that the railroad retirement system was without peer among plans of its kind. However, with the passage of the 1950 amendments to the Social Security Act, and the gains made in the past year or two by employees in many industries through the adoption of company pension plans, the railroad system has fallen behind. The committee feels that railroad employees, in view of the substantial cash contributions they have been maiking to their system, are fully entitled to the increase in benefits.

The railroad retirement system is financed by a tax of 6 percent of wages up to $300 a month on employees and a like amount on their employers. This tax rate is scheduled to rise to 6¼ percent beginning next January. The committee believes that the payroll tax rates on employees and employers for the maintenance of the railroad retirement system should not be increased further, but that another method should be provided to finance the cost of the additional benefits sought by this bill.

IV. Hearings

The bill S. 1347, as originally introduced, and the bills S. 399, S. 510, S. 681, S. 725, S. 941, S. 1125, S. 1308, S. 1348, and S. 1353 were the subjects of the hearings held by a subcommittee of this committee on April 27, 28, May 1, 2, 3, 8, 9, 12, and 14, 1951. The testimony, however, was directed mainly to the provisions of the bills S. 1347 and

S. 1353. There was no disagreement as to the urgent need for increasing retirement benefits; nor was there any disagreement about keeping the tax rates at the present level.

The major disagreements centered about the two bills, S. 1347 and S. 1353. The proponents of S. 1353 urged an across-the-board increase of 16⅔ percent for pensioners and annuitants only.

The proponents of S. 1347 urged more comprehensive changes, however. They asked for an increase of 13.8 percent in annuitants' benefits and a 15-percent increase in pensioners' benefits. They also asked for increases in survivors benefits ranging from 65 to 80 percent. In addition, they asked for a new provision granting a spouse's annuity patterned after existing provisions in the Social Security Act.

To pay for these increased benefits, the proponents of S. 1347 submitted measures designed to increase revenues and savings flowing into the railroad retirement account. First, the bill provided a raise in the tax base under the Railroad Retirement Tax Act from $300 to $400 a month; and this was estimated to bring in $80,000,000 a year to the railroad retirement account. Second, the bill contained a provision under which, in effect, the Federal old-age and survivors insurance trust fund will reimburse the railroad retirement account to the extent necessary to put the social security system in the same position in which it would have been except for the separate existence of the railroad retirement system; the bill, in substance, declares it to be the congressional policy that the social security system shall neither profit nor lose from the existence of the separate railroad retirement system. Because the railroad retirement system covers an older group and a group which is in other respects a higher-cost segment of the national working population, it has achieved savings to the social security system by removing that higher cost segment from the coverage of that system. These savings are estimated to be about 2 percent of payroll, or about $100,000,000, which the bill utilizes for increasing benefits under the railroad retirement system without increasing the tax rates for the maintenance thereof. Third, the original bill provided a $50 work clause substantially the same as in the Social Security Act which, it was estimated, would result in savings to the railroad retirement account amounting to about 1 percent of payroll or $50,000,000 a year.

V. The Bill S. 1347 as Reported by the Committee

The bill S. 1347 as reported by the committee makes substantial changes in the bill as originally introduced. The committee bill increases annuities (including minimum annuities, and annuities pursuant to elections of joint and survivor annuities) and pensions by 15 percent, and survivor benefits by 33⅓ percent. In addition, the reported bill contains an overriding social security minimum benefit provision for retirement and survivor benefits the same as that contained in the original version of S. 1347. The committee bill also provides a spouse's annuity equal to 50 percent of the employee's benefit, the same as is provided in the original bill, except that the maximum is $40 instead of $50. The spouse's annuity will be paid when the spouse is age 65 after the attainment of such age by the retired employee himself.

In the event of retirement benefits both under the Railroad Retirement Act and the Social Security Act, the committee bill contains a provision to eliminate dual benefits on the basis of service before 1937. The new Social Security Act is so weighted in favor of short-term workers as to, in effect, give credit for service prior to 1937. This provision is the same as that contained in the original S. 1347. An additional proviso was inserted in the committee bill which guarantees that, for annuitants already on the rolls who may be eligible for dual benefits as of the effective date of enactment, the reduction for prior service penalty shall not result in a smaller benefit amount than the family received just prior to the date of enactment.

With respect to aged widows and parents already on the rolls, the reference in section 5 (g) (2) to other benefits under the Social Security Act is to the Social Security Act as amended in 1950, but subject to a guaranty similar to that described in the preceding paragraph with respect to reductions for prior service.

With the exception of the beneficiaries already on the rolls on the effective date, the committee bill transfers employees (and their beneficiaries) with less than 10 years of railroad service to social security coverage, but subject to the residual lump-sum guaranty, all as provided in the original S. 1347.

The committee bill also includes a modified version of the social-security railroad retirement reimbursement provisions of the original S. 1347; raises the creditable and taxable monthly compensation from $300 to $350; and provides for service credits after age 65.

The bill S. 1347 as reported out by the committee appears in appendix A. This bill is the result of careful study and consideration of all the major issues which developed during the hearings, as follows:

1. Cost of railroad retirement system as it would be amended by S. 1347, as reported

(*a*) The majority of the Railroad Retirement Board filed with the committee a report on S. 1347 as introduced, discussing it in detail and recommending its enactment. (See appendix B to this report.) The Board attached to its report an exhibit B showing that the total cost of the railroad retirement system, as it would be amended by S. 1347, would be 14.13 percent of payroll. The taxes on the employers and employees for the maintenance of the system is 12 percent of payroll, and will be 12.5 percent beginning next Jauary. With regard to the difference of 1.63 percent of payroll between total tax rate and the estimated actuarial level cost of the system, the majority of the Board said as follows:

> It appears from exhibit (B) that there is a difference of about 1½ percent between the total tax rate and the estimated actuarial level cost of the system as it would be amended by the bill. But in the Board's opinion this does not require an increase in the tax rate to maintain the system on a financially sound basis. The railroad retirement system was in a similar position in 1948. During the hearings on the bill which was later enacted as Public Law 744, Eightieth Congress, it was shown that the increase in retirement annuities then proposed would result in a total cost of a little over 1 percent above the established tax rate. Then, as now, the Board concluded that the enactment of the 1948 amendments would not impair the financial soundness of the railroad retirement system. Congress was of the same opinion, and the 1948 bill was enacted. Within a very short time thereafter, both the Board and the Congress were vindicated. The latest actuarial valuation of the railroad retirement system showed it to be financially sound.

(*b*) The management member of the Board, and, with the exception of Mr. Dorrance Bronson, the actuary for proponents of the rival bill, S. 1353 whose testimony is discussed in (*d*), all the actuaries who testified during the hearings, including Mr. Latimer, did not agree with the majority of the Board. They were all of the opinion that because of the difference between the total tax rate and the estimated actuarial level cost the system would not be actuarially sound. They considered any appreciable difference between the total tax rate and estimated actuarial level cost as evidence of actuarial unsoundness.

(*c*) The witnesses for the Railway Labor Executives' Association agreed with the majority of the Board. They agreed that the system should be maintained on a sound financial basis. They stated, however, that in the light of past experiences they were confident that the difference between the total tax rate and estimated cost of the system would disappear within a few years. In the past 15 years, they said, the financial status of the railroad retirement system varied, according to the estimates of the actuaries, from being underfinanced by about 3.6 percent of payroll to being overfinanced by about 1 percent of payroll. With one minor exception, they said, changing economic conditions rather than changes in tax rates were responsible for these variations. The Railway Labor Executives' Association also made comparisons between past actuarial estimates of disbursements and actual disbursements, showing overestimates ranging from 12 to 23 percent. Assuming, therefore, that in calculating the cost of this bill, disbursements were overestimated by only 10 percent, such overestimate, by itself, they said, would be sufficient to eliminate the difference between the total tax rate and the estimated actuarial level cost of the system. In any event, they said, the system is certain to be solvent for at least another 30 years during which time there would be ample opportunity to make up the difference if that should be necessary.

(*d*) The proponents of S. 1353 did not comment on the Board's cost figures on this bill; but in support of their own bill Mr. Dorrance C. Bronson, an actuary, testified that on the basis of a "tolerance" of about 1 percent of payroll (that is, that a difference of about 1 percent between the total tax rate and the estimated level cost does not affect the soundness of the system) retirement benefits under the Railroad Retirement Act could be increased by 16⅔ percent, particularly because, in his opinion, the Board's actuaries failed to take into account a certain trend in employment which, had it been considered, would have permitted a reduction in the cost of the present act by 0.46 percent of payroll.

(*e*) Appendix C to this report is a supplemental statement of the Railroad Retirement Board, dated September 13, 1951, showing a recalculation of the cost of the original bill and a reduction of the cost from 14.13 percent of payroll to 13.90 percent of payroll.

(*f*) The cost of the bill S. 1347 as reported by the committee is as follows:

TABLE I.—*Cost estimates for modifications of the present Act in accordance with the provisions of S. 1347, as reported by the committee*[1]

Item	Cost as percent of indicated type of payroll		
	$300 monthly ceiling and $4.9 billion payroll (present tax base)	$350 monthly ceiling and $5.3 billion payroll (committee bill)	$400 monthly ceiling and $5.5 billion payroll (S. 1347, as introduced)
A. Benefits to employee and spouse	12.00	11.66	11.52
1. Age annuities, pensions, and options	7.74	7.50	7.41
2. Disability annuities payable before age 65	1.71	1.65	1.63
3. Disability annuities payable after 65	1.52	1.49	1.47
4. Wives' benefits	1.03	1.02	1.01
B. Survivor insurance benefits	2.74	2.67	2.63
1. Aged widows' and parents' annuities	2.16	2.10	2.08
2. Widowed mothers' annuities	.15	.15	.14
3. Children's annuities	.24	.23	.23
4. Insurance lump sums	.19	.19	.18
C. Other costs	.96	.90	.86
1. Allowance for maximum and minimum provisions	.28	.25	.23
2. Residual payments	.54	.52	.51
3. Administrative expenses	.14	.13	.12
D. Funds on hand	1.30	1.20	1.15
E. Credits from OASI trust fund on account of additional benefits which would have been payable under the Social Security Act with respect to employees with at least 10 years of railroad service	5.97	5.52	5.32
F. Credits to OASI trust fund of taxes at social security tax rates based on all railroad employment	6.00	5.55	5.34
G. Net costs, including social security adjustments (A+B+C−D−E+F)	14.43	14.06	13.88

[1] Assumes the transfer of individuals with less than 10 years of railroad service to the social security system and is based on the criterion that the OASI trust fund is to be put in the same position it would have been had railroad earnings been included within social security coverage since 1936. Without such transfer of individuals with less than 10 years of railroad service, a considerable increase in the indicated net costs would be involved.

Source: Office of Director of Research, Railroad Retirement Board, Sept. 29, 1951.

The first column of the above table I shows that the cost of the Railroad Retirement Act as it would be amended by the committee bill would have been 14.43 percent of payroll if the present monthly maximum had been allowed to remain at $300. The second column shows the cost of the Railroad Retirement Act as amended by the committee bill is 14.06 percent of payroll; and the third column shows that the cost of the act as it would be amended by the committee bill would be only 13.88 percent of payroll if the present monthly maximum of $300 were changed to $400 instead of $350.

TABLE II.—*Comparative cost "as percent of payroll" estimates for modifications of present act in accordance with the provisions of (1) H. R. 3669, as reported to the House, (2) S. 1347, as introduced, and (3) S. 1347, as reported to the Senate*

Item	H. R. 3669, based on $4.9 billion payroll and $300 maximum compensation (1)	S. 1347, as introduced, and based on $5.5 billion payroll and $400 maximum compensation (2)	S. 1347, as reported, and based on $5.3 billion payroll and $350 maximum compensation (3)
A. Benefits to employee and spouse	12.16	10.84	11.66
1. Age annuities, pensions, and options	8.92	6.81	7.50
2. Disability annuities payable before 65	1.68	1.59	1.65
3. Disability annuities payable after 65	1.56	1.35	1.49
4. Wives benefits		1.09	1.02
B. Survivor insurance benefits	3.16	3.73	2.67
1. Aged widows' and parents' annuities	2.32	2.69	2.10
2. Widowed mothers' annuities	.23	.21	.15
3. Children's annuities	.37	.42	.23
4. Insurance lump sums	.24	.41	.19
C. Other costs	.69	.71	.90
1. Allowance for maximum and minimum provisions		.20	.25
2. Residual payments	.55	.39	.52
3. Administrative expenses	.14	.12	.13
D. Funds on hand	1.30	1.15	1.20
E. Credits from OASI trust fund on account of additional benefits which would have been payable under the SSA with respect to employees with at least 10 years of rail service		5.57	5.52
F. Credits to OASI trust fund of taxes at social security tax rates based on all railroad employment		5.34	5.55
G. Net costs, including social security adjustments, (A plus B plus C plus F minus D minus E)	[1] 14.71	[2] 13.90	[3] 14.06

[1] A plus B plus C minus D.
[2] Revised estimate, Sept. 13, 1951.
[3] Revised estimate, Sept. 24, 1951.

Table II above is a comparison of the cost of the Railroad Retirement Act as it would be amended by the bills as reported out by the House and Senate committees and the bill as originally introduced in both Houses.

(*g*) As appears from the above table I, there is a difference of about 1.56 percent between the total tax rate and the estimated actuarial level cost of the system as it would be amended by the bill as reported by the committee; but in the light of the past experiences of the railroad retirement system, the committee is of the opinion that the difference between the total tax rate and estimated cost of the system does not present any serious problem. The Board's opinion on the cost issue has already been vindicated in part by the reduction in the cost estimate of S. 1347 as introduced from 14.13 to 13.90, a difference of about 1.40 percent, which is less than the difference shown by the above table with regard to the bill as reported by the committee. The committee feels that the Railroad Retirement Board which is charged with the official responsibility for sound administration of the system, and the Railway Labor Executives' Association which represents about three-fourths of all railroad employees, are no less concerned than is the committee with maintaining a policy of safe, sound, and prudent financing. In any event, the study hereinafter proposed

by the committee will disclose whether, and the extent to which, further action should be taken to insure the solvency of the railroad retirement system.

2. Increase in creditable and taxable compensation from $300 to $400 a month

(*a*) The operating brotherhoods were against this proposal because they believed that the operating employees are largely the ones who earn more than $300 a month; and that the benefit from this proposal would flow in the main to those earning less than $300 a month.

(*b*) The carriers were against this proposal because it would cost them $40 million a year.

(*c*) The Railway Labor Executives' Association stated in substance as follows:

(i) In 1937 when the $300 ceiling was established, railroad wage rates were much lower than they are now so that substantially 98 percent of the railroad payroll was creditable and taxable for the purposes of the railroad retirement system. At the present time, however, the percentage is only 84. The increase from $300 to $400 a month would increase the percentage to 95 percent. The proposed $400 ceiling is less than was the $300 ceiling in 1937.

(ii) With regard to the $40 million figure given by the carriers the Railway Labor Executives' Association claimed that about 50 percent of that would be paid, in any event, as a corporation tax, so that the cost to the carriers of this provision would be not $40 million but about $20 million.

(iii) The number of employees among the nonoperating employees earning in excess of $300, but under $400, was much greater than such number among the operating employees. While the number of operating employees earning $400 a month or more is probably greater than such number among the nonoperating employees, the much larger number of nonoperating employees earning over $300 and under $400 would have the effect of distributing the burden of this provision fairly equally between the two groups.

The committee compromised this issue by increasing the maximum monthly compensation from $300 to $350, pending the results of the study referred to earlier.

The Bureau of the Budget and the Federal Security Agency sent to the subcommittee of this committee copies of the following letters indicating their approval of the spouse's annuity (discussed in 5 below) as well as the increase in the taxable and creditable monthly compensation:

EXECUTIVE OFFICE OF THE PRESIDENT,
BUREAU OF THE BUDGET,
Washington 25, D. C., August 9, 1951.

Hon. ROBERT CROSSER,
Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

MY DEAR MR. CROSSER: I have been advised that the criticisms of H. R. 3669 offered in the Bureau's letter to you of May 22, 1951, have been interpreted as opposition to granting the benefits proposed in the bill.

In the interest of clarifying our position, I wish to advise you that while the Bureau believes that the defects which we see in H. R. 3669 are valid and while we believe that there is a simpler and more equitable way, and incidentally a less expensive way, to provide the benefits contained in the measure, we recognize

that these are matters for consideration by the Congress. We also recognize that it may be impracticable to give attention to these problems at this time. We do not deny the need for, nor have we ever opposed, an increase in benefits or the new benefits provided. *Of particular importance are the increase in wage base and the provision of spouses' benefits.* [Italics supplied.]

In the long run, the interests of the railroad workers would be better served by basic coverage under the OASI system and with additional benefits payable from the railroad retirement system. Until such time as this end can be brought about, we agree that additional benefits of the kind proposed in H. R. 3669 are needed and if the Congress believes that they can be equitably given by the enactment of H. R. 3669, *we do not wish to object to the passage of the bill, subject to one condition. We cannot recommend passage of the measure unless it provides for current transfers between the OASI and railroad retirement systems in whichever direction is necessary, presumably in most cases from Railroad Retirement to OASI, in order to pay for the costs of the transfers that occur between the two systems.* [Italics supplied.] (NOTE.—This condition was satisfied by the new language for section 5 (k) (2) of the act contained in the committee bill. This language was prepared and agreed upon by the Bureau of the Budget, the Federal Security Agency and the Railway Labor Executives' Association.) It is certain that an immediate cost to the OASI trust fund will result from the enactment of those provisions in H. R. 3669 which call for the payment of benefits from the OASI trust fund for railroad workers with less than 10 years service in the railroad industry.

Sincerely yours,

F. J. LAWTON, *Director.*

FEDERAL SECURITY AGENCY,
Washington 25, August 13, 1951.

Hon. ROBERT CROSSER,
Committee on Interstate and Foreign Commerce,
House of Representatives, Washington 25, D. C.

DEAR MR. CROSSER: On August 9, Mr. Lawton, Director of the Bureau of the Budget, wrote you regarding H. R. 3669, in reply to your letter of August 7.

The Federal Security Agency is in accord with the views expressed by the Bureau of the Budget.

Sincerely yours,

JOHN L. THURSTON,
Acting Administrator.

3. The $50 work clause

As stated earlier, the bill as originally introduced contains a $50 work clause substantially the same as in the Social Security Act, which would save the railroad retirement account about $50,000,000 a year. In view, however, of the opposition to this provision, the committee decided not to include it in the bill without further consideration of it following the study which this committee is proposing in a separate resolution, as stated above.

4. The 10-year provision and adjustments between the railroad retirement account and the OASI trust fund

The annual report of the Railroad Retirement Board for the fiscal year 1949 shows that as of the end of 1947 there were 4,811,700 former railroad workers with less than 10 years of service who had worked in the industry since 1936 and who were alive and not retired but were not working in the railroad industry in 1947. Of these over 4 million had less than 1 year of railroad service, and over 700,000 more had less than 5 years of railroad service. Less than 85,000 had 5, 6, 7, 8, or 9 years. If S. 1347, as amended, were not enacted, all such persons would continue to pay more in taxes under the railroad retirement system but their benefits would be less than under the Social Security Act. Therefore the committee believes that no inequity or injustice is done by providing them with greater benefits at no more in taxes than they

are paying now. Moreover, such persons do not make railroading their career—they generally have 30 or more years of service in industries covered under the Social Security Act, and it is certainly more appropriate that their benefits should be paid under that act.

The committee bill guarantees that in no case should the benefits based on railroad service of persons completing less than 10 years of railroad service (and those deriving from them) be less under the Social Security Act than the taxes they paid under the Railroad Retirement Tax Act plus an allowance for interest—a guaranty not enjoyed by other persons covered under the Social Security Act. Other advantages to those with less than 10 years of service would flow from their greater opportunities to be "fully insured." This arises from the fact that if an individual has less than 40 quarters of coverage under the Social Security Act, he is fully insured only if his number of quarters of coverage equals one-half of the total elapsed quarters. The railroad service will certainly add to his number of quarters of coverage. In all cases, unless the individual's nonrailroad service qualifies him for maximum social security benefits, the crediting of railroad service will increase the average monthly wage on which benefits are computed, even though the railroad wages are no higher than or even lower than the non-railroad wages. This results from the fact that under the social security method of computing the average wage the earnings in covered employment are averaged over the total elapsed time between the wage beginning date and the wage closing date even though during part of the period the individual may have been unemployed or engaged in employment not covered by the act. Consequently the crediting of railroad earnings necessarily increases the dividend without increasing the divisor by which the average is computed.

General objections were raised to placing railroad employees with less than 10 years of service under the Social Security Act. It was pointed out, for example, that it would not be fair to pay the same benefits to retired railroad employees, who will be taxed at a rate of 6¼ percent after January 1, 1952, as is paid to social-security beneficiaries, who pay only 1½ percent.

In arriving at the decision to include this provision, however, the committee noted (*a*) that even though higher tax rates were paid, the employees transferred to the social security system would receive greater benefits than they would if they remained in the railroad retirement system under the present law, (*b*) the social security system would benefit to the degree that the number of those qualifying for full benefits by working short periods of time would be reduced, (*c*) neither such beneficiaries of the OASI system nor those of the railroad retirement system pay taxes sufficient to cover the costs of their own benefits, and therefore dual benefits to such persons for the future are not warranted, and (*d*) the railroad retirement fund would benefit to the extent of 1.77 percent of payroll.

This provision is part of the proposal under which the old-age and survivors insurance trust fund would reimburse the railroad retirement account for the savings achieved to the social security system from the separate existence of the railroad retirement system, which was estimated to be about $100,000,000 a year. On this issue the testimony came from two sources: the Railroad Retirement Board and Mr. Robert J. Myers, actuary for the Social Security Adminis-

tration. The figures given in Mr. Myers' table (table III below), as well as the estimates of the Railroad Retirement Board (table IV below), show net results after the social security system has absorbed the cost of crediting railroad service in the case of all individuals who at death or retirement have less than 10 years of railroad service. In summary, comparison between the Railroad Retirement Board estimates and Mr. Myers' estimates shows that according to the Railroad Retirement Board the savings which the social security system derives from the separate existence of the railroad retirement system exceed the cost of crediting railroad service in the less-than-10-year cases by 0.25 (table IV (0.82+1.20)—1.77 percent of the railroad payroll and therefore call for a transfer in that amount from the old-age and survivors insurance trust fund to the railroad retirement account; whereas, according to Mr. Myers, the savings which the social security system derives from the separate existence of the railroad retirement system falls short by 0.69 percent of payroll from completely offsetting the cost of crediting railroad service under the social security system in the less-than-10-year cases. Although it appears from Mr. Myers' memorandum that he denies the existence of any savings to the social security system from the separate existence of the railroad retirement system, this denial is not supported by his table. This table does not deny the existence of the savings but disagrees with the Retirement Board actuaries on the extent to which those savings and the cost of crediting railroad service in the less-than-10-year cases offset each other. Mr. Myers does not indicate what he believes to be the cost to the social security system of crediting railroad service in the less-than-10-year cases. However, it appears from the Railroad Retirement Board estimates that the savings to the railroad retirement account from the transfer of credit in such cases is 1.77 percent of payroll and Mr. Myers has not taken issue with that figure. It would thus appear that if Mr. Myers' estimates rather than the Board's estimates are used, the railroad retirement system would achieve savings of 1.08 percent (1.77–0.69) of payroll by virtue of the financial arrangements provided by S. 1347, as originally introduced.

TABLE III.—*Level cost calculations for social security reimbursement feature, based on $5.2 billion payroll ($400 monthly limit) on S. 1347 as introduced*

Item	Railroad Retirement Board estimates	Myers' estimate
	Percent	*Percent*
B. Benefits according to social security formulas based on compensation and wages for cases adjudicated by Railroad Retirement Board	6.57	6.23
1. Employee retirement benefits	3.86	3.86
2. Wife's benefits	.62	.56
3. Survivor benefits	2.09	1.81
C. Social security benefits based on wages alone for cases also adjudicated by Railroad Retirement Board	.67	1.27
1. Employee retirement benefits	.57	1.10
2. Wife's benefits	.10	.17
D. Excess of social security taxes on railroad payrolls during 1937–50 over additional social security benefits which would have been payable if railroad earnings were credited	.40	.40
E. Social security taxes on railroad payrolls after 1950	5.25	5.25
I. Reimbursements from OASI (B–C)	5.90	4.96
II. Amounts due OASI (D+E)	5.65	5.65
III. Net reimbursement from OASI to Railroad Retirement Board (I–II)	+.25	−.69

TABLE IV.—*Savings in the cost of the benefits of S. 1347, as introduced, resulting from social-security integration*

Item	Cost as percent of—			
	$5.2 billion payroll [1]		$4.9 billion payroll [2]	
	Employees with less than 10 years	Employees with 10 years or more	Employees with less than 10 years	Employees with 10 years or more
A. Benefits eliminated	[3] 1.77		[4] 1.82	
B. Social-security benefits based on combined earnings		6.57		7.04
C. Social-security benefits based on wages only		.67		.72
D. Excess of social-security taxes on railroad payrolls over additional social-security benefits, 1937–50	.06	.34	.07	.35
E. Social-security taxes on railroad payrolls after 1950	.89	4.36	.95	4.63
F. Savings [(A+B)−(C+D+E)]	.82	1.20	.80	1.34

[1] Based on earnings limit of $400 per month.
[2] Based on earnings limit of $300 per month.
[3] If service restriction were removed, this saving would disappear. However, there would be an offset under (B minus C) of about 0.52 percent.
[4] If service restriction were removed, this saving would disappear. However, there would be an offset under (B minus C) of about 0.57 percent.

5. Spouse's annuities

The spouse's annuity is closedly related to and integrally tied up with other provisions of the committee bill, particularly the increase in retirement annuities and the proposal that beneficiaries should in no case receive less than they would have received had railroad service been covered by the Social Security Act. If the finances were adequate to permit doing all the other things that need to be done and also to increase all retirement annuities, by, say, 65 percent, one might well consider that as an alternative to providing a spouse's annuity. But since such a course is obviously out of the question, the spouse's annuity affords a means of doing substantially that in the cases of greatest need, i. e., where two adult and aged people rather than just one must live on the annuity.

It may be suggested that the need is the same irrespective of whether the spouse is age 65. However, it should be borne in mind that although 65 is the permissible retirement age, the actual average age is about 68. Hence in the typical case of a wife 2 or 3 years younger than the husband, the wife is likely to be age 65 or over at the time of her husband's retirement. And even if the wife is more than 2 or 3 years younger, the spouse's annuity nevertheless provides the employee with a very large measure of additional security. In such cases, the employee may decide to work a year or two beyond the time when he would otherwise retire. Or accumulated resources may be drawn upon to provide support during the period preceding the wife's eligibility if there is assurance that a wife's annuity will be coming in when she reaches age 65.

As of any given time, over 90 percent of the employees are married and of those unmarried many are younger men who expect to marry. The provision of a spouse's annuity, therefore, will provide added security to virtually all employees even though the proportion of retired employees with eligible living wives at any particular time is smaller. It was estimated that some 40 percent of the employees now retired will immediately receive the advantage of the spouse's

annuity and the number who as time goes on will at some time during their retirement receive the advantage of such a benefit is naturally much greater.

Bearing in mind that all benefits after enactment of the bill would be based upon at least 10 years of service, certainly no one can seriously challenge the desirability of seeing to it that people who have paid taxes at four times the social security rate over a long period of years should receive no less in benefits than would be payable if their employment had been covered by the Social Security Act. Section 9 of the bill establishes such a minimum. There will be a substantial number of cases in the group having from 10 to 20 years of service in which the annuity will have to be increased to meet that minimum. The Social Security Act provides a spouse's annuity of one-half the employee's annuity. If the Railroad Retirement Act does not, then there will obviously be many more cases in which the annuity will have to be increased in order to equal the total family benefit that would have been payable under the Social Security Act.

6. Coverage of railroad employees under the Social Security Act

It was suggested during the hearings that railroad workers should be covered under the Social Security Act for the basic benefits and that the Railroad Retirement Act should serve merely as a supplemental pension system. The committee feels, however, that such proposal should not be given serious consideration without a careful study of the relationship between the two systems, as proposed by the committee in the separate resolution as shown below in VII.

VI. Committee Bill Compared to S. 1347, as Introduced

The bill as reported by the committee differs from the original bill in a number of respects. The major differences, however, are these:

(1) The $50 work clause proposed in the original bill and favored by the Railway Labor Executives' Association and the Railroad Retirement Board, was vigorously opposed by all others, in spite of the fact that the Social Security Act contains a similar provision. In order, however, to eliminate this controversy the committee decided to drop this provision pending the result of the study contemplated by a resolution hereinafter described. The committee recognized that the elimination of the $50 work clause would eliminate also about $50,000,000 a year from the railroad retirement account, and that this would require a reduction in the proposed benefits; but in view of the urgent need for some increase in benefits, the committee deemed it proper to diminish the area of controversy as much as possible in order to secure immediate passage of the bill.

(2) Instead of increasing the taxable and creditable monthly compensation from $300 to $400, as proposed in the original bill, which was intended to add to the railroad retirement account about $80,000,000 a year, the committee increased the maximum monthly compensation from $300 to $350. This would add to the railroad retirement account about $50,000,000 a year instead of $80,000,000. As in the case of the loss of about $50,000,000 to the railroad retirement account by reason of the elimination of the $50 work clause, the loss of about $30,000,000 a year to the railroad retirement account resulting from increasing the maximum monthly compensation to $350 in-

stead of $400, will also require a reduction in the benefits originally proposed. The reduction in benefits is shown in subparagraphs 3 and 4 below.

(3) Before the 1950 amendments to the Social Security Act, survivor benefits paid on the death of railroad employees were superior to the OASI benefits. Monthly survivor annuities under the Railroad Retirement Act were, on the average, 25 percent higher than the monthly survivor benefits under the Social Security Act; and the lump-sum payments under the Railroad Retirement Act were about 66⅔ percent higher than under the Social Security Act. This was considered proper because of the higher taxes railroad employees pay. Since those amendments have been in effect, the situation is reversed. It is the contention of the Railway Labor Executives' Association and the Railroad Retirement Board that the Railroad Retirement Act benefits should now be raised to a level above those paid under social security in order to restore the relationship between the benefits under the two systems to what it was before the 1950 amendments to the Social Security Act. The committee does not disagree with this view. But because of the elimination of the $50 work clause as above stated, and because of the increase in the maximum monthly compensation to $350 instead of $400, and the resultant loss in revenue and savings to the railroad retirement account, it was not financially feasible to increase survivor benefits as proposed in the original bill. For this reason, the bill reported by the committee increases survivor benefits only by 33⅓ percent which, with the over-all minimum guarantee that benefits should not be lower than under the Social Security Act, brings the survivor benefits under the Railroad Retirement Act to the level of the survivor benefits under the Social Security Act, and increases lump-sum payments only by 25 percent. The committee recognizes this is inadequate but believes it appropriate to get some action immediately and to make the necessary adjustments after further study of the relationship between the railroad retirement and the social security systems as proposed by resolutions hereinafter described.

(4) The original bill proposes a spouse's annuity equal to one-half the employee's annuity or pension, but not more than $50 a month. The committee bill retains this provision except that the maximum is $40 instead of $50.

VII. Resolution for Future Study

In view of these differences above stated between the original bill and the committee bill, and in recognition of the fact that further increases in benefits under the Railroad Retirement Act may be necessary in view of the high tax rates imposed upon railroad employees under the Railroad Retirement Tax Act, the committee proposes to recommend the passage of the following concurrent resolution:

Resolved by the Senate (the House of Representatives concurring), That there is hereby established a joint congressional Committee on Railroad Retirement Legislation, hereinafter called the "joint committee," to be composed of three members of the Senate Committee on Labor and Public Welfare and to be appointed by the chairman of that committee, and three members of the House Committee on Interstate and Foreign Commerce and to be appointed by the chairman of that committee. Vacancies in the membership of the joint committee

shall not affect the power of the remaining members to execute the functions of the joint committee, and shall be filled in the same manner as the original selection. The joint committee shall select a chairman and vice chairman from among its members.

SEC. 2. It shall be the duty of the joint committee, and it is hereby authorized and directed, to make a full and complete fact-finding study and investigation of the Railroad Retirement Act, and of such related problems as it may deem proper, with a view toward ascertaining what changes should be made in such Act. The joint committee shall determine the scope of such study and investigation, without limitation thereon, and the following shall be given consideration:

1. The character and amount of present benefits and the estimated cost of providing such benefits.

2. The existing relationships between the system established by the Railroad Retirement Act and the old-age and survivors insurance system.

3. The changes that should be made in the character and amount of benefits to be provided workers subject to the Railroad Retirement Act and the estimated cost of providing such benefits.

4. Any changes that should be made in the existing relationships between the system established by the Railroad Retirement Act and the old-age and survivors insurance system with a view to simplifying administration, eliminating inequities and anomalies as regards benefits to workers whose earnings are included in whole or in part under either system, and strengthening the financial base for benefits to be provided under one system without impairing the financial base underlying benefits provided under the other system.

SEC. 3. For the purposes of this resolution, the joint committee, or any duly authorized subcommittee thereof, is authorized to sit and act at such places and times during the sessions, recesses, and adjourned periods of the Eighty-second Congress, to require by subpena or otherwise the attendance of such witnesses and the production of such books, papers, and documents, to administer such oaths, to take such testimony, to procure such printing and binding, and to make such expenditures, as it deems advisable.

SEC. 4. (a) The joint committee, or any duly authorized subcommittee thereof, is authorized during the sessions, recesses, and adjourned periods of the Eighty-second Congress, to employ upon a temporary basis such technical, clerical, and other assistants as it deems advisable and, with the consent of the head of the department or agency concerned, to utilize the services, information, facilities, and personnel of all agencies in the executive branch of the Government.

(b) The expenses of the joint committee, which shall not exceed $50,000, shall be paid one-half from the contingent fund of the Senate and one-half from the contingent fund of the House of Representatives upon vouchers signed by the chairman. Disbursements to pay such expenses shall be made by the Secretary of the Senate out of the contingent fund of the Senate, such contingent fund to be reimbursed from the contingent fund of the House of Representatives in the amount of one-half of the disbursements so made.

VIII. ANALYSIS OF THE BILL S. 1347 AS REPORTED BY THE COMMITTEE

The conditioning of eligibility for benefits under the Railroad Retirement Act upon completion by the employee of not less than 10 years of creditable service is first shown by section 1 of the bill which amends section 1 (f) of the Railroad Retirement Act. Under this amendment, the ultimate fraction of 6 or more months can be counted as 1 year of service only if the individual has completed 126 months of service. Section 2 of the bill makes this condition a specific requirement for eligibility and, because of this, eliminates as superfluous, the 10-years-of-service requirement (in the first sentence of par. 5 of sec. 2 (a) of the Railroad Retirement Act) for a disability annuity. The same condition appears in section 24 (d) and (e) of the bill which require the completion of 10 years of service for an insured status under the Railroad Retirement Act for the purpose of survivor benefits.

Sections 3 and 4 of the bill amend the act so as to permit a retirement annuity to begin to accrue 6 months prior to the date on which the application is filed, assuming, of course, that the applicant is otherwise eligible. There are two reasons for this change. Experience has shown that in many cases employees have failed to file their applications for as long as 6 months or more after they had ceased compensated service. The other is that section 9 of the bill provides an over-all minimum, that is, if the amount of an employee's annuity is less than he would receive as an old-age-insurance benefit under the Social Security Act if his "employee" service were "employment," his annuity is to be increased to the greater amount. Under the Social Security Act, however, an old-age-insurance benefit may begin as early as on the first day of the sixth month preceding the month in which the application is filed. Consequently, in a case in which an employee fails to file his application under the Railroad Retirement Act for six or more months after he has ceased all compensated service, the problem would have arisen as to whether the employee who, under the Social Security Act, would have received old-age-insurance benefits for 6 months prior to the month in which the application is filed should be paid annuities under the Railroad Retirement Act for such months even though under the Railroad Retirement Act his annuity could not begin earlier than 2 months before the day on which his application was filed. The amendment made by section 3, therefore, which makes possible the beginning of the annuity as early as 6 months before the date on which the application is filed, eliminates this problem. Section 4 of the bill makes a similar change with respect to applications for annuities based in part on creditable military service.

It should be noted, however, that 6 months before the date on which the application is filed could be a day after the first of the month, and in such case the problem would still exist with respect to the first month in which the annuity begins to accrue. The sponsors of the bill did not wish to depart from the long-established principle under the Railroad Retirement Act that an employee's annuity may begin to accrue on the day following the last day of his compensated service. To avoid the administrative problem of applying the over-all minimum formula to the annuity which begins to accrue on other than the first of the month, the proviso in section 9 of the bill limits the application of the over-all minimum to benefits accruing for an "entire month." The effect of the phrase "entire month" is that even if the employee is entitled to an annuity for an entire month but his spouse's annuity begins on a day after the first of the same month, the over-all minimum will not apply with respect to such month.

Section 5 of the bill adds to section 2 of the act three new subsections which provide an annuity for the spouse of an employee equal to one-half the employee's annuity, but not in excess of $40 per month. The first proviso of the new subsection (e) avoids an inequity which would occur if the spouse's annuity were one-half of an annuity that has been reduced by reason of retirement before age 65. The employee in such case has already paid for the earlier beginning of his annuity by accepting a reduced annuity under section 2 (a) 3 of the Railroad Retirement Act. Consequently, if the spouse's annuity were one-half of the reduced annuity, the employee would be paying

twice for the privilege of having his annuity begin between age 60 and 65. This consideration is also applicable to a joint and survivor annuity. The phrase "or recomputed," in the first proviso, has special significance. It is provided in section 7 of the bill that if an annuitant at any time becomes entitled to an old-age insurance benefit under the Social Security Act, his annuity shall be reduced in such manner as to be based only on service and compensation after 1936; but if such a reduction in the annuity would be by an amount greater than his old-age insurance benefit his annuity shall be reduced by the smaller amount, that is, by the amount of the old-age insurance benefit. In a case in which an individual was awarded a reduced annuity under section 2 (a) 3 and is not entitled to an old-age insurance benefit under the Social Security Act when he attains age 65, his wife's annuity when she attains age 65 will be one-half of the amount to which he would have been entitled had his annuity been awarded to him when he attained age 65. If, sometime later, he does become entitled to an old-age insurance benefit, his annuity will then be recomputed in accordance with the proviso in section 7 of the bill and his wife's annuity will likewise be recomputed to be one-half of the smaller annuity. To compensate the wife for this reduction, however, the third proviso of the new subsection (e) of section 2 (see sec. 5 of the bill) permits her to retain also the wife's benefit under the Social Security Act, which is one-half of her husband's old-age insurance benefit.

The third proviso in the new subsection (e) of section 2 (see sec. 5 of the bill) also makes certain that in the event the wife's benefit is lost under the Social Security Act because she is entitled under that act to another monthly benefit in excess of the wife's benefit, the reduction in the wife's benefit under the Railroad Retirement Act will be such as to permit her to retain an amount equal to the full wife's benefit under the Social Security Act. This proviso will be applied as follows: If the wife's benefit under the Social Security Act is, say, $30, which is lost to her because she is also entitled to a parent's benefit under that act in the amount of $40, the reduction in the wife's benefit under the Railroad Retirement Act will be only by the excess of the parent's benefit over the wife's benefit, which is $10; if, instead of being entitled to a parent's benefit of $40 in the same example, she should become entitled to an old-age insurance benefit of $20 by reason of which a wife's benefit is reduced to $10, the reduction under the Railroad Retirement Act will be zero since the excess of the old-age insurance benefit over the wife's benefit is zero.

The new subsection (f) of section 2 (provided by sec. 5 of the bill) defines "spouse" in terms which ordinarily would require that the spouse be married to the employee for a period of not less than 3 years immediately preceding the day on which the application for the spouse's annuity is filed. Where this requirement applies, if the employee's and the spouse's applications should be filed when they are both 65½ years of age, after exactly 3 years of marriage, the employee's annuity could begin 6 months earlier (assuming he was otherwise eligible) but not the spouse's annuity because 6 months before the application was filed she had been married to the employee only 2½ years. However, if the spouse is the parent of the employee's son or daughter the period of marriage to the employee is not material.

In addition to marriage for at least 3 years or parentage of the employee's son or daughter, the spouse must be a member of the same household as the employee or be receiving regular contributions toward support from the employee or the employee must have been ordered by a court to contribute to the spouse's support. If the spouse is the husband of the employee he must have been receiving at least one-half of his support from his wife at the time her annuity or pension began.

The term "spouse" is defined in the same terms as husband and wife respectively under the Social Security Act, except that under the Railroad Retirement Act the husband is not required to file proof of support within any specific period of time. Under the Railroad Retirement Act it is possible for a women employee to become eligible for an annuity at age 60. At that time her husband, even if he already were 65, would not be entitled to a husband's annuity; he must wait until his wife had attained age 65. He would probably not think of filing proof until 5 years later when the 2-year period prescribed in the Social Security Act for filing proof of support would have passed and his right to an annuity would be forfeited solely on technical grounds. Therefore, since the filing of proof of support is merely evidence of dependence, it is deemed sufficient to submit such evidence whenever it will serve a purpose. That conclusion having been reached, serious doubt arises whether the requirement of the present law that a parent file proof of support within 2 years of the death of the employee is justified. Section 24 (a) (3) of the bill eliminates that requirement. There is no prohibition, however, against filing proof of support whenever the husband or parent wishes to do so.

By providing for the spouse's annuity in section 2 of the act, the application for the spouse's annuity will be subject to the same conditions as applications for other annuities under that section. The spouse, like the employee, will have to cease service for an employer and for the last person by whom the spouse was employed before the spouse's annuity began, as provided in section 2 (a), and relinquish rights to return to service as provided in section 2 (b). The spouse's annuity beginning date will be subject to the provisions of section 2 (c); and the new subsection (g) of section 2, provided in section 5 of the bill, makes the spouse's annuity subject to the same provisions in section 2 (d) as the annuitant's, and in addition, a spouse's annuity will not be payable in any month in which the employee from whom the spouse's annuity is derived loses the annuity by reason of such provisions.

A spouse's annuity will terminate in effect, under the same conditions as a spouse's annuity would terminate under the Social Security Act; and the term "absolutely divorced" in the new subsection (g) is intended to have the same meaning as the term "divorced a vinculo matrimonii" in section 202 (b) and (c) of the Social Security Act.

Section 6 of the bill changes the percentages of average monthly compensation to be multiplied by the years of service in the formula for determining the annuity, producing an increase in the amount by 15 percent. The phrase "remainder of his monthly compensation" is limited by section 8 of the bill to $300 a month with respect to compensation earned and paid through December 31, 1951, and to $350 a month with respect to compensation earned and paid thereafter.

Section 7 of the bill, by striking out paragraph 4 of section 3 (b) of the act, makes possible the inclusion of all service after age 65,

subject to the maximum of 30 years as provided in paragraph (1) of section 3 (b) of the act. In addition to this amendment, section 7 provides against duplication of credit for prior service. The amended Social Security Act is so weighted as, in effect, to give credit for service before 1937. In view of this, and since employees who now receive credit for service before 1937 have not paid any taxes with respect to such service, the sponsors of the bill deemed it appropriate to continue to give credit under the Railroad Retirement Act for prior service, but only if the employee does not also receive an old-age benefit under the Social Security Act. Consequently, whenever an annuitant is or becomes entitled to an old-age insurance benefit under the Social Security Act, his annuity under the Railroad Retirement Act will be so computed or recomputed as to base it entirely on service and compensation after 1936, except that it will not be reduced by an amount greater than the benefit under the Social Security Act, and the employee will be assumed to have met whatever service and other requirements were necessary in the computation of the original annuity. Thus, if the original annuity was a reduced age annuity, the annuity based on service and compensation after 1936 will be computed as a reduced age annuity. If, however, the amount of his old-age insurance benefit under the Social Security Act, either as originally computed, or as later recomputed, is less than the amount by which his annuity would be reduced as above stated, the reduction will be by the smaller of the two amounts. In the case of a pensioner, of course, the reduction will be only by the amount of his old-age insurance benefit since ordinarily his pension is based on prior service only. The annuity of a spouse of such an employee will be in an amount which would result in the spouse receiving one-half the annuity or pension the employee is receiving after any such reduction.

If after applying the reduction provided for in section 7 of the bill the total of the benefits to an individual and his spouse, if any, is less than it was before the date of enactment of the bill, the difference will be restored to such an individual until such time as the total of the benefits to him and his spouse, if any, is at least equal to what it was before that date. To illustrate: Assuming that before the enactment date of this bill an individual's annuity under the Railroad Retirement Act is $100 and his monthly benefit under the Social Security Act is $40, making a total of $140. Following the enactment of the bill, his annuity under the Railroad Retirement Act would be increased to $115 and the total would be $155; but the $155 annuity will be reduced by that portion which is based on prior service, or by the social-security benefit of $40, whichever is less. Assuming that the portion of the annuity based on prior service is $30, his annuity would be reduced from $115 to $85. This amount, plus the $40 under the Social Security Act, would give him a total of $125, or a net loss of $15. Under this provision, however, his annuity will be increased to $100. If sometime later his wife becomes entitled to a spouse's annuity, the individual's annuity will be reduced either by $15, or by the spouse's annuity, whichever is less.

Section 8 of the bill increases the creditable monthly compensation from $300 to $350 a month beginning with compensation earned and paid after December 31, 1951.

Section 9 eliminates the requirement of 5 years of service as a qualification for the minimum (since the bill now requires 10 years of service for eligibility), and increases the minimum annuity from $3.60 to $4.14 for each year of service making $41.40 the lowest possible minimum unless the monthly compensation is less than $41.40 which is unlikely for an employee with as much as 10 years of railroad service. Where the minimum is based on a flat amount, the increase is from $60 to $69. The proviso in section 9 of the bill is in essence a guarantee that in no case will a benefit under the Railroad Retirement Act to an employee and to those deriving from him be less than the amount or the additional amount which would be payable under the Social Security Act if the individual's service as an employee after 1936 under the Railroad Retirement Act were "employment" under the Social Security Act. To illustrate, if the total of the annuities to the employee and his spouse is $100 and the total of the monthly benefits to the employee and his spouse under the Social Security Act would be $90, were the employee's service "employment" under the Social Security Act, and such employee and his spouse have a child under the age of 18 so that the monthly benefits to all three under the Social Security Act would be $120, the annuities of the employee and spouse would be increased proportionately to a total of $120. The same guarantee applies to annuities of survivors of an employee; so that if the total of survivor annuities under the Railroad Retirement Act is less than would be the total of monthly benefits to such survivors if the employee's service were "employment" under the Social Security Act, such total of annuities would be increased proportionately to such greater total.

In the drafting of this proviso a number of problems had to be taken into account. Thus, an annuity under the Railroad Retirement Act may begin on some day during the month while a benefit under the Social Security Act always begins only on the first day of the month. In order to avoid the administrative problem of applying this over-all minimum guaranty to a part of a month, the proviso is made applicable to "any entire month." This will also apply to a case in which the spouse's annuity begins on some day during the month.

A section 2 (a) 3 annuity to a male employee is reduced by one-one hundred eightieth for each month that he is under age 65; and an annuity pursuant to a joint-and-survivor election is reduced to permit the payment of part of the employee's annuity to his surviving spouse (in addition to the survivor annuity pursuant to sec. 5 of the Railroad Retirement Act). If the over-all minimum provided in section 9 were applied to the annuities so reduced the employee in each such case would receive greater benefit from the over-all minimum than is intended or warranted. The proviso is so worded as to avoid this possibility.

In order to determine whether an employee is insured under the Social Security Act for the purpose of applying the over-all minimum, it will be necessary to apply the provision of that act, except that if the employee is completely or partially insured, in accordance with the provisions of section 5 (1) (4), of the Railroad Retirement Act, he will be deemed to be fully or currently insured, respectively, under the Social Security Act.

Section 203 (f) of the Social Security Act imposes penalties for failure to report earnings of more than $50 a month by individuals in receipt of monthly benefits under that act. The Railroad Retirement Act provides no penalties in addition to the loss of annuity for the month of employment. The question whether the over-all minimum would apply where no monthly benefit would be payable under the Social Security Act (because of this additional penalty provision) while the annuity under the Railroad Retirement Act would nevertheless be payable, is expressly answered in the affirmative. On the other hand, the over-all minimum provision will not apply with respect to a month in which the annuitant (including a spouse annuitant) works for an employer under the act or for the last person by whom he was employed before the annuity began. Under those conditions no annuity is payable under the act, and the proviso applies only for months in which an annuity accrues and is payable. The proviso in section 9 will assume timely applications both for the original social-security benefit and for the recomputation of such benefit.

Section 10 of the bill, by striking out section 3 (h) of the act, will make possible the recomputation of an annuity previously awarded on the basis of additional creditable service and compensation accumulated after the annuity has begun to accrue. While this amendment will not permit changing from one annuity to another, it will make increases in the same annuity possible.

Sections 12 through 24 amend section 5 of the Railroad Retirement Act. Section 12 adds an annuity to a widower age 65 and provides that in no case shall the insurance annuity of the widow or widower be less in amount than she or he received during the lifetime of the employee as a spouse's annuity. The same minimum provision is made in section 13 of the bill for a widow's current insurance annuity.

With respect to the benefits to be deducted from the residual amount, section 18 of the bill makes a distinction between (i) monthly insurance benefits paid to survivors on the basis of the combination of service covered by the Railroad Retirement Act and the Social Security Act, and (ii) old-age insurance benefits to, and benefits to dependents of, individuals with less than 10 years of service. In the latter case the deductions of the social security benefit is only to the extent that it is based on service covered by the railroad retirement system. The reason for the distinction is that in the case of survivor benefits paid under the Railroad Retirement Act, all such benefits are deducted from the residual, including benefits based on the combined service. In order to avoid discriminating against individuals with "a current connection with the rairoad industry" the act now provides that monthly survivor benefits paid under the Social Security Act on the basis of combined service should likewise be deducted. However, no retirement benefits are paid under the Railroad Retirement Act on the basis of combined service and hence there is no deduction of any such benefits in arriving at the residual lump sum. It would be inappropriate therefore to deduct more than the amounts attributable to railroad service and compensation when the social security old-age benefits are paid on combined service to individuals having less than 10 years of railroad service.

Section 19 of the bill is designed to avoid duplication of benefits either through receipt of more than one survivor benefit under the

Railroad Retirement Act, or through receipt of a survivor benefit under that act together with any monthly insurance benefit under the Social Security Act, or together with a retirement annuity under the Railroad Retirement Act. An individual will receive the equivalent of the larger benefit, but not both.

The protection against reduction in the total benefits of persons on the annuity rolls on the day before the date of enactment of the bill which is provided for retirement benefits in section 7 of the bill, is also provided in the new paragraph (3) of section 5 (g) for persons on the survivor annuity rolls on the day before the date of enactment of the bill.

Section 22 extends the period for the beginning of a survivor's insurance annuity to the month in which the individual became eligible even though the application therefor was not filed for as much as 6 months after such month. This section eliminates from the present law the provision that if the application is filed more than 3 months after the month of eligibility, the annuity cannot begin earlier than the first of the month in which the application was filed.

The effect of section 23 of the bill is to transfer to the social security system all persons who at retirement or at death have completed less than 10 years of service under the Railroad Retirement Act, the spouses and children of such persons, and their survivors, with the same effect as if the service of such persons were included in the term "employment" in the Social Security Act. The bill makes a distinction between those considered to be career railroad employees and those who work only casually in the industry. For this purpose some reasonable line must be drawn. The bill classes as nonrailroaders those who at retirement or death have completed less than 10 years of service. In order to make this provision applicable to persons working outside the United States, such as in Canada for an employer conducting the principal part of its business in the United States who would not otherwise be covered by the Social Security Act, section 23 provides that such service shall for the purposes of the Social Security Act be deemed to have been rendered within the United States. The same section changes the present provision of section 5 (k) (2) of the act to declare it to be the policy of Congress that the old-age and survivors insurance trust fund shall be in no better or in no worse position than it would have been if there had been no separate railroad retirement system. This policy is related to but not exclusively concerned with the transferring to the social security system of individuals with less than 10 years of service. The discharge of liabilities of those with less than 10 years of service will be given appropriate credit in the adjustment so as to avoid any inequitable imposition of liabilities on the social security system. But beyond that, the bill contemplates that the adjustments will embrace whatever transfers are necessary to assure that the social security system will neither gain nor lose from the separate existence of the railroad retirement system.

Section 24 (a) of the bill includes the definition of "widower" among other definitions of survivors; provides the conditions of eligibility both for a widow and a widower for survivor benefits; dispenses for reasons stated earlier, with the requirement that a parent file proof of support within a specified time; and provides against forfeiture of a child's annuity if such child is adopted by a stepparent, grandparent, aunt, or uncle.

Section 24 (b) provides an alternative method of allocating compensation to the several quarters of the year in determining insured status under the Railroad Retirement Act.

Section 24 (c) redefines the term "wages" to include not only wages covered by the Social Security Act but also self-employment income covered by that act as well as amounts deemed wages under section 217 (a) of the Social Security Act, on account of military service other than that creditable under the Railroad Retirement Act.

Section 24 (d) and (e) limit eligibility for survivor benefits to survivors of employees who have completed 10 or more years of service. For determining a fully insured status, section 24 (d) provides for the exclusion from the "elapsed" quarters any quarter during any part of which a retirement annuity is payable and which is not a quarter of coverage. Section 24 (e) includes in the period within which a partially insured status may be acquired by an employee the quarter in which death or retirement occurs; and in addition provides for the continuance of such status if the employee had the necessary quarters of coverage in the quarter in which a retirement annuity will have begun to accrue to him. Under this provision if he has a partially insured status at the time an annuity begins to accrue to him, he will continue to be partially insured even though he would not otherwise be so insured at the time of death.

Section 24 (f) provides that in determining the average monthly remuneration, "wages" will be included only if (i) the total creditable compensation for any calendar year is less than $3,600, and (ii) the average monthly remuneration, if based on compensation alone, would be less than $300. In such case, the amount of wages included will be an amount not to exceed the difference between the compensation for such year and $3,600; and the divisor will not include any quarter during any part of which a retirement annuity is payable and which is not a quarter of coverage. This section also increases the maximum monthly remuneration to $350 after 1951.

Section 24 (g) amends the definition of the term "basic amount" so as to reflect the increase in the average monthly remuneration.

The Railroad Retirement Tax Act

The Railroad Retirement Tax Act now provides that, with respect to compensation paid after December 31, 1951, the tax rate on employers and employees shall be 6¼ percent of the monthly compensation up to $300. The only amendment made by section 26 is to change the figure $300 to $350 with respect to compensation paid after 1951, for services rendered after such date. The present law will, of course, apply to compensation paid after 1951 for services rendered before 1952.

Section 27 (a) makes the bill effective with respect to benefits accruing after the last day of the month in which the bill is enacted, irrespective of when service or employment occurred or compensation or wages were earned. The proviso in section 27 (a) will facilitate the recertification of survivor annuities.

Section 27 (b) permits annuities to begin earlier than would be permissible otherwise under the present law with respect to annuities awarded in whole or in part after the enactment of the bill.

Under section 23 of the bill, individuals who have completed less than 10 years of service, and persons deriving from such individuals,

will not be entitled to benefits under the Railroad Retirement Act. But section 27 (d) is an exception to section 23. Section 27 (d) retains those already awarded annuities currently payable under the Railroad Retirement Act rather than transferring them to the Social Security Act, and confers upon both retirement and survivor annuitants whose annuities have been awarded on less than 10 years of service, and the spouses of present retirement annuitants (but only during the lifetime of such annuitants), all the benefits of the bill.

Section 27 (e) prevents the cessation of a survivor annuity previously awarded to a parent in cases in which a widower, or child adopted by a stepparent, grandparent, aunt, or uncle, becomes entitled to benefits after the enactment of the bill.

Section 27 (f) of the bill is the answer to numerous complaints from annuitants whose annuities were reduced because they elected to leave part thereof to their surviving widows, but whose wives predeceased them. In such cases, the annuity of the individual who made the election will be increased to the amount it would have been if no election had been made. The increase will begin after the death of the spouse, as provided in the bill.

Section 27 (h) makes certain that the benefits of the bill will apply to individuals to whom annuities were heretofore awarded under the Railroad Retirement Act of 1935. The same section 27 (h) precludes the application of the bill to annuities heretofore awarded in lump sum equal to their commuted value.

Section 27 (i) provides that the annuity of a spouse of an individual in receipt of a reduced annuity under the Railroad Retirement Act of 1935, or under the Railroad Retirement Act of 1937 in effect prior to its amendment in 1946 shall be one-half of the unreduced annuity, subject, of course, to the $40 maximum.

Railroad Unemployment Insurance Act

The amendments to the Railroad Unemployment Insurance Act strikes out certain restrictions contained in subsections (iii) and (iv) of subsection (a–1) of section 4 of the Railroad Unemployment Insurance Act, and transfers them, in a modified form, as a proviso to the definition of a day of unemployment or a day of sickness in section 1 (k) of the act. The purpose of these amendments to the Railroad Unemployment Insurance Act is not to extend these restrictions, in any form, to classes of service not now included within the stricken subsections (iii) and (iv) above-mentioned, but merely to minimize the present restrictions with respect to services now covered by these subsections. The above amendments are in the form proposed by the operating brotherhoods and approved by a majority of the Railroad Retirement Board.

IX. Conclusion

The committee is convinced of the necessity and the financial feasibility of amending the Railroad Retirement Act of 1937, as amended, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, in accordance with the provisions of the bill S. 1347 as reported. The committee therefore approves S. 1347, as reported and, in view of the great need for the increases in benefits, urges the prompt enactment thereof.

X. Changes in Existing Law

In compliance with subsection (4) of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

RAILROAD RETIREMENT ACT OF 1937, AS AMENDED

DEFINITIONS

SECTION 1. For the purposes of this Act—

(a) The term "employer" means any carrier (as defined in subsection (m) of this section), and any company which is directly or indirectly owned or controlled by one or more such carriers or under common control therewith, and which operates any equipment or facility or performs any service (except trucking service, casual service, and the casual operation of equipment or facilities) in connection with the transportation of passengers or property by railroad, or the receipt, delivery, elevation, transfer in transit, refrigeration or icing, storage, or handling of property transported by railroad, and any receiver trustee, or other individual or body, judicial or otherwise, when in the possession of the property or operating all or any part of the business of any such employer: *Provided, however*, That the term "employer" shall not include any street, interurban, or suburban electric railway, unless such railway is operating as a part of a general steam-railroad system of transportation, but shall not exclude any part of the general steam-railroad system of transportation now or hereafter operated by any other motive power. The Interstate Commerce Commission is hereby authorized and directed upon request of the Board, or upon complaint of any party interested to determine after hearing whether any line operated by electric power falls within the terms of this proviso. The term "employer" shall also include railroad associations, traffic associations, tariff bureaus, demurrage bureaus, weighing and inspection bureaus, collection agencies and other associations, bureaus, agencies, or organizations controlled and maintained wholly or principally by two or more employers as hereinbefore defined and engaged in the performance of services in connection with or incidental to railroad transportation; and railway labor organizations, national in scope, which have been or may be organized in accordance with the provisions of the Railway Labor Act, as amended, and their State and National legislative committees and their general committees and their insurance departments and their local lodges and divisions, established pursuant to the constitution and bylaws of such organizations. The term "employer" shall not include any company by reason of its being engaged in the mining of coal, the supplying of coal to an employer where delivery is not beyond the mine tipple, and the operation of equipment or facilities therefor, or in any of such activities.

(b) The term "employee" means (1) any individual in the service of one or more employers for compensation, (2) any individual who is in the employment relation to one or more employers, and (3) an employee representative. The term "employee" shall include an employee of a local lodge or division defined as an employer in subsection (a) only if he was in the service of or in the employment relation to a carrier on or after the enactment date. The term "employee representative" means any officer or official repersentative of a railway labor organization other than a labor organization included in the term "employer" as defined in section 1 (a) who before or after the enactment date was in the service of an employer as defined in section 1 (a) and who is duly authorized and designated to represent employees in accordance with the Railway Labor Act, as amended, and any individual who is regularly assigned to or regularly employed by such officer or official representative in connection with the duties of his office.

The term "employee" shall not include any individual while such individual is engaged in the physical operations consisting of the mining of coal, the preparation of coal, the handling (other than movement by rail with standard railroad locomotives) of coal not beyond the mine tipple, or the loading of coal at the tipple.

(c) An individual is in the service of an employer whether his service is rendered within or without the United States if (i) he is subject to the continuing authority of the employer to supervise and direct the manner of rendition of his service, or he is rendering professional or technical services and is integrated into the staff

of the employer, or he is rendering, on the property used in the employer's operations, other personal services the rendition of which is integrated into the employer's operations, and (ii) he renders such service for compensation, or a method of computing the monthly compensation for such service is provided in section 3 (c): *Provided, however,* That an individual shall be deemed to be in the service of an employer, other than a local lodge or division or a general committee of a railway-labor-organization employer, not conducting the principal part of its business in the United States only when he is rendering service to it in the United States; and an individual shall be deemed to be in the service of such a local lodge or division only if (1) all, or substantially all, the individuals constituting its membership are employees of an employer conducting the principal part of its business in the United States; or (2) the headquarters of such local lodge or division is located in the United States; and an individual shall be deemed to be in the service of such a general committee only if (1) he is representing a local lodge or division described in clauses (1) or (2) immediately above; or (2) all, or substantially all, the individuals represented by it are employees of an employer conducting the principal part of its business in the United States; or (3) he acts in the capacity of a general chairman or an assistant general chairman of a general committee which represents individuals rendering service in the United States to an employer, but in such case if his office or headquarters is not located in the United States and the individuals represented by such general committee are employees of an employer not conducting the principal part of its business in the United States, only such proportion of the remuneration for such service shall be regarded as compensation as the proportion which the mileage in the United States under the jurisdiction of such general committee bears to the total mileage under its jurisdiction, unless such mileage formula is inapplicable, in which case the Board may prescribe such other formula as it finds to be equitable, and if the application of such mileage formula, or such other formula as the Board may prescribe, would result in the compensation of the individual being less than 10 per centum of his remuneration for such service no part of such remuneration shall be regarded as compensation: *Provided further,* That an individual not a citizen or resident of the United States shall not be deemed to be in the service of an employer when rendering service outside the United States to an employer who is required under the laws applicable in the place where the service is rendered to employ therein, in whole or in part, citizens or residents thereof; and the laws applicable on August 29, 1935, in the place where the service is rendered shall be deemed to have been applicable there at all times prior to that date.

(d) An individual shall be deemed to have been in the employment relation to an employer on the enactment date if (i) he was on that date on leave of absence from his employment, expressly granted to him by the employer by whom he was employed, or by a duly authorized representative of such employer, and the grant of such leave of absence will have been established to the satisfaction of the Board before July 1947; or (ii) he was in the service of an employer after the enactment date and before January 1946 in each of six calendar months, whether or not consecutive; or (iii) before the enactment date he did not retire and was not retired or discharged from the service of the last employer by whom he was employed or its corporate or operating successor, but (A) solely by reason of his physical or mental disability he ceased before the enactment date to be in the service of such employer and thereafter remained continuously disabled until he attained age sixty-five or until August 1945 or (B) solely for such last stated reason an employer by whom he was employed before the enactment date or an employer who is its successor did not on or after the enactment date and before August 1945 call him to return to service, or (C) if he was so called he was solely for such reason unable to render service in six calendar months as provided in clause (ii); or (iv) he was on the enactment date absent from the service of an employer by reason of a discharge which, within one year after the effective date thereof, was protested, to an appropriate labor representative or to the employer, as wrongful, and which was followed within ten years of the effective date thereof by his reinstatement in good faith to his former service with all his seniority rights: *Provided,* That an individual shall not be deemed to have been on the enactment date in the employment relation to an employer if before that date he was granted a pension or gratuity on the basis of which a pension was awarded to him pursuant to section 6, or if during the last pay-roll period before the enactment date in which he rendered service to an employer he was not in the service of an employer, in accordance with subsection (c), with respect to any service in such pay-roll period, or if he could have been in the employment relation to an employer only by reason of his having been, either before or after the enactment date in the service of a local lodge or division defined as an employer in section 1 (a).

(e) The term "United States", when used in a geographical sense, means the States, Alaska, Hawaii, and the District of Columbia.

(f) The term "years of service" shall mean the number of years an individual as an employee shall have rendered service to one or more employers for compensation or received remuneration for time lost, and shall be computed in accordance with the provisions of section 3 (b): *Provided, however,* That where service prior to the enactment date may be included in the computation of years of service as provided in subdivision (1) of section 3 (b), it may be included as to service rendered to a person which was on the enactment date an employer, irrespective of whether, at the time such service was rendered, such person was an employer; and it may also be included as to service rendered to any express company, sleeping-car company, or carrier by railroad which was a predecessor of a company which, on the enactment date, was a carrier as defined in subsection (m), irrespective of whether, at the time such service was rendered to such predecessor, it was an employer; it may also be included as to service rendered to a person not an employer in the performance of operations involving the use of standard railroad equipment if such operations were performed by an employer on the enactment date. Twelve calendar months, consecutive or otherwise, in each of which an employee has rendered such service or received such wages for time lost, shall constitute a year of service. Ultimate fractions shall be taken at their actual value, except that if the individual will have had not less than [fifty-four] *one hundred twenty-six* months of service, an ultimate fraction of six months or more shall be taken as one year.

(g) The term "annuity" means a monthly sum which is payable on the 1st day of each calendar month for the accrual during the preceding calendar month.

(h) The term "compensation" means any form of money remuneration paid to an individual for services rendered as an employee to one or more employers, or as an employee representative, including remuneration paid for time lost as an employee, but remuneration paid for time lost shall be deemed earned in the month in which such time is lost. Such term does not include tips, or the voluntary payment by an employer, without deduction from the remuneration of the employee, of any tax now or hereafter imposed with respect to the compensation of such employee. For the purposes of determining monthly compensation and years of service and for the purposes of subsections (a), (c), and (d) of section 2 and subsection (a) of section 5 of this Act, compensation earned in the service of a local lodge or division of a railway-labor-organization employer shall be disregarded with respect to any calendar month if the amount thereof is less than $3 and (1) such compensation is earned between December 31, 1936, and April 1, 1940, and taxes thereon pursuant to section 2 (a) and 3 (a) of the Carriers Taxing Act of 1937 or sections 1500 and 1520 of the Internal Revenue Code are not paid prior to July 1, 1940; or (2) such compensation is earned after March 31, 1940. A payment made by an employer to an individual through the employer's pay roll shall be presumed, in the absence of evidence to the contrary, to be compensation for service rendered by such individual as an employee of the employer in the period with respect to which the payment is made. An employee shall be deemed to be paid, "for time lost" the amount he is paid by an employer with respect to an identifiable period of absence from the active service of the employer, including absence on account of personal injury, and the amount he is paid by the employer for loss of earnings resulting from his displacement to a less remunerative position or occupation. If a payment is made by an employer with respect to a personal injury and includes pay for time lost, the total payment shall be deemed to be paid for time lost unless, at the time of payment, a part of such payment is specifically apportioned to factors other than time lost, in which event only such part of the payment as is not so apportioned shall be deemed to be paid for time lost. Compensation earned in any calendar month before 1947 shall be deemed paid in such month regardless of whether or when payment will have been in fact made, and compensation earned in any calendar year after 1946 but paid after the end of such calendar year shall be deemed to be compensation paid in the calendar year in which it will have been earned if it is so reported by the employer before February 1 of the next succeeding calendar year or, if the employee establishes, subject to the provisions of section 8, the period during which such compensation will have been earned. In determining the monthly compensation, the average monthly remuneration, and quarters of coverage of any employee, there shall be attributable as compensation paid to him in each calendar month in which he is in military service creditable under section 4 the amount of $160 in addition to the compensation, if any, paid to him with respect to such month.

(i) The term "Board" means the Railroad Retirement Board.
(j) The term "enactment date" means the 29th of August 1935.
(k) The term "company" includes corporations, associations, and joint-stock companies.
(l) The term "employee" includes an officer of an employer.
(m) The term "carrier" means an express company, sleeping-car company, or carrier by railroad, subject to part I of the Interstate Commerce Act.
(n) The term "person" means an individual, a partnership, an association, a joint-stock company, or a corporation.
(o) An individual shall be deemed to have "a current connection with the railroad industry" at the time an annuity begins to accrue to him and at death if, in any thirty consecutive calendar months before the month in which an annuity under section 2 begins to accrue to him (or the month in which he dies if that first occurs), he will have been in service as an employee in not less than twelve calendar months and, if such thirty calendar months do not immediately precede such month, he will not have been engaged in any regular employment other than employment for an employer in the period before such month and after the end of such thirty months. For the purposes of section 5 only, an individual shall be deemed also to have a "current connection with the railroad industry" if he is in all other respects completely insured but would not be fully insured under the Social Security Act, or if he is in all other respects partially insured but would be neither fully nor currently insured under the Social Security Act, or if he has no wage quarters of coverage.
(p) The terms "quarter" and "calendar quarter" shall mean a period of three calendar months ending on March 31, June 30, September 30, or December 31.
(q) The terms "Social Security Act" and "Social Security Act, as amended," shall mean the Social Security Act as amended in 1950.

ANNUITIES

SEC. 2. (a) The following-described individuals, if they shall have been employees on or after the enactment date, *and shall have completed ten years of service*, shall, subject to the conditions set forth in subsections (b), (c), and (d), be eligible for annuities after they shall have ceased to render compensated service to any person, whether or not an employer as defined in section 1 (a) (but with the right to engage in other employment to the extent not prohibited by subsection (d)):
1. Individuals who on or after the enactment date shall be sixty-five years of age or over.
2. Women who will have attained the age of sixty and will have completed thirty years of service.
3. Individuals who will have attained the age of sixty and will have completed thirty years of service, but the annuity of such an individual shall be reduced by one one-hundred-and-eightieth for each calendar month that he is under age sixty-five when his annuity begins to accrue.
4. Individuals having a current connection with the railroad industry, and whose permanent physical or mental condition is such as to be disabling for work in their regular occupation, and who (i) will have completed twenty years of service or (ii) will have attained the age of sixty. The Board, with the cooperation of employers and employees, shall secure the establishment of standards determining the physical and mental conditions which permanently disqualify employees for work in the several occupations in the railroad industry, and the Board, employers, and employees shall cooperate in the promotion of the greatest practicable degree of uniformity in the standards applied by the several employers. An individual's condition shall be deemed to be disabling for work in his regular occupation if he will have been disqualified by his employer because of disability for service in his regular occupation in accordance with the applicable standards so established; if the employee will not have been so disqualified by his employer, the Board shall determine whether his condition is disabling for work in his regular occupation in accordance with the standards generally established; and, if the employee's regular occupation is not one with respect to which standards will have been established, the standards relating to a reasonably comparable occupation shall be used. If there is no such comparable occupation, the Board shall determine whether the employee's condition is disabling for work in his regular occupation by determining whether under the practices generally prevailing in industries in which such occupation exists such condition is a permanent disqualification for work in such occupation. For the purposes of this section, an employee's "regular occupation" shall be deemed to be the occupation in which he will have been en-

gaged in more calendar months than the calendar months in which he will have been engaged in any other occupation during the last preceding five calendar years, whether or not consecutive, in each of which years he will have earned wages or salary, except that, if an employee establishes that during the last fifteen consecutive calendar years he will have been engaged in another occupation in one-half or more of all the months in which he will have earned wages or salary, he may claim such other occupation as his regular occupation; or

5. Individuals whose permanent physical or mental condition is such that they are unable to engage in any regular employment [and who (i) have completed ten years of service, or (ii) have attained the age of sixty].

Such satisfactory proof shall be made from time to time as prescribed by the Board, of the disability provided for in paragraph 4 or 5 and of the continuance of such disability (according to the standards applied in the establishment of such disability) until the employee attains the age of sixty-five. If the individual fails to comply with the requirements prescribed by the Board as to proof of the continuance of the disability until he attains the age of sixty-five years, his right to an annuity by reason of such disability shall, except for good cause shown to the Board, cease, but without prejudice to his rights to any subsequent annuity to which he may be entitled. If before attaining the age of sixty-five an employee in receipt of an annuity under paragraph 4 or 5 is found by the Board to be no longer disabled as provided in said paragraphs his annuity shall cease upon the last day of the month in which he ceases to be so disabled. An employee, in receipt of such annuity, who earns more than $75 in service for hire, or in self-employment, in each of any six consecutive calendar months, shall be deemed to cease to be so disabled in the last of such six months; and such employee shall report to the Board immediately all such service for hire, or such self-employment. If after cessation of his disability annuity the employee will have acquired additional years of service, such additional years of service may be credited to him with the same effect as if no annuity had previously been awarded to him.

(b) An annuity shall be paid only if the applicant shall have relinquished such rights as he may have to return to the service of an employer and of the person by whom he was last employed; but this requirement shall not apply to the individuals mentioned in subdivision 4 and subdivision 5 of subsection (a) prior to attaining age sixty-five.

(c) An annuity shall begin to accrue as of a date to be specified in a written application (to be made in such manner and form as may be prescribed by the Board and to be signed by the individual entitled thereto), but—

(1) not before the date following the last day of compensated service of the applicant, and

(2) not more than [sixty days] *six months* before the filing of the application.

(d) No annuity shall be paid with respect to any month in which an individual in receipt of an annuity hereunder shall render compensated service to an employer or to the last person by whom he was employed prior to the date on which the annuity began to accrue. Individuals receiving annuities shall report to the Board immediately all such compensated service.

(e) *SPOUSE'S ANNUITY.—The spouse of an individual, if—*

(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

(ii) such spouse has attained the age of 65 or, in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $40: Provided, however, That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: Provided further, That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: And provided further, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason

of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

(f) For the purposes of this Act, the term "spouse" shall mean the wife or husband of a retired annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

(g) The spouse's annuity provided in subsection (e) shall, with respect to any month, be subject to the same provisions of subsection (d) as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii) in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act.

COMPUTATION OF ANNUITIES

SEC. 3. (a) The annuity shall be computed by multiplying an individual's "years of service" by the following percentages of his "monthly compensation": [2.40] *2.76* per centum of the first $50; [1.80] *2.07* per centum of the next $100; and [1.20] *1.38* per centum of the [next $150] *remainder of his "monthly compensation"*.

(b) The "years of service" of an individual shall be determined as follows:

(1) In the case of an individual who was an employee on the enactment date, the years of service shall include all his service subsequent to December 31, 1936, and if the total number of such years is less than thirty, then the years of service shall also include his service prior to January 1, 1937, but not so as to make his total years of service exceed thirty: *Provided, however,* That with respect to any such individual who rendered service to any employer after January 1, 1937, and who on the enactment date was not an employee of an employer conducting the principal part of its business in the United States no greater proportion of his service rendered prior to January 1, 1937, shall be included in his "years of service" than the proportion which his total compensation (including compensation in any month in excess of [$300] *his "monthly compensation"*) for service after January 1, 1937, rendered anywhere to an employer conducting the principal part of its business in the United States or rendered in the United States to any other employer bears to his total compensation (including compensation in any month in excess of [$300] *his "monthly compensation"*) for service rendered anywhere to an employer after January 1, 1937.

(2) In all other cases, the years of service shall include only the service subsequent to December 31, 1936.

(3) Where the years of service include only part of the service prior to January 1, 1937, the part included shall be taken in reverse order beginning with the last calendar month of such service.

[(4) In no case shall the years of service include any service rendered after June 30, 1937, and after the end of the calendar year in which the individual attains the age of sixty-five.]

The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old-age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this

paragraph: Provided, however, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this proviso, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.

MONTHLY COMPENSATION

(c) The "monthly compensation" shall be the average compensation paid to an employee with respect to calendar months included in his "years of service", except (1) that with respect to service prior to January 1, 1937, the monthly compensation shall be the average compensation paid to an employee with respect to calendar months included in his years of service in the years 1924–1931, and (2) the amount of compensation paid or attributable as paid to him with respect to each month of service before September 1941 as a station employee whose duties consisted of or included the carrying of passengers' hand baggage and otherwise assisting passengers at passenger stations and whose remuneration for service to the employer was, in whole or in substantial part, in the forms of tips, shall be the monthly average of the compensation paid to him as a station employee in his months of service in the period September 1940–August 1941: *Provided, however,* That where service in the period 1924–1931 in the one case, or in the period September 1940–August 1941 in the other case, is, in the judgment of the Board, insufficient to constitute a fair and equitable basis for determining the amount of compensation paid or attributable as paid to him in each month of service before 1937, or September 1941, respectively, the Board shall determine the amount of such compensation for each such month in such manner as in its judgment shall be fair and equitable. In computing the monthly compensation, no part of any month's compensation in excess of $300 *through the calendar year 1951, and in excess of $350 thereafter,* shall be recognized.

(d) The annuity of an individual who shall have been an employee representative shall be determined in the same manner and with the same effect as if the employee organization by which he shall have been employed were an employer.

(e) In the case of an individual having a current connection with the railroad industry [and not less than five years of service], the minimum annuity payable shall, before any reduction pursuant to [subsection 2 (a) (3)] *section 2 (a) 3 or the last paragraph of section 3 (b)*, be whichever of the following is the least: (1) [$3.60] *$4.14* multiplied by the number of his years of service; or (2) [$60] *$69;* or (3) his monthly [compensation.] *compensation: Provided, however, That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsection (f) and (g) (2) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act and quarters of coverage were determined in accordance with section 5 (l) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.*

(f) Annuity payments which will have become due an individual but will not yet have been paid at death shall be paid to the same individual or individuals who, in the event that a lump sum will have become payable pursuant to section 5 hereof upon such death, would be entitled to receive such lump sum, in the same manner as, and subject to the same limitations under which, such lump sum would be paid, except that, as determined by the Board, first, brothers and sisters of the deceased, and if there are none such, then grandchildren of the deceased, if living on the date of the determination, shall be entitled to receive payment prior to any payment being made for reimbursement of burial expenses. If there be no individual to whom payment can thus be made, such annuity payments shall escheat to the credit of the Railroad Retirement Account.

(g) No annuity shall accrue with respect to the calendar month in which an annuitant dies.

[(h) After an annuity has begun to accrue, it shall not be subject to recomputation on account of service rendered thereafter to an employer, except as provided in subdivision 3 of section 2 (a).]

[i] (*h*) If an annuity is less than $2.50, it may, in the discretion of the Board, be paid quarterly or in a lump sum equal to its commuted value as determined by the Board.

"SEC. 4. * * *

(k) No person shall be entitled to an annuity, or to an increase in an annuity, based on military service unless a specific claim for credit for military service is filed with the Board by the individual who rendered such military service, and in no case shall an annuity, or an increase in an annuity, based on military service begin to accrue earlier than [sixty days] *six months* prior to the date on which such claim for credit for military service was filed with the Board nor before October 8, 1940: *Provided,* That this subsection shall not be construed to prevent payment of annuities with respect to accruals, not based on military service, prior to the date on which an annuity based on military service began to accrue.

ANNUITIES AND LUMP SUMS FOR SURVIVORS

SEC. 5. (a) Widow's *and Widower's* Insurance Annuity.—A widow *or widower* of a completely insured employee, who will have attained the age of sixty-five, shall be entitled during the remainder of her *or his* life, or, if she *or he* remarries then until remarriage to an annuity for each month equal to [three-fourths of] such employee's basic amount: *Provided, however, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's annuity shall be increased to such greater amount.*

(b) Widow's Current Insurance Annuity.—A widow of a completely or partially insured employee, who is not entitled to an annuity under subsection (a) and who at the time of filing an application for an annuity under this subsection will have in her care a child of such employee entitled to receive an annuity under subsection (c) shall be entitled to an annuity for each month equal to [three-fourths of] the employee's basic amount: *Provided, however, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount.* Such annuity shall cease upon her death, upon her remarriage, when she becomes entitled to an annuity under subsection (a), or when no child of the deceased employee is entitled to receive an annuity under subsection (c), whichever occurs first.

(c) Child's Insurance Annuity.—Every child of an employee who will have died completely or partially insured shall be entitled, for so long as such child lives and meets the qualifications set forth in paragraph (1) of subsection (l), to an annuity for each month equal to [one-half] *two-thirds* of the employee's basic amount.

(d) Parent's Insurance Annuity.—Each parent, sixty-five years of age or over, of a completely insured employee, who will have died leaving no [widow and] *widow, no widower, and* no child, shall be entitled, for life, or, if such parent remarries after the employee's death, then until such remarriage, to an annuity for each month equal to [one-half] *two-thirds* of the employee's basic amount.

(e) When there is more than one employee with respect to whose death a parent or child is entitled to an annuity for a month, such annuity shall be [one-half] *two-thirds* of whichever employee's basic amount i greatest.

(f) Lump-Sum Payment.—(1) Upon the death, on or after January 1, 1947, of a completely or partially insured employee who will have died leaving no [widow, child,] *widow, widower, child,* or parent who would on proper application therefor be entitled to receive an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of [eight] *ten* times the employee's basic amount to the following person (or if more than one there shall be distributed among them) whose relationship to the deceased employee will have been determined by the Board, and who will have been living on the date of such determination: to the widow or widower of the deceased; or, if no such widow or widower be then living, to any child or children of the deceased and to any other person or persons who, under the intestacy law of the State where the deceased will have been domiciled, will have been entitled to share as distributees with such children of the deceased, in such proportions as is provided by such law; or, if no widow or widower and no such child and no such other person be then living, to the parent or parents of the deceased, in equal shares. A person who is entitled to share as distributee with an above-named relative of the deceased shall not be precluded from receiving a payment under this paragraph by reason of the fact that no such named relative will have sur-

vived the deceased or of the fact that no such named relative of the deceased will have been living on the date of such determination. If none of the persons described in this paragraph be living on the date of such determination, such amount shall be paid to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid the expenses of burial of the deceased. If a lump sum would be payable to a [widow, child,] *widow, widower, child,* or parent under this paragraph except for the fact that a survivor will have been entitled to receive an annuity for the month in which the employee will have died, but within one year after the employee's death there will not have accrued to survivors of the employee, by reason of his death annuities which, after all deductions pursuant to paragraph (1) of subsection (i) will have been made, are equal to such lump sum, a payment to any then surviving [widow, children,] *widow, widower, children,* or parents shall nevertheless be made under this paragraph equal to the amount by which such lump sum exceeds such annuities so accrued after such deductions. No payments shall be made to any person under this paragraph, unless application therefor shall have been filed, by or on behalf of any such person (whether or not legally competent) prior to the expiration of two years after the date of death of the deceased employee, except that if the deceased employee is a person to whom section 2 of the Act of March 7, 1942 (56 Stat. 143, 144), is applicable such two years shall run from the date on which the deceased employee, pursuant to said Act, is determined to be dead, and for all other purposes of this section such employee, so long as it does not appear that he is in fact alive, shall be deemed to have died on the date determined pursuant to said Act to be the date or presumptive date of death.

(2) Whenever it shall appear, with respect to the death of an employee on or after January 1, 1947, that no benefits, or no further benefits, other than benefits payable to a [widow or] *widow, widower, or* parent upon attaining age sixty-five at a future date, will be payable under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended, there shall be paid to such person or persons as the deceased employee may have designated by a writing filed with the Board prior to his *or her* death, or if there be no designation, to the person or persons in the order provided in paragraph (1) of this subsection or, in the absence of such person or persons, to his *or her* estate, a lump sum in an amount equal to the sum of 4 per centum of his *or her* compensation paid after December 31, 1936, and prior to January 1, 1947, and 7 per centum of his *or her* compensation after December 31, 1946 (exclusive in both cases of compensation in excess of $300 *through the calendar year 1951 and $350 thereafter* for any month), minus the sum of all benefits paid to him *or her, and to others deriving from him or her, during his or her life,* or to others by reason of his *or her* death, under this Act and, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended: *Provided, however,* That if the employee is survived by a [widow or] *widow, widower, or* parent who may upon attaining age sixty-five be entitled to further benefits under this section, or pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended, such lump sum shall not be paid unless such [widow or] *widow, widower, or* parent makes and files with the Board an irrevocable election, in such form as the Board may prescribe, to have such lump sum paid in lieu of all benefits to which such [widow or] *widow, widower, or* parent might otherwise become entitled under this section or, pursuant to subsection (k) of this section, under section 202 of the Social Security Act, as amended. Such election shall be legally effective according to its terms. Nothing in this section shall operate to deprive a [widow or] *widow, widower, or* parent making such election of any insurance benefits under section 202 of the Social Security Act, as amended, to which such [widow or] *widow, widower, or* parent would have been entitled had this section not been enacted. The term "benefits" as used in this paragraph includes all annuities payable under this Act, lump sums payable under paragraph (1) of this subsection, and insurance benefits and lump-sum payments under section 202 of the Social Security Act, as amended, pursuant to subsection (k) of this [section.] *section, except that the deductions of the benefits which pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).*

(g) Correlation of Payments.—(1) An individual, entitled on applying therefor to receive for a month before January 1, 1947, an insurance benefit under the Social Security Act on the basis of an employee's wages, which benefit is greater

in amount than would be an annuity for such individual under this section with respect to the death of such employee, shall not be entitled to such annuity. An individual, entitled on applying therefor to any annuity or lump sum under this section with respect to the death of an employee, shall not be entitled to a lump-sum death payment or, for a month beginning on or after January 1, 1947, to any insurance benefits under the Social Security Act on the basis of the wages of the same employee.

[(2) A widow or child, otherwise entitled to an annuity under this section, shall be entitled only to that part of such annuity for a month which exceeds the total of any retirement annuity, and insurance benefit under the Social Security Act to which such widow or child would be entitled for such month on proper application therefor. A parent, otherwise entitled to an annuity under this section, shall be entitled only to that part of such annuity for a month which exceeds the total of any other annuity under this section, retirement annuity, and insurance benefit under the Social Security Act to which such parent would be entitled for such month on proper application therefor.]

(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph.

(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than [$20] *$30* and exceeds either (a) [$120] *$160*, or (b) an amount equal to [twice] *two and two-thirds times* such employee's basic amount, [or with respect to employees other than those who will have been completely insured solely by virtue of subsection (l) (7) (iii), such total exceeds (c) an amount equal to 80 per centum of his average monthly remuneration], whichever of such amounts is [least] *the lesser*, such total of annuities shall, prior to any deductions under subsection (i) be reduced to such [least] *lesser* amount or to [$20] *$30*, whichever is greater. Whenever such total of annuities is less than [$10] *$14*, such total shall, prior to any deductions under subsection (i), be increased to [$10.] *$14*.

(i) Deductions from Annuities.—(1) Deductions shall be made from any payments under this section to which an individual is entitled, until the total of such deductions equals such individual's annuity or annuities under this section for any month in which such individual—

(i) will have rendered compensated service within or without the United States to an employer;

(ii) will have rendered service for wages of not less than $50;

(iii) if a child under eighteen and over sixteen years of age, will have failed to attend school regularly and the Board finds that attendance will have been feasible; or

(iv) if a widow otherwise entitled to an annuity under subsection (b) will not have had in her care a child of the deceased employee entitled to receive an annuity under subsection (c);

(2) The total of deductions for all events described in paragraph (1) occurring in the same month shall be limited to the amount of such individual's annuity or annuities for that month. Such individual (or anyone in receipt of an annuity in his behalf) shall report to the Board the occurrence of any event described in paragraph (1).

(3) Deductions shall also be made from any payments under this section with respect to the death of an employee until such deductions total—

(i) any death benefit, paid with respect to the death of such employee, under sections 5 of the Retirement Acts (other than a survivor annuity pursuant to an election);

(ii) any lump sum paid with respect to the death of such employee, under title II of the Social Security Act, or under section 203 of the Social Security Act in force prior to the date of the Social Security Act Amendments of 1939.

(iii) any lump sum paid to such employee under section 204 of the Social Security Act in force prior to the date of the enactment of the Social Security Act Amendments of 1939, provided such lump sum will not previously have been deducted from any insurance benefit paid under the Social Security Act; and

(iv) an amount equal to 1 per centum of any wages paid to such employee for services performed in 1939, and subsequent to his attaining age sixty-five, with respect to which the taxes imposed by section 1400 of the Internal Revenue Code will not have been deducted by his employer from his wages or paid by such employer, provided such amount will not previously have been deducted from any insurance benefit paid under the Social Security Act.

(4) The deductions provided in this subsection shall be made in such amounts and at such time or times as the Board shall determine. Decreases or increases in the total of annuities payable for a month with respect to the death of an employee shall be equally apportioned among all annuities in such total. An annuity under this section which is not in excess of $5 may, in the discretion of the Board, be paid in a lump sum equal to its commuted value as the Board shall determine.

(j) When Annuities Begin and End.—No individual shall be entitled to receive an annuity under this section for any month before January 1, 1947. An application for any payment under this section shall be made and filed in such manner and form as the Board prescribes. An annuity under this section for an individual otherwise entitled thereto shall begin with the month in which [such individual filed an application for such annuity: *Provided*, That such individual's annuity shall begin with the first month for which he will otherwise have been entitled to receive such annuity if he files such application prior to the end of the third month immediately succeeding such month.] *eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed.* No application for an annuity under this section filed prior to three months before the first month for which the applicant becomes otherwise entitled to receive such annuity shall be accepted. No annuity shall be payable for the month in which the recipient thereof ceases to be qualified therefor.

(k) Provisions for Crediting Railroad Industry Service Under the Social Security Act in Certain Cases.—(1) For the purpose of determining (*i*) insurance benefits under title II of the Social Security Act *to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service* which would begin to accrue on or after January 1, 1947, [to a widow, parent, or surviving child,] and with respect to lump-sum death payments under such title payable in relation to a death *of such an employee* occurring on or after such date *and for the purposes of section 203 of that Act*, section 15 of the Railroad Retirement Act of 1935, section [209 (b) (9)] *210 (a) (10)* of the Social Security Act, and section 17 of this Act shall not operate to exclude from "employment", under title II of the Social Security Act, service which would otherwise be included in such "employment" but for such sections. For such purpose, compensation paid in a calendar year shall, in the absence of evidence to the contrary, be presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in services as an employee. *In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.*

[(2) Not later than January 1, 1950, the Board and the Federal Security Administrator shall make a special joint report to the President to be submitted to Congress setting forth the experience of the Board in crediting wages toward awards, and the experience of the Social Security Board in crediting compensation toward awards, and their recommendations for such legislative changes as are deemed advisable for equitable distribution of the financial burden of such awards between the retirement account and the Federal Old Age and Survivors Insurance Trust Fund.]

"(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed 'Trust Fund') in the same position

in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed 'Retirement Account') to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

"(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund."

(3) The Board and the Federal Security Administrator shall, upon request, supply each other with certified reports of records of compensation or wages and periods of service and of other records in their possession or which they may secure, pertinent to the administration of this section or title II of the Social Security Act as affected by paragraph (1). Such certified reports shall be conclusive in adjudication as to the matters covered therein: *Provided,* That if the Board or the Federal Security Administrator receives evidence inconsistent with a certified report and the application involved is still in course of adjudication or otherwise open for such evidence, such recertification of such report shall be made as, in the judgment of the Board or the Federal Security Administrator, whichever made the original certification, the evidence warrants. Such recertification and any subsequent recertification shall be treated in the same manner and be subject to the same conditions as an original certification.

(l) Definitions.—For the purposes of this section the term "employee" includes an individual who will have been an "employee", and—

(1) The qualifications for [“widow”, “child”,] *“widow”, “widower”, “child”,* and "parent" shall be, except for the purposes of subsection (f), those set forth in section [209 (j) and (k)] *216 (c), (e) and (g),* and section [202 (f)] *202 (h)* (3) of the Social Security Act, respectively; and in addition—

[(i) a "widow" shall have been living with her husband employee at the time of his death;]

(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began.

(ii) a "child" shall have been dependent upon its parent employee at the time of his death; shall not be adopted after such death *by other than a step parent, grand parent, aunt or uncle;* shall be unmarried; and less than eighteen years of age; and

[(iii) a 'parent' shall have been wholly dependent upon and supported at the time of his death by the employee to whom the relationship of 'parent' is claimed; and shall have filed proof of such dependency and support within two years after such date of death, or within six months after January 1, 1947.]

"(iii) a 'parent' shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.".

A "widow" or [a "child"] *"widower"* shall be deemed to have been [so living with a husband or so dependent upon a parent] *living with the employee* if the conditions set forth in section [209 (n) or section 202 (c) (3) or (4)] *216 (h) (2) or (3), whichever is applicable,* of the Social Security Act[, respectively,] are fulfilled. *A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured).* In determining *for purposes of this section and subsection (f) of section 2* whether an applicant is the wife, *husband,* widow, [child, or parent] *widower, child or parent* of an employee as claimed, the rules set forth in section [209 (n)] *216 (h) (1)* of the Social Security Act shall be applied;

(2) The term "retirement annuity" shall mean an annuity under section 2 awarded before or after its amendment but not including an annuity to a survivor pursuant to an election of a joint and survivor annuity; and the term "pension" shall mean a pension under section 6;

(3) The term "quarter of coverage" shall mean a compensation quarter of coverage or a wage quarter of coverage, and the term "quarters of coverage" shall mean compensation quarters of coverage, or wage quarters of coverage, or both: *Provided,* That there shall be for a single employee no more than four quarters of coverage for a single calendar year;

(4) The term "compensation quarter of coverage" shall mean any quarter of coverage computed with respect to compensation paid to an employee after 1936 in accordance with the following table:

Months of service in a calendar year	Total compensation paid in the calendar year				
	Less than $50	$50 but less than $100	$100 but less than $150	$150 but less than $200	$200 or more
1–3	0	1	1	1	1
4–6	0	1	2	2	2
7–9	0	1	2	3	3
10–12	0	1	2	3	4

If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made.

(5) The term "wage quarter of coverage" shall mean any quarter of coverage determined in accordance with the provisions of title II of the Social Security Act;

[(6) The term "wages" shall mean wages as defined in section 209 (a) of the Social Security Act:]

(6) The term "wages" shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) "self-employment income" as defined in section 211 (b) of the Social Security Act (and in determining "self-employment income" the "net earnings from self-employment" shall be determined as provided in section 211 (a)

of such Act and changed to correspond with the provisions of section 203 (e) of such Act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this Act.

(7) An employee will have been "completely insured" if it appears to the satisfaction of the Board that, at the time of his death, whether before or after the enactment of this section, he will have *completed ten years of service and will have* had the qualifications set forth in any one of the following paragraphs:

(i) a current connection with the railroad industry; and a number of quarters of coverage, not less than six, and at least equal to one-half of the number of quarters, elapsing in the period after 1936, or after the quarter in which he will have attained the age of twenty-one, whichever is later, and up to but excluding the quarter in which he will have attained the age of sixty-five years or died, whichever will first have occurred (excluding from the elapsed quarters any quarter *which is not a quarter of coverage and* during any part of which a retirement annuity will have been payable to him); and if the number of such elapsed quarters is an odd number such number shall be reduced by one; or

(ii) a current connection with the railroad industry; and forty or more quarters of coverage; or

(iii) a pension will have been payable to him; or a retirement annuity based on service of not less than ten years (as computed in awarding the annuity) will have begun to accrue to him before 1948;

(8) An employee will have been "partially insured" *at the time of his death, whether before or after the enactment of this section,* if it appears to the satisfaction of the Board that [at the time of his death, whether before or after the enactment of this section he] *he will have completed ten years of service and* will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period [beginning with the third calendar year next preceding the year in which he will have died and ending with the quarter next preceding the quarter in which he will have died] *ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs;*

(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (*i*) the compensation [and wages] paid to him after 1936 and before the quarter in which he will have died, eliminating [for any single calendar year, from compensation,] any excess over $300 for any calendar month [in such year, and from the sum of wages and compensation any excess over $3,000, by] *through 1951, and any excess over $350 for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by* (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died: *Provided,* That for the period prior to and including the calendar year in which he will have attained the age of twenty-two there shall be included in the divisor not more than three times the number of quarters of coverage in such period: *Provided further,* That there shall be excluded from the divisor any calendar quarter *which is not a quarter of coverage and* during any part of which a retirement annuity will have been payable to him*: And provided further, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.*

With respect to an employee who will have been awarded a retirement annuity, the term "compensation" shall, for the purposes of this paragraph, mean the compensation on which such annuity will have been based;

(10) The term "basic amount" shall mean—

(i) for an employee who will have been partially insured, or completely insured solely by virtue of paragraph (7) (i) or (7) (ii) or both: the sum of (A) 40 per centum of his average monthly remuneration, up to and including $75; plus (B) 10 per centum of such average monthly remuneration exceeding $75 and up to and including [$250] *$350 if wages are not included in the average monthly remuneration, or $300 if wages are included,* plus (C) 1 per centum of the sum of (A) plus (B) multiplied by the number of years after 1936 in each of which the compensation, wages, or both, paid to him will

have been equal to $200 or more if the basic amount, thus computed, is less than [$10] *$14* it shall be increased to [$10] *$14*;

(ii) for an employee who will have been completely insured solely by virtue of paragraph 7 (iii): the sum of 40 per centum of his monthly compensation if an annuity will have been payable to him, or, if a pension will have been payable to him, 40 per centum of the average monthly earnings on which such pension was computed, up to and including $75 plus 10 per centum of such compensation or earnings exceeding $75 and up to and including [$250] *$300*. If the average monthly earnings on which a pension payable to him was computed are not ascertainable from the records in the possession of the Board, the amount computed under this subdivision shall be $33.33, except that if the pension payable to him was less than $25, such amount shall be four-thirds of the amount of the pension or $13.33, whichever is greater. The term "monthly compensation" shall, for the purposes of this subdivision, mean the monthly compensation used in computing the annuity;

(iii) for an employee who will have been completely insured under paragraph (7) (iii) and either (7) (i) or (7) (ii): the higher of the two amounts computed in accordance with subdivisions (i) and (ii).

* * * * * * *

SOCIAL SECURITY ACT

SEC. 17. The term "employment," as defined in [subsection (b) of] section 210 of title II of the Social Security Act, shall not include service performed by an individual as an employee as defined in section 1 (b).

* * * * * * *

RAILROAD RETIREMENT TAX ACT [1]

SEC. 1500. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of every employee a tax equal to the following percentages of so much of the compensation, paid to such employee after December 31, 1946, for services rendered by him after such date, as is not in excess of [$300] *$350* for any calendar month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ percent;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 percent;
3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ percent.

SEC. 1501. DEDUCTION OF TAX FROM COMPENSATION.

(a) REQUIREMENT.—The tax imposed by section 1500 shall be collected by the employer of the taxpayer by deducting the amount of the tax from the compensation of the employee as and when paid. If an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1946 and the aggregate of such compensation is in excess of [$300] *$350*, the tax to be deducted by each employer other than a subordinate unit of a national railway-labor-organization employer from the compensation paid by him to the employee with respect to such month shall be that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than [$300] *$350*, each subordinate unit of a national railway-labor-organization employer shall deduct such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month.

* * * * * * *

[1] The amendments which the bill proposes to the Railroad Retirement Tax Act would apply only with respect to compensation paid after December 31, 1951.

SEC. 1510. RATE OF TAX.

In addition to other taxes, there shall be levied, collected, and paid upon the income of each employee representative a tax equal to the following percentages of so much of the compensation paid to such employee representative after December 31, 1946, for services rendered by him after such date, as is not in excess of [$300] *$350* for any calendar month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 11½ per centum;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 12 per centum;
3. With respect to compensation paid after December 31, 1951, the rate shall be 12½ per centum.

* * * * * * *

SEC. 1520. RATE OF TAX.

In addition to other taxes, every employer shall pay an excise tax, with respect to having individuals in his employ, equal to the following percentages of so much of the compensation, paid by such employer after December 31, 1946, for services rendered to him after December 31, 1936, as is, with respect to any employee for any calendar month, not in excess of [$300] *$350*: *Provided, however,* That if an employee is paid compensation after December 31, 1946, by more than one employer for services rendered during any calendar month after 1936, the tax imposed by this section shall apply to not more than [$300] *$350* of the aggregate compensation paid to such employee by all such employers after December 31, 1946, for services rendered during such month, and each employer other than a subordinate unit of a national railway-labor-organization employer shall be liable for that proportion of the tax with respect to such compensation paid by all such employers which the compensation paid by him after December 31, 1946, to the employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month; and in the event that the compensation so paid by such employers to the employee for services rendered during such month is less than [$300] *$350*, each subordinate unit of a national railway-labor-organization employer shall be liable for such proportion of any additional tax as the compensation paid by such employer after December 31, 1946, to such employee for services rendered during such month bears to the total compensation paid by all such employers after December 31, 1946, to such employee for services rendered during such month:

1. With respect to compensation paid during the calendar years 1947 and 1948, the rate shall be 5¾ percent;
2. With respect to compensation paid during the calendar years 1949, 1950, and 1951, the rate shall be 6 percent;
3. With respect to compensation paid after December 31, 1951, the rate shall be 6¼ percent.

RAILROAD UNEMPLOYMENT INSURANCE ACT

SECTION 1 * * *

(k) Subject to the provisions of section 4 of this Act, (1) a day of unemployment, with respect to any employee, means a calendar day on which he is able to work and is available for work and with respect to which (i) no remuneration is payable or accrues to him, and (ii) he has, in accordance with such regulations as the Board may prescribe, registered at an employment office; and (2) a "day of sickness", with respect to any employee, means a calendar day on which because of any physical, mental, psychological, or nervous injury, illness, sickness, or disease he is not able to work or which is included in a maternity period, and with respect to which (i) no remuneration is payable or accrues to him, and (ii) in accordance with such regulations as the Board may prescribe, a statement of sickness is filed within such reasonable period, not in excess of ten days, as the Board may prescribe[8]: *Provided, however,* That "subsidiary remuneration," as hereinafter defined in this subsection, shall not be considered remuneration for the purpose of this subsection except with respect to an employee whose base-year compensation, exclusive of earnings from the position or occupation in which he earned such subsidiary remuneration, is less than $150: *Provided further,* That remuneration for a working day which includes a part of each of two consecutive calendar days shall be deemed to have been earned on the second of such two days, and any individual who takes work for such working day shall not by reason thereof

be deemed not available for work on the first of such calendar days: "*Provided further, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.*"

"SEC. 4 (a-1) * * *.

(iii) any day in any registration period with respect to which period the Board finds that he earned, in train and engine service, yard service, dining-car service, sleeping-car service, parlor-car service, or other Pullman-car or similar service, or express service on trains, at least the equivalent of twenty times his daily benefit rate;

(iv) any day in any registration period comprising the last fourteen days of a period of twenty-eight days with respect to which period of twenty-eight days the Board finds that he earned, in train and engine service, yard service, dining-car service, sleeping-car service, parlor-car service or other Pullman-car or similar service, or express service on trains, at least the equivalent of forty times his daily benefit rate.

APPENDIX A

THE BILL S. 1347, AS REPORTED BY THE COMMITTEE

[S. 1347, 82d Cong., 1st sess.]

[Omit the part in black brackets and insert the part printed in italic]

A BILL To amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase "one hundred twenty-six" for the phrase "fifty-four" and by adding after subsection (p) thereof a new subsection as follows:

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after "enactment date," the following: "and shall have completed ten years of service,"; *and* by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase "regular employment" and striking out all of that sentence following that phrase[; and by striking out the next to the last sentence of such subsection (a)].

SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days", the phrase "six months".

[SEC. 4. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting the first sentence "(i)" after "individual" and by changing the period at the end of the first sentence to a comma and inserting after the comma the following: "or (ii) is receiving an annuity under paragraph 1, 2 or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age sixty-five, is under the age of seventy-five, and shall earn more than $50 in 'wages' or be charged with more than $50 in 'net earnings from self-employment', or (iii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of sixty-five, and shall earn more than $100 in 'wages' or be charged with more than $100 in 'net earnings from self-employment'."]

SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days" in subsection (k) thereof the phrase "six months".

SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

[("(e) For the purpose of this section and of subsection (i) of section 5, 'wages' shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and 'net earnings from self-employment' shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (c) of that Act.

"[(f)] (*e*) SPOUSE'S ANNUITY.—The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or, in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act.

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than [$50] *$40: Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual [has] *had* been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That, *if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: And provided further, That* any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this [subsection] *third proviso* shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

"[(g)] (*f*) For the purposes of this Act, the term 'spouse' shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"[(h)] (*g*) The spouse's annuity provided in subsection [(f)] (*e*) shall, with respect to any month, be subject to the same provisions of subsection (d) [with regard to service, 'wages' and 'net earnings from self employment'] as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act."

SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing "2.40" to ["2.80"] "2.76", "1.80" to ["2.00"] "2.07", and "1.20" to ["1.40"] "1.38"; and by striking out the phrase "next $150" and substituting for said phrase the following: "remainder of his 'monthly compensation' ".

SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by substituting (in each instance in the parenthetic phrase of paragraph (1)) "his 'monthly compensation' " for "$300"; *and* by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's

annuity, to one-half the individual's retirement annuity or pension *as reduced pursuant to clause (i) or clause (ii) of this paragraph: Provided, however, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this proviso, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.*")

SEC. 8. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the last sentence thereof after "$300" the following: "through the calendar year 1951, and in excess of [$400] *$350* thereafter,".

SEC. 9. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "and not less than five years of service"; by changing the phrase "subsection 2 (a) (3)" to ["sections] *"section* 2 (a) 3 or *the last paragraph of section* 3 (b) [(4)]"; by changing "$3.60" to ["$4.10"] *"$4.14"*, and "$60" to ["$68"] *"$69"*; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: *"Provided, however,* That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsection (f) *and* (*g*) (*2*) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that Act and quarters of coverage were determined in accordance with section 5 [(1)] (*l*) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount."

SEC. 10. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

SEC. 11. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

SEC. 12. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "and Widower's" after "Widow's"; by inserting "or widower" after "widow"; by inserting "or his" after "her", by inserting "or he" after "she"; [and by substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,*] *by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: "Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection [(f)] (*e*) of section 2 in an amount greater than the [survivor's] *widow's or widower's* insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount."

SEC. 13. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by [substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity:"] *striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon and inserting after the colon the following: "Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection [(f)] (*e*) of section 2 in an amount greater than the [survivor's] *widow's current* insurance annuity, the didow's current insurance annuity shall be increased to such greater amount."

SEC. 14. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase ["an annuity for each month equal to one-half of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii) one third of a survivor's insurance annuity divided by the number of such children"] *"one-half" the phrase "two-thirds".*

SEC. 15. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ", no widower," after "widow"; and by substituting for the phrase [“an annuity for each month equal to one-half of the employee's basic amount" the phrase "a survivor's insurance annuity"] *"one-half" the phrase "two-thirds"*.

SEC. 16. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by [striking out all after the phrase "whose death" an substituting the following: "the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one of each employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees."] *substituting for the phrase "one-half" the phrase "two-thirds"*.

SEC. 17. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "widower," after the [word] *phrase* [“widow"] *"widow,"* where this [word] *phrase* first appears *in the first sentence, and after the phrase "widow," wherever this phrase appears in the fourth sentence; and* by substituting in the first sentence [“twelve times the survivor's insurance annuity" for "eight times the employee's basic amount"; by inserting after the first sentence thereof the following: "Upon the death, on or after the first day of the month next following the month of enactment hereof, of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the order provided in this paragraph."; by inserting before "would" in the fourth sentence thereof the following: "of twelve times the survivor's insurance annuity", by inserting in that sentence "widower," after the word "widow," wherever it appears, and by substituting in that sentence the phrase "eight times the survivor's insurance annuity" for the phrase "such lump sum" wherever it appears.] *for the word "eight" the word "ten"*.

SEC. 18. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" wherever this word appears; by inserting "or her" after the words "his" and "him" wherever these words appear, by inserting after "$300" the following: "through the calendar year 1951 and [$400] *$350* thereafter"; by inserting immediately before ", or to [other] *others*" in the first sentence the following: ", and to others deriving from him or her, during his or her life,"; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: "except that the deductions of the benefits [paid] *which*, pursuant to subsection (k) *(1)* of this section, *are paid* under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in 'employment' pursuant to said subsection (k) *(1)*."

SEC. 19. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement [annuity."] *annuity.*

"(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph."

SEC. 20. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section [the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to subsection (g) (2) and after any deductions under subsection (i), is more than $40 and exceeds an amount equal to 2⅔ times a survivor's insurance annuity, such total of annuities shall, subject to the provisos in subsection (e) of section 3 and in subsections (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deductions under subsection (y), be increased proportionately to $20] *as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deduction under subsection (i), be increased to $14.*"

[SEC. 21. (a) Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subdivision (ii) of paragraph (1) and inserting in lieu thereof the following:

[(ii) is under the age of seventy-five and will have earned more than $50 in 'wages' or will have been charged with more than $50 in 'net earnings from self-employment'; or".

[(b) Such subsection (i) is further amended by striking out subdivision (iii) thereof and by redesignating subdivision (iv) as subdivision (iii).]

SEC. 21. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended, by substituting "$50" for "$25".

SEC. 22. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 23. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said paragraph after the word "Act" where it first appears the following: "to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent, or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" following: ", and for the purposes of section 203 of that Act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States."

[(b) Paragraph (2) of the said subsection (k) is amended by changing "1950" to "1956"; by inserting after the word "awards" where it first appears the following: "and in administering the proviso in section 3 (e) of this Act"; by substituting "Federal Security Administrator" for "Social Security Board"; and by striking out from said paragraph (2) all after the phrase "such legislative changes as" and substituting the following: "would be necessary to place the Federal Old Age and Survivors Insurance Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act."]

(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"*(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed 'Trust Fund') in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term*

'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed 'Retirement Account') to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

"(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund."

SEC. 24. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting " 'widower'," after " 'widow'," where this word first appears; by substituting "216 (c), (e) and (g)" for "209 (j) and (k)", and by substituting "202 (h)" for "202 (f)".

(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"(1) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension [began. For the purposes of subsections (b) and (i) (1) (iii) of this section, the term 'widow' shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of eighteen, or (C) was married to him at the time both of them legally adopted a child under the age of eighteen; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;".] *began."*

(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase "such death" the following: "by other than a step parent, grand parent, aunt, or uncle"; [by substituting in subdivision (iii) for the phrase "shall have been wholly dependent upon and supported at the time of his death by" the phrase "shall have received at least one-half of his support from"; by changing the semicolon after the phrase "is claimed" in said subdivision (iii) to a period and striking out the portion of the sentence following that phrase.] *and by amending subdivision (iii) to read as follows: "(iii) a 'parent' shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.".*

(4) Paragraph (1) of the said subsection (l) is further amended by substituting for all the matter which follows subdivision (iii) the following: "A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A 'child' shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection [(g)] *(f)* of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;".

(b) Paragraph (4) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: "If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made."

[(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking "(a)" after "209" and by inserting after the word "Act", the following: ", and, in addition (i) 'self-employment income' as defined in section 211 (b) of that Act and (ii) wages deemed to have been paid under section 217 (a) of that Act on account of military service which is not creditable under section 4 of this Act."]

(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(6) The term 'wages' shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) 'self-employment income' as defined in section 211 (b) of the Social Security Act (and in determining 'self-employment income' the 'net earnings from self-employment' shall be determined as provided in section 211 (a) of such Act and charged to correspond with the provisions of section 203 (e) of such Act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this Act."

(d) Paragraph (7) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word "had" the phrase "completed ten years of service and will have"; and by inserting in the parenthetical phrase in subdivision (i), after the word "quarter" the following: "which is not a quarter of coverage and".

(e) Paragraph (8) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(8) An employee will have been 'partially insured' at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accure to him and beginning with the third calendar year next preceding the year in which such event occurs."

(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over

$300 for any calendar month through 1951, and any excess over [$400] *$350* for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:"; by inserting in the second proviso after the word "quarter" the following: "which is not a quarter of coverage and"; and by changing the period at the end of said proviso to a colon and adding the following: "*And provided further*, That if the exclusion from the divisor of all quarters [after] *beginning with* the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded."

[(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the phrase " 'survivor's insurance annuity' " for the phrase " 'basic amount' " wherever this phrase appears; by substituting in subdivisions (i) and (ii) of said paragraph "$100" for "$75"; by substituting for "$250" in subdivision (i) the following: "$400 if wages are not included in the average monthly remuneration, or $300 if wages are included"; and by striking out from subdivision (i) all the language after the phrase "plus (C)", up to and including the phrase "or more", and by substituting for said language the following: "$1 for each of his years of service after 1936"; by substituting in said subdivision (i) "$20" for "$10" wherever the latter figures appear; by substituting in subdivision (ii) of said paragraph the phrase "the survivor's insurance annuity" for the phrases "the amount computed under his subdivision" and "such amount"; by substituting "$35" for "$33.33", and for "$25" and substituting "$15" for "$13.33" and "$300" for "$250", and by striking out the phrase "four thirds of".]

(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in subdivision (i) for "$250" the following: "$350 if wages are not included in the average monthly remuneration, or $300 if wages are included"; by substituting in said subdivision (i) "$14" for "$10"; and by substituting "$300" for "$250" in subdivision (ii) thereof.

SEC. 25. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out "subsection (b) of"

AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

SEC. 26. Sections 1500, 1501 (a), 1510, and 1520 of the Railroad Retirement Tax Act are amended, effective with respect to compensation paid after December 31, 1951, for services rendered after such date, by substituting for the figures "$300", wherever they appear in said sections, the figures [$400"] *"$350"*

EFFECTIVE DATES

SEC. 27. (a) Except as otherwise specifically provided the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this Act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however*, That in the recomputation pursuant to this Act of [retirement and] survivor annuities heretofore awarded, the [monthly compensation and average monthly remuneration] *basic amount* shall not be recomputed [but shall be increased to the next highest multiple of one dollar].

(b) The amendments made by sections 3, 4 and 22 of this Act [and the elimination of the language in section (3) (v) 4 of the Railroad Retirement Act] shall apply to benefits awarded in whole or in part *on or* after the *date of* enactment of this Act.

[(c) The amendments made by sections 4 and 21 with respect to "wages" and "net earnings from self-employment" shall not apply to "wages" from service, or to "net earnings from self-employment" in which an individual (other than a disability annuitant under the age of 65) in receipt of an annuity on the enactment date hereof was engaged on such date without forfeiting the annuity.]

[(d)] (c) The amendments made by sections 17 and 18 of this Act shall take effect with respect to deaths occurring *on or* after the *date of* enactment of this Act.

[(e) With respect to retirement and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act to, and with respect to the death of, individuals who have completed less than ten years of service, and with respect to spouses of such individuals during such individuals' lifetime, the amendments made by this Act shall apply in the same manner as to, and with respect to the death of, individuals who have completed ten years of service.]

(d) In the case of any retirement or survivor annuity awarded under the Railroad Retirement Acts prior to the date of enactment of this Act and currently payable, if such annuity was awarded to, or with respect to the death of, any individual who has completed less than ten years of service, then the amendments made by this Act shall apply with respect to such annuity as if such individual had met the requirement of ten years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this Act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such Act by reason of the fact that such individual has completed less than ten years of service.

(e) Where the parent of a deceased employee has, prior to the date of enactment of this Act, been awarded a survivor annuity under the Railroad Retirement Acts which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this Act shall be determined without regard to whether or not such employee died leaving a "widow" or "widower", as defined in this Act.

(f) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

(g) All pensions due in months following the first calendar month after the *month of* enactment hereof, shall be increased by 15 per centum.

(h) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" *as used in this Act* shall include the wife or husband of an employee who has been awarded an annuity under [that] *the Railroad Retirement* Act *of 1935*. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Act in lump sums equal to their commuted values.

(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, 79th Congress, shall, subject to the provisions of this Act, be one-half the annuity such employee would have received had the annuity been awarded at age sixty-five.

[(j) All recertifications required by reason of the provisions of this Act other than section 10 shall be made without application therefor. Recomputations pursuant to sections 9 and 10 of this Act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.]

(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this Act other than section 10 shall be made without application therefor. Recertifications pursuant to section 10 of this Act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 28. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding at the end of the first paragraph thereof the following: "Provided further, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because

he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness."

SEC. 29. Subsection (a–1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subsections (iii) and (iv) thereof.

SEC. 30. The provisions of sections 28 and 29 of this Act shall become effective with respect to registration periods beginning on and after January 1, 1952.

Amend the title so as to read: "A bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, and for other purposes."

APPENDIX B

APRIL 24, 1951.

Hon. JAMES E. MURRAY,
Chairman, Committee on Labor and Public Welfare,
United States Senate, Washington 25, D. C.

DEAR SENATOR MURRAY: This is the report of the Railroad Retirement Board on the bill (S. 1347) to amend the Railroad Retirement Act now pending before the Senate Committee on Labor and Public Welfare.

The Board believes that benefits under the Railroad Retirement Act should be increased. Ever since the summer of 1946 when the present inflationary period began, the Board, the standard railway labor unions, and many Members of Congress have been seriously concerned with the inadequacy of the benefits under the Railroad Retirement Act to cope with the increased cost of living. The formula for computing retirement annuities under the act was adopted in 1937, when the amount of the annuity bore some reasonable relationship both to current wages and to the cost of living. In view of the rise both of wages and the cost of lving since that time, a change in the formula so as to produce higher benefits became imperative. Similarly, the formula for computing survivor benefits, though adopted by Congress in 1946, was in fact established long before the beginning of the present inflationary period—namely, in the spring of 1944 when the first bill to provide benefits for survivors of railroad employees was introduced in Congress. Consequently, a change in this formula so as to produce higher benefits has also become imperative. Although the amendments made to the Railroad Retirement Act by Public Law 744, Eightieth Congress, provided a 20 percent increase in retirement annuities (which increase was inadequate to cope with the constantly increasing cost of living), such amendments provided no increase whatever in the survivor benefits.

The railroad retirement system is financed by a tax of 6 percent of wages up to $300 a month on employees and a like amount on their employers. This tax rate is scheduled to increase to 6¼ percent on each side beginning next January. The Board believes that the payroll tax on employees and their employers for the maintenance of the railroad retirement system should not now be increased and that if benefits are to be increased—and the Board believes that they should be—a method to finance the added cost by other than increasing tax rates must be provided.

The Board has examined all the bills introduced in this session of Congress to increase benefits under the Railroad Retirement Act on the basis of the following three tests:

1. The increase in benefits must be in conformity with the high payroll taxes paid by railroad employees and their employers for the maintenance of the system;
2. The added benefits must be financed by a method other than increasing tax rates; and
3. The added benefits and the method of financing them must be such as not to affect the financial soundness of the system.

Of all the bills above mentioned, the bill S. 1347 is the only one which meets all the three tests and makes many other improvements as follows:

(1) It provides a generally well-rounded system of retirement and survivor benefits, which are analyzed in detail in exhibit (A) hereto attached.

(2) It takes cognizance of the fact that the tax rates for the maintenance of the railroad retirement system are higher than those for the maintenance of the social security system and, accordingly, provides not only higher benefits than under the social security system, but guarantees in addition that in no case shall the benefits under the Railroad Retirement Act be lower than the benefits or additional benefits which would be payable under the Social Security Act if service covered under the Railroad Retirement Act were "employment" under the Social Security Act.

(3) It takes account of the growing disparity between increased wage rates and retirement benefits by increasing the creditable and taxable compensation from $300 to $400 a month. This increased monthly creditable amount will be reflected both in retirement and survivor benefits, and will result in additional revenue.

(4) It meets the demand of many railroad workers for the crediting of their service after age 65 by providing such credit with respect to awards made after the date of enactment of the bill, even though such service was rendered prior to such date.

(5) It meets the demand which has often been made upon the Board by employees who elected joint-and-survivors annuities, and whose wives predeceased them, to restore the annuity in such cases to the original amount.

(6) It solves a problem which developed since the enactment of the Social Security Act, and is threatening to become serious. The railroad industry quite often offers employment to casual workers for short periods of time. These casual workers do not make railroading their careers, so that after working 30 or 40 years in their lifetime, their total work in railroad industry is seldom as much as 10 years. The problem created by such casual workers is solved by a provision transferring their benefit rights to the Social Security Act, as is more fully explained in exhibit (A).

(7) It utilizes the savings to the old-age and survivors insurance trust fund, resulting from the existence of the separate railroad retirement system, as is explained in exhibits (A) and (B), to assist meeting the cost of the increase in benefits.

Attached hereto and made part hereof are exhibits (A) and (B). Exhibit (A) is an analysis of the bill S. 1347 both in general terms and in detail and exhibit (B) is a statement of the cost of the bill S. 1347.

It appears from exhibit (B) that there is a difference of about 1½ percent between the total tax rate and the estimated actuarial level cost of the system as it would be amended by the bill. But in the Board's opinion this does not require an increase in the tax rate to maintain the system on a financially sound basis. The railroad retirement system was in a similar position in 1946. During the hearings on the bill which was later enacted as Public Law 744, Eightieth Congress, it was shown that the increase in retirement annuities then proposed would result in a total cost of a little over 1 percent above the established tax rate. Then, as now, the Board concluded that the enactment of the 1948 amendments would not impair the financial soundness of the railroad retirement system. Congress was of the same opinion, and the 1948 bill was enacted. Within a very short time thereafter, both the Board and the Congress were vindicated. The latest actuarial valuation of the railroad retirement system showed it to be financially sound.

The Board, therefore, approves and urges the speedy enactment of the bill S. 1347. A separate statement by one member of the Board will follow.

Due to the urgent request of your committee, time has not permitted submission of this report to the Bureau of the Budget. When we have received the comments of that Bureau, we shall forward them to you.

Respectfully submitted.

WILLIAM J. KENNEDY, *Chairman.*

Attachments (A) and (B).

SEPARATE STATEMENT OF F. C. SQUIRE, MEMBER, RAILROAD RETIREMENT BOARD

I cannot concur with the majority of the Board in favoring S. 1347 in its present form.

I do agree in principle with the apparent intent of the bill to provide for a measure of coordination between the railroad retirement system and the social security system, and to use the resulting savings to liberalize the benefits to railroad workers. I have advocated for several years that some such general step should be taken in order to decrease the cost to the railroad retirement system of the benefits provided for in the Railroad Retirement Act. The resulting savings that would thus afford additional financing would probably be in the neighborhood of $100,000,000 a year on a level basis.

I oppose the bill because I think it goes much too far in its liberalization of benefits and will put the railroad retirement system in a position of unsoundness. The increases in benefits for which the bill provides would add about $180,000,000 a year to the cost of the system, or about $80,000,000 in excess of the savings that would result from the proposed coordination if actually made effective. Since the system is now just about in balance, this would mean that we would be incurring a deficit of about $80,000,000 a year immediately the bill became effective.

I regard the bill as objectionable also because of its failure to provide definitely for such coordination with social security as may be intended. While it provides definitely for the increased costs of $180,000,000, it leaves to mere inference the intent that the railroad retirement system will receive anything from social security. Clearly that is something which should be made certain and not left to mere inference.

I oppose the bill with respect to the manner of effecting coordination with social security. In my opinion the coordination should be brought about in some such way as was contemplated with respect to survivor benfiets in the 1946 amendments to the Railroad Retirement Act. This would eliminate the present inequity of dual benefits and discrimination against the man who spends his entire life in the raliroad industry as compared with one who shifts back and forth from one system to the other and is qualified for retirement annuities under both. Only in this manner can the maximum saving (about $25,000,000 a year more than is possible under the bill) to the railroad retirement fund be accomplished by reason of the lower cost of the social security system, and maximum benefits accordingly be provided to railroad employees within the present tax rate.

The only money available for the railroad retirement system is the amount now in the fund plus future taxes and plus the savings to be obtained from coordination with social security. I differ from the bill in that I would not spend so much of the available total on survivors. The bill proposes increasing survivor benefits by amounts that average over 80 percent. In my opinion this is much more than is justified. Furthermore, most of the demand has been for increasing employee annuities. I would give survivors exactly the same benefits as social security. As the result of the recent liberalizing of the Social Security Act, this would mean an increase of over 40 percent over our present Railroad Retirement Act benefits for survivors. Moreover, the survivor benefits I suggest could be administered much more simply that those provided in the bill and the revisions in the present law would be simpler and more straightforward.

The following are some specific comments I wish to make on S. 1347:

1. Last regular actuarial valuation.—It should be borne in mind that the last regular triennial actuarial valuation showed that on a level basis the cost of the benefits provided by the present law exceeds the taxes provided by the present law by 0.3 percent of payroll, or about $15,000,000 per year. While this was as of December 31, 1947, the calculations were completed late enough so that they took into account the 20 percent increase in retirement annuities and the restoration of residual payments provided for in the 1946 amendments to the Railroad Retirement Act, and also took into account wage levels approximately equal to those of 1949.

2. Actuarial estimates should be checked by the Actuarial Advisory Committee.—The law makes it the duty of the Board to have the Actuarial Advisory Committee examine and report upon actuarial reports and estimates made by the Board. The Board does call upon the committee in connection with the routine triennial valuations. Now, when amendments are proposed by S. 1347 that will increase cost by more than $180 million a year, it is vastly more important that the judgment and advice of the independent actuaries of the committee be obtained.

3. The unfunded accrued liability of the railroad retirement system will be increased by above $1,600 million by S. 1347.—In its reports upon the last two routine valuations, the Actuarial Advisory Committee criticized the continued increases in the unfunded liability and warned against further increases unless provision is made to amortize the liability. The trend of the unfunded accrued liability is shown below:

Dec. 31, 1938	$3, 389, 095, 264
Dec. 31, 1941	3, 619, 000, 000
Dec. 31, 1944	4, 331, 020, 000
Dec. 31, 1947 (includes effect of 1946 and 1948 amendments)	7, 382, 600, 000
Dec. 31, 1950, including effect of S. 1347	9, 000, 000, 000

Under S. 1347 there will be no excess of taxes over benefits to permit amortization. On the contrary, the taxes will be inadequate to meet the costs on a level basis, so that the unfunded liability will be constantly increasing.

The existing unfunded liability of about $7,380,000, which would be increased upon enactment of this bill to about $9,100,000,000, constitutes a burden upon the younger employees of today and all future employees over and above what they would have to pay if they had to meet the expense of only their own insurance. I am opposed to saddling upon these present younger employees and upon future employees any more burden than is necessary.

Many people think the $2,300,000,000 balance now in the railroad retirement account warrants increasing benefits. They overlook the unfunded liability mentioned above. Compared with either receipts or disbursements, the reserve fund of the railroad retirement system is lower than that of social security, civil service retirement, Canal Zone, or Alaska Railroad.

4. Cost of benefits proposed in S. 1347 will exceed by $80,000,000 per year the income from taxes plus transfers of funds hoped for from social security on a level basis.—Even according to the not very conservative estimaets of our actuaries, the level cost of the bill would be 14.13 percent of the taxable payrolls, as compared with income from taxes of 12.5 percent. The deficiency when expressed in percentage may not sound great—it is only a little over 1½ percent—but it means a shortage of about $80,000,000 per year. Therefore, the system would be financially unsound, even disregarding the failure to provide any allowances for amortization of the growing unfunded liability. For some years to come, the people who will benefit from the liberalizations proposed in S. 1347 are those already on the annuity rolls and those who will retire within the next few years. If it were the tax money that they have paid (and the matching amount that has been paid by the railroads) that would be paid out or risked for these liberalizations, that would be all right. But it is the money of the employees who are not going to retire for many years yet that would have to be used to pay extra benefits to the older ones who have already retired or are now nearing retirement.

5. The estimate of cost of 14.13 percent of payroll is not conservative.—(*a*) The estimate is based on retirement rates that contemplate that the full-age annuitants will retire at ages averaging about 67½. That is all right for the present because those retiring today do so at ages averaging about 67½. But these estimates necessarily take into account the distant future. Our law permits full annuities at age 65. More and more railroads are requiring their employees not under labor agreements to retire at 65. If the average age of those retiring should drop only from the present 67½ to 66, it would increase the cost of the system about $25,000,000 a year over the present estimate. No allowance has been made for such a possibility.

(*b*) The mortality rates used in the estimate of cost are based on our experience in the last several years and that would be all right as long as that experience continues. But, unlike a life insurance system which benefits financially as longevity increases, an annuity insurance system loses financially. If the railroad age annuitants should commence to live 1 or 2 years longer, the increased cost to the railroad retirement system would be several tens of millions of dollars a year. That would be offset in part by a saving in a lesser number of disabilities that would probably come from the same improvement in health and medical care. Nevertheless, there is the possibility of substantial increases in cost in this respect, for which no allowance is contained in the estimate of cost.

(*c*) The estimated cost of 14.13 percent is based on the assumption that payrolls in the future will average $5,200,000,000. This estimate assumes some years hence a reduction of about 10 percent in the number of railroad employees. While I hope that it may turn out to be no worse than that, I think it by no means conservative to rely on such a future. In the last 25 years there has been a reduction of about 25 percent in number of railroad employees. The estimate of cost does not allow for a reduction consistent with past experience.

(*d*) Amounts aggregating about 1.50 percent of payroll (or $75,000,000 per year) have been deducted in arriving at the level cost estimate of 14.13 as estimates of the savings in benefit payments principally by reason of the $50 a month work clause. I do not question the potential savings but I feel that the estimated actual saving is too optimistic. Recipients of benefits will not always report the receipt of earnings of $50 or more in a month, because of ignorance of the law, inadvertence, carelessness, or other reasons and there is no penalty imposed for failure to make such report. Therefore, the Board must make such investigations as are practical. There are 350,000 adults receiving monthly annuity checks from us. Our principal check would be to obtain periodic reports of earnings from social security. By the time we thus learned that an annuitant had also been earning over $50 per month, 6 months to a year would have elapsed and he would have received, say, $500 to $1,000 in annuities to which he was not entitled and which the Board has the discretion to recover or not recover. The man is old, and if apparently not too literate and he pleads ignorance and no other income, it is rather difficult to recover the $500 to $1,000 by withholding from his future annuities. In my judgment the $75,000,000 is too high an estimate of savings.

6. Does the higher earning employee really want his maximum creditable and taxable compensation per month raised from $300 to $400?—Presumably, the in-

crease from $300 to $400 in the maximum creditable and taxable compensation serves a dual purpose: (1) To increase the annuities of employees earning over $300, and (2) to provide some additional funds for distribution to those in lower brackets.

It is not my purpose to discuss the advisability of increasing the tax load on employers, but it is of interest to point out what the employee would have to pay and what he might receive from such payment.

Take the case of an employee now earning over $400 per month who will retire 2 years after the effective date of S. 1347. The change to $400 maximum will make him pay $6.25 more taxes per month during those 2 years, or $150. In return his monthly annuity will be increased $2.80, assuming he has 30 years of service. If he dies at the end of the 2 years, his widow's monthly annuity after she is 65 would be increased by $1.18, assuming that he has had continuous service since 1936.

Take the case of an employee now earning over $400 who will retire 10 years after the effective date of S. 1347. The change to $400 maximum would cost him $6.25 per month during the remaining 10 years that he will work. In return his monthly annuity when he retires 10 years hence would be $14 greater. If he dies at the end of the 10 years, the monthly annuity for his wife after age 65 would be $4 greater.

Under the present law and also under S. 1347 employees whose "average compensation," as defined in the act, is over $150 per month, receive proportionately less benefits compared with their taxes than do those whose earnings have been less. Attempting to increase their annuities by adding another bracket, $300 to $400, simply increases the discrimination that already exists against them by reason of the "bent" annuity formula. A very small "unbending" of the "bent" formula by increasing the annuity factor for the bracket over $150 by only 0.1 percent would increase monthly annuities by amounts varying up to $4.50 (or more when more than 30 years may be counted) without requiring employees to pay additional taxes. Total cost of the 0.1 percent increase in the upper bracket would be about 0.2 percent of payroll or $10,000,000 per year but would help decrease the existing discrimination against the higher earning employees who have been getting and are getting decidedly the short end considering the taxes they pay. In my opinion this change should be made and offset by reductions in some of the overly liberal survivor allowances in the bill.

7. Proposal to include wages and service after 65 in the computation of annuities would increase the cost of the railroad retirement system by $10,000,000 per year. Under the present law credits stop at age 65 but taxes continue if a man continues working. Many have complained that the present law is unjust in this respect, but this feeling comes from only superficial consideration.

I believe it comes in part, at least, from the fallacious thinking that railroad employees when they retire today have paid for what they get. (In the amount paid I include not only the retirement tax deducted from the employees' pay checks but also the matching amounts paid by the railroads.) The fact is that most of those retiring today and in the near future will have paid for only part of what they get. This is because most of them draw benefits based in substantial part on service before taxes commenced in 1937 and also because for many years their tax payments were inadequate for the schedule of benefits which the law now gives them after the 1946 and 1948 amendments.

Such benefits are partly at the expense of the younger employees and future employees in that they will have to pay higher taxes or get less pensions than they otherwise would. Hence, it seems to me that it would be unjust to the present younger employees and to future employees to grant now the desire for credits after age 65.

Fifteen or twenty years from now, when the majority of those then retiring will have paid taxes for all their creditable years, it may well be that justice would dictate that they should then be credited with service after 65.

Attached are a few illustrations of men retired in December 1950 at ages over 65. Comparison of columns 6 and 8 indicates that those retiring now are already getting several times what they have paid for, and that the same is true if the amount shown in column 6 is doubled so as to include also the tax paid by the railroads. The amount by which the benefits exceed the taxes, except for interest, must be provided at the expense of the present younger and future employees. Column 9 plus column 10 show the increases provided in S. 1347 over and above the present annuities shown in column 7. The part shown in column 10 is what would be added by crediting wages and service after 65 in accordance with the provision in the bill to which I object.

Occupation	Age at retirement	Years creditable service through age 65	Retirement taxes paid by annuitant			Present railroad retirement annuity	Value of his annuity and survivors' benefits under present law	Increase in annuity under S. 1347 without crediting service after 65 [1]	Additional increase produced by crediting service after 65 [1]
			Before age 65	After age 65	Total				
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Station agent	79	27	$26	$1,382	$1,408	$81.75	$7,078	$30	$22
Yard engineer	68	30	993	629	1,622	106.11	13,295	35	5
Station agent	67	30	898	373	1,271	92.68	11,665	33	3
Shop helper	73	20	237	832	1,069	60.00	6,867	22	16
Road freight conductor	66	30	1,687	216	1,903	127.63	16,813	38	1

[1] The figures in columns 9 and 10 include allowance for the average amount of a wife's annuity.

8. S. 1347 relaxes a number of controls that are in the present law for the purpose of preventing payment of improper claims.

(1) The present requirement that to be eligible a parent must have been "wholly dependent" is changed to "one-half his support," and the requirement that he file proof of dependency within 2 years after the death of the employee is eliminated. This could permit filing claims 10 or 15 years later when the checking of the claim of dependency might be impossible.

(2) Under the present law a widower is not eligible for a survivor's annuity. S. 1347 would make the widower eligible when he reaches age 65 if at the time of his employee wife's death or retirement he was receiving one-half his support from her. She might have died or retired many years earlier and at that time he might have been only temporarily partially dependent upon her. Furthermore, there is no time limit within which claim need be made so that the Board could check the claim as to dependency. Nor do I see any provision to protect against cases where the claimant was only temporarily dependent upon his wife at the time of her death or retirement.

The Social Security Amendments of 1950 made widowers eligible and presumably S. 1347 wishes to be as liberal. But S. 1347 is more liberal in three respects than social security: (*a*) It does not require proof of dependency within 2 years, (*b*) it requires only "completely insured" instead of both "completely insured" and "partly insured," and (*c*) it does not require that death take place after August 1950.

(3) Similar remarks to those made in (2) apply with regard to a husband's benefits.

9. Dual benefits are not eliminated by S. 1347, although they would be reduced for some years to come by the provision for reducing the allowable prior service in such cases. Later, however, this discrimination in favor of the part-time railroad employee as against the man who has spent his entire working life in railroad service will again come into full play. Aside from curing this discrimination, elimination of dual benefits would save about $25,000,000 per year on a level basis for the benefit of those justly entitled to something. Dual benefits can be entirely eliminated only by coordinating the employee's annuities with social security, as was done as to survivors' annuities when they were introduced in the 1946 amendments, and only in that way can this possible saving of $25,000,000 be accomplished and the discrimination against the full-time railroad worker ended.

10. Other unjustified liberalizations.—(1) Under the present law an annuity can be made retroactive for not more than 60 days prior to application therefor. The bill proposes to lengthen the retroactive period to 6 months. This change was made to keep up with similar liberalization made in social security by the amendments of 1950. However, the railroad retirement system covers disability, and I think it improper to ask the Board to determine disability as of 6 months before the Board is notified and given opportunity to have the claimant examined.

(2) S. 1347 provides that an employee annuity that has been reduced because the employee made a joint-and-survivor election shall be increased if the wife predeceases the employee-annuitant. Following the 1946 amendments joint-and-survivor elections were canceled unless specifically confirmed. What the bill proposes would be equivalent to letting those who at that time confirmed their election eat their cake and have it too. It also would be unfair to future members of the railroad retirement system who must suffer the expense.

As stated at the beginning, I am not in disagreement with the ultimate objective of the bill—namely, to bring about greater coordination between the railroad

retirement system and the social-security retirement system and to utilize the resulting savings to the former system in liberalizing railroad-retirement benefits. My principal objection goes (1) to the failure of the bill to make definite provision for the intended coordination between the two systems, (2) to the manner and extent to which it apparently contemplates that the coordination shall be effected, and (3) to the increases in benefits which are much greater than finances that will be available.

F. C. SQUIRE, *Board Member.*

EXHIBIT (A)

ANALYSIS OF S. 1347

A. General discussion

The bill S. 1347 increases retirement annuities by 13.8 percent on the average; minimum retirement annuities by 14 percent when based on years of service and by 13.4 percent when based on a flat amount; and retirement pensions by 15 percent. The bill provides credit for service after age 65 in all future awards, regardless of when such service was rendered; increases the maximum creditable and taxable compensation (with respect to compensation paid after December 31, 1951) from $300 to $400 a month, for both retirement and survivor benefits; and provides an annuity for a spouse of an employee equal to one-half of the employee's annuity or pension, up to $50 a month, but only when the employee and his spouse are both age 65 or if, when the spouse is a wife under age 65, she has in her care the employee's child under the age of 18.

Eligibility for all benefits under the act (other than the residual lump-sum guaranty), whether to the employee or to those deriving from him, is conditioned by the bill upon the employee's having completed 10 years of service (including service before 1937). Upon the retirement or death of an employee who completed less than 10 years of service, benefits to him, to those deriving from him during his lifetime, and to his survivors, will be payable under the Social Security Act. For such cases, and for the purposes of the work clause in the Social Security Act for all cases, "employee" service will be deemed "employment" under that act. In the adjustments that will be made between the railroad retirement and the social security systems the latter will be allowed compensation for the employer and employee taxes it would have received in such cases if such service had been "employment" for tax purposes. Such employees will retain the benefit of the residual lump-sum guaranty in case the total of the benefits paid in such cases under the Social-Security Act is less than the taxes which the employee paid (plus an amount in lieu of interest) under the Railroad Retirement Tax Act.

The adjustment between the two systems, mentioned in the preceding paragraph, is not exclusively related to the transfer to the social security system of persons who have completed less than 10 years of service. Rather it is an over-all adjustment to compensate the railroad retirement system for the savings it affords to the social security system from the separate existence of the former. The recoupment of these savings contributes to making it possible to increase benefits as provided in the bill without affecting the financial soundness of the railroad retirement system. The bill, in substance, declares it to be the congressional policy that the social security system shall neither profit nor lose from the existence of the separate railroad retirement system. Because the railroad retirement system covers an older group and a group which is in other respects a higher-cost segment of the national working population, it has achieved savings to the social security system by removing that higher-cost segment from the coverage of that system. The bill utilizes these savings for increasing benefits under the railroad retirement system without increasing the tax rates for the maintenance thereof.

Under the present law, a retired employee cannot work in the railroad industry, or for the person by whom he was last employed before his annuity began, without giving up his annuity for the months he so works. Under the bill, he will also have to give up his annuity for any month in which he earns more than $50 in work covered by the Social Security Act, except that this provision will not apply to a disability annuitant before he attains age 65. Until that age, an individual in receipt of a disability annuity may earn up to $100 a month in work covered by the Social Security Act. The $50 restriction will not apply to work in which an annuitant is permissibly engaged before the amendment; that is, work which before the amendment did not result in forfeiting his annuity. Service before 1937 will continue to be credited as under the present law except that an annuitant cannot get both a benefit based on such service and an old-age benefit under the Social Security Act. He will have to give up the lesser of the two, because the

social security formula is so weighted as in effect to allow credit for service before 1937.

The bill makes substantial increases in survivor benefits, includes among the survivor beneficiaries a widower, and a former wife divorced if she has in her care a child of the employee under age 18; and simplifies the procedure for calculating a survivor's insurance annuity by fixing it as an amount equal to 40 percent of the first $100 of the employee's average monthly remuneration and 10 percent of such remuneration up to $300 a month if such average includes social security wages or up to $400 if it does not, plus $1 for each year of "employee" service after 1936. A year of service is, as defined, 12 months of "employee" service, whether or not consecutive, except that the ultimate fraction of 6 or more months of service of an employee who has completed 126 months of service will count as 1 year. The survivor's insurance annuity amount will be the same for a widow, widower, child, or parent, except that if there is more than one child entitled to a survivor's insurance annuity, each child will receive only two-thirds of such annuity and one-third thereof will be divided among all such children in equal shares.

Under the present law, if upon the death of an insured employee there is no one immediately entitled to monthly survivor benefits, there is payable an insurance lump sum equal to eight times "the employee's basic amount" to the survivors of such employee. The bill changes that amount to 12 times the survivor's insurance annuity in such cases and, in addition, provides for the payment of an amount equal to 4 times the survivor's insurance annuity even in cases where the employee leaves survivors entitled to monthly survivor benefits immediately upon his death.

If there should be some cases in which the benefits under the Railroad Retirement Act would be less than the amount, or the additional amount, which would be payable under the Social Security Act if the employee's service were "employment" under the Social Security Act, the benefits under the Railroad Retirement Act would be increased to such amount or to such additional amount.

B. Detailed discussion

The conditioning of eligibility for benefits under the Railroad Retirement Act upon completion by the employee of not less than 10 years of creditable service is first shown by section 1 of the bill which amends section 1 (f) of the Railroad Retirement Act. Under this amendment, the ultimate fraction of six or more months can be counted as 1 year of service only if the individual has completed 126 months of service. Section 2 of the bill makes this condition a specific requirement for eligibility and, because of this, eliminates, as superfluous, the 10-years-of-service requirement (in the first sentence of par. 5 of sec. 2 (a) of the Railroad Retirement Act) for a disability annuity. The same condition appears in section 24 (d) and (e) of the bill which require the completion of 10 years of service for an insured status under the Railroad Retirement Act for the purpose of survivor benefits.

The bill changes the present work clause in the Railroad Retirement Act. With respect to disability annuitants, the present law conclusively presumes recovery from disability if the annuitant, though still physically disabled, earns more than $75 in each of six consecutive calendar months. In such cases the annuity ceases, and when the annuitant's earnings drop to the permissible amount his annuity is not restored automatically as in the case of a straight work clause; he has to apply for a new annuity and again establish disability. These complications are avoided by sections 2, 4, and the new subsection (e) provided in section 5 of the bill. Section 2 eliminates the $75 provision referred to earlier, section 4 provides that an individual in receipt of a disability annuity before age 65 will not forfeit his annuity for any month in which he earns no more than $100 in employment covered by the Social Security Act (but he will lose the annuity for any month in which he works for an employer under the act or for the last person by whom he was employed before his annuity began regardless of the amount earned), and the new subsection (e) provided by section 5 of the bill defines what was referred to earlier as "employment covered by the Social Security Act." Upon attainment of age 65, a disability annuitant, the same as all other individuals in receipt of annuities under the act, will be subject to a $50 work clause similar to that contained in the Social Security Act. Section 27 (e) of the bill, however, contains an exception which makes the new $50 work clause inapplicable to work in which an annuitant is now engaged if it is the kind which does not now result in his forfeiting the annuity. The reason for this exception is that many annuitants now on the rolls may have decided to retire when they did relying on the provisions of the present law permitting them to engage in employment other than for an employer under the act or for the last person by whom they were employed before their annuities began. Accordingly, an appli-

cant for a retirement annuity had reason to assume that he would have a source of income in addition to the annuity, and he may have made plans for his old age on this basis.

Section 3 of the bill amends section 2 (e) of the act to permit a retirement annuity to begin to accrue 6 months prior to the date on which the application is filed, assuming, of course, that the applicant is otherwise eligible. There are two reasons for this change. Experience has shown that in many cases employees have failed to file their applications for as long as 6 months or more after they had ceased compensated service. The other is that section 9 of the bill provides an over-all minimum; that is, if the amount of an employee's annuity is less than he would receive as an old-age insurance benefit under the Social Security Act if his "employee" service were "employment," his annuity is to be increased to the greater amount. Under the Social Security Act, however, an old-age insurance benefit may begin as early as on the first day of the sixth month preceding the month in which the application is filed. Consequently, in a case in which an employee fails to file his application under the Railroad Retirement Act for six or more months after he has ceased all compensated service, the problem would have arisen as to whether the employee who, under the Social Security Act, would have received old-age insurance benefits for 6 months prior to the month in which the application is filed should be paid annuities under the Railroad Retirement Act for such months even though under the Railroad Retirement Act his annuity could not begin earlier than 2 months before the day on which his application was filed. The amendment made by section 3, therefore, which makes possible the beginning of the annuity as early as 6 months before the date on which the application is filed, eliminates this problem.

It should be noted, however, that 6 months before the date on which the application is filed could be a day after the first of the month; and in such case the problem would still exist with respect to the first month in which the annuity begins to accrue. The sponsors of the bill did not wish to depart from the long-established principle under the Railroad Retirement Act that an employee's annuity may begin to accrue on the day following the last day of his compensated service. To avoid the administrative problem of applying the over-all minimum formula to the annuity which begins to accrue on other than the first of the month, the proviso in section 9 of the bill limits the application of the over-all minimum to benefits accruing for an "entire month." The effect of the phrase "entire month" is that even if the employee is entitled to an annuity for an entire month but his spouse's annuity begins on a day after the first of the same month, the over-all minimum will not apply with respect to such month.

Section 5 of the bill adds to section 2 of the act four new subsections. The first, the new subsection (e), was discussed earlier. The new subsections (f), (g), and (h) provide an annuity for the spouse of an employee equal to one-half the employee's annuity, but not in excess of $50 per month. The first proviso of the new subsection (f) avoids an inequity which would occur if the spouse's annuity were one-half of an annuity that has been reduced by reason of retirement before age 65. The employee in such case has already paid for the earlier beginning of his annuity by accepting a reduced annuity under section 2 (a) 3 of the Railroad Retirement Act. Consequently, if the spouse's annuity were one-half of the reduced annuity, the employee would be paying twice for the privilege of having his annuity begin between age 60 and 65. The phrase "or recomputed," in the first proviso, has special significance. It is provided in section 7 of the bill that if an annuitant at any time becomes entitled to an old-age insurance benefit under the Social Security Act, his annuity shall be reduced in such manner as to be based only on service and compensation after 1936; but if such a reduction in the annuity would be by an amount greater than his old-age insurance benefit his annuity shall be reduced by the smaller amount; that is, by the amount of the old-age insurance benefit. In a case in which an individual was awarded a reduced annuity under section 2 (a) 3 and is not entitled to an old-age insurance benefit under the Social Security Act when he attains age 65, his wife's annuity when she attains age 65 will be one-half of the amount to which he would have been entitled had his annuity been awarded to him when he attained age 65. If, sometime later, he does become entitled to an old-age insurance benefit, his annuity will then be recomputed in accordance with the proviso in section 7 of the bill and his wife's annuity will likewise be recomputed to be one-half of the smaller annuity. To compensate the wife for this reduction, however, the second proviso of the new subsection (f) permits her to retain also the wife's benefit under the Social Security Act, which is one-half of her husband's old-age insurance benefit.

The second proviso in the new subsection (f) also makes certain that in the event the wife's benefit is lost under the Social Security Act because she is entitled under that act to another monthly benefit in excess of the wife's benefit, the reduction in the wife's benefit under the Railroad Retirement Act will be such as to permit her to retain an amount equal to the full wife's benefit under the Social Security Act. This proviso will be applied as follows: If the wife's benefit under that act is, say, $30, which is lost to her because she is also entitled to a parent's benefit under that act in the amount of $40, the reduction in the wife's benefit under the Railroad Retirement Act will be only by the excess of the parent's benefit over the wife's benefit, which is $10; if instead of being entitled to a parent's benefit of $40 in the same example, she should become entitled to an old-age insurance benefit of $20 by reason of which a wife's benefit is reduced to $10, the reduction under the Railroad Retirement Act will be zero since the excess of the old-age insurance benefit over the wife's benefit is zero.

The new subsection (g) defines "spouse" in terms which ordinarily would require that the spouse be married to the employee for a period of not less than 3 years immediately preceding the day on which the application for the spouse's annuity is filed. Where this requirement applies, if the employee's and the spouse's applications should be filed when they are both 65½ years of age, after exactly 3 years of marriage, the employee's annuity could begin 6 months earlier (assuming he was otherwise eligible) but not the spouse's annuity because 6 months before the application was filed she had been married to the employee only 2½ years. However, if the spouse is the parent of the employee's son or daughter the period of marriage to the employee is not material.

In addition to marriage for at least 3 years or parentage of the employee's son or daughter, the spouse must be a member of the same household as the employee or be receiving regular contributions toward support from the employee or the employee must have been ordered by a court to contribute to the spouse's support. If the spouse is the husband of the employee he must have been receiving at least one-half of his support from his wife at the time her annuity or pension began.

The term "spouse" is defined in the same terms as husband and wife, respectively, under the Social Security Act, except that under the Railroad Retirement Act the husband is not required to file proof of support within any specific period of time. Under the Railroad Retirement Act it is possible for a woman employee to become eligible for an annuity at age 60. At that time her husband, even if he already were 65, would not be entitled to a husband's annuity until his wife had attained age 65. He would probably not think of filing proof until 5 years later when the 2-year period prescribed in the Social Security Act for filing proof of support would have passed and his right to an annuity would be forfeited solely on technical grounds. Therefore, since the filing of proof of support is merely evidence of dependence, it is deemed sufficient to submit such evidence whenever it will serve a purpose. That conclusion having been reached, serious doubt arises whether the requirement of the present law that a parent file proof of support within 2 years of the death of the employee is justified. Section 24 (a) (3) of the bill eliminates that requirement. There is no prohibition, however, against filing proof of support whenever the husband or parent wishes to do so.

By providing for the spouse's annuity in section 2 of the act, the application for the spouse's annuity will be subject to the same conditions as applications for other annuities under that section. The spouse, like the employee, will have to cease service for an employer and for the last person by whom the spouse was employed before the spouse's annuity began, as provided in section 2 (a), and relinquish rights to return to service as provided in section 2 (b). The spouse's annuity beginning date will be subject to the provisions of section 2 (c); and the new subsection (h) of section 2, provided in section 5 of the bill, makes the spouse's annuity subject to the same work-clause provisions in section 2 (d) as the annuitant's, and, in addition, a spouse's annuity will not be payable in any month in which the employee from whom the spouse's annuity is derived losses the annuity by reason of such provisions.

A spouse's annuity will terminate, in effect, under the same conditions as a spouse's annuity would terminate under the Social Security Act; and the term "absolutely divorced" in the new subsection (h) is intended to have the same meaning as the term "divorced a vinculo matrimonii" in section 202 (b) and (c) of the Social Security Act.

Section 6 of the bill changes the percentages of average monthly compensation to be multiplied by the years of service in the formula for determining the annuity, producing an increase in the amount by 13.8 percent, on the average. At present these percentages applied to the average montly compensation are 2.4 percent of the first $50, 1.8 percent of the next $100, and 1.2 percent of the

balance. The bill substitutes for these percentages 2.8, 2.0, and 1.4 percent, respectively. For a $50 monthly compensation, the increase will be 16.7 percent; for $100, 14.3 percent; for $150, 13.3 percent; for $200, 13.9 percent; for $250, 14.3 percent; for $300, 14.6 percent; for $350, 14.8 percent; and for $400, 15 percent. The phrase "remainder of his monthly compensation" is limited by section 8 of the bill to $300 a month with respect to compensation paid through December 31, 1951, and to $400 a month with respect to compensation paid thereafter.

Section 7 of the bill, by striking out paragraph 4 of section 3 (b) of the act, makes possible the inclusion of all service after age 65, subject to the maximum of 30 years as provided in paragraph (1) of section 3 (b) of the act. In addition to this amendment, section 7 provides against duplication of credit for prior service. The amended Social Security Act is so weighted as, in effect, to give credit for service before 1937. In view of this, and since employees who now receive credit for service before 1937 have not paid any taxes with respect to such service, the sponsors of the bill deemed it appropriate to continue to give credit under the Railroad Retirement Act for prior service, but only if the employee does not also receive an old-age benefit under the Social Security Act. Consequently, whenever an annuitant is or becomes entitled to an old-age insurance benefit under the Social Security Act, his annuity will be so computed or recomputed as to base it entirely on service and compensation after 1936, except that the employee will be assumed to have met whatever service and other requirements were necessary in the computation of the original annuity. Thus, if the original annuity was a reduced-age annuity, the annuity based on service and compensation after 1936 will be computed as a reduced-age annuity even though the employee has less than 30 years of service after 1936. If, however, the amount of his old-age insurance benefit, either as originally computed or as later recomputed upon his application therefor, is less than the amount by which his annuity would be reduced as above stated, the reduction will be by the smaller of the two amounts. In the case of a pensioner, of course, the reduction will be only by the amount of his old-age insurance benefit since his pension is based on prior service only. The reduction in the annuity of a spouse of such an employee will be by an amount which would result in the spouse receiving one-half the annuity or pension the employee is receiving after such reduction.

Section 8 of the bill increases the creditable monthly compensation from $300 to $400 a month beginning with compensation paid after December 31, 1951.

Section 9 eliminates the requirement of 5 years of service as a qualification for the minimum (since the bill now requires 10 years of service for eligibility), and increases the minimum annuity from $3.60 to $4.10 for each year of service, making $41 the lowest possible minimum unless the monthly compensation is less than $41 which is unlikely for an employee with as much as 10 years of railroad service. Where the minimum is based on a flat amount, the increase is from $60 to $68. The proviso in section 9 of the bill is in essence a guaranty that in no case will a benefit under the Railroad Retirement Act to an employee and to those deriving from him be less than the amount or the additional amount which would be payable under the Social Security Act if the individual's service as an employee after 1936 under the Railroad Retirement Act were "employment" under the Social Security Act. To illustrate, if the total annuities to the employee and his spouse is $100 and if the employee's service were "employment" the total of monthly benefits to the employee and his spouse under the Social Security Act would be $90, and if such employee and his spouse have a child under the age of 18 so that the monthly benefits to all three under the Social Security Act would be $110, the annuities of the employee and spouse would be increased proportionately to a total of $110. The same guaranty applies to annuities of survivors of an employee; so that if the total of survivor annuities under the Railroad Retirement Act is less than would be the total of monthly benefits to such survivors if the employee's service were "employment" under the Social Security Act, such total of annuities would be increased proportionately to such greater total.

In the application of this proviso a number of problems had to be taken into account. Thus, an annuity under the Railroad Retirement Act may begin on some day during the month while a benefit under the Social Security Act always begins only on the first day of the month. In order to avoid the administrative problem of applying this over-all minimum guaranty to a part of a month, the proviso is made applicable to "any entire month." That this will also apply to a case in which the spouse's annuity begins on some day during the month has already been shown earlier.

If an annuity is reduced as provided in section 3 (b) of the act (sec. 7) of the bill or by reason of other payments based on creditable military service (as provided in sec. 4 (i) of the act) the proviso of section 9 will be applicable to the annuity to

which the employee is "entitled"; that is, after such reductions. In both instances the employee is entitled only to the reduced annuity.

A section 2 (a) (3) annuity to a male employee is reduced by one one-hundred-eithtieth for each month that he is under age 65; and an annuity pursuant to a joint-and-survivor election is reduced to permit the payment of part of the employee's annuity to his surviving spouse (in addition to the survivor annuity pursuant to sec. 5 of the Railroad Retirement Act). If the over-all minimum provided in section 9 were applied to the annuities so reduced the employee in each such case would receive greater benefit from the over-all minimum than is intended or warranted. The language in the parentheses, therefore, avoids this possibility.

In order to determine whether an employee is insured under the Social Security Act for the purpose of applying the over-all minimum, it will be necessary to apply the provision of that act. This will not be necessary, however, if the employee is completely or partially insured, in accordance with the provisions of section 5 (l) (4) of the Railroad Retirement Act; in such case, he will be deemed to be fully or currently insured, respectively, under the Social Security Act.

Section 203 (f) of the Social Security Act imposes penalties in addition to the work clause for failure to report earnings of more than $50 a month by individuals in receipt of monthly benefits under that act. The Railroad Retirement Act provides no penalties in addition to the work clause. The question whether the over-all minimum would apply where no monthly benefit would be payable under the Social Security Act (because of this additional penalty provision) while the annuity under the Railroad Retirement Act would nevertheless be payable, is answered in the affirmative by the language in the parentheses. On the other hand, the over-all minimum provision will not apply with respect to a month in which the annuitant (including a spouse annuitant) works for an employer under the act or for the last person by whom he was employed before the annuity began even though the amount earned is less than $50 or the annuitant is over 75 years of age. Under those conditions no annuity is payable under the act, and the proviso applies only for months in which an annuity accrues and is payable. The proviso in section 9 will assume timely applications for the social-security benefits but section 27 (j) will not permit such assumption with respect to recomputation of the social-security benefit.

Section 10 of the bill, by striking out section 3 (h) of the act, will make possible the recomputation of an annuity previously awarded on the basis of additional creditable service and compensation accumulated after the annuity has begun to accrue. While this amendment will not permit changing from one annuity to another, it will make increases in the same annuity possible in cases where the original annuity was based on less than 30 years of service.

Sections 12 through 25 amend section 5 of the Railroad Retirement Act. Section 12 adds an annuity to a widower age 65 and provides that in no case shall the "survivor's insurance annuity" of the widow or widower be less in amount than she or he received during the lifetime of the employee as a spouse's annuity. The same provision is made in section 13 of the bill for a widow's current insurance annuity. The term "widow" in section 5 (b) and 5 (i) (1) (iii) of the act will include a former wife divorced. (See sec. 24 (a) (2) (i) of the bill.)

Under the present law a widow's annuity is three-fourths of the "employee's basic amount," a child's and parent's annuity is one-half of the "employee's basic amount," and an insurance lump-sum is eight times the "employee's basic amount." Many persons misunderstood the quoted term to mean the employee's annuity when in fact it bears no relation to the employee's annuity but is more nearly analogous to a primary benefit under the Social Security Act, and serves no purpose other than to arrive at a figure of which a fractional part is paid as a survivor benefit. The new term "survivor's insurance annuity" will not be subject to such misunderstanding. Moreover, under the bill the widow, widower, child, and parent of a deceased employee will receive the same "survivor's insurance annuity" rather than three-fourths and one-half, respectively, of the "employee's basic amount," Since under present law an insurance lump sum is eight times the "basic amount" and a widow's monthly survivor benefit is three-fourths of a basic amount, the insurance lump sum is eight times four-thirds or 10⅔ times a widow's monthly survivor benefit. To maintain approximately the existing relationship between the insurance lump sums and widows' monthly survivor benefits the bill measures the insurance lump sums by 12 times a monthly survivor benefit (10⅔ being rounded our to 12).

Section 14 of the bill provides that a child shall receive the full amount of the "survivor's insurance annuity," except that if there is more than one child surviving the employee, each child shall receive two-thirds of the survivor's insurance

annuity and one-third thereof shall be divided equally among all such children.

Section 15 provides against the payment of a parent's annuity not only, as in the present law, if the employee died leaving a widow or child but also if there is a surviving widower; and, for the reasons stated earlier, section 24 (a) (3) of the bill dispenses with the requirement of filing proof of support. The same section 24 (a) (3) of the bill liberalizes the extent of the support required.

Section 16 deals with a situation in which two or more children survive parents both of whom were employees and died insured. In such a situation, unless special provision were made the amounts of the childrens' benefits would vary depending on which child filed with respect to the death of which parent. In order to avoid such fortuitous variations in benefits, section 16 provides that all children shall be deemed to apply for annuities with respect to the death of only one of such parents. In the selection of such one parent, however, this section requires that such parent be the one with respect to whose death the children would receive the largest possible annuities, regardless of whether the applications are filed at the same time. If the amount of the child's annuity is the same with respect to each parent, the selection of the parent is immaterial.

Section 17 of the bill includes a widower among those entitled to share in the insurance lump sum provided by paragraph (1) of subsection (f) of section 5 of the act, and in addition makes the following changes in the existing law: At the present time if an insured employee dies leaving no one entitled immediately to monthly annuities, a lump sum of eight times the basic amount is payable to his survivors in the order provided in that subsection. This insurance lump sum, however, is not payable if at the time of the employee's death there is a survivor entitled to monthly benefits, except that if the total of the monthly benefits paid within 1 year of such death is less than the insurance lump sum of eight times the basic amount, the difference is then paid to his survivors in a certain order as provided in that subsection. The bill provides for the payment, upon the death of an employee leaving no one entitled immediately to monthly benefits, an amount equal to 12 times the survivor's insurance annuity to the same persons who are entitled under the present law to the amount of eight times the basic amount. As has previously been pointed out, 12 times the survivor's insurance annuity in lieu of eight times the basic amount will preserve approximately the same relationship between the insurance lump sum and a widow's monthly survivor benefit as now exists. This section provides also for the payment of an amount equal to four times the survivor's insurance annuity in cases in which an employee dies leaving survivors entitled immediately to monthly benefits. The payment of such a benefit in such cases corresponds to a change made in the Social Security Act by the 1950 amendments. In addition, if the total of monthly benefits paid to the survivors of the employee within 1 year after his death is less than an amount equal to eight times the survivor's insurance annuity the difference will then be paid to persons in the order provided in the bill, so that survivors of an employee who leaves someone immediately eligible for monthly benefits cannot be paid less than they would have received if there had been no one immediately eligible for monthly benefits.

Section 18 of the bill includes a widower among the beneficiaries of the residual lump sum provided in section 5 (f) (2) of the act. With respect to the benefits to be deducted from the residual amount, a distinction is made between (i) monthly insurance benefits paid to survivors on the basis of combined "employee" and "employment" service, and (ii) old-age insurance benefits to, and benefits to dependents of, individuals with less than 10 years of service. In the latter case the deductions of the social security benefit is only to the extent that it is based on "employee" service. The reason for the distinction is that in the case of survivor benefits paid under the Railroad Retirement Act, all of such benefits are deducted from the residual, including benefits based on the combined service. In order to avoid discriminating against individuals with "a current connection with the railroad industry" the act now provides that monthly survivor benefits paid under the Social Security Act on the basis of combined service should likewise be deducted. However, no retirement benefits are paid under the Railroad Retirement Act on the basis of combined service and hence there is no deduction of any such benefits in arriving at the residual lump sum. It would be inappropriate, therefore, to deduct more than the amounts attributable to railroad service and compensation when social security old-age benefits are paid on combined service to individuals having less than 10 years of railroad service.

Section 19 of the bill is designed to avoid duplication of benefits either through receipt of more than one survivor benefit under the Railroad Act, or through receipt of a survivor benefit under that act together with any monthly insurance benefit under the Social Security Act, or together with a retirement annuity under the

Railroad Act. An individual will receive the equivalent of the larger benefit, but not both.

Section 20 of the bill provides a new formula for determining the maximum and minimum totals. If the total of annuities is more than $40 and exceeds an amount equal to two and two-thirds times a survivor's insurance annuity the totals will be reduced to the smaller of the two amounts, but in no case to less than $40. If the total is less than $20, it will be increased to $20. All increases and decreases will be made proportionately. The maximum will be applied only after an annuity has been adjusted by reason of other benefit payments and after reductions by reason of the provisions in subsection (i). The minimum, however, will be applied prior to such adjustment and deduction. After applying the maximum provision, the total, if less than it would be under the proviso of section 3 (e) of the act (as amended by sec. 9 of the bill) will be increased to the greater amount. Similarly, if after applying the maximum the widow or widower should receive less than she or he received as a spouse's annuity, the widow's or widower's survivor insurance annuity would be increased to the greater amount.

Section 21 incorporates the same work clause as is now in effect under the Social Security Act in addition to the work clause in effect now under the Railroad Retirement Act with respect to employment by an employer under the Act.

Section 22 extends the period for the beginning of a survivor's insurance annuity to the month in which the individual became eligible even though the application therefor was not filed for as much as 6 months after such month. This section thus eliminates from the present law the provision that if the application is filed more than 3 months after the month of eligibility, the annuity cannot begin earlier than the first of the month in which the application was filed.

The effect of section 23 of the bill is to transfer to the social security system all persons who at retirement or at death have completed less than 10 years of service under the Railroad Retirement Act, the spouses and children of such persons, and their survivors, with the same effect as if the service of such persons were included in the term "employment" in the Social Security Act. The bill makes a distinction between those considered to be career railroad employees and those who work casually in the industry from time to time. For this purpose some reasonable line must be drawn. The bill classes as not career railroaders those who at retirement or death have completed less than 10 years of service. In order to make this provision applicable to noncitizen employees working, say, in Canada for an employer conducting the principal part of its business in the United States, section 23 provides that such service shall for the purposes of the Social Security Act be deemed to have been rendered within the United States. The same section changes the present provision of section 5 (k) (2) of the act to declare it to be the policy of Congress that the old-age and survivors insurance trust fund shall be in no better and no worse position than it would have been if there had been no separate railroad retirement system. This policy is related to but not exclusively concerned with the transferring to the social security system of individuals with less than 10 years of service. The discharge of liabilities to those with less than 10 years of service will be given appropriate credit in the adjustment so as to avoid any inequitable imposition of liabilities on the social security system. But beyond that, the bill contemplates that the adjustments will embrace whatever transfers are necessary to assure that the social security system will neither gain nor lose from the separate existence of the railroad retirement system.

Section 24 (a) of the bill includes the definition of "widower" among other definitions of survivors; provides the conditions of eligibility both for a widow and a widower for survivor benefits; includes in the term "widow" a former wife divorced, but subject to the conditions specified in that section; dispenses with the requirement of filing proof of support within a specified time for reasons stated earlier; and provides against forfeiture of a child's annuity if such child is adopted by a stepparent, grandparent, aunt, or uncle. These provisions conform to the amended Social Security Act.

Section 24 (b) provides an alternative method of allocating compensation to the several quarters of the year in determining insured status under the Railroad Retirement Act; section 24 (c) redefines the term "wages" to include not only wages covered by the Social Security Act but also self-employment income covered by that act as well as amounts deemed wages under section 217 (a) of the Social Security Act, on account of military service other than that creditable under the Railroad Retirement Act.

Section 24 (d) and (e) limit eligibility for survivor benefits to survivors of employees who have completed 10 or more years of service. For determining a fully insured status, section 24 (d) provides for the exclusion from the elapsed

quarters any quarter during any part of which a retirement annuity is payable and which is not a quarter of coverage.

Section 24 (e) includes in the period within which a partially insured status may be acquired by an employee the quarter in which death or retirement occurs; and in addition provides for the continuance of such status if the employee had the necessary quarters of coverage in the quarter in which a retirement annuity will have begun to accrue to him. Under this provision, if he has a partially insured status at the time an annuity begins to accrue to him, he will continue to be partially insured even though he would not otherwise be so insured at the time of death.

Section 24 (f) provides that in determining the average monthly remuneration, "wages" will be included only if (i) the total creditable compensation for any calendar year is less than $3,600, and (ii) the average monthly remuneration, if based on compensation alone, would be less than $300. In such case, the amount of wages included will be an amount not to exceed the difference between the compensation for such year and $3,600; and the divisor will not include any quarter during any part of which a retirement annuity is payable and which is not a quarter of coverage.

Section 24 (g) substitutes the term "survivor's insurance annuity" for the term "basic amount"; changes the formula for computing the survivor's insurance annuity by taking 40 percent of the first $100 and 10 percent of the remaining average monthly remuneration, plus $1 for each year of service after 1936. The maximum average monthly remuneration possible will be $400, except that where the average monthly remuneration is based on the employee's insured status as an annuitant or pensioner, the maximum average monthly remuneration possible will be $300. Related changes are likewise made in the provisions for computing survivor benefits from pensions where wage records are not available.

The Railroad Retirement Tax Act now provides that, with respect to compensation paid after December 31, 1951, the tax rate on employers and employees shall be 6¼ percent of the monthly compensation up to $300. The only amendment made by section 26 is to change the figure $300 to $400.

Section 27 (a) makes the bill effective with respect to benefits accruing after the last day of the month in which the bill is enacted, irrespective of when service or employment occurred or compensation or wages were earned. The proviso in section 27 (a) will facilitate the recertification of annuities now on the rolls of the Board. The punch-card records of the Board show the amount of the monthly compensation and average monthly remuneration (on the basis of which the annuities have been awarded) without fractions of a dollar. If it were not for this proviso, the recertifications made by the use of these records would not reflect fully the increase provided by the bill unless each file were examined separately, but this would be a serious administrative task.

Section 27 (b) makes effective the provisions for annuities to begin earlier than permissible under the present law with respect to annuities awarded in whole or in part after the enactment of the bill. The same section makes the crediting of service after age 65 effective only with respect to annuities awarded after the enactment of the bill. This provision was not made applicable to annuitants now on the rolls because the administrative problems of doing so appear insurmountable.

The effect of section 27 (c) has already been considered earlier in the discussion of section 4 of the bill. The term "engaged" on the enactment date does not require that the individual be actually working on that date; the term is intended, in a broad sense, to include individuals who were on such date in an employee or business relationship to the job or business.

Under section 23 of the bill, individuals who have completed less than 10 years of service, and persons deriving from such individuals, will not be entitled to benefits under the Railroad Retirement Act. But section 27 (e) confers upon both retirement and survivor annuitants whose annuities have been awarded on less than 10 years of service, and the spouses of present retirement annuitants (but only during the lifetime of such annuitants), all the benefits of the bill.

Section 27 (f) of the bill is the answer to numerous complaints from annuitants whose annuities were reduced because they elected to leave part thereof to their surviving widows, but whose wives predeceased them.

Section 27 (h) makes certain that the benefits of the bill will apply to individuals to whom annuities were heretofore awarded under the Railroad Retirement Act of 1935. The same section 27 (h) precludes the application of the bill to annuities heretofore awarded in lump sums equal to their commuted value.

Section 27 (i) provides that the annuity of a spouse of an individual in receipt of a reduced annuity under the Railroad Retirement Act of 1935, or under the Rail-

road Retirement Act of 1937 in effect prior to its amendment in 1946, shall be one-half of the unreduced annuity.

Under section 3 (b) of the present law, age annuities cannot be recomputed by reason of additional service rendered after the annuity has begun to accrue. This section is repealed by the bill making recomputations in such cases possible, but only upon application therefor as provided in section 27 (g). Further, the proviso in section 9 of the bill will require the Board to take into account an increase which would be granted under the Social Security Act upon application for recomputation of benefits. While, as stated earlier, for the purpose of this proviso original applications will be assumed to be filed on time, the effect of section 27 (j) is that no such assumptions will be made for recomputation purposes in applying the proviso of section 3 (e) of the act. For such purposes, applications will have to be filed with the Railroad Retirement Board.

EXHIBIT (B)

COST OF THE BILL S. 1347

The latest valuation of the railroad retirement account was made as of December 31, 1947. The next will be as of December 31, 1950, but data will not be available to permit its completion until some time in 1952. For the 1947 valuation, an extensive study was made of all factors entering into the cost of the railroad retirement system. These factors include the rates of retirement of railroad employees, the rates of disability, mortality rates, withdrawal rates, nonfiling, effect of work clauses, payrolls, benefit payments, family composition, revenues, and others. On the basis of these studies, certain assumptions were made. For the purpose of estimating the cost of S. 1347, all of the assumptions of the 1947 valuation were retained except the estimate of future payrolls, and the effect of work clauses. A change in estimated payrolls is made necessary by the change in economic conditions and rates of pay in the railroad industry. As for the fourth valuation, the level payroll used in these calculations has been derived from studies of estimated future annual creditable payrolls prepared by the Board's economic staff. Changes in the work clause allowance are necessary because of the more restrictive provisions of the bill as applied to employee annuitants. There is no reason to believe that the studies for the next valuation will change other assumptions in any material way. All assumptions remain reasonably conservative, though probably slightly less so than for the 1947 valuation.

Since the task of estimating the costs of S. 1347 is more complex than that for the present Railroad Retirement Act or for other amendments which have from time to time been proposed or adopted, the resulting level cost estimates are necessarily subject to some change up or down. The time available would not have permitted a complete analysis of all the factors involved, even if all necessary data were available.

A future equivalent level payroll of $5.2 billion is used. The equivalent level payroll is one figure which is used for all years in the future. It is a kind of weighted average of a series of differing future annual payrolls in which the heaviest weight is applied against the earliest years to take into account the effect of compound interest. The effect on reserve balances is over the long-range equivalent to the results that would be attained if the same flat tax rate were applied to the varying annual payrolls.

In the 1947 valuation, an equivalent level payroll of $4.6 billion was used. In that figure, only a slight allowance was made for wage increases in the future. Such increases have already considerably exceeded the allowance made. Moreover, economic conditions in the railroad industry have been more favorable than was anticipated and will probably continue so for a number of years. Indications are that a payroll estimate on assumptions between reasonably high and reasonably low at the present time would be a little under $5 billion. This and the $4.6 billion figures are on taxable compensation not in excess of $300 per month. S. 1347 increases the taxable compensation to $400 per month. The increase of the taxable payroll to $5.2 billion on the $400 per month base is quite moderate. A greater increase might be justified, but if made would require such changes in other assumptions that the net result on tax rate would be minor.

On the basis of these assumptions, the following estimates of costs in terms of tax rates have been made for the various types of benefits provided by the Railroad Retirement Act as amended by S. 1347:

Retirement annuities:		
Age	6.95	
Disability	3.00	
		9.95
Spouses' annuities		1.11
Survivors' annuities:		
Aged widows and parents	2.74	
Widowed mothers	.21	
Children	.43	
Insurance lump sums	.42	
		3.80
Residual lump sums		.40
Maximum and minimum provisions		.20
Total gross benefit cost		15.46
Net offset:		
A. Value of future benefits according to social security schedule on railroad compensation credited under Railroad Retirement Act	6.27	
B. Taxes according to social security schedule on railroad payrolls after 1950	5.63	
C. Excess of accumulated social security taxes on railroad retirement payrolls in 1937–50 over additional social security benefit which would have been paid if railroad retirement earnings had been included in definition of "wages"	.40	
D. Net value of adjustments with OASI trust fund [A−(B+C)]	.24	
E. Funds on hand	1.22	
F. Administrative expenses	.13	
G. Net offset (D+E−F)		1.33
Total net cost		14.13

APPENDIX C (1)

WASHINGTON, D. C., *September 13, 1951.*

Hon. PAUL DOUGLAS,
Chairman, Subcommittee Senate Labor and Public Welfare Committee,
Senate Office Building, Washington 25, D. C.

DEAR SENATOR DOUGLAS: Please refer to the report of the Railroad Retirement Board, dated April 24, 1951, on the bill S. 1347. Exhibit (B) of that report shows that the cost of the Railroad Retirement Act, as it would be amended by the bill, would be 14.13 percent of payroll based on a $400 maximum monthly compensation and a $5.2 billion payroll. (The "14.13" figures were later changed to "14.12.")

At the time exhibit (B) was prepared, it was believed that the increase in the maximum taxable monthly compensation from $300 to $400 would add $300,000,000 annually to the $4.9 billion payroll which is based on the present $300 maximum monthly compensation. Recently, however, two separate investigations, one made by the Board's Office of Director of Research, and the other by the Association of American Railroads, disclosed that the increase in the maximum monthly compensation from $300 to $400, as proposed in the bill, would add to payrolls $600,000,000 annually, so that the cost calculations of the bill should have been based on a $5.5 billion payroll instead of $5.2 billion.

In view of this recent development, the Board's actuary has recalculated the cost of the bill on the basis of the $5.5 billion payroll and has prepared a New Table for Exhibit B, hereto attached. As shown by this New Table for Exhibit B, the cost of the Railroad Retirement Act, as it would be amended by the bill S. 1347, would be 13.90 percent of payroll.

The Board therefore requests that this letter be published in the committee reports with a notation that the figures "14.13" or "14.12," wherever they refer to the cost of the act as it would be amended by the bill, should be read as "13.90."

This letter is on behalf of the majority of the Board. One member of the Board will send you his own comments within a few days.

Sincerely yours,

WILLIAM J. KENNEDY, *Chairman.*

NEW TABLE FOR EXHIBIT B

Costs of benefits under H. R. 3669 and S. 1347 based on a $5.5 billion payroll assumption and a $400 maximum monthly compensation

Item	Cost as a percent of payroll
A. Railroad Retirement Board benefits and administrative expenses	15.28
1. Age annuities, pensions, and options	6.81
2. Disability annuities payable before 65	1.59
3. Disability annuities payable after 65	1.35
4. Wives' benefits	1.09
5. Aged widows' annuities	2.69
6. Widowed mothers' annuities	.21
7. Children's annuities	.42
8. Insurance lump sums	.41
9. Residual payments	.39
10. Allowance for maximum and minimum provisions	.20
11. Administrative expenses	.12
B. Benefits according to social-security formulas based on compensation and wages for cases adjudicated by the Railroad Retirement Board	6.20
1. Employee retirement benefits	3.65
2. Wives' benefits	.58
3. Survivor benefits	1.97
C. Social-security benefits based on wages alone for cases also adjudicated by Railroad Retirement Board	.63
1. Employee retirement benefits	.54
2. Wives' benefits	.09
D. Excess of social-security taxes on railroad payrolls during 1937–50 over additional social-security benefits which would have been payable if railroad earnings were credited	.38
E. Social-security taxes on railroad payrolls after 1950	4.96
F. Funds on hand	1.15
G. Summary:	
1. Railroad Retirement Board benefits and administrative expenses (A)	15.28
2. Reimbursements from OASI (B—C)	5.57
3. Amounts due OASI (D+E)	5.34
4. Funds in railroad account (F)	1.15
5. Net costs ((1)+(3)—(2)—(4))	13.90

Source: Actuarial Division, Railroad Retirement Board, Office of Director of Research.

APPENDIX C (2)

UNITED STATES OF AMERICA,
RAILROAD RETIREMENT BOARD,
Chicago, Ill., September 14, 1951.

Hon. PAUL H. DOUGLAS,
Chairman, Subcommittee, Senate Committee on Labor and Public Welfare,
Washington 25, D. C.

DEAR SENATOR DOUGLAS: In Mr. Kennedy's letter to you dated September 13, 1951, on behalf of the majority of the Board, concerning S. 1347 as introduced by you, he kindly mentioned in the last paragraph that one member of the Board (myself) would send you his separate comments, which I respectfully submit below.

The $5.5 billion future payroll mentioned in Mr. Kennedy's letter assumes a reduction of only about 10 percent in the number of railroad employees in the future. Looking at what has occurred in the recent past we find that the average number of employees of class I railroads during the 1920's was 1,750,000. During the last 3 years, 1948–50, the average number has been 1,249,000, a reduction of 28 percent, despite the fact that traffic units have increased from an average of 475 billion during the 1920's to an average of 656 billion for the last 3 years. This 28-percent reduction in number of employees has occurred in only 25 years. The $5.5 billion estimate certainly does not allow for a reduction in the number of employees in the future consistent with past experience.

Respectfully submitted.

F. C. SQUIRE, *Board Member.*

○

Calendar No. 842

82D CONGRESS
1ST SESSION

S. 1347

[Report No. 890]

IN THE SENATE OF THE UNITED STATES

APRIL 18 (legislative day, APRIL 17), 1951

Mr. MURRAY (for himself, Mr. HILL, Mr. KILGORE, Mr. DOUGLAS, Mr. HUMPHREY, Mr. LEHMAN, Mr. PASTORE, Mr. KEFAUVER, Mr. LANGER, Mr. FERGUSON, and Mr. MALONE) introduced the following bill; which was read twice and referred to the Common on Labor and Public Welfare

OCTOBER 4 (legislative day, OCTOBER 1), 1951

Reported by Mr. DOUGLAS, with amendments

[Omit the part struck through and insert the part printed in italic]

A BILL

To amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase "one hundred twenty-six" for the phrase "fifty-four" and by adding after subsection (p) thereof a new subsection as follows:

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after "enactment date," the following: "and shall have completed ten years of service,"; *and* by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase "regular employment" and striking out all of that sentence following that phrase~~; and by striking out the next to the last sentence of such subsection (a)~~.

SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days", the phrase "six months".

~~SEC. 4. Subsection (d) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence "(i)" after "individual" and by changing the period at the end of the first sentence to a comma and inserting after the comma the following: "or (ii) is receiving an annuity under paragraph 1, 2 or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age sixty-five, is under the age of seventy-five, and shall earn more than $50 in 'wages' or be charged with~~

~~more than $50 in 'net earnings from self-employment', or (iii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of sixty-five, and shall earn more than $100 in 'wages' or be charged with more than $100 in 'net earnings from self-employment'."~~

SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days" in subsection (k) thereof the phrase "six months".

SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

~~"(e) For the purpose of this section and of subsection (i) of section 5, 'wages' shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and 'net earnings from self employment' shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (c) of that Act.~~

"~~(f)~~ *(e)* SPOUSE'S ANNUITY.—The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or

in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than ~~$50~~ *$40*: *Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual ~~has~~ *had* been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That, *if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: And provided further, That* any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the

reduction pursuant to this ~~subsection~~ *third proviso* shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

"~~(g)~~ *(f)* For the purposes of this Act, the term 'spouse' shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"~~(h)~~ *(g)* The spouse's annuity provided in subsection ~~(f)~~ *(e)* shall, with respect to any month, be subject to the same provisions of subsection (d) ~~with regard to service, 'wages' and 'net earnings from self-employment'~~ as the individual's

annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act."

SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing "2.40" to ~~"2.80"~~ *"2.76"*, "1.80" to ~~"2.00"~~ *"2.07"*, and "1.20" to ~~"1.40"~~ *"1.38"*; and by striking out the phrase "next $150" and substituting for said phrase the following: "remainder of his 'monthly compensation' ".

SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by substituting (in each instance in the parenthetic phrase of paragraph (1)) "his 'monthly compensation' " for "$300"; *and* by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"The retirement annuity or pension of an individual,

and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension *as reduced pursuant to clause (i) or clause (ii) of this paragraph: Provided, however, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this proviso, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.*"

SEC. 8. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by insert-

ing in the last sentence thereof after "$300" the following: "through the calendar year 1951, and in excess of ~~$400~~ *$350* thereafter,".

SEC. 9. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "and not less than five years of service"; by changing the phrase "subsection 2 (a) (3)" to ~~"sections~~ "*section* 2 (a) 3 or *the last paragraph of section* 3 (b) ~~(4)~~"; by changing "$3.60" to ~~"$4.10"~~ "*$4.14*", and "$60" to ~~"$68"~~ "*$69*"; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: "*Provided, however,* That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsection (f) *and (g) (2)* of section 203 thereof) if such employee's service as an employee after

December 31, 1936, were included in the term 'employment' as defined in that Act and quarters of coverage were determined in accordance with section 5 ~~(1)~~ *(l)* (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount."

SEC. 10. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

SEC. 11. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

SEC. 12. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "and Widower's" after "Widow's"; by inserting "or widower" after "widow"; by inserting "or his" after "her", by inserting "or he" after "she"; ~~and by substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: "Provided, however,~~ That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection ~~(f)~~ *(e)*

of section 2 in an amount greater than the ~~survivor's~~ *widow's or widower's* insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount."

SEC. 13. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by ~~substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity:"~~ *striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon and inserting after the colon the following:* "*Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection ~~(f)~~ *(e)* of section 2 in an amount greater than the ~~survivor's~~ *widow's current* insurance annuity, the widow's current insurance annuity shall be increased to such greater amount."

SEC. 14. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase ~~"an annuity for each month equal to one-half of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however,* That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii)~~

~~one-third of a survivor's insurance annuity divided by the number of such children"~~ *"one-half" the phrase "two-thirds".*

SEC. 15. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ", no widower," after "widow"; and by substituting for the phrase ~~"an annuity for each month equal to one-half of the employee's basic amount" the phrase "a survivor's insurance annuity"~~ *"one-half" the phrase "two-thirds".*

SEC. 16. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by ~~striking out all after the phrase "whose death" and substituting the following: "the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one of such employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees."~~ *substituting for the phrase "one-half" the phrase "two-thirds".*

SEC. 17. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "widower," after the ~~word~~ *phrase* ~~"widow"~~ *"widow,"* where this ~~word~~ *phrase* first appears *in the first sentence, and*

after the phrase "widow," wherever this phrase appears in the fourth sentence; and by substituting in the first sentence ~~"twelve times the survivor's insurance annuity" for "eight times the employee's basic amount"; by inserting after the first sentence thereof the following: "Upon the death, on or after the first day of the month next following the month of enactment hereof, of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the order provided in this paragraph."; by inserting before "would" in the fourth sentence thereof the following: "of twelve times the survivor's insurance annuity", by inserting in that sentence "widower," after the word "widow," wherever it appears, and by substituting in that sentence the phrase "eight times the survivor's insurance annuity" for the phrase "such lump sum" wherever it appears.~~ *for the word "eight" the word "ten".*

SEC. 18. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" wherever this word appears; by inserting "or her" after the words "his" and "him" wherever these words appear, by inserting after

"$300" the following: "through the calendar year 1951 and ~~$400~~ *$350* thereafter"; by inserting immediately before ", or to ~~other~~ *others*" in the first sentence the following: ", and to others deriving from him or her, during his or her life,"; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: "except that the deductions of the benefits ~~paid~~ *which,* pursuant to subsection (k) *(1)* of this section, *are paid* under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in 'employment' pursuant to said subsection (k) *(1)*."

SEC. 19. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity

of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement ~~annuity."~~ *annuity.*

"(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph."

SEC. 20. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section ~~the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to subsection (g) (2) and after any deductions under subsection~~

~~(i),~~ ~~is more than $40 and exceeds an amount equal to 2⅔ times a survivor's insurance annuity, such total of annuities shall, subject to the provisos in subsection (c) of section 3 and in subsections (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deductions under subsection (i), be increased proportionately to $20~~ *as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14.*"

~~SEC. 21. (a) Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subdivision (ii) of paragraph (1) and inserting in lieu thereof the following:~~

~~"(ii) is under the age of seventy-five and will have~~

~~earned more than $50 in 'wages' or will have been charged with more than $50 in 'net earnings from self-employment'; or".~~

~~(b) Such subsection (i) is further amended by striking out subdivision (iii) thereof and by redesignating subdivision (iv) as subdivision (iii).~~

SEC. 21. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended, by substituting "$50" for "$25".

SEC. 22. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 23. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said paragraph after the word "Act" where it first appears the following: "to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii)

insurance benefits with respect to the death of an employee who will have completed ten years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent, or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" the following: ", and for the purposes of section 203 of that Act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States."

~~(b) Paragraph (2) of the said subsection (k) is amended by changing "1950" to "1956"; by inserting after the word "awards" where it first appears the following: "and in administering the proviso in section 3 (c) of this Act"; by substituting "Federal Security Administrator" for "Social Security Board"; and by striking out from said paragraph (2) all after the phrase "such legislative changes as" and substituting the following: "would be necessary to place the Federal Old Age and Survivors Insurance Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been~~

~~included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act."~~

(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed 'Trust Fund') in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed 'Retirement Account') to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year

under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

"(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Ad-

ministrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund."

SEC. 24. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "'widower'," after "'widow'," where this word first appears; by substituting "216 (c), (e) and (g)" for "209 (j) and (k)", and by substituting "202 (h)" for "202 (f)".

(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension ~~began. For the purposes of subsections (b) and (i) (1) (iii) of this section, the term 'widow' shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under~~

~~the age of eighteen, or (c) was married to him at the time both of them legally adopted a child under the age of eighteen; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;".~~

began."

(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase "such death" the following: "by other than a step parent, grand parent, aunt, or uncle"; ~~by substituting in subdivision (iii) for the phrase "shall have been wholly dependent upon and supported at the time of his death by" the phrase "shall have received at least one-half of his support from"; by changing the semicolon after the phrase "is claimed" in said subdivision (iii) to a period and striking out the portion of the sentence following that phrase.~~ *and by amending subdivision (iii) to read as follows: "(iii) a 'parent' shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.".*

(4) Paragraph (1) of the said subsection (l) is fur-

ther amended by substituting for all the matter which follows subdivision (iii) the following: "A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A 'child' shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection ~~(g)~~ *(f)* of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;".

(b) Paragraph (4) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: "If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made."

~~(c) Paragraph (6) of subsection (l) of section 5 of~~

~~the Railroad Retirement Act of 1937, as amended, is amended by striking "(a)" after "209" and by inserting after the word "Act", the following: ", and, in addition (i) 'self-employment income' as defined in section 211 (b) of that Act and (ii) wages deemed to have been paid under section 217 (a) of that Act on account of military service which is not creditable under section 4 of this Act."~~

(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(6) The term 'wages' shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) 'self-employment income' as defined in section 211 (b) of the Social Security Act (and in determining 'self-employment income' the 'net earnings from self-employment' shall be determined as provided in section 211 (a) of such Act and charged to correspond with the provisions of section 203 (e) of such Act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this Act."

(d) Paragraph (7) of subsection (l) of section 5 of

the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word "had" the phrase "completed ten years of service and will have"; and by inserting in the parenthetical phrase in subdivision (i), after the word "quarter" the following: "which is not a quarter of coverage and".

(e) Paragraph (8) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(8) An employee will have been 'partially insured' at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs."

(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of

(i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month through 1951, and any excess over ~~$400~~ *$350* for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:"; by inserting in the second proviso after the word "quarter" the following: "which is not a quarter of coverage and"; and by changing the period at the end of said proviso to a colon and adding the following: "*And provided further,* That if the exclusion from the divisor of all quarters ~~after~~ *beginning with* the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded."

~~(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is~~

~~amended by substituting the phrase "'survivor's insurance annuity'" for the phrase "'basic amount'" wherever this phrase appears; by substituting in subdivisions (i) and (ii) of said paragraph "$100" for "$75"; by substituting for "$250" in subdivision (i) the following: "$400 if wages are not included in the average monthly remuneration, or $300 if wages are included"; and by striking out from subdivision (i) all the language after the phrase "plus (C)", up to and including the phrase "or more", and by substituting for said language the following: "$1 for each of his years of service after 1936"; by substituting in said subdivision (i) "$20" for "$10" wherever the latter figures appear; by substituting in subdivision (ii) of said paragraph the phrase "the survivor's insurance annuity" for the phrases "the amount computed under his subdivision" and "such amount"; by substituting "$35" for "$33.33", and for "$25" and substituting "$15" for "$13.33" and "$300" for "$250", and by striking out the phrase "four-thirds of".~~

(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in subdivision (i) for "$250" the following: "$350 if wages are not included in the average monthly remuneration, or $300 if wages are included"; by substituting in said subdivision (i) "$14" for "$10"; and by substituting "$300" for "$250" in subdivision (ii) thereof.

SEC. 25. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out "subsection (b) of".

AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

SEC. 26. Sections 1500, 1501 (a), 1510, and 1520 of the Railroad Retirement Tax Act are amended, effective with respect to compensation paid after December 31, 1951, *for services rendered after such date,* by substituting for the figures "$300", wherever they appear in said sections, the figures ~~"$400"~~ *"$350"*.

EFFECTIVE DATES

SEC. 27. (a) Except as otherwise specifically provided the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this Act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however,* That in the recomputation pursuant to this Act of ~~retirement and~~ survivor annuities heretofore awarded, the ~~monthly compensation and average monthly remuneration~~ *basic amount* shall not be recomputed ~~but shall be increased to the next highest multiple of one dollar~~.

(b) The amendments made by sections 3, *4* and 22 of this Act ~~and the elimination of the language in section (3)~~

~~(b) 4 of the Railroad Retirement Act~~ shall apply to benefits awarded in whole or in part *on or* after the *date of* enactment of this Act.

~~(c) The amendments made by sections 4 and 21 with respect to "wages" and "net earnings from self-employment" shall not apply to "wages" from service, or to "net earnings from self-employment" in which an individual (other than a disability annuitant under the age of 65) in receipt of an annuity on the enactment date hereof was engaged on such date without forfeiting the annuity.~~

~~(d)~~ *(c)* The amendments made by sections 17 and 18 of this Act shall take effect with respect to deaths occurring *on or* after the *date of* enactment of this Act.

~~(e) With respect to retirement and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this Act to, and with respect to the death of, individuals who have completed less than ten years of service, and with respect to spouses of such individuals during such individuals' lifetime, the amendments made by this Act shall apply in the same manner as to, and with respect to the death of, individuals who have completed ten years of service.~~

(d) In the case of any retirement or survivor annuity awarded under the Railroad Retirement Acts prior to the date of enactment of this Act and currently payable, if such

annuity was awarded to, or with respect to the death of, any individual who has completed less than ten years of service, then the amendments made by this Act shall apply with respect to such annuity as if such individual had met the requirement of ten years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this Act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such Act by reason of the fact that such individual has completed less than ten years of service.

(e) Where the parent of a deceased employee has, prior to the date of enactment of this Act, been awarded a survivor annuity under the Railroad Retirement Acts which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this Act shall be determined without regard to whether or not such employee died leaving a "widow" or "widower", as defined in this Act.

(f) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual

who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

(g) All pensions due in months following the first calendar month after the *month of* enactment hereof, shall be increased by 15 per centum.

(h) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" *as used in this Act* shall include the wife or husband of an employee who has been awarded an annuity under ~~that~~ *the Railroad Retirement* Act *of 1935*. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.

(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, 79th Congress, shall, subject to the provisions of this Act, be one-half the annuity such em-

ployee would have received had the annuity been awarded at age sixty-five.

~~(j) All recertifications required by reason of the provisions of this Act other than section 10 shall be made without application therefor. Recomputations pursuant to sections 9 and 10 of this Act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.~~

(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this Act other than section 10 shall be made without application therefor. Recertifications pursuant to section 10 of this Act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 28. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding at the end of the first paragraph thereof the following: "Provided further, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon

in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness."

SEC. 29. Subsection (a–1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subsections (iii) and (iv) thereof.

SEC. 30. The provisions of sections 28 and 29 of this Act shall become effective with respect to registration periods beginning on and after January 1, 1952.

Amend the title so as to read: "A bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, and for other purposes."

Calendar No. 842

82D CONGRESS
1ST SESSION

S. 1347

[Report No. 890]

A BILL

To amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

By Mr. MURRAY, Mr. HILL, Mr. KILGORE, Mr. NEELY, Mr. DOUGLAS, Mr. HUMPHREY, Mr. LEHMAN, Mr. PASTORE, Mr. KEFAUVER, Mr. LANGER, Mr. FERGUSON, Mr. IVES, and Mr. MALONE

APRIL 18 (legislative day, APRIL 17), 1951
Read twice and referred to the Committee on Labor and Public Welfare

OCTOBER 4 (legislative day, OCTOBER 1), 1951
Reported with amendments

the Railroad Retirement Tax Act, and for other purposes.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Arizona.

The motion was agreed to; and the Senate proceeded to consider the bill S. 1347, which had been reported from the Committee on Labor and Public Welfare with amendments.

Mr. McFARLAND. Mr. President, I wish to say that of course we do not expect to dispose of this bill this afternoon; it is now too late to act on it today.

In accordance with previous anouncements, if a conference report, which of course is a privileged matter, is ready to be taken up on Monday, the railroad retirement bill will then be temporarily laid aside, for the purpose of the consideration of such a conference report.

AMENDMENT OF RAILROAD RETIREMENT ACT AND RAILROAD RETIREMENT TAX ACT

Mr. McFARLAND. Mr. President, I move that the Senate proceed to the consideration of Senate bill 1347, Calendar No. 842, amending the Railroad Retirement Act, and the Railroad Retirement Tax Act.

The PRESIDING OFFICER. The bill will be stated by title, for the information of the Senate.

The CHIEF CLERK. A bill (S. 1347) to amend the Railroad Retirement Act and

AMENDMENT OF THE RAILROAD RETIREMENT ACT AND THE RAILROAD RETIREMENT TAX ACT

The Senate resumed the consideration of the bill (S. 1347) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes.

Mr. DOUGLAS. Mr. President, as chairman of the subcommittee which conducted hearings on this bill and prepared the revised draft, I think it might be appropriate for me to speak at not too great length on the bill and the problems of railroad retirement.

As all of us know, we really created two systems of old-age security in 1935, one for the railroad workers and another for a much larger group of covered occupations. Although the first Railroad Retirement Act was declared unconstitutional, it was replaced by another act in 1937. So we have had these two systems going along parallel to each other now for almost 15 years.

The Railroad Retirement Act was originally passed not only to provide future protection for those who would become aged, but also to reinforce and in a sense bail out the private pension plans which the railroads had established on their systems prior to 1935. A great many of the railroads had individual plans, but during the depression the solvency of these plans was threatened, and the older workers under the seniority system tended to stay on in order to increase their earnings, with the result that, under the seniority system, the bulk of the effects of the depression fell upon the younger workers. The result was that the Railroad Retirement Act was passed to provide annuities not merely for those who would pay contributions into the system and would become aged in the future, but also to provide annuities for those who were at the moment aged and who had not paid contributions in the Federal system in the past. In other words, the railroad-retirement system assumed from the very beginning the liability of payments to the large number of aged railroad workers who had grown up in the industry. Many of these people had thought they

were partially protected by private funds, only to find this protection largely removed. They would have been in a very difficult position if they could have received benefits only in proportion to their payments into the social-security system which was not started until 1935, or, in its second form, until 1937. This is one reason why the contributions under the railroad retirement system have always been much greater than the contributions under the social security system.

At present both the railways and the workers are assessed 6 percent of wages paid up to $300 a month, or a total of 12 percent, whereas the contributions under social security are only 1½ percent upon each, a total of 3 percent, and even at their maximum, many years in the future, will not rise above 3¼ percent upon each, or a total of 6½ percent. In other words, the railroad retirement system started with this liability which it assumed, and because of that initial liability and because the rates of benefit for retired railroad workers were in excess of those provided under social security, the rate of contributions has always been much greater for railroad retirement than for social security.

When in the last session of Congress we revised the Social Security Act, we not only increased the benefits under that system but we also still further divorced the benefits from an actuarial relationship to individual contributions. We put the social security system much more closely in conformity with needs rather than basing it upon prior contributions, with the result that we greatly increased benefits for survivors and for wives. Consequently the benefits under the social security system for survivors now tend to be in excess of what the benefits under railroad retirement are for survivors. Social security also provides a wife's benefit or spouse's benefit, whereas the railroad retirement does not provide a spouse's benefit or a wife benefit at all. Accordingly, there is presented a situation in which people inside the railroad retirement system who pay very much greater contributions than are paid under social security have no protection, no added allowance for wives, and less protection in the case of survivors than those under the social-security system itself.

These facts plus the increase in the cost of living, making existing benefits less adequate to meet current living costs, has created a very widespread demand for an improvement or rather for an increase in benefits under railroad retirement; and varying plans were drafted, introduced, and considered by the subcommittee.

One plan, Senate bill 1347, drew its chief popular support from the so-called nonoperating unions, namely, the shop crafts, the clerks, the section hands, and other unions. Another bill drew its support primarily from four operating unions; and other bills were introduced by private pension organizations. In general, the difference between the bills of the nonoperating brotherhoods and of the operating brotherhoods could be summarized approximately as follows: The nonoperating brotherhoods wanted a liberal spouse's benefit with a maximum monthly payment of $50. They wanted an approximate 75-percent increase in the benefits for surviving widows and children, a 13.8-percent increase for annuitants, and a 15-percent increase for pensioners.

They wanted to get the funds for these added benefits from three sources: First, they wanted to increase the tax base from $300 a month to $400 a month. Then to provide that workers on the railroads who were employed for less than 10 years, and who, either before that or after that, were in occupations covered by the Social Security Act, would be treated not as being under both railroad retirement and social security, which would be the present system of getting dual benefits, but would receive single benefits under social security; that they would receive the social-security system of benefits, and in turn the railroad-retirement system would transfer to social security the amounts which they would have paid into social security had they been covered under that system from the very beginning, retaining for railroad retirement the difference between the contributions under social security and the contributions under railroad retirement. That was the second source of funds.

The third source of funds which was proposed was a work clause to disqualify from the benefits those aged annuitants who in outside occupations received more than $50 a month. That is the disqualification which prevails in social security, and it was proposed to extend it to railroad retirement.

The four operating brotherhoods wanted to provide first a 16⅔ percent increase in annuities and pensions, but they did not wish to provide an increase for survivors or a spouse's benefit, they did not wish to increase the tax base, nor did they wish to have either the proposed transfer to social security or a work clause disqualifying those receiving over $50 a month. There were also certain other proposals.

The committee worked hard on this matter. The hearings are before us, and I hope the copies will be distributed. It will be observed that it is a volume of approximately 600 pages. We had a number of actuarial studies and estimates made. We finally decided we would propose a 15-percent increase in annuities and pensions for the retired workers; and we would propose a 33⅓-percent increase in survivors' benefits, but with the proviso that in no case would the survivor's benefit under railroad retirement be less than the survivor's benefit under social security.

We introduced a modification of the wife's or spouse's benefits equal to 50 percent of the employee's benefit with a maximum of $40 a month instead of the $50 a month which had been originally requested. We felt that it was unsafe to increase benefits without also increasing the financial resources of the fund. There had been in the past increases in the scale of benefits to retired railroad workers, in one case accompanied by an increase in contributions, and in another case not accompanied by an increase in contributions, and these tended to turn out actuarially sound, even though the actuaries had predicted in advance that that would not be the result.

The railroad retirement fund in the past has had good luck because the increase in the scale of wages brought employees nearer to the $300 maximum, and because of increasing contributions to the fund, so that the last increase in benefits, which was not accompanied by an increase in the rate of contributions, turned out actuarily, to the surprise of many people, to be all right. Certainly I do not think it wise to trust fortune too far, to depend again on the continued upward drift in earnings to make increases in benefits. Therefore the subcommittee sought to make savings and economies which would permit the proposed increase in the scale of benefits to be paid.

The first, and, I imagine, the chief, point of controversy between the nonoperating and the operating unions was increasing the tax base from $300 a month to $350 a month instead of to $400, as the nonoperating unions had originally urged. For this reason it is estimated that there will be brought into the fund in gross revenues approximately $50,000,000 a year more; that is, it is estimated that there are $600,000,000 in wages and salaries which fall within the bracket from $300 to $400 a month, and that $400,000,000 of this amount is in the $300 to $350 level. Since the rate of taxation is 12½ percent, this will bring in annually approximately $50,000,000.

It is estimated that the added benefits which will be created by thus raising the benefit base as well as the tax base will be somewhere between $20,000,000 and $25,000,000 a year, thus producing a net saving to the fund of approximately from $20,000,000 to $30,000,00 per annum. Since the total taxable payroll is at present approximately $5,300,000,000, this will amount to about one-half of 1 percent. In other words, without increasing the rate of taxation, a net added revenue of about one-half of 1 percent is obtained, which could be used to help finance the benefits.

We rejected the idea that if a retired worker earned more than $50 a month in employment covered by the Social Security Act he should be disqualified from benefits. Very frankly, I think that in the future we shall have to reconsider that provision in the social-security law, because both the Railroad Retirement Act and the social-security law were passed in a period of unemployment and depression when one of the purposes was to take off the labor market the aged workers so that the younger workers could get jobs. This was particularly the case with railroads, where seniority resulted in bumping off younger workers. We are certainly not now in a period of surplus labor; we are in a period of labor shortage.

One of the big problems we have is being able to utilize the services of aged workers. The subcommittee did not want to add to the aggravation of this problem by putting into the bill a provision that if a worker received more

than $50 a month in outside earnings, he would be disqualified from receiving benefits, particularly when he had made such large contributions out of his own earnings toward his own protection. Therefore, this feature was rejected and so the work clause is not contained in the measure. The bill helps to finance the system by an exchange provision with social security. It provides that where workers have been employed on a railway system for less than 10 years, the benefits they will receive will not be determined under the railroad retirement formula, but will be determined under the social-security formula. The railroad-retirement formula is 2½ percent a year multiplied by the number of years of service, and it is, therefore, very closely tied to the past earnings of the workers.

The social-security formula does not bear a very close relationship to the past earnings of the worker, but it is based more on the idea of need, and it does not have too much of the individual insurance element in it.

So the bill provides that the workers who have been employed for less than 10 years are to receive the benefits which they would have received had they been under social security, and the railroad-retirement system is then to turn over to social security the amounts which the workers and their employers would have contributed had they been under social security during the entire time. Conversely, there is an exchange in the opposite direction for those who have been employed for more than 10 years.

The total long-time level cost which the actuaries estimate under the bill is 14.06 percent of payroll. The maximum contributions will be 12½ percent. There is a gap between the two. It is not so great a gap as would have been provided, I believe, under the bill suggested by the four operating brotherhoods, but it is a gap. It is my judgment that the whole question of the time provisions of the railroad-retirement system and the relationships of the railroad-retirement system to social security should be considered by a joint congressional committee. We shall have time enough to do that even if our estimates—and they are very conservative—that this bill will cost 14.06 percent are true. Even if the estimates are true, and I believe they are the best estimates we can get, the existing fund of close to $2,500,000,000 would not be exhausted in 30 years. So that we have, roughly, until 1990, or close to 1990, before we will be in our most difficult position.

But, nevertheless, I think we should begin relatively early to study both the railroad-retirement fund itself and its relationships to the social-security system and see if any degree of integration can be effected between them and the degree to which dual benefits can be eliminated and a broader coverage with resulting reduction in costs obtained. If the bill in its present form should be passed by the Senate, it is my intention to seek action on Senate Concurrent Resolution 51, to provide for such a joint study.

I think that is approximately all I wish to say, Mr. President, except this——

Mr. MURRAY. Mr. President, will the Senator yield?

Mr. DOUGLAS. I am happy to yield to the Senator from Montana.

Mr. MURRAY. I understand that the operating groups feel that the increase in the tax base which the Senator has suggested is not fair to them, that the increase comes from the operating brotherhoods, and they feel that would not be exactly fair.

If the bill were amended to change the base from $350 to $300, I should like to ask the Senator if that would not be a sufficient base to effectively carry out the the program, at least until there is time to make a more extensive study of the problem. After such a study we could then agree on a base which would be fair and just to all concerned.

Mr. DOUGLAS. Mr. President, I should be reluctant to accept that proposal, for a number of reasons. In the first place, I think it is apparent that a larger annual revenue is needed in order to meet the increased benefits. I do not like to vote increased benefits without seeing some increased revenue coming in. No one desires an increase in the rate of taxation. No one wants to go above 12½ percent. That is about the maximum.

I believe it is proper, however, to increase the base, for several reasons. In the first place, the money is needed. In the second place, while those drawing from $300 to $350 will pay more, they will also be receiving wives' benefits which they do not now receive; there will be increased annuities for the aged, and an increase of one-third in survivors' benefits. In other words, the benefits as well as the contributions are going up.

Another point is that there has always been a differential between the maximum paid under railroad retirement and the maximum paid under social security. Prior to 1950 the maximum under social security was $250 a month, the maximum under railroad retirement was $300, and hence there was $50 more of earnings protected under railroad retirement than was protected under social security. Now the social-security maximum has gone up to $300, and it would seem to me fair to continue this $50 differential by raising the railroad retirement figure to $350.

The Senator from Montana has put his finger on the real difference in the house of labor. The operating unions do not want to have the tax base raised to $350. I do not like to raise the tax base, but to my mind it is a necessary price which must be paid for raising the benefits.

I should like to point out, also, that the committee recommendation for an increase in the tax base of from $300 a month to $350 a month was an attempt to enable those urging an increase up to $400 a month and those opposing any increase at all to reach an agreement.

Mr. MURRAY. Mr. President, I am very much interested in the need for the legislation now being considered. I did not have the opportunity of attending the hearings, and the bill is highly technical, but it seems to me that in the interest of having the proposed legislation enacted at this session of the Congress it would be wiser to accept the $300 base rather than insist on the $350 base, because, otherwise, it might result in having the bill blocked in the House or in conference.

Mr. DOUGLAS. My own belief is that the need for increased benefits on the part of those who are already on the annuity rolls and the need for added survivors' benefits, in view of the increase in living costs, is apparent. There is such a need for increased benefits that the question of the tax base will turn out to be relatively less important. I think that any group which holds up the passage of such a bill merely because it does not want an increase in the tax base will be putting itself in a very disadvantageous position before the members of the group.

Mr. LEHMAN. Mr. President——

The PRESIDING OFFICER (Mr. HOEY in the chair). Does the Senator from Illinois yield to the Senator from New York?

Mr. DOUGLAS. I am glad to yield.

Mr. LEHMAN. The Senator gave some figures a little while ago showing the increased charge on the fund by the proposed legislation, which, I think, was 14.06 percent. Am I right in assuming that that was based on an increase in the tax base from $300 to $350?

Mr. DOUGLAS. Yes; and if it were not for that, the cost would be nearer 14½ percent of payroll.

Mr. LEHMAN. Am I not correct in the statement that, while there has been some difference among some of the railway unions as to the tax base, and possibly some other minor questions, there has been no difference, and there is no difference today in the feeling that there must be an increase in the pensions, annuities, and in the amounts paid to survivors, to widows and children?

Mr. DOUGLAS. We are all agreed that there should be an increase in the benefits of pensioners and annuitants. The operating unions are more concerned with the planned increase across the board and are not enthusiastic about a wives' benefit.

Mr. MURRAY. Mr. President, of course that was intended as an emergency proposal, in order to secure the passage of the proposed legislation at this session. The proponents indicated that they had no doubt that later more careful study would be given to the subject, and a full and complete bill would be worked out.

Mr. DOUGLAS. Yes. With respect to the increase in tax base, it is interesting that in 1937, when the present act was passed, 98 percent of the payroll of the railroads was taxable under the $300 maximum. So that the $300 maximum took in virtually the entire payroll. Now only 84 percent of the railroad payroll is covered by the $300 maximum. If we raise the level from $300 to $350, we will cover only approximately 92 percent of the payroll, so we are still leaving 8 percent of the payroll untaxed, whereas the

$300 provision left 16 percent of the payroll untaxed.

Mr. LEHMAN. Mr. President, will the Senator yield further?

Mr. DOUGLAS. I yield to the Senator from New York.

Mr. LEHMAN. My reason for asking questions is that there is some difference of opinion between the operating and nonoperating brotherhoods. That being the case, am I not correct in stating that the subcommittee has been considering the pending bill, with amendments to the bill, for a period of not less than 6 months?

Mr. DOUGLAS. That is true. We began our hearings the 27th of April, conducted them to the middle of May, studied the matter all through the summer, and brought out our bill in September, and have been having incessant conferences with interested parties during the entire time.

Mr. LEHMAN. If that is so, as of course it is, is it not pretty clearly established that if we are to recognize the need for higher pensions and annuities and survivors' benefits, a bill containing provisions similar to those of the pending bill, is absolutely essential, and that we cannot finance the plan with any degree of actuarial security save on the basis proposed?

Mr. DOUGLAS. That is my feeling. It is my feeling, first, that we need at this session an extension of the benefits under the system of railroad retirement and, second, that it is unsound merely to vote the benefits without providing some additional revenue which will help to meet the payment of the benefits.

Mr. LEHMAN. Is it not a fact, too, that the subcommittee, of which I am not a member, which spent months considering this matter, and the full committee of which I am a member, were in substantial agreement on the need for legislation of the type proposed, increasing the pensions and annuities and the survivors' benefits?

Mr. DOUGLAS. The Senator from New York is correct. It may be that the Senator from Illinois, because he has labored on this matter, has accentuated the differences between the various groups. Those differences are real, but I believe every one is agreed to an increase, roughly, of 15 percent in the benefits of annuitants and pensioners, and in rough agreement on an increase of one-third in benefits to survivors, that that is the point of agreement.

The nonoperating unions emphasize the need for a spouse's benefit. Then, in order to get added funds for that, and also to meet some of the other costs, they want to introduce the economy of transferring the short-time workers to social security and raising the tax base to get an added net gain of about $25,000,000 a year.

Mr. LEHMAN. Mr. President, will the Senator further yield?

Mr. DOUGLAS. Certainly.

Mr. LEHMAN. Since the need for increased annuities, pensions, and survivors' benefits has been so clearly established, and, further, since that need has been recognized by both the operating and the nonoperating brotherhoods, it seems to me highly essential that at this session Congress enact a bill effectuating those increased benefits. It appears to me that while we must recognize the differences which now exist, they are relatively so small in comparison to the benefits which would result from the passage of this bill that I am very strongly in favor of its enactment at this session of the Congress.

Mr. DOUGLAS. I thank the Senator from New York.

Mr. CASE. Mr. President, will the Senator yield?

Mr. DOUGLAS. I yield.

Mr. CASE. I was struck by a couple of sentences in the committee report. On page 7 we find the following language:

> The greatest sufferers from the present wave of price inflation are those people who are trying to exist on a fixed income, such as pensions and annuities. They are trying to get along on a fixed number of dollars each month. And these dollars are buying less and less as the cost of the basic necessities of life soars higher and higher.

The distinguished Senator from Illinois is known as one of the outstanding economists of the country. I should like to have his opinion on what the future holds in store if we raise the level of retirement benefits and pension benefits generally. Does that foreshadow a rise in freight rates and passenger rates, with a resultant contribution to the spiral of inflation generally, with the possibility that a year or 2 years from now we shall have to come back and take further action in order to reach the higher level which the spiral produces?

Mr. DOUGLAS. There is no increase in the rate of taxation in the committee bill. The only increase which comes is from the raising of the tax base from $300 to $350 a month. That will bring in an added $50,000,000 a year, half of which will be contributed by the workers and half by the railroads. The railroads will contribute an added $25,000,000 a year.

The total wage bill at present is about $6,000,000,000, I believe. So this would amount to something less than one-half of 1 percent of the wage bill, and therefore appreciably less than one-half of 1 percent of operating costs. So I do not believe that the program will contribute to inflation.

Furthermore, it must be remembered that there has been built up a reserve of about $2,500,000,000 out of past contributions of the railroads and of the men. So in a sense we are contributing to workers the added protection which we thought we had accorded them when the act was originally passed. However, the protection has been made less adequate by the increase in the cost of living, over which they have had no control. So they are drawing on funds which they themselves have helped to contribute to meet contingencies which neither they nor the Congress anticipated.

Mr. CASE. I think it is beyond argument that the increase in living costs means that the dollar protection which was supposedly provided in prior legislation would not today provide the protection in goods or in living comforts which was anticipated at the time of the prior enactment.

Mr. DOUGLAS. That is correct.

Mr. CASE. That is unquestionably true. Does the Senator feel that the reserves can be drawn upon without impairment?

Mr. DOUGLAS. I do not want to have the reserves treated in a cavalier fashion. I want to have them continue for a relatively long period of time. That is why I do not want to finance the increase in benefits exclusively from the existing reserves. All I am saying is that even with an estimated cost of 14.06 percent and contributions of 12½ percent, the reserves will last for approximately 30 years. Long before the expiration of that time—in fact, I think within the next 5 or 6 years—we should look over the entire system, in connection with social security, and see if there is not some way by which we can reduce the average charges while maintaining benefits.

Mr. CASE. In that connection, what the Senator has just said reminds me of another sentence in the report, which refers to the change in the tax base from the present maximum of $300 a month to the new maximum of $350. Then follows this sentence:

> This preserves the historic difference between the tax base of the social-security system and the tax base of the railroad-retirement system.

The remark which the Senator has just made would suggest to me that possibly he saw in a general review and survey of the whole situation the possibility that the two might be drawn closer together. However, this sentence rather suggests that the pending legislation would preserve the historic difference. Would the Senator care to comment on that situation?

Mr. DOUGLAS. I think it is quite possible that instead of $350 a month being too high for railroad workers, $300 a month may be too low for those covered by social security.

Mr. CASE. It certainly is true that those who get an annuity or pension benefit based upon the tax base of a salary up to $100 a month under present conditions receive an inadequate return so far as meeting living costs is concerned. Pension benefits must be supplemented in some other way.

Mr. DOUGLAS. Of course, the railroad benefit has always been tied much more closely to individual earnings, namely, 2½ percent of average earnings multiplied by the number of years of employment. So the railroad benefits have both been tied more closely to previous earnings, and have been larger in amount, than the straight old-age annuities to persons under social security. Social security has provided survivors' benefits which at the moment are in excess of railroad survivors' benefits; also the spouse's benefit, which the railroad system has not had at all. But so far as concerns the basic pension or annuity for retired workers, the railroad benefits have always been in excess of those under social security. It would

be very difficult to integrate the two systems.

Mr. CASE. If the Senator from Illinois will indulge me for one further question, he as a member of the committee may be conversant with the provisions of the bill which the House has passed. I am not. Can the Senator say—perhaps he has already said it, when I was not in the Chamber; if not, I would appreciate a statement for the RECORD—what constitutes the essential difference between the approach in the Senate bill and the approach in the bill passed by the House? What will be the issue in conference?

Mr. DOUGLAS. As I understand, the House committee bill provides a 15-percent increase in benefits to pensioners and annuitants. A similar provision is contained in the Senate committee bill. The House bill also provides an increase of 33⅓ percent for survivors. The Senate bill contains a similar provision. The two bills are identical up to that point.

Beyond that we add a spouse's benefit equivalent to half the employee's benefit, up to $40 a month. Then, to provide added revenue, we raise the tax base from $300 to $350. In addition, we provide for a transfer between social security and railroad retirement, under which a short-time worker, who has been employed for less than 10 years, is transferred to social security; with a converse adjustment in the accounts of those who have been employed for more than 10 years.

Mr. CASE. Of course, it is impossible to predict what will happen in conference, but I am interested in knowing whether or not the Senator from Illinois has any information which would bear upon the probability that the conferees will reach an agreement before the adjournment of this session of Congress.

Mr. DOUGLAS. The Senator from Illinois is neither a prophet nor the son of a prophet, but he will say that an agreement such as that is devoutly to be wished.

If the Senator from South Dakota will turn to page 12 of the committee report, he will see some estimates on costs. The estimated cost under the House bill is 14.71 percent. The estimated cost under the Senate bill is 14.06 percent. In other words, we make very real savings from the increase in the tax base and from the transfer into social security.

Mr. CASE. I appreciate very much the observations of the Senator from Illinois. My question with regard to the conference was not in any way an attempt to lead the Senator on.

Mr. DOUGLAS. I understand.

Mr. CASE. I was thinking about the probable adjournment of Congress and the possibility of reaching some agreement on a bill. If action is to be taken it would be desirable, if possible, to complete action promptly so that the conference could take action and the conference report be acted upon before the adjournment of the session.

Mr. DOUGLAS. The House is due to take action on its measure tomorrow. I hope very much we can get an agreement and obtain passage of a bill on the subject before we adjourn.

Mr. CASE. I thank the Senator from Illinois.

The PRESIDING OFFICER. The question is on agreeing to the committee amendments.

Mr. DOUGLAS. Mr. President, I ask unanimous consent that the committee amendments may be considered en bloc and agreed to.

The PRESIDING OFFICER. With the reservation that any Senator may offer an amendment to any committee amendment?

Mr. DOUGLAS. Yes.

The PRESIDING OFFICER. The Senator from Illinois asks unanimous consent that the committee amendments be considered en bloc and agreed to, with the understanding that any Senator may have the right to offer amendments to the committee amendments. Is there objection? The Chair hears none. Without objection, the committee amendments are agreed to en bloc.

The committee amendments, agreed to en bloc, are as follows:

On page 2, line 8, before the word "by", to insert "and"; in line 11, after the word "phrase", to strike out the semicolon and "and by striking out the next to the last sentence of such subsection (a)"; after line 16, to strike out:

"SEC. 4. Subsection (d) of section 2 of the Railroad Retirement Act of 1937 as amended, is amended by inserting in the first sentence '(i)' after 'individual' and by changing the period at the end of the first sentence to a comma and inserting after the comma the following: 'or (ii) is receiving an annuity under paragraph 1, 2 or 3 of subsection (a), or under paragraph 4 or 5 thereof after attaining age sixty-five, is under the age of seventy-five, and shall earn more than $50 in "wages" or be charged with more than $50 in "net earnings" from self-employment", or (iii) is receiving an annuity under paragraph 4 or 5 of subsection (a), is under the age of sixty-five, and shall earn more than $100 in "wages" or be charged with more than $100 in "net earnings from self-employment."'"

And in lieu thereof to insert:

"SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'sixty days' in subsection (k) thereof the phrase 'six months.'"

On page 3, after line 12, to strike out:

"(e) For the purpose of this section and of subsection (i) of section 5, 'wages' shall mean wages as defined in section 209 of the Social Security Act, without regard to subsection (a) thereof; and 'net earnings from self-employment' shall be determined as provided in section 211 (a) of the Social Security Act and charged to correspond to the provisions of section 203 (c) of that act."

In line 20, to reletter the subsection from "(f)" to "(e)"; on page 4, line 6, after the word "than", to strike out "$50" and insert "$40"; in line 12, after the word "subsection", to insert *"Provided further*, That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election:"; on page 5, line 1, after the word "this", to strike out "subsection" and insert "third proviso"; in line 6, to reletter the subsection from "(g)" to "(f)"; in line 22, to reletter the subsection from "(h)" to "(g)"; in the same line, after the word "subsection", to strike out "(f)" and insert "(e)"; in line 24, after "(d)", to strike out "with regard to service, 'wages' and 'net earnings from self-employment'"; on page 6, line 14, after the word "to", where it occurs the first time, to strike out "'2.80'" and insert "'2.76'"; in the same line, after the word "to", where it occurs the second time, to strike out "'2.00'" and insert "'2.07'"; in line 15, after the word "to", to strike out "'1.40'" and insert "'1.38'"; in line 22, before the word "by", to insert "and"; on page 7, line 12, after the word "pension" to insert: "as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however*, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this proviso, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.'"

On page 8, line 2, after the word "of", to strike out "400" and insert "350"; in line 7, after the word "to", to strike out "'sections'" and insert "'section'"; in line 8, after the word "(b)", to strike out "(4)"; in line 9, after the word "to", where it occurs the first time, to strike out "'$4.10'" and insert "'$4.14'"; in line 10, before the word "and", to strike out "'$68'" and insert "'$69'"; in line 24, after "(f)" to insert "and (g) (2)"; on page 9, line 3, after the numeral "5", to strike out "(1)" and insert "(l)"; in line 16, after the word "'she'" to strike out "and by substituting for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity: *Provided, however*," and insert "by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: "; in line 24, after the word "subsection", to strike out "(f)" and insert "(e)"; on page 10, line 1, after the word "the", to strike out "survivor's" and insert "widow's or widower's"; ine line 5, after the word "by", to strike out "substitute for the phrase "an annuity for each month equal to three-fourths of the employee's basic amount" the following: "a survivor's insurance annuity:" and insert "striking out the phrase "three-fourths of": and by changing the period at the end thereof to a colon and inserting after the colon the following:"; in line 13, after the word "subsection", to strike out "(f)" and insert "(e)"; in line 14, after the word "the", to strike out "survivor's" and insert "widow's current"; in line 19, after the word "phrase", to strike out "'an annuity for each month equal to one-half of the employee's basic amount' the following: 'a survivor's insurance annuity: *Provided, however*, That if the employee is survived by more than one child entitled to an annuity hereunder, each such child's annuity shall be (i) two-thirds of a survivor's insurance annuity plus (ii) one-third of a survivor's insurance annuity divided by the number of such children'" and insert "'one-half" the phrase "two-thirds.'"

On page 11, line 6, after the word "phrase", to strike out "'an annuity for each month equal to one-half of the employee's basic amount" the phrase "a survivor's insurance annuity'" and insert "'one-half" the phrase "two-thirds'"; in line 10, after the word "by", to strike out "striking out all after the phrase 'whose death' and substituting the following: 'the same two or more children are entitled to annuities for a month under subsection (c), any application of each such child shall be deemed to be filed with respect to the death of only that one

of such employees from whom may be derived a survivor's insurance annuity for each child under subsection (c) in an amount equal to or in excess of that which may be derived from any other of such employees.'" and insert "substituting for the phrase "one-half" the phrase "two-thirds" "; in line 23, after the word "the", to strike out "word" and insert "phrase"; in the same line, after the amendment just above stated, to strike out "'"widow" " and insert "'"widow," "; in line 24, after the word "this", to strike out "word" and insert "phrase"; in the same line, after the word "appears" to insert "in the first sentence, and after the phrase "widow," wherever this phrase appears in the fourth sentence; and"; on page 12, line 3, after the word "sentence" to strike out "'"twelve times the survivor's insurance annuity" for "eight times the employee's basic amount"; by inserting after the first sentence thereof the following: "Upon the death, on or after the first day of the month next following the month of enactment hereof of a completely or partially insured employee who will have died leaving a widow, widower, child, or parent who would on proper application therefor be entitled to an annuity under this section for the month in which such death occurred, there shall be paid a lump sum of four times the survivor's insurance annuity to the person or persons in the order provided in this paragraph."; by inserting before "would" in the fourth sentence thereof the following: "of twelve times the survivor's insurance annuity", by inserting in that sentence "widower," after the word "widow," wherever it appears, and by substituting in that sentence the phrase "eight times the survivor's insurance annuity" for the phrase "such lump sum" wherever it appears." and insert "for the word "eight" the word "ten"; on page 13, at the beginning of line 2, to strike out "$400" and insert "$350"; in line 3, after the word "to", to strike out "other" and insert "others"; in line 7, after the word "benefits", to strike out "paid" and insert "which"; in line 8, after "(k)", to insert "(1)"; in the same line, after the word "section", to insert "are paid"; in line 14, after "(k)" to insert "(1)"; on page 14, line 7, to strike out "annuity." and insert "annuity."; after line 7, to insert:

"(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph."

In line 22, after the word "section" to strike out "the total of annuities payable for a month with respect to the death of an employee, after any adjustment pursuant to subsection (g) (2) and after any deductions under subsection (i), is more than $40 and exceeds an amount equal to $2\frac{2}{3}$ times a survivor's insurance annuity, such total of annuities shall, subject to the provisos in subsection (e) of section 3 and in subsections (a) and (b) of this section, be reduced proportionately to such amount or to $40, whichever is greater. Whenever according to the provisions of this section the total of annuities payable for a month with respect to the death of an employee is less than $20 such total shall, prior to any adjustment pursuant to subsection (g) (2) and prior to any deductions under subsection (i), be increased proportionately to $20" and insert "as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14." After line 20, to strike out:

"SEC. 21. (a) Subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subdivision (ii) of paragraph (1) and inserting in lieu thereof the following:

"'(ii) is under the age of 75 and will have earned more than $50 in "wages" or will have been charged with more than $50 in "net earnings from self-employment"; or.'

"(b) Such subsection (i) is further amended by striking out subdivision (iii) thereof and by redesignating subdivision (iv) as subdivision (iii)."

And in lieu thereof to insert:

"SEC. 21. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended, by substituting '$50' for '$25.'"

On page 17, after line 13, to strike out:

"(b) Paragraph (2) of the said subsection (k) is amended by changing '1950' to '1956'; by inserting after the word 'awards' where it first appears the following: 'and in administering the proviso in section 3 (c) of this act'; by substituting 'Federal Security Administrator' for 'Social Security Board'; and by striking out from said paragraph (2) all after the phrase 'such legislative changes as' and substituting the following: 'would be necessary to place the Federal Old-Age and Survivors Insurance Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.'"

And in lieu thereof to insert:

"(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"'(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal old-age and survivors insurance trust fund (hereafter termed "trust fund") in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"'(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the railroad retirement account (hereafter termed "retirement account") to the trust fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"'(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the trust fund would place such trust fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the trust fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the trust fund, the Board shall, within 10 days after the determination, certify such amount to the Secretary of the Treasury for transfer from the retirement account to the trust fund; if such amount is to be subtracted from the trust fund, the Administrator shall, within 10 days after the determination, certify such amount to the Secretary of the Treasury for transfer from the trust fund to the retirement account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the retirement account from the trust fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"'(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate.

"'(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund.'"

On page 21, line 20, after the word "pension", to strike out "began. For the purposes of subsections (b) and (i) (1) (iii) of this section, the term 'widow' shall include a woman who has been divorced from the employee if she (A) is the mother of his son or daughter, (B) legally adopted his son or daughter while she was married to him and while such son or daughter was under the age of 18, or (C) was married to him at the time both of them legally adopted a child under the age of 18; and if she received from the employee (pursuant to agreement or court order) at least one-half of her support at the time of the employee's death, and the child in her care referred to in subsection (b) is the child described in clauses (A), (B), and (C) entitled to a survivor's insurance annuity under subsection (c) with respect to the death of such employee;"." and insert "began.'"; on page 22, line 14, after the word "uncle", to strike out "by substituting in subdivision (iii) for the phrase "shall have been wholly dependent upon and supported at the time of his death by' the phrase 'shall have received at least one-half of his support from'; by changing the semicolon after the phrase 'is claimed' in said subdivision (iii) to a period

and striking out the portion of the sentence following that phrase." and insert "and by amending subdivision (iii) to read as follows: '(iii) a "parent" shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.'."; on page 23, line 11, after the word "subsection", to strike out "(g)" and insert "(f); after line 24, to strike out:

"(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking '(a) after '209' and by inserting after the word 'Act', the following: ', and, in addition (i) "self-employment income" as defined in section 211 (b) of that act and (ii) wages deemed to have been paid under section 217 (a) of that act on account of military service which is not creditable under section 4 of this act.'"

And in lieu thereof, to insert:

"(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(6) The term "wages" shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (l) (1) (ii) of this act such wages shall be determined without regard to subsection (a) of said sec. 209). In addition, the term shall include (i) "self-employment income" as defined in section 211 (b) of the Social Security Act (and in determining "self-employment income" the "net earnings from self-employment" shall be determined as provided in section 211 (a) of such act and changed to correspond with the provisions of section 203 (e) of such act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this act'."

On page 26, line 4, after the word "over", to strike out "$400" and insert "$350"; in line 18, after the word "quarters", to strike out "after" and insert "beginning with"; after line 23, to strike out:

"(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the phrase '"survivor's insurance annuity"' for the phrase '"basic amount"' wherever this phrase appears; by substituting in subdivisions (i) and (ii) of said paragraph '$100' for '$75'; by substituting for '$250' in subdivision (i) the following: '$400 if wages are not included in the average monthly remuneration, or $300 if wages are included'; and by striking out from subdivision (i) all the language after the phrase 'plus (C)', up to and including the phrase 'or more', and by substituting for said language the following: '$1 for each of his years of service after 1936'; by substituting in said subdivision (i) '$20' for '$10' wherever the latter figures appear; by substituting in subdivision (ii) of said paragraph the phrase 'the survivor's insurance annuity' for the phrases 'the amount computed under his subdivision' and 'such amount'; by substituting '$35' for '$33.33', and for '$25' and substituting '$15' for '$13.33' and '$300' for '$250', and by striking out the phrase 'four-thirds of'."

And in lieu thereof, to insert:

"(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in subdivision (i) for '$250' the following: '$350 if wages are not included in the average monthly remuneration, or $300 if wages are included'; by substituting in said subdivision (i) '$14' for '$10'; and by substituting '$300' for '$250' in subdivision (ii) thereof."

On page 28, line 8, after the numerals "1951", to insert "for services rendered after such date"; in line 10, after the word "figures" to strike out "$400" and insert "$350"; in line 19, after the word "of", to strike out "retirement and"; in line 20, after the word "the", to strike out "monthly compensation and average monthly remuneration" and insert "basic amount"; in line 22, after the word "recomputed", to strike out "but shall be increased to the next highest multiple of $1"; in line 24, after the numeral "3", to insert "4"; in line 25, after the word "act", to strike out "and the elimination of the language in section (3) (b) of the Railroad Retirement Act"; on page 29, line 2, after the word "part", to insert "on or"; in the same line, after the word "the", to insert "date of"; after line 3, to strike out:

"(c) The amendments made by sections 4 and 21 with respect to 'wages' and 'net earnings from self-employment' shall not apply to 'wages' from service, or to 'net earnings from self-employment' in which an individual (other than a disability annuitant under the age of 65) in receipt of an annuity on the enactment date hereof was engaged on such date without forfeiting the annuity."

In line 11, to reletter the subsection from "(d)" to "(c)"; in line 13, after the word "occurring", to insert "on or"; in the same line, after the word "the", to insert "date of"; after line 13, to strike out:

"(c) With respect to retirement and survivor annuities currently payable and awarded under the Railroad Retirement Act prior to the enactment of this act to, and with respect to the death of, individuals who have completed less than 10 years of service, and with respect to spouses of such individuals during such individuals' lifetime, the amendments made by this act shall apply in the same manner as to, and with respect to the death of, individuals who have completed 10 years of service."

After line 22, to insert:

"(d) In the case of any retirement or survivor annuity awarded under the Railroad Retirement Acts prior to the date of enactment of this act and currently payable, if such annuity was awarded to, or with respect to the death of, any individual who has completed less than 10 years of service, then the amendments made by this act shall apply with respect to such annuity as if such individual had met the requirement of 10 years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such act by reason of the fact that such individual has completed less than 10 years of service.

"(e) Where the parent of a deceased employee has, prior to the date of enactment of this act, been awarded a survivor annuity under the railroad retirement acts which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this act shall be determined without regard to whether or not such employee died leaving a 'widow' or 'widower,' as defined in this act."

On page 31, line 8, after the word "the", to insert "month of"; in line 13, after the word "spouse", to insert "as used in this act"; in line 15, after the word "under", to strike out "that" and insert "the Railroad Retirement"; in the same line, after the word "act", to insert "of 1935"; on page 32, after line 2, to strike out:

"(j) All recertifications required by reason of the provisions of this act other than section 10 shall be made without application therefor. Recomputations pursuant to sections 9 and 10 of this act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe."

And in lieu thereof to insert:

"(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this act other than section 10 shall be made without application therefor. Recertifications pursuant to section 10 of this act shall be made only upon application therefor in such manner and form and filed within such time as the Railroad Retirement Board may prescribe."

And after line 16, to insert:

"AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

"SEC. 28. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding at the end of the first paragraph thereof the following: "*Provided further*, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.

"SEC. 29. Subsection (a–1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subsections (iii) and (iv) thereof.

"SEC. 30. The provisions of sections 28 and 29 of this act shall become effective with respect to registration periods beginning on and after January 1, 1952."

So as to make the bill read:

"*Be it enacted, etc.*, That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase 'one hundred twenty-six' for the phrase 'fifty-four' and by adding after subsection (p) thereof a new subsection as follows:

"'(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

"SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after 'enactment date,' the following: 'and shall have completed 10 years of service,'; and by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase 'regular employment' and striking out all of that sentence following that phrase.

"SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'sixty days', the phrase 'six months'.

"SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'sixty days' in subsection (k) thereof the phrase 'six months.'

"SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"'(e) Spouse's annuity: The spouse of an individual, if—

"'(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"'(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $40: *Provided, however*, That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further*, That, if the annuity of the individual is awarded pursuant to a joint and survivor

election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further*, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that act but for said subsection (k).

"'(f) For the purposes of this act, the term "spouse" shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than 3 years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"'(g) The spouse's annuity provided in subsection (e) shall, with respect to any month, be subject to the same provisions of subsection (d) as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this act.'

"SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing '2.40' to '2.76', '1.80' to '2.07', and '1.20' to '1.38'; and by striking out the phrase 'next 1.50' and substituting for said phrase the following: 'remainder of his "monthly compensation."'

"SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by substituting (in each instance in the parenthetic phrase of par. (1)) 'his "monthly compensation"' for '$300'; and by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"'The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old-age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old-age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however*, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this proviso, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.'

"SEC. 8. Subsection (c) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the last sentence thereof after '$300' the following: 'through the calendar year 1951, and in excess of $350 thereafter,'.

"SEC. 9. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'and not less than 5 years of service'; by changing the phrase 'subsection 2 (a) (3)' to 'section 2 (a) 3 or the last paragraph of section 3 (b)'; by changing '$3.60' to '$4.14', and '$60' to '$69'; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: *'Provided, however*, That if for any entire month in which an annuity accrues and is payable under this act the annuity to which an employee is entitled under this act (or would have been entitled except for a reduction pursuant to sec. 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsec. (f) and (g) (2) of sec. 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that act and quarters of coverage were determined in accordance with section 5 (l) (4) of this act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.'

"SEC. 10. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

"SEC. 11. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

"SEC. 12. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting 'and Widower's' after 'Widow's'; by inserting 'or widower' after 'widow'; by inserting 'or his' after 'her', by inserting 'or he' after 'she'; by striking out the phrase 'three-fourths of'; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: *'Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount.'

"SEC. 13. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'three-fourths of'; and by changing the period at the end thereof to a colon and inserting after the colon the following: *'Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount.'

"SEC. 14. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds.'

"SEC. 15. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ', no widower,' after 'widow'; and by substituting for the phrase 'one-half' the phrase 'two-thirds.'

"SEC. 16. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds.'

"SEC. 17. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting 'widower,' after the phrase 'widow,' where this phrase first appears in the first sentence, and after the phrase 'widow,' wherever this phrase appears in the fourth sentence; and by substituting in the first sentence for the word 'eight' the word 'ten.'

"SEC. 18. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ', widower,' after the word 'widow' wherever this word appears; by inserting 'or her' after the words 'his' and 'him' wherever these words appear, by inserting after '$300' the following: 'through the calendar year 1951 and $350 thereafter'; by inserting immediately before ', or to others' in the first sentence the following: ', and to others deriving from him or her, during his or her life,'; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: 'except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).'

"SEC. 19. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to any annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

"'(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the an-

nuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph.'

"SEC. 20. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(h) Maximum and minimum annuity totals: Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14.'"

SEC. 21. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended, by substituting "$50" for "$25."

SEC. 22. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 23. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said paragraph after the word "Act" where it first appears the following: "to an employee who will have completed less than 10 years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed 10 years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent, or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" the following: ", and for the purposes of section 203 of that act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this act shall be deemed to have been performed within the United States."

"(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"'(2) A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed "Trust Fund") in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"'(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed "Retirement Account") to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"'(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within 10 days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within 10 days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"'(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31, preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 percent, the rate of interest shall be the multiple of one-eighth of 1 percent next lower than such average rate.

"'(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund.'

"SEC. 24. (a) (1) Paragraph (1) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting '"widower",' after '"widow",' where this word first appears; by substituting '216 (c), (e), and (g)' for '209 (j) and (k)', and by substituting '202 (h)' for '202 (f)'.

"(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"'(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began.'

"(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase 'such death' the following: 'by other than a step parent, grand parent, aunt, or uncle'; and by amending subdivision (iii) to read as follows: '(iii) a "parent" shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.'.

"(4) Paragraph (1) of the said subsection (1) is further amended by substituting for all the matter which follows subdivision (iii) the following: 'A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently incured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;'.

"(b) Paragraph (4) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: 'If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made.'

"(c) Paragraph (6) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(6) The term "wages" shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) "self-employment income" as defined in section 211 (b) of the Social Security Act (and in determining "self-employment income" the "net earnings from self-employment" shall be determined as provided in section 211 (a) of such act and charged to correspond with the provisions of section 203 (e) of such act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this act.'

"(d) Paragraph (7) of subsection (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word 'had' the phrase 'completed 10 years of service and will have'; and by inserting in the parenthetical phrase in subdivision (i), after the word 'quarter' the following: 'which is not a quarter of coverage and.'

"(e) Paragraph (8) of subsection (1) of section 5 of the Railroad Retirement Act of

1937, as amended, is amended to read as follows:

"'(8) An employee will have been "partially insured" at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed 10 years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs.'

"(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"'(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month through 1951, and any excess over $350 for any calendar month after 1951, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:'; by inserting in the second proviso after the word 'quarter' the following: 'which is not a quarter of coverage and'; and by changing the period at the end of said proviso to a colon and adding the following: '*And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of 65 and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.'

"(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in subdivision (i) for '$250' the following: '$350 if wages are not included in the average monthly remuneration, or $300 if wages are included'; by substituting in said subdivision (i) '$14' for '$10'; and by substituting '$300' for '$250' in subdivision (ii) thereof.

"SEC. 25. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out 'subsection (b) of.'

"AMENDMENTS TO THE RAILROAD RETIREMENT TAX ACT

"SEC. 26. Sections 1500, 1501 (a), 1510, and 1520 of the Railroad Retirement Tax Act are amended, effective with respect to compensation paid after December 31, 1951, for services rendered after such date, by substituting for the figures '$300', wherever they appear in said sections, the figures '$350.'

"EFFECTIVE DATES

"SEC. 27. (a) Except as otherwise specifically provided the amendments made by this act shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however*, That in the recomputation pursuant to this act of survivor annuities heretofore awarded, the basic amount shall not be recomputed.

"(b) The amendments made by sections 3, 4, and 22 of this act shall apply to benefits awarded in whole or in part on or after the date of enactment of this act.

"(c) The amendments made by sections 17 and 18 of this act shall take effect with respect of deaths occurring on or after the date of enactment of this act.

"(d) In the case of any retirement or survivor annuity awarded under the railroad retirement acts prior to the date of enactment of this act and currently payable, if such annuity was awarded to, or with respect to the death of, any individual who has completed less than 10 years of service, then the amendments made by this act shall apply with respect to such annuity as if such individual had met the requirement of 10 years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such act by reason of the fact that such individual has completed less than 10 years of service.

"(e) Where the parent of a deceased employee has, prior to the date of enactment of this act, been awarded a survivor annuity under the railroad retirement acts which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this act shall be determined without regard to whether or not such employee died leaving a "widow" or "widower," as defined in this act.

"(f) All joint and survivor annuities heretofore and hereafter awarded shall, notwithstanding the provisions of law under which the election of the joint and survivor annuity was made, be increased to the amount that would have been payable had no election been made, if the spouse for whom the election was made predeceased the individual who made the election; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the spouse died but not before the calendar month next following the month of enactment hereof.

"(g) All pensions due in months following the first calendar month after the month of enactment hereof, shall be increased by 15 percent.

"(h) The increase in retirement annuities provided by this act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" as used in this act shall include the wife or husband of an employee who has been awarded an annuity under the Railroad Retirement Act of 1935. The provisions of this act shall not apply to annuities heretofore paid under the railroad retirement acts in lump sums equal to their commuted values.

"(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, Seventy-ninth Congress, shall, subject to the provisions of this act, be one-half the annuity such employee would have received had the annuity been awarded at age 65.

"(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this act other than section 10 shall be made without application therefor. Recertifications pursuant to section 10 of this act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.

"AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

"SEC. 28. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding at the end of the first paragraph thereof the following: '*Provided further*, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.'

"SEC. 29. Subsection (a-1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subsections (iii) and (iv) thereof.

"SEC. 30. The provisions of sections 28 and 29 of this act shall become effective with respect to registration periods beginning on and after January 1, 1952."

The PRESIDING OFFICER. The bill is open to further amendment. If there be no further amendment, the question is on the engrossment and third reading of the bill.

Mr. CASE. I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk proceeded to call the roll.

Mr. CASE. Mr. President, I ask unanimous consent that the suggestion of the absence of a quorum may be withdrawn and that the order for the call of the roll may be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

The committee amendments to the bill having been agreed to en bloc, the question is, Are there any further amendments to be offered to the bill?

If there are no further amendments to be offered, the question is on the engrossment and third reading of the bill.

The bill (S. 1347) was ordered to be engrossed for a third reading, read the third time, and passed.

The title was amended so as to read: "A bill to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, and for other purposes."

AMENDMENT OF RAILROAD RETIREMENT ACT

The PRESIDING OFFICER laid before the Senate the bill (H. R. 3669) to amend the Railroad Retirement Act, and for other purposes, which was read twice by its title.

Mr. HUMPHREY. Mr. President, I ask unanimous consent that the Senate proceed to the consideration of the bill (H. R. 3669) to amend the Railroad Retirement Act; that all after the enacting clause be stricken out and the text of the bill (S. 1347) to amend the Railroad Retirement Act, the Railroad Retirement Tax Act, and the Railroad Unemployment Insurance Act, and for other purposes, be substituted therefor; that the House bill, as amended, be passed; that the title be amended to conform to the text; that the Senate insist on its amendments and request a conference with the House thereon; and that the Chair appoint the conferees on the part of the Senate.

The PRESIDING OFFICER. Is there objection to the request of the Senator from Minnesota?

Mr. SALTONSTALL. Mr. President, reserving the right to object—and I shall not object—it is my understanding that the Senate passed its bill by a voice vote.

Mr. HUMPHREY. That is correct.

Mr. SALTONSTALL. The House passed another bill, which is different from the Senate bill. Therefore, the only way in which to get the two bills to conference is by taking the action which the Senator from Minnesota suggests.

Mr. HUMPHREY. That is correct.

Mr. SALTONSTALL. The Senator from Minnesota is not suggesting that we do anything different from what we did on Monday when we passed the Senate bill.

Mr. HUMPHREY. That is correct. There are two separate bills. This is the only way in which we can handle it in conference, in order to get the two bills together and iron out the differences between them.

Mr. SALTONSTALL. I have no objection.

The PRESIDING OFFICER. Without objection, the request of the Senator from Minnesota [Mr. HUMPHREY] is agreed to, and the Chair appoints the following conferees on the part of the Senate: Mr. DOUGLAS, Mr. HILL, Mr. HUMPHREY, Mr. MORSE, and Mr. IVES.

AMENDMENT TO RAILROAD RETIREMENT ACT AND THE RAILROAD RETIREMENT TAX ACT

Mr. CROSSER. Mr. Speaker, I ask unanimous consent to take from the Speaker's table the bill H. R. 3669, an act to amend the Railroad Retirement Act, and for other purposes, with a Senate amendment thereto, disagree to the amendment of the Senate and agree to the conference requested by the Senate.

The SPEAKER. Is there objection to the request of the gentleman from Ohio? [After a pause.] The Chair hears none and appoints the following conferees: Messrs. CROSSER, BECKWORTH, and WOLVERTON.

82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
1st Session } { No. 1215

RAILROAD RETIREMENT AMENDMENTS

OCTOBER 18, 1951.—Ordered to be printed

Mr. CROSSER, from the committee of conference, submitted the following

CONFERENCE REPORT

[To accompany H. R. 3669]

The committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following: *That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase "one hundred twenty-six" for the phrase "fifty-four" and by adding after subsection (p) thereof a new subsection as follows:*

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950."

SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after "enactment date," the following: "and shall have completed ten years of service,"; and by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase "regular employment" and striking out all of that sentence following that phrase.

SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days", the phrase "six months".

SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days" in subsection (k) thereof the phrase "six months".

SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"(e) SPOUSE'S ANNUITY.—The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $40: Provided, however, That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: Provided further, That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: And provided further, That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

"(f) For the purposes of this Act, the term 'spouse' shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

' (g) The spouse's annuity provided in subsection (e) shall, with respect to any month, be subject to the same provisions of subsection (d) as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in

the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act."

SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing "2.40" to "2.76"; "1.80" to "2.07", and "1.20" to "1.38".

SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: Provided, however, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph."

SEC. 8. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "and not less than five years of service"; by changing the phrase "subsection 2 (a) (3)" to "section 2 (a) 3 or the last paragraph of section 3 (b)"; by changing "$3.60" to "$4.14", and "$60" to "$69"; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: "Provided, however, That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), togethr with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that Act and quarters of coverage were determined in accordance with section 5 (l) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount."

SEC. 9. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

SEC. 10. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

SEC. 11. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "and Widower's" after "Widow's"; by inserting "or widower" after "widow"; by inserting "or his" after "her", by inserting "or he" after "she"; by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: "Provided, however, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount."

SEC. 12. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon and inserting after the colon the following: "Provided, however, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount."

SEC. 13. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "one-half" the phrase "two-thirds".

SEC. 14. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ", no widower," after "widow"; and by substituting for the phrase "one-half" the phrase "two-thirds".

SEC. 15. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "one-half" the phrase "two-thirds".

SEC. 16. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "widower," after the phrase "widow," where this phrase first appears in the first sentence, and after the phrase "widow," wherever this phrase appears in the fourth sentence; and by substituting in the first sentence for the word "eight" the word "ten".

SEC. 17. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" wherever this word appears; by inserting "or her" after the words "his" and "him" wherever these words appear; by inserting immediately before ", or to others" in the first sentence the following: ", and to others deriving from him or her, during his or her life,"; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: "except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in 'employment' pursuant to said subsection (k) (1)."

SEC. 18. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such

annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

"(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph."

SEC. 19. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14."

SEC. 20. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting "$50" for "$25".

SEC. 21. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 22. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said paragraph after the word "Act" where it first appears the following: "to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent, or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" the following: ", and for the purposes of section 203 of that Act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all

service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States."

(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed 'Trust Fund') in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed 'Retirement Account') to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a

multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

"(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund."

SEC. 23. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting " 'widower'," after " 'widow'," where this work first appears; by substituting "216 (c), (e), and (g)" for "209 (j) and (k)", and by substituting "202 (h)" for "202 (f)".

(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

> *"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began."*

(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase "such death" the following: "by other than a step parent, grand parent, aunt, or uncle"; and by amending subdivision (iii) to read as follows: "(iii) a 'parent' shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.".

(4) Paragraph (1) of the said subsection (l) is further amended by substituting for all the matter which follows subdivision (iii) the following: "A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A 'child' shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;".

(b) Paragraph (4) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: "If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made."

(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(6) The term 'wages' shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i)

'self-employment income' as defined in section 211 (b) of the Soci Security Act (and in determining 'self-employment income' the 'n earnings from self-employment' shall be determined as provided in se tion 211 (a) of such Act and charged to correspond with the provisio of section 203 (e) of such Act), and (ii) wages deemed to have been pai under section 217 (a) of the Social Security Act on account of militar service which is not creditable under section 4 of this Act."

(d) Paragraph (7) of subsection (l) of section 5 of the Railroad Retire ment Act of 1937, as amended, is amended by inserting before the wor "had" the phrase "completed ten years of service and will have"; an by inserting in the parenthetical phrase in subdivision (i), after th word "quarter" the following: "which is not a quarter of coverage and"

(e) Paragraph (8) of subsection (l) of section 5 of the Railroad Retire ment Act of 1937, as amended, is amended to read as follows:

"(8) An employee will have been 'partially insured' at the time of hi death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years o service and will have had (i) a current connection with the railroad indus try; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs."

(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retire ment Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:"; by inserting in the second proviso after the word "quarter" the following: "which is not a quarter of cover age and"; and by changing the period at the end of said proviso to a colon and adding the following: "And provided further, That if the exclu sion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded."

(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting "$300" for "$250" and "$14" for "$10".

SEC. 24. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out "subsection (b) of".

EFFECTIVE DATES

SEC. 25. (a) Except as otherwise specifically provided, the amend ments made by this Act shall take effect with respect to benefits accruing

under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this Act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: Provided, however, That, in the recomputation pursuant to this Act of survivor annuities heretofore awarded, the basic amount shall not be recomputed.

(b) The amendments made by sections 3, 4, and 21 of this Act shall apply to benefits awarded in whole or in part on or after the date of enactment of this Act.

(c) The amendments made by sections 16 and 17 of this Act shall take effect with respect to deaths occurring on or after the date of enactment of this Act.

(d) In the case of any retirement or survivor annuity awarded under the Railroad Retirement Acts prior to the date of enactment of this Act and currently payable, if such annuity was awarded to, or with respect to the death of, any individual who has completed less than ten years of service, then the amendments made by this Act shall apply with respect to such annuity as if such individual had met the requirement of ten years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this Act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such Act by reason of the fact that such individual has completed less than ten years of service.

(e) Where the parent of a deceased employee has, prior to the date of enactment of this Act, been awarded a survivor annuity under the Railroad Retirement Acts which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this Act shall be determined without regard to whether or not such employee died leaving a "widow" or "widower", as defined in this Act.

(f) All joint and survivor annuities heretofore and hereafter awarded shall be governed by the law under which the election of the joint and survivor annuity was made, except that the individual who made the election shall have the right to revoke the same in such manner and form as the Board may prescribe.

An election shall be deemed to have been revoked if before or after the enactment hereof the spouse for whom the election was made predeceased the individual who made the election. Upon revocation of the election, or death of the spouse, as herein provided, the individual's annuity shall be increased to the amount which would have been payable had no election been made; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the election was revoked or the spouse died but not before the calendar month next following the month of enactment hereof.

(g) All pensions due in months following the first calendar month after the month of enactment hereof shall be increased by 15 per centum.

(h) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" as used in this Act shall include the wife or husband of an employee who has been awarded an annuity under the Railroad Retirement Act of 1935. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.

(i) The annuity of the spouse of an employee who has been awarded an annuity under section (3) (b) of the Railroad Retirement Act of 1935

or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, Seventy-ninth Congress, shall, subject to the provisions of this Act, be one-half the annuity such employee would have received had the annuity been awarded at age sixty-five.

(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this Act other than section 9 shall be made without application therefor. Recertifications pursuant to section 9 of this Act shall be made only upon application therefor in such manner and form and filed within such time as the Railroad Retirement Board may prescribe.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 26. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding before the period at the end of the first paragraph thereof the following: ": Provided further, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness".

SEC. 27. Subsection (a-1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subdivisions (iii) and (iv) thereof.

SEC. 28. The provisions of sections 26 and 27 of this Act shall become effective with respect to registration periods beginning on and after January 1, 1952.

And the Senate agree to the same.

Amend the title so as to read: "An Act to amend the Railroad Retirement Act and the Railroad Unemployment Insurance Act, and for other purposes."

ROBERT CROSSER,
LINDLEY BECKWORTH,
CHAS. A. WOLVERTON,
Managers on the Part of the House.

PAUL DOUGLAS,
LISTER HILL,
HUBERT H. HUMPHREY,
WAYNE MORSE,
Managers on the Part of the Senate.

STATEMENT OF THE MANAGERS ON THE PART OF THE HOUSE

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendment to the text of the bill strikes out all of the House bill after the enacting clause. The committee of conference recommends that the House recede from its disagreement to the amendment of the Senate, with an amendment for both the House bill and the Senate amendment, and that the Senate agree to the same.

The differences between the House bill and the substitute agreed to in conference are noted in the following outline, except for incidental changes made necessary by reason of agreements reached by the conferees and minor and clarifying changes.

TRANSFER OF EMPLOYEES WITH LESS THAN 10 YEARS OF SERVICE TO SOCIAL SECURITY SYSTEM

The Senate amendment to the text of the bill provided that workers with less than 10 years of railroad service at the time of retirement, and the survivors of workers with less than 10 years of railroad service, should draw their benefits from the social security system rather than from the railroad retirement system. The bill as passed the House did not contain these provisions. The conference substitute follows the provisions of the Senate amendment.

$300 A MONTH TAX BASE

The bill as passed the House made no change in the tax base for purposes of determining the tax to be levied on employer and employee under the Railroad Retirement Tax Act; that is, the tax continued to be applicable with respect to only so much of the compensation in a month as did not exceed $300. The Senate amendment to the text of the bill changed this so as to make taxable, beginning January 1, 1952, so much of the compensation in a month as did not exceed $350. The conference substitute follows the House bill in this respect and makes no change in the tax base.

$300 A MONTH CREDIT PROVISION

The Senate amendment coupled with its change in tax base a change in the amount of compensation which could be credited in computing annuities under the Railroad Retirement Act, raising the maximum amount of creditable compensation in any one month from $300 to $350. This amendment would have been effective with re-

spect to service after December 31, 1951. The bill as passed the House contained no comparable provision for increasing the maximum creditable monthly compensation. Since the conference substitute made no change in the tax base, it follows the House bill with respect to the maximum creditable monthly compensation.

PROVISIONS RELATING TO DUPLICATION OF BENEFITS

The Senate amendment to the text of the bill contained certain technical provisions relating to the adjustment of benefits applicable in the case of an individual entitled to two or more benefits, either under the Railroad Retirement Act alone, or under that act and the Social Security Act. The bill as passed the House did not contain these provisions. The conference substitute follows the language of the Senate in this respect.

GUARANTY THAT BENEFITS WILL NOT BE LESS THAN SOCIAL SECURITY BENEFITS

The bill as passed the House provided a guaranty, for employees with not less than 10 years of railroad service and a current connection with the railroad system (and for the survivors of such employees), that the benefits which they received under the railroad retirement system would be not less than they would have received if their railroad service had been creditable under the social security system. The Senate amendment to the text contained a similar provision, but contained no requirement that there be a current connection. The conference substitute follows the Senate amendment in this respect.

REVOCATION OF JOINT AND SURVIVOR ELECTIONS

The bill as passed the House contained a provision under which a retirement annuitant who had made a joint and survivor election would have the right to revoke that election. The House bill further provided that any joint and survivor election would be automatically deemed to have been revoked if the spouse in whose favor the election was made should have predeceased the individual making the election. The Senate amendment contained the provision relating to the automatic revocation in case the spouse predeceased the individual making the election, but it contained no provision establishing a right to revoke. The conference substitute adopts the language of the bill as passed the House in this respect.

RECOMPUTATION OF ANNUITIES PREVIOUSLY AWARDED

The Senate amendment struck out section 3 (h) of the Railroad Retirement Act, thereby making possible the recomputation of an annuity which had been previously awarded on the basis of additional creditable service and compensation accumulated after the annuity had begun to accrue. The bill as passed the House contained no such provision. The conference substitute adopts the language of the Senate amendment.

WIDOWER'S AGE-65 ANNUITY

The Senate amendment to the text of the bill provided an annuity for the widower of a deceased railroad employee, where such widower had attained 65 years of age and had been receiving at least one-half of his support from his wife employee at the time of her retirement or death. The bill as passed the House contained no such provision. The conference substitute follows the language of the Senate amendment in this respect.

ADJUSTMENTS BETWEEN THE RAILROAD RETIREMENT ACCOUNT AND THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

The bill as passed the House did not provide for any adjustments between the railroad retirement account and the Federal old-age and survivors insurance trust fund. The Senate amendment to the text provided for annual financial adjustments between these two funds, with the first such adjustment being made at the close of the fiscal year ending June 30, 1953. The language of the Senate amendment was designed to establish the principle that the Federal old-age and survivors insurance trust fund should be maintained in the same position it would have been in if there had been no separate railroad retirement system. The conference substitute follows the language of the Senate amendment on this point.

AMENDMENT TO THE TITLE

The amendment to the title agreed to in conference conforms the title to the changes embodied in the conference substitute.

ROBERT CROSSER,
LINDLEY BECKWORTH,
CHAS. A. WOLVERTON,
Managers on the Part of the House.

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RAILROAD RETIREMENT AMENDMENTS—CONFERENCE REPORT

Mr. CROSSER. Mr. Speaker, I call up the conference report on the bill (H. R. 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, and ask unanimous consent that the statement be read in lieu of the report.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was on objection.

The Clerk read the statement.

The conference report and statement are as follows:

CONFERENCE REPORT (H. REPT. NO. 1215)

The committee of conference on the disagreeing votes of the two Houses on the

amendments of the Senate to the bill (H. R 3669) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate to the text of the bill and agree to the same with an amendment as follows: In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

"That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase 'one hundred twenty-six' for the phrase 'fifty-four' and by adding after subsection (p) thereof a new subsection as follows:

"'(q) The terms "Social Security Act" and "Social Security Act, as amended" shall mean the Social Security Act as amended in 1950.'

"SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after 'enactment date,' the following: 'and shall have completed ten years of service,'; and by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase 'regular employment' and striking out all of that sentence following that phrase.

"SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'sixty days', the phrase 'six months'.

"SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'sixty days' in subsection (k) thereof the phrase 'six months'.

"SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections:

"'(e) Spouse's annuity: The spouse of an individual, if—

"'(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"'(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act,

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $40: *Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further,* That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k).

"'(f) For the purposes of this Act, the term "spouse" shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"'(g) The spouse's annuity provided in subsection (e) shall, with respect to any month, be subject to the same provisions of subsection (d) as the individual's annuity, and in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act.'

"SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by changing '2.40' to '2.76', '1.80' to '2.07', and '1.20' to '1.38'.

"SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"'The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled to an old age insurance benefit under the Social Security Act, as follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this paragraph: *Provided, however,* That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph.'

"SEC. 8. Subsection (e) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'and not less than five years of service'; by changing the phrase 'subsection 2 (a) (3)' to 'section 2 (a) 3 or the last paragraph of section 3 (b)'; by changing '3.60' to '$4.14', and '$60' to '$69'; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: '*Provided, however,* That if for any entire month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term "employment" as defined in that Act and quarters of coverage were determined in accordance with section (5) (1) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount.'

"SEC. 9. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

"SEC. 10. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

"SEC. 11. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting 'and Widower's' after 'Widow's'; by inserting 'or widower' after 'widow'; by inserting 'or his' after 'her', by inserting 'or he' after 'she'; by striking out the phrase 'three-fourths of'; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: '*Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount:'

"SEC. 12. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase 'three-fourths of'; and by changing the period at the end thereof to a colon and inserting after the colon the following: '*Provided, however,* That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount.'

"SEC. 13. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds.'

"SEC. 14. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ', no widower,' after 'widow'; and by substituting for the phrase 'one-half' the phrase 'two-thirds.'

"SEC. 15. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase 'one-half' the phrase 'two-thirds.'

"SEC. 16. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting 'widower,' after the phrase 'widow,' where this phrase first appears in the first sentence, and after

the phrase 'widow,' wherever this phrase appears in the fourth sentence; and by substituting in the first sentence for the word 'eight' the word 'ten.'

"SEC. 17. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ', widower,' after the word 'widow' wherever this word appears; by inserting 'or her' after the words 'his' and 'him' wherever these words appear; by inserting immediately before ', or to others' in the first sentence the following: ', and to others deriving from him or her, during his or her life,'; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: 'except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in "employment" pursuant to said subsection (k) (1).'

"SEC. 18. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

"'(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph.'

"SEC. 19. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(h) Maximum and minimum annuity totals: Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14.'

"SEC. 20. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended, by substituting '$50' for '$25'.

"SEC. 21. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase 'the month in which' (including the proviso), and substituting the following: 'eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed.'

"SEC. 22. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting '(i)' after the word 'determining' and by inserting in said paragraph after the word 'Act' where it first appears the following: 'to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service'; by striking in said paragraph after '1947,' the following: 'to a widow, parent, or surviving child,'; by inserting before the word 'occurring' the phrase 'of such an employee'; by inserting after the phrase 'such date' the following: ', and for the purposes of section 203 of that Act'; by substituting in said paragraph '210 (a) (10)' for '209 (b) (9)'; and by inserting at the end of such paragraph (1) the following sentence: 'In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States.'

"(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following:

"'(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed "Trust Fund") in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

"'(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed "Retirement Account") to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"'(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A), as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"'(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

"'(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraph (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund.'

"SEC. 23. (a) (1) Paragraph (1) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting '"widower",' after '"widow",' where this word first appears; by substituting '216 (c), (e), and (g)' for '209 (j) and (k)', and by substituting '202 (h)' for '202 (f)'.

"(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"'(i) a "widow" or "widower" shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began.'

"(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase 'such death' the following: 'by other than a step parent, grand parent, aunt, or uncle'; and by amending subdivision (iii) to read as follows: '(iii) a "parent" shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support from such employee.'.

"(4) Paragraph (1) of the said subsection (l) is further amended by substituting for all the matter which follows subdivision (iii) the following: 'A "widow" or "widower" shall be deemed to have been living with the employee if the conditions set forth in section 216 (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A "child" shall be deemed to have been dependent upon a parent if the conditions set forth in section 202 (d) (3), (4), or (5) of the Social Security Act are fulfilled (a partially insured mother being

deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the Social Security Act shall be applied;'.

"(b) Paragraph (4) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the table the following: 'If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made.'

"(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(6) The term "wages" shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (l) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) "self-employment income" as defined in section 211 (b) of the Social Security Act (and in determining "self-employment income" the "net earnings from self-employment" shall be determined as provided in section 211 (a) of such Act and charged to correspond with the provisions of section 203 (e) of such Act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this Act.'

"(d) Paragraph (7) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word 'had' the phrase 'completed ten years of service and will have'; and by inserting in the parenthetical phrase in subdivision (i), after the word 'quarter' the following: 'which is not a quarter of coverage and'.

"(e) Paragraph (8) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"'(8) An employee will have been "partially insured" at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs.'

"(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"'(9) An employee's "average monthly remuneration" shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year "wages" as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:'; by inserting in the second proviso after the word 'quarter' the following: 'which is not a quarter of coverage and'; and by changing the period at the end of said proviso to a colon and adding the following: *And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of 65 and the exclusion from the dividend of all compensation and wages with respect to such quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded.'

"(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting '$300' for '$250' and '$14' for '$10'.

"SEC. 24. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out 'subsection (b) of'.

"EFFECTIVE DATES

"SEC. 25. (a) Except as otherwise specifically provided the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this Act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however*, That, in the recomputation pursuant to this Act of survivor annuities heretofore awarded, the basic amount shall not be recomputed.

"(b) The amendments made by sections 3, 4, and 21 of this Act shall apply to benefits awarded in whole or in part on or after the date of enactment of this Act.

"(c) The amendments made by sections 16 and 17 of this Act shall take effect with respect to deaths occurring on or after the date of enactment of this Act.

"(d) In the case of any retirement or survivor annuity awarded under the Railroad Retirement Acts prior to the date of enactment of this Act and currently payable, if such annuity was awarded to, or with respect to the death of, any individual who has completed less than ten years of service, then the amendments made by this Act shall apply with respect to such annuity as if such individual had met the requirement of ten years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this Act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such Act by reason of the fact that such individual has completed less than ten years of service.

"(e) Where the parent of a deceased employee has, prior to the date of enactment of this Act, been awarded a survivor annuity under the Railroad Retirement Act which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this Act shall be determined without regard to whether or not such employee died leaving a "widow" or "widower", as defined in this Act.

"(f) All joint and survivor annuities heretofore and hereafter awarded shall be governed by the law under which the election of the joint and survivor annuity was made, except that the individual who made the election shall have the right to revoke the same in such manner and form as the Board may prescribe.

"An election shall be deemed to have been revoked if before or after the enactment hereof the spouse for whom the election was made predeceased the individual who made the election. Upon revocation of the election, or death of the spouse, as herein provided, the individual's annuity shall be increased to the amount which would have been payable had no election been made; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the election was revoked or the spouse died but not before the calendar month next following the month of enactment hereof.

"(g) All pensions due in months following the first calendar month after the month of enactment hereof, shall be increased by 15 per centum.

"(h) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term 'spouse' as used in this Act shall include the wife or husband of an employee who has been awarded an annuity under the Railroad Retirement Act of 1935. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values.

"(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, 79th Congress, shall, subject to the provisions of this Act, be one-half the annuity such employee would have received had the annuity been awarded at age sixty-five.

"(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this Act other than section 9 shall be made without application therefor. Recertifications pursuant to section 9 of this Act shall be made only upon application therefor in such manner and form, and filed within such time as the Railroad Retirement Board may prescribe.

"AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

"SEC. 26. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding before the period at the end of the first paragraph thereof the following: '*Provided further*, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness.'

"SEC. 27. Subsection (a-1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subdivisions (iii) and (iv) thereof.

"SEC. 28. The provisions of sections 26 and 27 of this Act shall become effective with respect to registration periods beginning on and after January 1, 1952."

And the Senate agree to the same.

Amend the title so as to read: "An Act to amend the Railroad Retirement Act and the Railroad Unemployment Insurance Act, and for other purposes."

ROBERT CROSSER,
LINDLEY BECKWORTH,
CHAS. A. WOLVERTON,
Managers on the Part of the House.

PAUL DOUGLAS,
LISTER HILL,
HUBERT H. HUMPHREY,
WAYNE MORSE,
Managers on the Part of the Senate.

STATEMENT

The managers on the part of the House at the conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3669) to amend

the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes, submit the following statement in explanation of the effect of the action agreed upon by the conferees and recommended in the accompanying conference report:

The Senate amendment to the text of the bill strikes out all of the House bill after the enacting clause. The committee of conference recommends that the House recede from its disagreement to the amendment of the Senate, with an amendment for both the House bill and the Senate amendment, and that the Senate agree to the same.

The differences between the House bill and the substitute agreed to in conference are noted in the following outline, except for incidental changes made necessary by reason of agreements reached by the conferees and minor and clarifying changes.

TRANSFER OF EMPLOYEES WITH LESS THAN 10 YEARS OF SERVICE TO SOCIAL SECURITY SYSTEM

The Senate amendment to the text of the bill provided that workers with less than 10 years of railroad service at the time of retirement, and the survivors of workers with less than 10 years of railroad service, should draw their benefits from the Social Security system rather than from the railroad retirement system. The bill as passed the House did not contain these provisions. The conference substitute follows the provisions of the Senate amendment.

$300 A MONTH TAX BASE

The bill as passed the House made no change in the tax base for purposes of determining the tax to be levied on employer and employee under the Railroad Retirement Tax Act; that is, the tax continued to be applicable with respect to only so much of the compensation in a month as did not exceed $300. The Senate amendment to the text of the bill changed this so as to make taxable, beginning January 1, 1952, so much of the compensation in a month as did not exceed $350. The conference substitute follows the House bill in this respect and makes no change in the tax base.

$300 A MONTH CREDIT PROVISION

The Senate amendment coupled with its change in tax base a change in the amount of compensation which could be credited in computing annuities under the Railroad Retirment Act, raising the maximum amount of creditable compensation in any one month from $300 to $350. This amendment would have been effective with respect to service after December 31, 1951. The bill as passed the House contained no comparable provision for increasing the maximum creditable monthly compensation. Since the conference substitute made no change in the tax base, it follows the House bill with respect to the maximum creditable monthly compensation.

PROVISIONS RELATING TO DUPLICATION OF BENEFITS

The Senate amendment to the text of the bill contained certain technical provisions relating to the adjustment of benefits applicable in the case of an individual entitled to two or more benefits, either under the Railroad Retirement Act alone, or under that Act and the Social Security Act. The bill as passed the House did not contain these provisions. The conference substitute follows the language of the Senate in this respect.

GUARANTEE THAT BENEFITS WILL BE NOT LESS THAN SOCIAL SECURITY BENEFITS

The bill as passed the House provided a guarantee, for employees with not less than 10 years of railroad service and a current connection with the railroad system (and for the survivors of such employees), that the benefits which they received under the railroad retirement system would be not less than they would have received if their railroad service had been creditable under the Social Security system. The Senate amendment to the text contained a similar provision, but contained no requirement that there be a current connection. The conference substitute follows the Senate amendment in this respect.

REVOCATION OF JOINT AND SURVIVOR ELECTIONS

The bill as passed the House contained a provision under which a retirement annuitant who had made a joint and survivor election would have the right to revoke that election. The House bill further provided that any joint and survivor election would be automatically deemed to have been revoked if the spouse in whose favor the election was made should have predeceased the individual making the election. The Senate amendment contained the provision relating to the automatic revocation in case the spouse predeceased the individual making the election, but it contained no provision establishing a right to revoke. The conference substitute adopts the language of the bill as passed the House in this respect.

RECOMPUTATION OF ANNUITIES PREVIOUSLY AWARDED

The Senate amendment struck out section 3 (h) of the Railroad Retirement Act, thereby making possible the recomputation of an annuity which had been previously awarded on the basis of additional creditable service and compensation accumulated after the annuity had begun to accrue. The bill as passed the House contained no such provision. The conference substitute adopts the language of the Senate amendment.

WIDOWER'S AGE-65 ANNUITY

The Senate amendment to the text of the bill provided an annuity for the widower of a deceased railroad employee, where such widower had attained 65 years of age and had been receiving at least one-half of his support from his wife employee at the time of her retirement or death. The bill as passed the House contained no such provision. The conference substitute follows the language of the Senate amendment in this respect.

ADJUSTMENTS BETWEEN THE RAILROAD RETIREMENT ACCOUNT AND THE FEDERAL OLD-AGE AND SURVIVORS INSURANCE TRUST FUND

The bill as passed the House did not provide for any adjustments between the Railroad Retirement Account and the Federal Old-Age and Survivors Insurance Trust Fund. The Senate amendment to the text provided for annual financial adjustments between these two funds, with the first such adjustment being made at the close of the fiscal year ending June 30, 1953. The language of the Senate amendment was designed to establish the principle that the Federal Old-Age and Survivors Insurance Trust Fund should be maintained in the same position it would have been in if there had been no separate railroad retirement system. The conference substitute follows the language of the Senate amendment on this point.

AMENDMENT TO THE TITLE

The amendment to the title agreed to in conference conforms the title to the changes embodied in the conference substitute.

ROBERT CROSSER,
LINDLEY BECKWORTH,
CHAS. A. WOLVERTON,
Managers on the Part of the House.

Mr. CROSSER. Mr. Speaker, the conferees on the part of the two Houses have agreed on a bill in regard to the Railroad Retirement Act amendments, H. R. 3669. Personally, I am not altogether satisfied, as I rather imagine you would expect. It is, however, better to some extent than what we had, and I believe always in making whatever progress we can at the moment.

No lengthy speech is required from me to tell you how badly I am disappointed. I think it was a very great blunder on the part of the House that they acted as they did. I think the Members will find sooner or later that the issues dealt with in H. R. 3669, which was a very carefully worked out bill, will come back to bother them again. That bill not only provided benefits as far as we could reasonably do so, but it also provided revenue to the full extent necessary. The House saw fit to disregard our recommendations in that respect, however, and we, of course, submit to the will of the House.

I think this is better than having a man go on without any relief at all, and perhaps a little later we can do something better.

Mr. CROSSER. Mr. Speaker, I yield 10 minutes to the gentleman from New Jersey [Mr. WOLVERTON].

Mr. WOLVERTON. Mr. Speaker, it is with considerable pleasure and extreme satisfaction that I come before the House this afternoon as one of the conferees on the bill to amend the Railroad Retirement Act and report that an agreement has been reached. I am sure it is also gratifying to the membership of this House to know that we are presenting to you a conference report that meets with the general approval of all interested parties.

I wish to compliment all who have worked so sincerely, so honestly, and so ably in an effort to present to this House legislation that will prove helpful to the beneficiaries under the Railroad Retirement Act.

While there have been differences of opinion at times between some of the railroad brotherhoods as to the approach in this matter, while there have been differences of opinion in the Committee on Interstate and Foreign Commerce, and while there have been differences of opinion in the House, yet, as a result of our endeavors, we bring before you today this conference report which represents general approval of the different brotherhoods as well as the unanimous approval of your conferees of both Senate and House. Therefore we present to you a conference report that meets with such general approval of all interested parties that it can be supported, in my opinion, by the membership of this House regardless of what may have previously been individual views with respect to any of the questions that were in controversy.

It is my intention to ask for a roll-call vote on the adoption of the report in order that the membership of this House may have the opportunity of demonstrating to those who are interested in this matter that the House is unanimously in favor of granting relief to the pensioners, to the annuitants, and to the survivors of retired railroad workers.

Mr. DOLLIVER. Mr. Speaker, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Iowa.

Mr. DOLLIVER. I would like to take this opportunity to pay a sincere compliment to the gentleman from New Jersey.

He and I have not always seen eye to eye in all matters concerning railroad affairs, but I wish to state publicly that the gentleman from New Jersey [Mr. WOLVERTON] has always tried to do the very best for the railroad men that he could. I consider he has accomplished a magnificent effort in this recent legislation, and I wish to compliment him for the fine results that have come from the conference committee for which he in large part is responsible.

Mr. WOLVERTON. I thank the gentleman.

Mr. WALTER. Mr. Speaker, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Pennsylvania.

Mr. WALTER. Is this report a unanimous report?

Mr. WOLVERTON. It is a unanimous report. May I say in reply to the gentleman from Iowa [Mr. DOLLIVER] that I want to pay a compliment to all members of the Committee on Interstate and Foreign Commerce. Never have they worked harder, more sincerely and with more conviction and with a greater desire to accomplish results that would be worthwhile and beneficial to our retired railroad workers and their survivors than they have with respect to this legislation. It has been a pleasure to be associated with a group that has worked so zealously and with such great ability and sincerity of purpose as has characterized the members of the committee, and to which the gentleman from Iowa [Mr. DOLLIVER] has contributed so much in attaining the present results.

Mr. FULTON. Mr. Speaker, will the gentleman yield?

Mr. WOLVERTON. I yield to the gentleman from Pennsylvania.

Mr. FULTON. Has this conference report been agreed to and is it acceptable to the operating as well as the non-operating brotherhoods?

Mr. WOLVERTON. There has been no voice raised against it, to my knowledge. On the other hand, every voice I have heard has been raised in favor of it.

Mr. FULTON. Have there been any voices of the nonoperating brotherhoods raised specifically agreeing to it?

Mr. WOLVERTON. Yes. Now, let me inform the membership as to what is contained in this conference report.

The bill as reported by the conference committee retains practically all the provisions of the bill passed by the House and adds thereto certain provisions contained in the bill passed by the Senate. Its only omissions are from the bill passed by the Senate. The following are the principal features of the bill passed by the House, all of which have been retained in the bill reported by the conferees:

First. It provides for uniform increases of 15 percent in retirement annuities and pensions, 33⅓ percent in survivor annuities, and 25 percent in lump-sum death payments.

Second. It fixes the benefits payable under the Social Security Act as the minimum for corresponding benefits under the Railroad Retirement Act.

Third. It provides for credit for railroad service after age 65 in the computation of benefits.

Fourth. It provides for supplementing the annuity of a retired employee by an annuity to his wife when both are 65 or more years of age, the supplemental annuity to the wife being equal to one-half the annuity of the retired employee subject to a maximum of $40 per month.

Fifth. It provides for the payment of survivor annuities to widowers in the same amounts as are payable to widows.

In addition to the foregoing provisions which were retained from the bill as passed by the House, the bill as reported by the conferees retains the provisions of the bill as passed by the Senate establishing an arrangement between the railroad retirement system and the Social Security System in the nature of a reinsurance of the risks of the former by the latter. Under this arrangement, there will be transferred to the social-security trust fund such part of the taxes collected for the support of the railroad retirement system as equals the taxes that would have been paid under social security if railroad employment had been covered thereby. In return for the amount thus transferred to it, Social Security will assume all responsibility for the payment of benefits to railroad employees who at time of retirement or at time of death have less than 10 years of railroad service, and in addition will reimburse the railroad retirement fund for such portion of all benefits paid under the railroad retirement system as equals the benefits which would have been payable under the Social Security Act if railroad employment had been covered thereby. The actuaries of the Railroad Retirement Board estimate that this arrangement will result in a net saving to the railroad retirement system of about $95,000,000 a year.

The bill as reported by the conferees omits the provision contained in the bill passed by the Senate increasing taxes on both the railroads and railroad employees for the support of the railroad retirement system by raising the taxable compensation from $300 per month to $350.

The bill as reported by the conferees also retains a provision contained in the bills as passed both by the House and Senate which makes a technical amendment to the Railroad Unemployment Insurance Act to remove a restriction on the payment of unemployment and sickness benefits applicable only to certain classes of employees and which the operating employees regard without this amendment as highly discriminatory against them. The amendment eliminates this inequity.

It will also be noted that the bill does not contain the proposed $50 per month limitation work clause, that would have denied to retired workers the right to earn more than $50 per month while receiving an annuity. This provision was not acceptable to either House or Senate. Consequently, a retired worker can continue to earn as much as he can after retirement from railroad service without forfeiting his retirement annuity.

Now, let me explain in a few minutes just what was in conference. The bill that was passed here 2 days ago, known as the Harris compromise bill, was offered as a compromise between the Senate bill and the so-called Hall bill. It adopted many of the Senate provisions. This was done in an effort to compromise with the Senate. It was done because we realized the remaining days of the session were short, and we must come as nearly as possible to an agreement if we were to get any legislation whatsoever for these people who are in such great need. Therefore when we went into conference there were really only two questions to be considered. One was whether to adopt the integration language in the Senate bill or that which was provided in the House bill and, second, whether there should be any increase in the tax base. After consideration of these matters your conferees agreed to accept the language of the Senate bill with respect to integration of the Railroad Retirement Act with social security in a manner that would not prove a detriment to either the railroad worker or the railroad retirement fund. And the Senate conferees agreed to accept the House version that there should be no increase above the present $300 base for tax purposes. This brought us together. It resulted in a unanimous conference report.

In conclusion I want to mention this further fact, that one of the most important things we have done in our effort to improve the status of the retired railroad worker and his survivors is to pass the resolution that provides for a joint study of this whole subject by a joint committee from the Senate and House to be made within the next few months in order that there will be a report, we hope, not later than the early days of the next session. That study will show what if any additional benefits can be given to the pensioners, annuitants, and survivors, and what means can be taken to retain the stability of the retirement fund without increasing the tax base or the rate of taxes to be paid by the workers.

Mr. Speaker, the need for increasing the amount of monthly benefits paid to retired railroad employees and to survivors of deceased employees is urgent. The necessary relief must be given at the earliest possible day.

For several years now the scale of the benefits to retired railway workers and their families has lagged far behind the steadily rising cost of living. This has produced a situation that cannot and should not be ignored any longer. The condition of some of these retired workers and their families, whom we seek to aid by increased benefits, is desperate. They need help and they need it now without further delay. This bill does the all-important thing, namely, increases benefits to all beneficiaries now under the railroad retirement system and thereby grants immediate relief to enable them to live more in accord with what they are entitled to have as a result of long years of service and the high rate of taxes that have been paid into the retirement fund. This bill provides the additional aid in an easy and effectual manner by providing an across-the-board increase of 15 percent to annuitants and pensioners and 33⅓ percent to survivors, over and above the amounts they now receive. This will be

effective immediately upon enactment of the bill.

Mr. Speaker, I ask for the unanimous approval of the conference report by the House.

Mr. CROSSER. Mr. Speaker, I yield 2 minutes to the gentleman from Pennsylvania [Mr. HUGH D. SCOTT, JR.].

Mr. HUGH D. SCOTT, JR. Mr. Speaker, the result of this conference report vindicates the legislative processes of the House. While not everyone is fully satisfied, and while there was some doubt in the past as to what bill we would finally get, I think the hard work done by the committee and by its able chairman and by the distinguished minority member, the gentleman from New Jersey, has resulted in achieving benefits for the railroad workers along lines which represent as satisfactory an adjustment as can possibly be made in this session.

All members of the committee were of one mind that there should be some relief for the beneficiaries under the railroad retirement system. The sole question motivating all of us was the kind of relief, the best method by which the fund could be administered with safety to the fund. I am very happy to see that we have come to a general agreement in the committee and in the conference. I hope the conference report will be accepted.

Mr. CROSSER. Mr. Speaker, I yield 1 minute to the gentleman from Massachusetts [Mr. HESELTON].

Mr. HESELTON. Mr. Speaker, since I took part in filing additional minority views, I am glad to say that as far as I know this conference report has the unanimous support of every member of the House committee.

I doubt if everyone will be entirely satisfied with each feature of the bill recommended by the conferees. But it will provide basically needed increases in benefits soon.

I want to join in expressing my appreciation of the outstanding contributions made in the important field of difficult and technical legislation by the gentleman from New Jersey [Mr. WOLVERTON] and the chairman of our committee, the gentleman from Ohio [Mr. CROSSER]. I know that every member of our committee regretted that we could not secure the united recommendations of the brotherhoods. In the absence of such argument, we all faced a task which seemed at times insoluble. That we now have the opportunity to support a unanimous conference report is due in no small measure to the wide knowledge and broad experience of those two of our colleagues.

I should add personally that I still share the concern, expressed by the chairman of the committee, as to whether the revenues and savings will be sufficient to take care of the increased benefits without jeopardizing the solvency of the retirement fund. But I am glad to support this report now with the assurance that has been given that this study to which the gentleman from New Jersey has referred will bring us exact information in a very short period of time as to the impact upon the fund of these increased benefits in terms of existing and prospective revenues and savings. And I might add that I hope that this study will reveal that we can make even further improvements and surely adjust any existing inequities without the necessity of any added taxes.

I do hope that the organization for the study can be completed soon, that the study will be thorough and that we may have the results at the earliest possible date.

Mr. CROSSER. Mr. Speaker, I yield 1 minute to the gentleman from Maryland [Mr. SASSCER].

Mr. SASSCER. Mr. Speaker, when the roll call took place on the tax bill conference report, I was in the corridor talking to a delegation of constituents from my district, and I did not hear the bells. Had I been here, I would have voted for the conference report on the tax bill as I previously voted for it on Tuesday.

Mr. CROSSER. Mr. Speaker, I yield 2 minutes to the gentleman from New York [Mr. KLEIN].

Mr. KLEIN. Mr. Speaker, I am very happy at this time to be able to take the floor to congratulate the gentleman from Ohio [Mr. CROSSER], the gentleman from New Jersey [Mr. WOLVERTON], and the gentleman from Texas [Mr. BECKWORTH], the conferees on the part of the House on the fine work they have done in ironing out the difficulties in this bill. We, on the Committee on Interstate Commerce have labored for many, many months to bring out a bill which would please all the conflicting interests, particularly among the railroad brotherhoods. I must say I am sorry they cannot agree. It is difficult, apparently, for these laboring groups to get together, and it is therefore understandable why it is so difficult for us to get together. But in this conference report, we do approach some degree of unanimity. Everybody seems to be satisfied, as far as this bill goes. Before I leave the well of the House, I want to pay special tribute to the gentleman from Ohio [Mr. CROSSER]. He deserves more credit than anybody else in the House, not only for this particular bill, but for the great work he has done on behalf of the railroad employees over the years. As I have pointed out on numerous occasions, he is the father of the original railroad retirement bill, and of the amendments thereto. I hope, Mr. Speaker, that the gentleman from Ohio [Mr. CROSSER] will be spared to us by the good Lord, not only for ourselves, because we love him, but also on behalf of the railroad employees and all the others in whose behalf he has labored so diligently. May he be with us for many, many years to come.

Mr. CROSSER. I yield 1 minute to the gentleman from Mississippi [Mr. WILLIAMS].

Mr. WILLIAMS of Mississippi. Mr. Speaker, I take this time to add my praise for the distinguished chairman of our committee, and for the other members of the conference committee on the part of the House for the splendid job they have done in working out this highly controversial and highly technical piece of legislation, which has been before our committee for the past 8 months. I hope certainly that no one will vote against this bill. The bill should be passed, and should be passed unanimously. This is the culmination of 8 months of hard work on a very highly controversial and complex problem, which has been worked out to the apparent satisfaction of all concerned.

Mr. CROSSER. I yield 1 minute to the gentleman from Colorado [Mr. CHENOWETH].

Mr. CHENOWETH. Mr. Speaker, I rise in support of this conference report. I also wish to commend the members of the conference committee. They have done a splendid job. We all realize that legislation is the result of compromise. I think they have worked out a good bill, which should have our unanimous approval.

Mr. Speaker, I am most happy that an early agreement was reached by the conferees on this legislation. I have been anxious for a bill to be passed as quickly as possible, so that our retired railroad workers, and their survivors, could receive these increased benefits without further delay. I am hoping that the checks going out next month will carry the increase provided for in this bill.

It is obvious that we have not completed our task of revising the Railroad Retirement Act and bringing it up to date. The special committee to be appointed to make a further study of the act has a tremendous responsibility. Any legislation dealing with the Railroad Retirement Act is necessarily very technical and complicated. Long study is required to become familiar with the terms and provisions of the same. The report of this committee will be awaited with great interest by all who are interested in railroad retirement legislation.

I would have preferred to see the integration with the Social Security Act receive further study before we acted on this proposal. However, it will still be possible to make necessary changes in this procedure before the provisions of this bill become operative. Railroad men are paying much more for their retirement benefits than workers under social security. They are entitled to receive pensions that are commensurate with what they contribute to the fund. I know that it is almost the unanimous opinion of railroad workers that they do not want to be placed under social security. I want to see them continue to have a separate and independent retirement act of their own, although I recognize that some integration with social security may be most beneficial and desirable.

Inquiries are being made concerning the amendment which I offered to this bill, which gives retired railroad employees the opportunity to revoke any joint and survivor annuity agreements heretofore executed. I have been asked if a revocation can be made retroactively, so that the pensioner would be entitled to a refund of the amount deducted from his retirement payments over the years. This provision is not retroactive, but will provide immediate relief for those who are still receiving the reduced annuities. It also provides that where the

spouse has died the annuity is immediately increased to the full amount payable had no election been made.

I feel that this is a matter that should have the attention of the special study committee. In some cases, the spouses have been dead for several years, and the pensioner has continued to receive the reduced annuity. It would appear that he should be entitled to some refund. We must ascertain how many would be affected and the amounts involved.

Also, those who are still holding these annuity contracts will inquire as to the benefits that have accrued, and what adjustment can be made if they elect to revoke. In my amendment I did not attempt to go into this feature of the matter, but hope this subject will be given close study by the special committee to the end that appropriate legislation may follow.

Mr. CROSSER. Mr. Speaker, I yield 1 minute to the gentleman from Pennsylvania [Mr. FLOOD].

Mr. FLOOD. Mr. Speaker, my mind goes back to the Seventy-ninth Congress, when almost exactly at this hour on a Friday the distinguished gentleman from Ohio [Mr. CROSSER], chairman of this great committee, was successful in having passed an amendment to this very important piece of legislation. I want to compliment him and this committee for again performing this very creditable act for the benefit of a group of our working people and their dependents—the railroad workers—the equal of any of our citizens in Americanism.

Mr. CROSSER. Mr. Speaker, I yield 3 minutes to the gentleman from Texas [Mr. BECKWORTH].

Mr. BECKWORTH. Mr. Speaker, as one who was privileged to serve on the conference committee, I feel that we have got the very best bill we could possibly get at a time like his. It is true that those of us who supported the Crosser bill have not been able to get as much as we had hoped for in the beginning, especially for the lowest income groups, such as widows and children, but there are some very fine features in the bill that we bring you for approval this afternoon. One of them is the fact that the spouse will get up to $40 a month. We feel that is a very good provision.

It is true that perhaps the matter has not been examined as carefully as it should be from an actuarial soundness point of view. However, there is provided a study which we trust can be utilized in such manner that any deficiencies that may exist can be taken care of at an early date. Certainly railroad management, railroad labor, and all of us have a responsibility to keep this fund solvent. As for me, I want to see that at the very earliest date we review the whole picture in such manner that the solvency of this fund is maintained, even if more legislation is required.

I wish to take this opportunity to pay tribute to the constant and incessant effort which has been put forth by the chairman of our committee in behalf of this legislation. That effort has been conducive to getting a bill as strong as we have here today. I recall on one occasion that he worked a long time in order to get a bill, and it was only through a discharge petition which he worked very diligently to get signed, that he was able to bring that bill before the House. Although one may disagree with the gentleman from Ohio at times, certainly no one can fail to credit to him the greatest sincerity. We all know he is trying to do all possible for a worthy segment of our laboring people, namely, the railroad laboring man.

As we move forward, let us hope and trust that the welfare of this group will be improved from time to time.

I am for this conference report. It has many fine features, and every member of the House Committee on Interstate and Foreign Commerce, and those who served on the conference committee have contributed all possible to bring about a good, worth-while piece of legislation.

The SPEAKER. The time of the gentleman from Texas has expired.

Mr. CROSSER. Mr. Speaker, I yield such time as he may desire to the gentleman from Iowa [Mr. GROSS].

Mr. GROSS. Mr. Speaker, I want the RECORD to show at this point that this bill fails to rectify a senseless provision of the basic law whereby a railroad pensioner, to qualify for compensation, must quit his present nonrailroad and part-time job forever, although he can walk across the street and take another nonrailroad, part-time job and qualify.

This ridiculous proposition is best described by the following representative case which was called to my attention.

A former railroad employee, with a disability status, was erroneously held responsible by the Railroad Retirement Board for some $2,000 in alleged overpayment of pension. His pension was withdrawn. The Board later rescinded that ruling, absolving the employee of any fault in connection with the alleged overpayment, but now, because the pension was withdrawn, and because of the language of the present basic law, the employee must quit forever the part-time nonrailroad job which he has held for a number of years and in which he is earning less than the maximum allowable. I say again, that although he must quit his present job forever, to be eligible for pension reinstatement, he can walk across the street and take another nonrailroad, part-time job and then be eligible for pension reinstatement.

Obviously, this makes no sense whatsoever. The technicality in the present law, creating such situations, should be struck out in fairness to the retired railroad employees the law was designed to protect.

Those members of this and the other body appointed to the recently created joint committee to investigate the railroad retirement situation, should insist that the basic law be amended at the earliest possible opportunity to eliminate the unjust provision which I have discussed.

I will be glad to open my files in this case and to cooperate in any other possible manner.

Mr. CROSSER. Mr. Speaker, I yield such time as he may desire to the gentleman from Tennessee [Mr. REECE].

Mr. REECE of Tennessee. Mr. Speaker, I am pleased to support the conference report. I was a member of the Committee on Interstate and Foreign Commerce when the original retirement act was proposed; I served on the subcommittee, and I served on the conference committees dealing with it. There were many obstacles encountered in developing the original retirement act and at that time we did the best we could under the circumstances. It has long needed amendment. I think these are very worth-while amendments.

Mr. CROSSER. Mr. Speaker, I yield such time as he may desire to the gentleman from New York [Mr. JAVITS].

Mr. JAVITS. Mr. Speaker, I ask unanimous consent to extend my remarks following the debate on this bill and to include certain letters.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. CROSSER. Mr. Speaker, I yield 5 minutes to the gentleman from Arkansas [Mr. HARRIS].

Mr. HARRIS. Mr. Speaker, I am supporting this conference report. Except with one major item, it is almost the same in every other respect as the substitute amendment, which I offered to the bill when we had it under consideration Tuesday and which was adopted by a large vote.

I am satisfied with the result under the circumstances. This is not satisfactory in every respect to all but it is, as has already been said, about the best that we could hope for. With the one exception, I am completely satisfied with this final result and that is the question of integration with social security. In fact, on the major issues, it is identical with what I proposed in my substitute Tuesday.

It is gratifying, Mr. Speaker, that near accord can be obtained as in this instance on legislation of as great importance to so many people as this. I want to commend the conferees for reaching an agreement so quickly in order that this legislation may be completed before this Congress adjourns and those who would benefit thereby may be given the relief we seek to provide for them with this legislation.

I do want to pay my tribute to our esteemed chairman of the committee, as well as my compliments to the ranking minority member, the gentleman from New Jersey [Mr. WOLVERTON], Mr. HALL, of New York, who offered the substitute in the committee, which was reported and in fact, all members of our Committee on Interstate and Foreign Commerce for the efforts over the past several months on a highly controversial and difficult problem.

The Members of this House are familiar with the tenseness that prevailed in and out of the committee, even up to the time that we presented it to you a few days ago. There are and have been extreme viewpoints. I offered the substitute in an effort to bring these viewpoints more closely together, using the bill passed by the Senate as a basis,

After the action of the House in adopting the substitute, I was pleased when I learned that most of those who could not heretofore get together on this legislation decided to meet and discuss the problem under the circumstances. I was even more pleased when I learned that the groups affected—the nonoperating groups, some of the operating groups, and those representing the railroad industry—came to an agreement, which is presented to us here today in this conference report.

As I have said, this is not entirely satisfactory to all, and, in all fairness, some of the operating groups did not reach accord with the others I have just mentioned. They are in accord with all provisions except the question of integration. They feel that question should be left to the study which has been authorized by the House and Senate under a joint committee.

In that all of these groups have agreed on these provisions as I have explained with a single exception, this conference report should, and no doubt will, have the unanimous approval of this House. We want to get something definitely adopted in order to provide some relief for those under the Railroad Retirement Act who need it so badly to help alleviate the increased cost of living.

You perhaps would like to know just what this will do and what relief it will give to those under the Railroad Retirement Act.

In brief, this unanimous report presented will provide:

First. Increase of pensions and annuities 15 percent.

Second. Increase in survivor annuities 33⅓ percent.

Third. Increase in lump-sum benefits 25 percent.

Fourth. A spouse's annuity with a maximum of $40.

Fifth. Employees with less than 10 years of railroad service and their survivors are transferred to social security. They would no longer be an obligation under the railroad retirement system. My substitute, which was adopted Tuesday, did not contain this provision. The Senate position therefore prevailed.

Sixth. Further integration and correlation by adjustments between Railroad Retirement Act and the old-age and survivor insurance trust fund. This annual financial adjustment between the two funds would become effective some time during the year of 1953. The Senate prevailed on this question of further integration.

Seventh. The taxable base remains the same as under present law, $300 per month. On this point the position of the House, as I provided in my substitute, prevailed. There is no increase in the taxes to be paid to the fund by increasing the taxable base.

Eighth. Likewise, the House provision prevailed on the $300 a month credit provision. The Senate proposed the maximum amount of creditable compensation would be increased from $300 to $350. This was coupled with their proposal to increase the taxable base. The compensation credited in computing annuities remains the same under present law.

Ninth. Credit for service after 65.

Tenth. Increase in annuity benefits for the individual who elected a joint-and-survivor annuity and whose spouse has died.

Eleventh. Increase in time limit for filing application for annuities from 60 days to 6 months.

Twelfth. Guaranty for employees with more than 10 years of service of benefits under railroad retirement would not be less than what they would have received under social security.

Thirteenth. Revocation of joint and survivor elections, that is, any joint and survivor elections would be automatically revoked if the spouse in whose favor the election was made should have predeceased the individual or employee making the election. In this report, the House provision prevails.

Fourteenth. Adjustment of benefits applicable in the case of an individual entitled to two or more benefits under the Railroad Retirement Act alone or under it and the Social Security Act.

Fifteenth. An annuity for a widower after 65 if at least one-half support provided by wife employee at the time of her retirement or death.

There is no $50 work-clause provision. This was eliminated by action of both the Senate and House and consequently, was not an item of consideration in the Congress.

The fact that this has been finally agreed to by so many who have had such wide divergence in their views seems to me quite evident that this is a very good bill and deserving of your consideration and support.

Mr. AUGUST H. ANDRESEN. Mr. Speaker, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Minnesota.

Mr. AUGUST H. ANDRESEN. Is the bill retroactive so that it might take care of some widows of railroad men who have not been covered heretofore?

Mr. HARRIS. I would have to know just what type of survivors the gentleman has in mind before I could answer. If he has reference to those the gentleman from Wisconsin [Mr. KERSTEN] was interested in a few days ago, it does not.

Mr. VAN ZANDT. Mr. Speaker, will the gentleman yield?

Mr. HARRIS. I yield to the gentleman from Pennsylvania.

Mr. VAN ZANDT. In regard to this relationship with social security that we are establishing, is it not true that this committee that will study the Railroad Retirement Act may come up with recommendations concerning that feature?

Mr. HARRIS. As I explained to the House a few days ago, this cannot go into effect under the provisions of the language until after January 1, 1953, or sometime during 1953 or about January 1, 1954; consequently, there will be time for that study to be made.

The SPEAKER. The time of the gentleman from Arkansas has expired.

Mr. HARRIS. Mr. Speaker, on Tuesday, the day we had this matter under consideration, I offered a substitute amendment to the bill that was pending before the committee at that time. As it was reported in the RECORD there were substantial errors in connection with the reporting of it. I therefore ask unanimous consent that the permanent RECORD be corrected to show the entire content of the substitute amendment which I offered at that time.

The SPEAKER. Is there objection to the request of the gentleman from Arkansas?

There was no objection.

Mr. CROSSER. Mr. Speaker, I ask unanimous consent that all Members may have five legislative days in which to extend their remarks on the pending conference report.

The SPEAKER. Is there objection to the request of the gentleman from Ohio?

There was no objection.

Mr. JAVITS. Mr. Speaker, Government assistance both to defense housing through the law recently passed and to private housing through FHA mortgage guaranties carries an obligation that all Americans should benefit on a basis of equality and without discrimination or segregation from this use of Federal money or Federal credit. Yet the FHA does not require affirmatively that mortgagors, to qualify for insurance, disregard racial considerations in the selection of their tenants and leaves this to the mortgagors' determination. I have assurance today in a letter from the Administrator of the Housing and Home Finance Agency—which is appended—that the needs of members of minority groups for community facilities and services will be served without discrimination according to the policy followed by the Federal Government under the Lanham Act in World War II. This leaves open the question of defense housing mortgage guaranties. An Executive order should fill in the gap and make the same provision for defense housing mortgage guaranties. An Executive order should fill in the gap and make the same provision for defense housing mortgage guaranties and for FHA mortgage guaranties as is reflected by the appended letter for defense housing community facilities:

HOUSING AND HOME FINANCE AGENCY,
OFFICE OF THE ADMINISTRATOR,
Washington, D. C., October 11, 1951.

Hon. JACOB K. JAVITS,
House of Representatives,
Washington, D. C.

DEAR CONGRESSMAN JAVITS: This is in response to your letter of September 21 inquiring about the regulations of this Agency relating to the community facilities and services authorized by Public Law 139, with particular reference to the manner in which they deal with segregation and discrimination.

As you know, the existing regulations of the Federal Housing Administration do not relate to this question since FHA operates a program of mortgage insurance for privately financed and constructed housing. The relationship between the FHA and a private builder making use of the insured mortgage system is quite different from that which will exist between the Federal Government and the local bodies in connection with the community facilities program authorized by Public Law 139.

Because this law has so recently been enacted and because the necessary appro-

priations for its administration have not yet been passed by the Congress, the procedures and regulations applying to Federal aid for the provision of community facilities and services have not yet been issued. We are now developing procedures for the granting of aid for those community facilities and services for which this Agency has direct responsibility. As you know, the authorities contained in Public Law 139 for the provision of community facilities and services are similar to those exercised by the Federal Government under the Lanham Act in World War II. Borrowing from the experience of World War II, the new law specifically provides that aid for community facilities and services should be programed to meet the needs created by the immigration of defense workers and military personnel. If the immigrants are members of minority groups, it is our intention that the program for community facilities and services shall reflect this fact and that the needs of these groups should be served without discrimination. In fact, the report of the Senate Committee on Banking and Currency in this bill specifically provides that: "In the provision of housing by the Federal Government * * * and in the provision, or operation and maintenance of community facilities and services assisted * * * there shall be equality of treatment of persons of all races, religions, and national origins who are served by them."

I hope this will clarify our position in this matter.

Sincerely yours,

RAYMOND M. FOLEY,
Administrator.

The SPEAKER. The question is on the conference report.

Mr. HINSHAW. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The question was taken; and there were—yeas 341, nays 0, not voting 87, as follows:

[Roll No. 215]

YEAS—341

Abbitt	Buckley	Dorn
Abernethy	Budge	Doughton
Adair	Burdick	Doyle
Addonizio	Burleson	Durham
Albert	Burnside	Eaton
Allen, Ill.	Burton	Eberharter
Andersen, H. Carl	Bush	Elliott
	Butler	Ellsworth
Andresen, August H.	Byrne, N. Y.	Elston
	Byrnes, Wis.	Evins
Andrews	Camp	Fallon
Anfuso	Canfield	Feighan
Arends	Cannon	Fenton
Aspinall	Carlyle	Fernandez
Auchincloss	Carnahan	Fisher
Bailey	Case	Flood
Baker	Chatham	Fogarty
Bakewell	Chelf	Forand
Barden	Chenoweth	Ford
Barrett	Chiperfield	Forrester
Bates, Mass.	Chudoff	Frazier
Battle	Church	Fulton
Beall	Clemente	Furcolo
Beamer	Clevenger	Gamble
Beckworth	Cole, Kans.	Garmatz
Belcher	Colmer	Gary
Bender	Cooley	Gathings
Bennett, Fla.	Cooper	Gavin
Bennett, Mich.	Corbett	George
Bentsen	Cotton	Goodwin
Berry	Coudert	Gordon
Betts	Cox	Gore
Bishop	Crosser	Graham
Blatnik	Crumpacker	Granahan
Boggs, Del.	Cunningham	Grant
Bolling	Curtis, Nebr.	Green
Bolton	Davis, Ga.	Greenwood
Bonner	Davis, Tenn.	Gregory
Bow	DeGraffenried	Gross
Boykin	Denny	Gwinn
Bray	Denton	Hale
Brehm	Devereux	Hall, Edwin Arthur
Brown, Ga.	Dollinger	
Brownson	Dolliver	Hall, Leonard W.
Bryson	Donohue	
Buchanan	Donovan	Halleck
Hand	McMullen	Rooney
Harden	McVey	Sadlak
Hardy	Machrowicz	St. George
Harris	Mack, Wash.	Sasscer
Harrison, Va.	Madden	Saylor
Harrison, Wyo.	Magee	Schwabe
Hart	Mahon	Scott, Hardie
Harvey	Mansfield	Scott, Hugh D., Jr.
Havenner	Marshall	
Hays, Ohio	Martin, Mass.	Scrivner
Hedrick	Mason	Scudder
Heffernan	Meader	Secrest
Heller	Merrow	Seely-Brown
Herter	Miller, Md.	Shafer
Heselton	Miller, Nebr.	Sheehan
Hill	Miller, N. Y.	Short
Hillings	Mills	Simpson, Ill.
Hinshaw	Mitchell	Simpson, Pa.
Hoeven	Morano	Smith, Kans.
Hoffman, Ill.	Morgan	Smith, Miss.
Hoffman, Mich.	Morris	Smith, Va.
Holmes	Morton	Smith, Wis.
Hope	Moulder	Spence
Horan	Multer	Springer
Howell	Mumma	Staggers
Hull	Murdock	Stanley
Hunter	Murray, Tenn.	Steed
Ikard	Nelson	Stigler
Jackson, Wash.	Nicholson	Stockman
James	Norblad	Sutton
Jarman	Norrell	Taber
Javits	O'Brien, Ill.	Tackett
Jenison	O'Brien, Mich.	Talle
Jenkins	O'Hara	Taylor
Jensen	O'Konski	Teague
Jonas	O'Neill	Thomas
Jones, Ala.	Ostertag	Thompson, Mich.
Jones, Mo.	O'Toole	
Jones, Hamilton C.	Patman	Thompson, Tex.
	Patten	Tollefson
Jones, Woodrow W.	Patterson	Trimble
	Philbin	Vail
Judd	Pickett	Van Pelt
Karsten, Mo.	Poage	Van Zandt
Kean	Polk	Velde
Kearns	Potter	Vorys
Keating	Poulson	Vursell
Kee	Preston	Walter
Kerr	Price	Weichel
Kilburn	Priest	Wharton
Kilday	Rabaut	Wheeler
King	Radwan	Whitaker
Kirwan	Rains	Whitten
Klein	Ramsay	Wickersham
Kluczynski	Rankin	Widnall
Lane	Reams	Wier
Lanham	Reece, Tenn.	Wigglesworth
Lantaff	Reed, Ill.	Williams, Miss.
Larcade	Reed, N. Y.	Williams, N. Y.
LeCompte	Rees, Kans.	Willis
Lesinski	Rhodes	Wilson, Ind.
Lind	Richards	Winstead
Lovre	Riehlman	Withrow
McCarthy	Riley	Wolcott
McConnell	Rivers	Wolverton
McCormack	Roberts	Wood, Idaho
McCulloch	Robeson	Woodruff
McGrath	Rodino	Yates
McGregor	Rogers, Colo.	Yorty
McGuire	Rogers, Mass.	
McKinnon	Rogers, Tex.	

NOT VOTING—87

Aandahl	Dingell	Miller, Calif.
Allen, Calif.	Dondero	Morrison
Allen, La.	Engle	Murphy
Anderson, Calif.	Fine	Murray, Wis.
Angell	Fugate	Passman
Armstrong	Golden	Perkins
Ayres	Granger	Phillips
Baring	Hagen	Powell
Bates, Ky.	Hays, Ark.	Prouty
Blackney	Hébert	Quinn
Boggs, La.	Herlong	Redden
Bosone	Hess	Regan
Bramblett	Holifield	Ribicoff
Brooks	Irving	Rogers, Fla.
Brown, Ohio	Jackson, Calif.	Roosevelt
Buffett	Johnson	Sabath
Busbey	Kearney	Shelley
Celler	Kelley, Pa.	Sheppard
Cole, N. Y.	Kelly, N. Y.	Sieminski
Combs	Kennedy	Sikes
Crawford	Keogh	Sittler
Curtis, Mo.	Kersten, Wis.	Thornberry
Dague	Latham	Vinson
Davis, Wis.	Lucas	Watts
Dawson	Lyle	Welch
Deane	McDonough	Werdel
Delaney	McMillan	Wilson, Tex.
Dempsey	Mack, Ill.	Wood, Ga.
D'Ewart	Martin, Iowa	Zablocki

So the conference report was agreed to.

The Clerk announced the following pairs:

Mr. Perkins with Mr. Werdel.
Mr. Passman with Mr. Prouty.
Mr. Hébert with Mr. Aandahl.
Mr. Herlong with Mr. Angell.
Mr. Rogers of Florida with Mr. Armstrong.
Mr. Morrison with Mr. Ayres.
Mr. Deane with Mr. Blackney.
Mr. Quinn with Mr. Anderson of California.
Mr. Delaney with Mr. Dondero.
Mr. Keogh with Mr. Hagen.
Mr. Murphy with Mr. Hess.
Mr. Roosevelt with Mr. Kearney.
Mr. Dempsey with Mr. Kersten of Wisconsin.
Mr. Celler with Mr. Latham.
Mr. Baring with Mr. Sittler.
Mr. Sieminski with Mr. Cole of New York.
Mrs. Bosone with Mr. Crawford.
Mr. Boggs of Louisiana with Mr. Davis of Wisconsin.
Mr. Mack of Illinois with Mr. D'Ewart.
Mr. Miller of California with Mr. Dague.
Mr. Engle with Mr. Buffett.
Mr. Fine with Mr. Brown of Ohio.
Mr. Granger with Mr. McDonough.
Mr. Fugate with Mr. Martin of Iowa.
Mr. Bates of Kentucky with Mr. Bramblett.
Mr. Watts with Mr. Golden.
Mr. Brooks with Mr. Allen of California.
Mr. Zablocki with Mr. Phillips.
Mr. Sikes with Mr. Johnson.
Mr. Regan with Mr. Jackson of California.
Mr. Redden with Mr. Murray of Wisconsin.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

ican Railroads, representing railroad management, is also in accord with the terms of the conference report.

I am further happy to say that the conference report, with the exception of one amendment, is substantially in accord with the Senate bill. Unless there is some question with reference to it, I move that the Senate agree to the conference report.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Alabama.

The motion was agreed to.

AMENDMENT OF RAILROAD RETIREMENT ACT—CONFERENCE REPORT

Mr. HILL. Mr. President, I submit a report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H. R. 3639) to amend the Railroad Retirement Act and the Railroad Retirement Tax Act, and for other purposes. I ask unanimous consent for its present consideration.

The PRESIDING OFFICER. The report will read for the information of the Senate.

The report was read.

(For conference report see pp. 13634–13638 of House proceedings, CONGRESSIONAL RECORD of October 19, 1951.)

The PRESIDING OFFICER. Is there objection to the present consideration of the report?

There being no objection, the Senate proceeded to consider the report.

Mr. HILL. Mr. President, there is general agreement on the conference report. The House unanimously agreed to the report. As will be recalled, there was no disagreement as to the need for the legislation. In view of the terrible increase in the cost of living, the benefits under the Retirement Act should be increased. In the past there has been disagreement as to how the benefits should be increased. I am happy to be able to advise the Senate that the conference report is concurred in by those groups who have been most active in behalf of legislation to increase the benefits, but which were in disagreement as to how they should be increased.

In other words, to be more specific, the Railroad Labor Executives Association, representing 80 percent of all railroad employees, and the Brotherhood of Railroad Trainmen, which represents 9 percent of such employees, which organizations were sharply in disagreement, are in agreement with the provisions of the conference report. I am happy to advise also that the Association of Amer-

Public Law 234 - 82d Congress
Chapter 632 - 1st Session
H. R. 3669

AN ACT

To amend the Railroad Retirement Act and the Railroad Unemployment Insurance Act, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 1 of the Railroad Retirement Act of 1937, as amended, is amended by substituting in the last sentence of subsection (f) thereof the phrase "one hundred twenty-six" for the phrase "fifty-four" and by adding after subsection (p) thereof a new subsection as follows: Railroad Retirement Acts; Railroad Unemployment Insurance Act, amendments. 50 Stat. 307.

"(q) The terms 'Social Security Act' and 'Social Security Act, as amended' shall mean the Social Security Act as amended in 1950." 45 U.S.C. § 228a.

SEC. 2. Subsection (a) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by inserting in the first sentence thereof, after "enactment date," the following: "and shall have completed ten years of service," ; and by inserting in the first sentence of paragraph 5 of said subsection a period after the phrase "regular employment" and striking out all of that sentence following that phrase. 45 U.S.C. § 228b.

SEC. 3. Subsection (c) of section 2 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days", the phrase "six months".

SEC. 4. Section 4 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "sixty days" in subsection (k) thereof the phrase "six months". 45 U.S.C. 228c-1.

SEC. 5. Section 2 of the Railroad Retirement Act of 1937, as amended, is amended by adding after subsection (d) thereof the following new subsections: 45 U.S.C. § 228b.

"(e) SPOUSE'S ANNUITY.—The spouse of an individual, if—

"(i) such individual has been awarded an annuity under subsection (a) or a pension under section 6 and has attained the age of 65, and

"(ii) such spouse has attained the age of 65 or in the case of a wife, has in her care (individually or jointly with her husband) a child who, if her husband were then to die, would be entitled to a child's annuity under subsection (c) of section 5 of this Act, 45 U.S.C. § 228e.

shall be entitled to a spouse's annuity equal to one-half of such individual's annuity or pension, but not more than $40: *Provided, however,* That if the annuity of the individual is awarded under paragraph 3 of subsection (a), the spouse's annuity shall be computed or recomputed as though such individual had been awarded the annuity to which he would have been entitled under paragraph 1 of said subsection: *Provided further,* That, if the annuity of the individual is awarded pursuant to a joint and survivor election, the spouse's annuity shall be computed or recomputed as though such individual had not made a joint and survivor election: *And provided further,* That any spouse's annuity shall be reduced by the amount of any annuity and the amount of any monthly insurance benefit, other than a wife's or husband's insurance benefit, to which such spouse is entitled, or on proper application would be entitled, under subsection (a) of this section or subsection (d) of section 5 of this Act or section 202 of the Social Security Act; except that if such spouse is disentitled to a wife's or husband's insurance benefit, or has had such benefit reduced, by reason of subsection (k) of section 202 of the Social Security Act, the reduction pursuant to this third proviso shall be only in the amount by which such spouse's monthly insurance benefit under said Act exceeds the wife's or husband's insurance benefit to which such spouse would have been entitled under that Act but for said subsection (k). 65 Stat. 683. 65 Stat. 684. 49 Stat. 623; 64 Stat. 482. 42 U.S.C. § 402.

"(f) For the purposes of this Act, the term 'spouse' shall mean the wife or husband of a retirement annuitant or pensioner who (i) was married to such annuitant or pensioner for a period of not less than three years immediately preceding the day on which the application for a spouse's annuity is filed, or is the parent of such annuitant's or pensioner's son or daughter, if, as of the day on which the application for a spouse's annuity is filed, such wife or husband and such annuitant or pensioner were members of the same household, or such wife or husband was receiving regular contributions from such annuitant or pensioner toward her or his support, or such annuitant or pensioner has been ordered by any court to contribute to the support of such wife or husband; and (ii) in the case of a husband, was receiving at least one-half of his support from his wife at the time his wife's retirement annuity or pension began.

"(g) The spouse's annuity provided in subsection (e) shall, with respect to any month, be subject to the same provisions of subsection (d) as the individual's annuity, and, in addition, the spouse's annuity shall not be payable for any month if the individual's annuity is not payable for such month (or, in the case of a pensioner, would not be payable if the pension were an annuity) by reason of the provisions of said subsection (d). Such spouse's annuity shall cease at the end of the month preceding the month in which (i) the spouse or the individual dies, (ii) the spouse and the individual are absolutely divorced, or (iii), in the case of a wife under age 65, she no longer has in her care a child who, if her husband were then to die, would be entitled to an annuity under subsection (c) of section 5 of this Act."

SEC. 6. Subsection (a) of section 3 of the Railroad Retirement Act
45 U.S.C. § 228c. of 1937, as amended, is amended by changing "2.40" to "2.76", "1.80" to "2.07", and "1.20" to "1.38".

SEC. 7. Subsection (b) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of paragraph (4) and inserting in lieu thereof the following paragraph:

"The retirement annuity or pension of an individual, and the annuity of his spouse, if any, shall be reduced, beginning with the month in which such individual is, or on proper application would be, entitled
49 Stat. 620. to an old age insurance benefit under the Social Security Act, as
42 U.S.C. § 1305. follows: (i) in the case of the individual's retirement annuity, by that portion of such annuity which is based on his years of service and compensation before 1937, or by the amount of such old age insurance benefit, whichever is less, (ii) in the case of the individual's pension, by the amount of such old age insurance benefit, and (iii) in the case of the spouse's annuity, to one-half the individual's retirement annuity or pension as reduced pursuant to clause (i) or clause (ii) of this
65 Stat. 684.
65 Stat. 685. paragraph: *Provided, however*, That, in the case of any individual receiving or entitled to receive an annuity or pension on the day prior to the date of enactment of this paragraph, the reductions required by this paragraph shall not operate to reduce the sum of (A) the retirement annuity or pension of the individual, (B) the spouse's annuity, if any, and (C) the benefits under the Social Security Act which the individual and his family receive or are entitled to receive on the basis of his wages, to an amount less than such sum was before the enactment of this paragraph."

SEC. 8. Subsection (e) of section 3 of the Railroad Retirement Act
45 U.S.C. § 228c. of 1937, as amended, is amended by striking out the phrase "and not less than five years of service": by changing the phrase "subsection 2 (a) (3)" to "section 2 (a) 3 or the last paragraph of section 3 (b)"; by changing "$3.60" to "$4.14", and "$60" to "$69"; and by changing the period at the end of the subsection to a colon and inserting after the colon the following: "*Provided, however*, That if for any entire

month in which an annuity accrues and is payable under this Act the annuity to which an employee is entitled under this Act (or would have been entitled except for a reduction pursuant to section 2 (a) 3 or a joint and survivor election), together with his or her spouse's annuity, if any, or the total of survivor annuities under this Act deriving from the same employee, is less than the amount, or the additional amount, which would have been payable to all persons for such month under the Social Security Act (deeming completely and partially insured individuals to be fully and currently insured, respectively, and disregarding any possible deductions under subsections (f) and (g) (2) of section 203 thereof) if such employee's service as an employee after December 31, 1936, were included in the term 'employment' as defined in that Act and quarters of coverage were determined in accordance with section 5 (l) (4) of this Act, such annuity or annuities, shall be increased proportionately to a total of such amount or such additional amount."

49 Stat. 620.
42 U.S.C. § 1305.

SEC. 9. Section 3 of the Railroad Retirement Act of 1937, as amended, is amended by striking out subsection (h) thereof.

45 U.S.C. § 228c.

SEC. 10. Subsection (i) of section 3 of the Railroad Retirement Act of 1937, as amended, is amended by redesignating it as subsection (h).

SEC. 11. Subsection (a) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "and Widower's" after "Widow's"; by inserting "or widower" after "widow"; by inserting "or his" after "her", by inserting "or he" after "she"; by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon, and by inserting after the colon the following: "*Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's or widower's insurance annuity, the widow's or widower's insurance annuity shall be increased to such greater amount."

45 U.S.C. § 228e.

SEC. 12. Subsection (b) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out the phrase "three-fourths of"; and by changing the period at the end thereof to a colon and inserting after the colon the following: "*Provided, however*, That if in the month preceding the employee's death the spouse of such employee was entitled to a spouse's annuity under subsection (e) of section 2 in an amount greater than the widow's current insurance annuity, the widow's current insurance annuity shall be increased to such greater amount."

SEC. 13. Subsection (c) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "one-half" the phrase "two-thirds".

65 Stat. 685.

SEC. 14. Subsection (d) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting, ", no widower," after "widow"; and by substituting for the phrase "one-half" the phrase "two-thirds".

65 Stat. 686.

SEC. 15. Subsection (e) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting for the phrase "one-half" the phrase "two-thirds".

SEC. 16. Subsection (f) (1) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "widower," after the phrase "widow," where this phrase first appears in the first sentence, and after the phrase "widow," wherever this phrase appears in the fourth sentence; and by substituting in the first sentence for the word "eight" the word "ten".

SEC. 17. Subsection (f) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting ", widower," after the word "widow" wherever this word appears; by inserting "or her"

after the words "his" and "him" wherever these words appear; by inserting immediately before ", or to others" in the first sentence the following: ", and to others deriving from him or her, during his or her life,"; by changing the period at the end of said subsection to a comma and by inserting after the comma the following: "except that the deductions of the benefits which, pursuant to subsection (k) (1) of this section, are paid under section 202 of the Social Security Act, during the life of the employee to him or to her and to others deriving from him or her, shall be limited to such portions of such benefits as are payable solely by reason of the inclusion of service as an employee in 'employment' pursuant to said subsection (k) (1)."

49 Stat. 623; 64 Stat. 482. 42 U.S.C. § 402.

SEC. 18. Subsection (g) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

45 U.S.C. § 228e.

"(2) If an individual is entitled to more than one annuity for a month under this section, such individual shall be entitled only to that one of such annuities for a month which is equal to or exceeds any other such annuity. If an individual is entitled to an annuity for a month under this section and is entitled, or would be so entitled on proper application therefor, for such month to an insurance benefit under section 202 of the Social Security Act, the annuity of such individual for such month under this section shall be only in the amount by which it exceeds such insurance benefit. If an individual is entitled to an annuity for a month under this section and also to a retirement annuity, the annuity of such individual for a month under this section shall be only in the amount by which it exceeds such retirement annuity.

49 Stat. 623; 64 Stat. 482. 42 U.S.C. § 402.

"(3) In the case of any individual receiving or entitled to receive an annuity under this section on the day prior to the date of enactment of the provisions of this paragraph, the application of paragraph (2) of this subsection to such individual shall not operate to reduce the sum of (A) the annuity under this section of such individual, (B) the retirement annuity, if any, of such individual, and (C) the benefits under the Social Security Act which such individual receives or is entitled to receive, to an amount less than such sum was before the enactment of the provisions of this paragraph."

49 Stat. 620. 42 U.S.C. § 1305.

SEC. 19. Subsection (h) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(h) Maximum and Minimum Annuity Totals.—Whenever according to the provisions of this section as to annuities, payable for a month with respect to the death of an employee, the total of annuities is more than $30 and exceeds either (a) $160, or (b) an amount equal to two and two-thirds times such employee's basic amount, whichever of such amounts is the lesser, such total of annuities shall, prior to any deductions under subsection (i), be reduced to such lesser amount or to $30, whichever is greater. Whenever such total of annuities is less than $14, such total shall, prior to any deductions under subsection (i), be increased to $14."

65 Stat. 686. 65 Stat. 687.

SEC. 20. Subdivision (ii) of paragraph (1) of subsection (i) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting "$50" for "$25".

SEC. 21. Subsection (j) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by striking out all of the third sentence thereof after the phrase "the month in which" (including the proviso), and substituting the following: "eligibility therefor was otherwise acquired, but not earlier than the first day of the sixth month before the month in which the application was filed."

SEC. 22. (a) Paragraph (1) of subsection (k) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting "(i)" after the word "determining" and by inserting in said para-

graph after the word "Act" where it first appears the following: "to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee, and (ii) insurance benefits with respect to the death of an employee who will have completed ten years of service"; by striking in said paragraph after "1947," the following: "to a widow, parent, or surviving child,"; by inserting before the word "occurring" the phrase "of such an employee"; by inserting after the phrase "such date" the following: ", and for the purposes of section 203 of that Act"; by substituting in said paragraph "210 (a) (10)" for "209 (b) (9)"; and by inserting at the end of such paragraph (1) the following sentence: "In the application of the Social Security Act pursuant to this paragraph to service as an employee, all service as defined in section 1 (c) of this Act shall be deemed to have been performed within the United States."

(b) Subsection (k) (2) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting the following: 45 U.S.C. § 228e.

"(2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed 'Trust Fund') in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. 49 Stat. 620. 42 U.S.C. § 1305. 53 Stat. 175. 26 U.S.C. § 1432.

"(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954, the Board and the Federal Security Administrator shall determine, and the Board shall certify to the Secretary of the Treasury for transfer from the Railroad Retirement Account (hereafter termed 'Retirement Account') to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

"(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term 'employment' as defined in the Social Security Act and in the Federal Insurance Contributions Act. For the purposes of this subparagraph, the amount determined under subparagraph (A), less such offsets as have theretofore been made under this subparagraph, and the amount determined under subparagraph (B) for the fiscal year under consideration shall be deemed to be part of the Trust Fund. Such determination shall be made no later than June 15, following the close of the fiscal year. If such amount is to be added to the Trust Fund, the Board shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Retirement Account to the Trust Fund; if such amount is to be subtracted from the Trust Fund, the Administrator shall, within ten days after the determination, certify such amount to the Secretary of the Treasury for transfer from the Trust Fund to the Retirement Account. The amount so certified shall further include interest (at the rate determined in subparagraph (D) for the fiscal year under consideration) payable from the close of such fiscal year until the date of certification. In the event the Administrator is required under the provisions of this 65 Stat. 687. 65 Stat. 688.

subparagraph to certify to the Secretary of the Treasury an amount to be transferred to the Retirement Account from the Trust Fund, the Administrator, in lieu of such certification, may offset the amount determined under the first sentence of this subparagraph against the amount determined in subparagraph (A) as diminished by any prior offsets and the offset shall be made to be effective as of the first day of the fiscal year following the fiscal year under consideration.

"(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

"(E) The Secretary of the Treasury is authorized and directed to transfer to the Trust Fund from the Retirement Account or to the Retirement Account from the Trust Fund, as the case may be, such amounts as, from time to time, may be determined by the Board and the Federal Security Administrator pursuant to the provisions of subparagraphs (B) and (C) of this subsection, and certified by the Board or the Administrator for transfer from the Retirement Account or from the Trust Fund."

SEC. 23. (a) (1) Paragraph (1) of subsection (l) of section 5 of
45 U.S.C. § 228e. the Railroad Retirement Act of 1937, as amended, is amended by inserting "'widower'," after "'widow'," where this word first appears; by substituting "216 (c), (e), and (g)" for "209 (j) and (k)", and by substituting "202 (h)" for "202 (f)".

(2) The said paragraph (1) is further amended by striking out subdivision (i) thereof and inserting in lieu of such subdivision the following:

"(i) a 'widow' or 'widower' shall have been living with the employee at the time of the employee's death; a widower shall have received at least one-half of his support from his wife employee at the time of her death or he shall have received at least one-half of his support from his wife employee at the time her retirement annuity or pension began."

(3) The said paragraph (1) is further amended by inserting in subdivision (ii) after the phrase "such death" the following: "by other than a step parent, grand parent, aunt, or uncle"; and by amending subdivision (iii) to read as follows: "(iii) a 'parent' shall have received, at the time of the death of the employee to whom the relationship of parent is claimed, at least one-half of his support
65 Stat. 688. from such employee.".

65 Stat. 689. (4) Paragraph (1) of the said subsection (l) is further amended by substituting for all the matter which follows subdivision (iii) the following: "A 'widow' or 'widower' shall be deemed to have been living with the employee if the conditions set forth in section 216
64 Stat. 511, 512. (h) (2) or (3), whichever is applicable, of the Social Security Act are fulfilled. A 'child' shall be deemed to have been dependent upon
42 U.S.C. § 416. a parent if the conditions set forth in section 202 (d) (3), (4), or
64 Stat. 484. (5) of the Social Security Act are fulfilled (a partially insured
42 U.S.C. § 402. mother being deemed currently insured). In determining for purposes of this section and subsection (f) of section 2 whether an applicant is the wife, husband, widow, widower, child, or parent of an employee as claimed, the rules set forth in section 216 (h) (1) of the
64 Stat. 511. Social Security Act shall be applied;".

42 U.S.C. § 416. (b) Paragraph (4) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting after the

table the following: "If upon computation of the compensation quarters of coverage in accordance with the above table an employee is found to lack a completely or partially insured status which he would have if compensation paid in a calendar year were presumed to have been paid in equal proportions with respect to all months in the year in which the employee will have been in service as an employee, such presumption shall be made."

(c) Paragraph (6) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows: 45 U.S.C. § 228e.

"(6) The term 'wages' shall mean wages as defined in section 209 of the Social Security Act (except that for the purposes of section 5 (i) (1) (ii) of this Act such wages shall be determined without regard to subsection (a) of said section 209). In addition, the term shall include (i) 'self-employment income' as defined in section 211 (b) of the Social Security Act (and in determining 'self-employment income' the 'net earnings from self-employment' shall be determined as provided in section 211 (a) of such Act and charged to correspond with the provisions of section 203 (e) of such Act), and (ii) wages deemed to have been paid under section 217 (a) of the Social Security Act on account of military service which is not creditable under section 4 of this Act." 49 Stat. 625; 53 Stat. 1373. 42 U.S.C. § 409. 64 Stat. 502. 42 U.S.C. § 411. 53 Stat. 1367. 42 U.S.C. § 403. 64 Stat. 512. 42 U.S.C. § 417.

(d) Paragraph (7) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by inserting before the word "had" the phrase "completed ten years of service and will have"; and by inserting in the parenthetical phrase in subdivision (i), after the word "quarter" the following: "which is not a quarter of coverage and". 45 U.S.C. § 228e.

(e) Paragraph (8) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended to read as follows:

"(8) An employee will have been 'partially insured' at the time of his death, whether before or after the enactment of this section, if it appears to the satisfaction of the Board that he will have completed ten years of service and will have had (i) a current connection with the railroad industry; and (ii) six or more quarters of coverage in the period ending with the quarter in which he will have died or in which a retirement annuity will have begun to accrue to him and beginning with the third calendar year next preceding the year in which such event occurs."

(f) Paragraph (9) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by changing the language before the first proviso to read as follows:

"(9) An employee's 'average monthly remuneration' shall mean the quotient obtained by dividing (A) the sum of (i) the compensation paid to him after 1936 and before the quarter in which he will have died, eliminating any excess over $300 for any calendar month, and (ii) if such compensation for any calendar year is less than $3,600 and the average monthly remuneration computed on compensation alone is less than $300 and the employee has earned in such calendar year 'wages' as defined in paragraph (6) hereof, such wages, in an amount not to exceed the difference between the compensation for such year and $3,600, by (B) three times the number of quarters elapsing after 1936 and before the quarter in which he will have died:"; by inserting in the second proviso after the word "quarter" the following: "which is not a quarter of coverage and"; and by changing the period at the end of said proviso to a colon and adding the following: "*And provided further*, That if the exclusion from the divisor of all quarters beginning with the first quarter in which the employee was completely insured and had attained the age of sixty-five and the exclusion from the dividend of all compensation and wages with respect to such 65 Stat. 689. 65 Stat. 690.

quarters would result in a higher average monthly remuneration, such quarters, compensation and wages shall be so excluded."

(g) Paragraph (10) of subsection (l) of section 5 of the Railroad Retirement Act of 1937, as amended, is amended by substituting "$300" for "$250" and "$14" for "$10".

45 U.S.C. § 228e.

45 U.S.C. § 228q note.

SEC. 24. Section 17 of the Railroad Retirement Act of 1937, as amended, is amended by striking out "subsection (b) of".

EFFECTIVE DATES

SEC. 25. (a) Except as otherwise specifically provided, the amendments made by this Act shall take effect with respect to benefits accruing under the Railroad Retirement Acts and the Social Security Act after the last day of the month in which this Act is enacted, irrespective of when service or employment occurred or compensation or wages were earned: *Provided, however*, That, in the recomputation pursuant to this Act of survivor annuities heretofore awarded, the basic amount shall not be recomputed.

45 U.S.C., ch. 9.
49 Stat. 620.
42 U.S.C. § 1305.

(b) The amendments made by sections 3, 4, and 21 of this Act shall apply to benefits awarded in whole or in part on or after the date of enactment of this Act.

(c) The amendments made by sections 16 and 17 of this Act shall take effect with respect to deaths occurring on or after the date of enactment of this Act.

(d) In the case of any retirement or survivor annuity awarded under the Railroad Retirement Acts prior to the date of enactment of this Act and currently payable, if such annuity was awarded to, or with respect to the death of, any individual who has completed less than ten years of service, then the amendments made by this Act shall apply with respect to such annuity as if such individual had met the requirement of ten years of service which is imposed as a condition to benefits under the Railroad Retirement Act of 1937, as amended by this Act. In addition, the spouse of any such individual shall not, during such individual's lifetime, be barred from a spouse's annuity under such Act by reason of the fact that such individual has completed less than ten years of service.

50 Stat. 307.
45 U.S.C. §§ 228a-228s.

(e) Where the parent of a deceased employee has, prior to the date of enactment of this Act, been awarded a survivor annuity under the Railroad Retirement Acts which is currently payable, the entitlement of such parent to a survivor's annuity in accordance with the amendments made by this Act shall be determined without regard to whether or not such employee died leaving a "widow" or "widower", as defined in this Act.

65 Stat. 690.

(f) All joint and survivor annuities heretofore and hereafter awarded shall be governed by the law under which the election of the joint and survivor annuity was made, except that the individual who made the election shall have the right to revoke the same in such manner and form as the Board may prescribe.

65 Stat. 691.

An election shall be deemed to have been revoked if before or after the enactment hereof the spouse for whom the election was made predeceased the individual who made the election. Upon revocation of the election, or death of the spouse, as herein provided, the individual's annuity shall be increased to the amount which would have been payable had no election been made; such increased annuity shall, subject to the provisions of section 2 (c) of the Railroad Retirement Act of 1937, as amended, begin to accrue on the first of the calendar month following the calendar month in which the election was revoked or the spouse died but not before the calendar month next following the month of enactment hereof.

45 U.S.C. § 228b.

(g) All pensions due in months following the first calendar month after the month of enactment hereof shall be increased by 15 per centum.

(h) The increase in retirement annuities provided by this Act shall apply also to annuities heretofore awarded under the Railroad Retirement Act of 1935, and the term "spouse" as used in this Act shall include the wife or husband of an employee who has been awarded an annuity under the Railroad Retirement Act of 1935. The provisions of this Act shall not apply to annuities heretofore paid under the Railroad Retirement Acts in lump sums equal to their commuted values. 49 Stat. 967. 45 U.S.C. §§ 215-228 note.

(i) The annuity of the spouse of an employee who has been awarded an annuity under section 3 (b) of the Railroad Retirement Act of 1935 or under section 2 (a) 2 (b) of the Railroad Retirement Act of 1937 prior to its amendment by Public Law 572, Seventy-ninth Congress, shall, subject to the provisions of this Act, be one-half the annuity such employee would have received had the annuity been awarded at age sixty-five. 49 Stat. 969; 50 Stat. 309; 60 Stat. 727. 45 U.S.C. §§ 228c, 228b.

(j) All recertifications by the Railroad Retirement Board required by reason of the provisions of this Act other than section 9 shall be made without application therefor. Recertifications pursuant to section 9 of this Act shall be made only upon application therefor in such manner and form and filed within such time as the Railroad Retirement Board may prescribe.

AMENDMENTS TO THE RAILROAD UNEMPLOYMENT INSURANCE ACT

SEC. 26. Section 1 (k) of the Railroad Unemployment Insurance Act, as amended, is amended by adding before the period at the end of the first paragraph thereof the following: ": *Provided further*, That any calendar day on which no remuneration is payable to or accrues to an employee solely because of the application to him of mileage or work restrictions agreed upon in schedule agreements between employers and employees or solely because he is standing by for or laying over between regularly assigned trips or tours of duty shall not be considered either a day of unemployment or a day of sickness". 52 Stat. 1095. 45 U.S.C. § 351.

SEC. 27. Subsection (a–1) of section 4 of the Railroad Unemployment Insurance Act, as amended, is amended by striking out all of subdivisions (iii) and (iv) thereof. 52 Stat. 1098. 45 U.S.C. § 354.

SEC. 28. The provisions of sections 26 and 27 of this Act shall become effective with respect to registration periods beginning on and after January 1, 1952. Effective date.

Approved October 30, 1951, 9:30 a.m., E.S.T.

STATEMENT BY THE PRESIDENT
UPON SIGNING BILL INCREASING BENEFITS
UNDER THE RAILROAD RETIREMENT SYSTEM

October 30, 1951

I have today signed H.R. 3669, "An Act to amend the Railroad Retirement Act and the Railroad Unemployment Insurance Act, and for other purposes."

This act will provide badly-needed increases in benefit payments for more than 400,000 persons who are now receiving benefits under the Railroad Retirement Act. It will provide substantially higher benefits for railroad workers who have retired because of age or permanent disability, and for the widows and orphans of railroad workers.

I am glad to be able to approve these increases. I have been interested in the railroad retirement system for a long time, helped to work out previous amendments when I was in the Senate, and I know how much these higher amounts will mean to the retired persons, widows, and orphans who are beneficiaries.

In addition, I am glad to see that this act will provide benefits, for the first time, for the wife or husband of a retired railroad employee, and for dependent aged widowers of railroad employees. Under the new law the payment to a retired man and wife, age 65 or over, will average about $135 a month.

Heretofore the railroad retirement system has been completely separate from the general system of old-age insurance. Now, under the amended law, persons with less than 10 years of service in the railroad industry will be credited for this service under the old-age and survivors insurance system rather than the railroad retirement system, and there will be periodic financial adjustments between the two trust funds. Benefits under the new law will in all cases be at least as high as under old-age and survivors insurance, and in many cases will be somewhat higher.

In addition to the legislation I am signing today, the Congress has also adopted a resolution providing for a complete factfinding study of the railroad retirement system, including possible changes in benefits and financing, and in the relationship between the railroad retirement system and the old-age and survivors insurance system. This is a very desirable step. There are real and serious questions to be settled before we can feel confident that we are giving adequate and fair protection, on a sound financial basis, to retired workers and survivors. I hope the Committee will be able to report in time for legislative action next year.

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I have today signed H.R. 3669, "An Act to amend the Railroad Retirement Act and the Railroad Unemployment Insurance Act, and for other purposes."

This act will provide badly-needed increases in benefit payments for more than 400,000 persons who are now receiving benefits under the Railroad Retirement Act. It will provide substantially higher benefits for railroad workers who have retired because of age or permanent disability, and for the widows and orphans of railroad workers.

I am glad to be able to approve these increases. I have been interested in the railroad retirement system for a long time, helped to work out previous amendments when I was in the Senate, and I know how much these higher amounts will mean to the retired persons, widows, and orphans who are beneficiaries.

In addition, I am glad to see that this act will provide benefits, for the first time, for the wife or husband of a retired railroad employee, and for dependent aged widowers of railroad employees. Under the new law the payment to a retired man and wife, age 65 or over, will average about $135 a month.

Heretofore the railroad retirement system has been completely separate from the general system of old-age insurance. Now, under the amended law, persons with less than 10 years of service in the railroad industry will be credited for this service under the old-age and survivors insurance system rather than the railroad retirement system, and there will be periodic financial adjustments between the two trust funds. Benefits under the new law will in all cases be at least as high as under old-age and survivors insurance, and in many cases will be somewhat higher.

In addition to the legislation I am signing today, the Congress has also adopted a resolution providing for a complete factfinding study of the railroad retirement system, including possible changes in benefits and financing, and in the relationship between the railroad retirement system and the old-age and survivors insurance system. This is a very desirable step. There are real and serious questions to be settled before we can feel confident that we are giving adequate and fair protection, on a sound financial basis, to retired workers and survivors. I hope the Committee will be able to report in time for legislative action next year.

October 29, 1951

FEDERAL SECURITY AGENCY

Social Security Administration

TO: Administrative, Supervisory, and Technical Employees

FROM: O. C. Pogge, Director
Bureau of Old-Age and Survivors Insurance

SUBJECT: Director's Bulletin No. 176
New Railroad Legislation

On October 19 railroad retirement legislation was sent to the President which would provide an entirely new basis of coordination with old-age and survivors insurance.

A provision of great interest to this Bureau is that which will transfer to old-age and survivors insurance the railroad wage credits of workers who die or retire with less than ten years of railroad employment. The situation will be unchanged for workers who acquire ten years or more of railroad service. That is, the survivors of over-ten-year railroad workers will, as now, receive benefits under one program or the other based on combined wage records, while retirement benefits will be payable under both systems to individuals with ten or more years of railroad service who also qualify under old-age and survivors insurance. Retirement or survivor annuities based on less than ten years of railroad service which were awarded prior to the enactment date and are currently payable will continue to be paid under the railroad program. It appears that the new coordination would, in general, be effective on November 1.

H.R. 3669 makes many other modifications in the railroad program besides those referred to above. The greatest impetus for the legislation came because of the need for increases in railroad annuities to meet increased living costs. The legislation as finally agreed upon provided for increasing retirement annuities by about 15 percent, and survivors' annuities by about one-third. In addition to increasing benefits, the bill adds spouse's and widower's benefits to the railroad program. It also provides that remuneration received by a railroad worker after age 65 would be creditable for retirement benefit purposes, subject to the maximum of

30 years of creditable service applicable when railroad service prior to 1937 is involved. This provision applies to present annuitants as well as to those retiring in the future. The legislation contains a guarantee that the total of railroad benefits payable with respect to an individual will not be less than the sum of the benefits which would have been payable under old-age and survivors insurance if railroad employment had been covered under this program. It is not yet clear just how this provision will be interpreted. We do not know whether the amount guaranteed will be the whole old-age and survivors insurance benefit or only the part of that benefit based on railroad service. Moreover, in survivor cases based on combined wage records it is not clear whether the guarantee would apply to all of the benefit paid by the railroad program or only to that part based on railroad service.

The bill contains several provisions which improve the coordination of the survivors' benefits of the two programs established by the Railroad Retirement Act. The increase in the survivors' benefits of the railroad program greatly improves the benefit coordination by bringing the general level of railroad survivor benefits almost to the level of those payable under old-age and survivors insurance. Survivors' benefits under the railroad program may also be increased in some cases by the operation of the guarantee referred to above. Self-employment income credited under old-age and survivors insurance is made creditable under the survivors' provisions of the railroad program. The bill increases the maximum wage base under the railroad program for survivors' benefits to $3,600. Also, the definitions used in the survivors' provisions of the railroad program have been brought in line with those of old-age and survivors insurance.

Several provisions of the bill will increase the Bureau's administrative workloads. The bill provides for various adjustments in railroad benefits when railroad beneficiaries receive or are eligible for benefits under old-age and survivors insurance. For example, all of an individual's railroad pension, or that part of an individual's retirement annuity under the railroad program based on his employment before 1937, would be subject to reduction if the retired worker is also eligible for or receiving an old-age insurance benefit under old-age and survivors insurance. Old-age and survivors insurance benefits will be suspended if the beneficiary works in railroad employment. The bill provides that in under-ten-year retirement cases, that part of the old-age and survivors insurance retirement benefit based on railroad employment will be deductible from the potential amount of the railroad residual payment.

Several provisions contained in the original legislation were modified or eliminated in the final version of the bill. For example, the original bill established a $4,800 maximum wage base for the

railroad program. As noted, the wage base was finally left at $3,600. Also the original bill provided for suspending the benefits of railroad annuitants who engaged in old-age and survivors insurance employment. This provision was later deleted.

The legislation provides a method of adjusting costs between the two systems which is entirely new in old-age and survivors insurance financing. It provides that adjustments must leave the old-age and survivors insurance trust fund in the same position in which it would have been if railroad employment had been covered since January 1, 1937. It can be considered that the cost provisions of the bill constitute a method of partially re-insuring railroad benefits under the old-age and survivors insurance program. In other words, old-age and survivors insurance will in effect be collecting contributions with respect to railroad service and will be supplying railroad workers with benefits equivalent to the benefits which they would have received under old-age and survivors insurance with respect to their railroad service. In some cases these benefits will be paid directly by old-age and survivors insurance, while in other cases they will be channelled through the railroad retirement system and become part of the railroad retirement benefit. Because the contribution rates of old-age and survivors insurance are currently lower than required to pay for the benefits, this re-insurance effects at least a temporary saving to the Railroad Retirement Account.

The legislation provides that amounts due the old-age and survivors insurance trust fund with respect to periods before July 1, 1952, will remain in the railroad account, but will be earmarked for the old-age and survivors insurance trust fund, and interest will be payable to the trust fund. Actual current transfers (or offsets against the amount owed old-age and survivors insurance, when the flow is toward the railroad account) will be made between the two funds, on an annual basis, with respect to operations during fiscal year 1953 and each fiscal year thereafter.

In view of the under-ten-year provisions, some figures on labor turnover in the railroad industry may be of interest. While average railroad employment in 1949 was 1,400,000, about 2,090,000 individuals had some railroad earnings during the year. Thus, for every 100 railroad employees working at a given time in 1949, 149 had railroad employment in that year; in 1940 this ratio was 100 to 140. During 1937-50 probably about 6 or $6\frac{1}{2}$ million persons had wage credits under both railroad retirement and old-age and survivors insurance; this group represents about 75 percent of the workers (approximately 8,500,000) with wage credits under the Railroad Retirement Act during the 14-year period.

Administrative, Supervisory, and Technical Employees - 10/29/51

Both Houses of Congress have approved a concurrent resolution to provide for a study by a joint congressional committee of the railroad retirement program, and its relationship to old-age and survivors insurance. The study is to be made "with a view toward ascertaining what changes should be made in the Railroad Retirement Act." The resolution provides, among other things, for a study of any changes that should be made in the relationships between the two systems "with a view to simplifying administration, eliminating inequities and anomalies as regards benefits to workers whose earnings are included in whole or in part under either system, and strengthening the financial base for benefits to be provided under one system without impairing the financial base underlying benefits provided under the other system."

O. C. Pogge

RAILROAD RETIREMENT ACT

Amendments of 1951

Benefit Provisions and Legislative History

by

ROBERT J. MYERS and WILBUR J. COHEN

Financial and Actuarial Aspects

by

ROBERT J. MYERS

FEDERAL SECURITY AGENCY

Social Security Administration

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Railroad Retirement Act Amendments of 1951: Benefit Provisions and Legislative History

by ROBERT J. MYERS and WILBUR J. COHEN*

The Railroad Retirement Act Amendments of 1951 provide for important changes in both the retirement and the survivor insurance provisions of the railroad retirement system. Some of these changes vitally affect the administration and financing of the Federal old-age and survivors insurance program. This article is devoted largely to a summary of the more important benefit provisions and the history of the legislation and is intended both for the general reader and for those who will have the responsibility for administering the provisions affecting old-age and survivors insurance. The March Bulletin will report in detail on the provisions for financial interchange between the old-age and survivors insurance and railroad retirement programs.

THE Railroad Retirement Act Amendments of 1951 became Public Law 234 (Eighty-second Congress, 1st session) on October 30, 1951, when President Truman affixed his signature to H.R. 3669. In signing the bill, President Truman stated that the legislation "will provide substantially higher benefits for railroad workers who have retired because of age or permanent disability, and for the widows and orphans of railroad workers."

The amendments provide the first significant revision of the Railroad Retirement Act since 1948, when Congress raised the retirement benefits 20 percent to allow in part for changes in cost-of-living and wage levels since the period before World War II.[1] In 1946 there had also been important amendments to the railroad retirement system,[2] the most significant of which was the introduction of survivor benefits coordinated to a certain degree with those under old-age and survivors insurance. The 1951 law deals almost entirely with the benefits under the railroad retirement system, although there is a minor amendment to the Railroad Unemployment Insurance Act; no changes are made in the Carriers Taxing Act, which contains the provisions for assessing the contributions to finance the railroad retirement program.

It is significant that Congress at the same time it passed the 1951 legislation also adopted Senate Concurrent Resolution 51,[3] establishing a Joint Congressional Committee to "make a full and complete factfinding study and investigation of the Railroad Retirement Act." Among the matters to be studied are the relationship between this program and the old-age and survivors insurance system, both as to benefits provided and as to simplification of administration. Particular emphasis and study are to be given to the cost of the railroad retirement program and to means of strengthening its financing basis. Such a study, President Truman stated, "is a very desirable step. There are real and serious questions to be settled before we can feel confident that we are giving adequate and fair protection, on a sound financial basis, to retired workers and survivors. I hope the committee will be able to report in time for legislative action next year."

Need for Legislation

The immediate need for the legislation arose because of the general increases in the cost of living and in wages that have occurred in the past decade. The 1948 amendments had provided an increase of 20 percent in the retirement benefits but made no substantial change in the survivor benefits established in 1946.

Since retirement benefits are based on railroad service and compensation both before and after the inception of the program in 1937, increases in wages in the past decade have had little effect on benefits for workers retiring in recent years and, of course, no effect for those who had retired before 1940. The 20-percent increase in 1948 was thus only partial recognition of the economic changes that had occurred, and further increases seemed necessary if the relative benefit adequacy originally planned were to be restored.

Furthermore, the survivor benefits in virtually all instances were less than those that would have been payable on the basis of the same earnings history under the old-age and survivors insurance system as amended in 1950.[4] This fact was also true of retirement benefits for a worker who had had little or no railroad employment before 1937. Since the employee contribution rate under the railroad retirement system in 1951 (6 percent) was four times as high as that under old-age and survivors

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[1] See Wilbur J. Cohen and James L. Calhoon, "Social Security Legislation, January-June 1948: Legislative History and Background," *Social Security Bulletin*, July 1948.

[2] See Jack M. Elkin, "The 1946 Amendments to the Railroad Retirement and Railroad Unemployment Insurance Acts," *Social Security Bulletin*, December 1946.

[3] Agreed to by the Senate on October 15 and by the House the next day (with a minor amendment that the Senate accepted on October 17).

[4] See Wilbur J. Cohen and Robert J. Myers, "Social Security Act Amendments of 1950: A Summary and Legislative History," *Social Security Bulletin*, October 1950.

insurance (1½ percent), it hardly seemed equitable that in some cases the benefits to railroad employees were lower.

Summary of Provisions

The principal provisions of the railroad retirement system, both those of the previous law and those of the new law, are shown in the accompanying chart. The new law makes nine important changes:

1. The formula for retirement annuities is modified to provide a 15-percent increase for both present and future annuitants.

2. A spouse's annuity is provided, under certain conditions, when both spouses are aged 65 or over (and also when a wife is under age 65 and has a dependent child under age 18 in her care). The amount of the spouse's annuity is 50 percent of the husband's full retirement annuity but cannot exceed $40 a month (except under unusual circumstances).

3. Monthly survivor benefits are increased 33⅓ percent and the lump-sum death payments 25 percent by a change in the benefit formula,[5] with a further increase for those with high earnings (since the previous $250 maximum on the average monthly remuneration used in computing the survivor benefits is raised to $300).

4. Both retirement and survivor benefits, but particularly the latter, are increased further in a number of instances by the "old-age and survivors insurance minimum guarantee" provision, which stipulates that benefits are to be at least as large as those that would be payable for the same wage history under old-age and survivors insurance.

5. Retirement annuities are to be reduced for persons also receiving retirement benefits under old-age and survivors insurance if railroad service before 1937 is counted in determining the railroad benefit (but for beneficiaries on the rolls when the bill was enacted and who were then receiving old-age and survivors insurance benefits, such reduction may not result in railroad retirement benefits lower than those previously received).

6. In computing retirement benefits, service after age 65 is credited, whereas formerly service beyond the calendar year in which age 65 was attained could not be counted. This change is applicable not only for future cases but also for those on the rolls when the bill became law, so that many retirement annuities are further increased.[6]

7. For deaths and retirements of individuals with less than 10 years of railroad service,[7] benefits (other than the residual death payment described later) will not be paid by the railroad retirement system, except when the award was made before October 30, 1951; instead, the wage credits for service after 1936 will be transferred to the old-age and survivors insurance program. These workers or their survivors may then receive old-age and survivors insurance benefits. There is no provision for refunding the excess of contributions under the railroad system over those that would have been paid under old-age and survivors insurance for the same employment (other than the residual death payment); the railroad retirement system retains such excess contributions from the short-service employees and their employers, and these funds assist in meeting the over-all costs of the program.

8. To compensate for the preceding change and for other reasons, financial interchanges will be made between the two programs that will place the old-age and survivors insurance trust fund in the same position as it would have been if railroad employment had always been covered by old-age and survivors insurance.

9. In the application of the work clause under old-age and survivors insurance, railroad earnings are to be considered as covered wages; thus an individual cannot engage in railroad employment for wages of more than $50 a month and receive old-age and survivors insurance benefits, as was formerly possible. As before, however, a railroad annuitant may engage in employment covered by old-age and survivors insurance without affecting his railroad retirement benefit.

The various benefit changes described above are generally effective for November 1951. Under administrative procedure, payments of benefits for November 1951 were made at the beginning of December 1951, but in these checks only the increases of 15 percent in retirement annuities and of 33⅓ percent in monthly survivor benefits were made. Retroactive adjustments will be made to reflect the effect of the other changes.

Legislative History

Congressional action on the railroad retirement provisions began with a consideration of H.R. 3669 (and its companion bill S.1347) and H.R. 3755 (and its companion bill S.1353). These bills, introduced in April 1951, embodied two somewhat different approaches. Both House bills were introduced by Representative Crosser, Chairman of the Committee on Interstate and Foreign Commerce, while both Senate bills were introduced by a bipartisan group that included Senator Murray, Chairman of the Committee on Labor and Public Welfare, and Senator Douglas, chairman of the subcommittee that studied the problem. The approach in H.R. 3669

[5] Survivor benefits are computed by applying certain percentages to the so-called "basic amount." On the whole, these percentages under the previous law paralleled those under old-age and survivors insurance (75 percent, for example, for a widow aged 65 or over). The amendments left the basic amount unchanged but raised the beneficiary percentages applied thereto 33⅓ percent for monthly benefits and 25 percent for the lump-sum death payment. Mathematically, this procedure has the same effect as though the factors that are applied to various portions of the average monthly remuneration to obtain the basic amount had been increased 33⅓ percent and the beneficiary percentages left unchanged (except for the lump-sum payment). For comparability with old-age and survivors insurance, the latter concept is used in this article, with suitable notation as to the "adjusted basic amount" and with the beneficiary percentages in effect remaining unchanged.

[6] In general, this change does not greatly increase benefits for those who had service after age 65 but who have previously been credited with the maximum service of 30 years now possible. For such retirants there will usually be a relatively small increase if the use of service performed after age 65 results in higher average monthly compensation, although in a few cases this service may produce a slightly lower average and thus a decrease in the annuity.

[7] In determining whether this 10-year test is met, service before 1937, when contributions were first collected, is included. When such total service is less than 10 years the individual loses credit for all such "prior service" he may have had.

had the support of the 18 "nonoperating" labor organizations (affiliated in the Railway Labor Executives' Association) that represent roughly three-fourths of all railroad employees; H.R. 3755 was supported by the four "operating" labor organizations that represent most of the other employees.

Hearings were held on these as well as on various other railroad retirement bills.[8] The Senate hearings began April 27 and ended May 14, while the House hearings began May 15 and ended June 6. As a result of the House hearings, and in an attempt to find a solution to the problem, another bill—H.R. 4641—was introduced in June by Representative Priest, a member of the Committee on Interstate and Foreign Commerce.

H.R. 3669 As Introduced

This bill contained most of the features of the final legislation, but it also had many features that were not a part of the law as enacted. The following provisions are among the more important items that were changed in the final version.

(1) Increase in retirement annuities by varying amounts, ranging from 13⅓ percent to 16⅔ percent (rather than a uniform 15 percent);

(2) The maximum for a spouse's annuity of $50 a month (rather than the $40 in the final legislation, which the Senate Committee, in describing its subsequent action, noted as also being the maximum for a wife's benefit under old-age and survivors insurance);

(3) Maximum taxable and creditable compensation after 1951 of $400 a month (rather than $300);

(4) A new formula for computing survivor benefits that would increase them on the average by roughly 75 percent (rather than the smaller increases adopted);

(5) Withholding of retirement annuities if the annuitant, aged 65 or older, is in employment covered by old-age and survivors insurance (and would have his benefit suspended under the old-age and survivors insurance work clause—for example, by earning more than $50 per month in covered employment);

(6) Making financial interchange between the railroad retirement and the old-age and survivors insurance systems the subject for a joint study to be submitted to Congress by 1956 (instead of becoming effective immediately without further legislative action);

(7) Service after age 65 creditable only for benefits awarded after enactment of the amendments (instead of including beneficiaries on the rolls, as in the final legislation);

(8) Incorporation of many of the benefit features of the 1950 amendments to the old-age and survivors insurance system. Some of these were retained in the final legislation (for example, benefits for retired workers' wives under age 65 caring for a dependent child; benefits for aged, dependent husbands and widowers; similarity of definitions of dependents; and payment of retroactive benefits for as much as 6 months), while others were omitted (for example, benefits for the former wife divorced who has a dependent survivor child in her care; payment of an additional amount, in effect, for the first survivor child; payment of child's benefits regardless of school attendance between ages 16 and 18; an increase in parent's benefits to the same size as widow's benefits; and lump-sum payments for all deaths rather than only when no survivors are eligible for immediate monthly benefits).

H.R. 3755

H.R. 3755 provided for relatively few changes in the program, principally an increase of 25 percent in all retirement annuities; survivor benefits, on the whole, would be increased in the same proportion. Subsequently the supporters of this legislation redrafted the bill because of cost con-

Transfer of Short-Service Employees

PROVISIONS OF THE RAILROAD RETIREMENT ACT IN REGARD TO TRANSFER OF SHORT-SERVICE EMPLOYEES:

As to retirement annuities under the Railroad Retirement Act—

Section 2 (a). The following-described individuals, if they . . . shall have completed ten years of service, shall be eligible for annuities after they shall have ceased to render compensated service . . . .

As to survivor annuities under the Railroad Retirement Act (payable only with respect to completely or partially insured individuals)—

Section 5 (l) (7). An employee will have been 'completely insured' if . . . he will have completed ten years of service . . . .

Section 5 (l) (8). An employee will have been 'partially insured' . . . if . . . he will have completed ten years of service . . . .

As to crediting railroad service under old-age and survivors insurance—

Section 5 (k) (1). For the purpose of determining (i) insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee . . . this Act shall not operate to exclude from 'employment,' under title II of the Social Security Act, service which would otherwise be included in such 'employment' . . . .

[8] Representatives of the Federal Security Agency were asked to testify before the Senate subcommittee (*Hearings Before the Subcommittee on Railroad Retirement Legislation of the Committee on Labor and Public Welfare on . . . Bills To Amend the Railroad Retirement Act of 1937* (U. S. Senate, 82d Cong., 1st sess.), pp. 541–563). For the written views of the Agency, see *Senate Hearings*, pp. 608–614, and *Report of the Senate Committee on Labor and Public Welfare on S.1347*, p. 14.

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

Average monthly compensation	Old law	New law [1]	
		Nonmarried or spouse not eligible	Married, and spouse eligible
	10 years' service		
$100	[2] $21.00	[2] $24.15	$36.23
150	[2] 30.00	[2] 34.50	51.75
200	36.00	41.40	62.10
250	42.00	48.30	72.45
300	48.00	55.20	82.80
	20 years' service		
$100	[2] $42.00	[2] $48.30	$72.45
150	60.00	69.00	103.50
200	72.00	82.80	122.80
250	84.00	96.60	136.60
300	96.00	110.40	150.40
	30 years' service		
$100	$63.00	$72.45	$108.68
150	90.00	103.50	143.50
200	108.00	124.20	164.20
250	126.00	144.90	184.90
300	144.00	165.60	205.60
	40 years' service [3]		
$100	$84.00	$96.60	$136.60
150	120.00	138.00	178.00
200	144.00	165.60	205.60
250	168.00	193.20	233.20
300	192.00	220.80	260.80

[1] Does not take into account the provisions for an increase if necessary to guarantee that benefits will at least equal those that would have been payable under old-age and survivors insurance for the same wage history, or for a decrease when annuity is based on "prior service" (before 1937) and old-age and survivor insurance benefits are also being paid.

[2] Minimum annuity provision would be applicable for those 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 $200 man and for a 20-year man to those for a $150 man.

[3] Persons using prior service cannot have total service of more than 30 years. Accordingly, persons retiring in 1977 are the first who can get credit for 40 years of service.

siderations so that the retirement annuities would be increased by 16⅔ percent; while no general increase would be made in the survivor benefits, it was recognized that such a step was necessary and should be immediately studied.[9]

H.R. 4641

H.R. 4641 also provided for relatively few changes, with the benefit increases being, on the whole, lower than in the previous bills. All retirement annuities would be increased 10 percent, while survivor benefits would be made payable under the same conditions, in approximately the same amounts, and to the same classes of survivors as under the old-age and survivors insurance system. Certain provisions were the same as in the final legislation; both retirement and survivor benefits were to be at least as large as the benefits or additional benefits payable under old-age and survivors insurance if railroad service had been counted as covered employment thereunder, and benefits were reduced for annuitants also receiving old-age and survivors insurance benefits. H.R. 4641 also contained a provision (present in H.R. 3669 as introduced but not in the final legislation) preventing payment of railroad benefits to an annuitant who is past age 65 and who is in employment covered by old-age and survivors insurance if the work clause of that program would prevent benefit payment.

H.R. 3669 As Reported by Committee

By a vote of 18 to 12, the House Committee on Interstate and Foreign Commerce voted on September 19 to report out a completely revised version of H.R. 3669. This action was taken immediately before the House took an extended recess. The two other major bills considered (H.R. 3755 and H.R. 4641) had a significant effect on the provisions of the reported bill.

The provisions were relatively simple, providing a flat increase of 15 percent for retired workers, 33⅓ percent in monthly benefits for survivors, and 25 percent in lump-sum death payments. In its report, the Committee expressed its intention to make a further study of the controversial issues involved and its belief that immediate action should be taken to raise the benefits. The Committee Report also contains the views of the minority (including Chairman Crosser), strongly advocating the provisions of the bill as it had been introduced.

H.R. 3669 As Passed by House

The House debated the legislation on October 4 and completed its action on October 16 (the day after the Senate had acted on the companion bill, S.1347). During the debate, Representative Crosser offered a substitute that closely paralleled the provisions of the bill he had originally introduced. This substitute was rejected by a vote of 114 to 158. Representative Harris, on behalf of the majority of the Committee on Interstate and Foreign Commerce, offered a substitute for the reported bill that was adopted without record vote.

The provisions adopted by the House were in essence those of H.R. 3669 as reported, plus certain features of S.1347 as passed by the Senate. In addition to increasing retirement and survivor benefits and lump-sum death payments, the bill passed by the House provided for spouse's and widower's annuities, as in the final legislation.

Table 2.—*Illustrative monthly survivor annuities under the Railroad Retirement Act* [1]

Average monthly remuneration	Widow aged 65 or over		Widow and 2 children	
	Old law	New law	Old law	New law
	10 years' service [2]			
$100	$26.81	[3] $37.50	$62.56	$83.42
150	30.94	[3] 43.20	72.19	[3] 115.00
200	35.06	[3] 48.80	81.81	[3] 130.00
250	39.19	[3] 54.40	91.44	[3] 145.00
300	43.31	[3] 60.00	101.06	[3] 150.00
	20 years' service			
$100	$29.25	$39.00	$68.25	$91.00
150	33.75	45.00	78.75	[3] 115.00
200	38.25	51.00	89.25	[3] 130.00
250	42.75	57.00	99.75	[3] 145.00
300	47.25	63.00	110.25	[3] 150.00
	30 years' service			
$100	$31.69	$42.25	$73.94	$98.58
150	36.56	48.75	85.31	[3] 115.00
200	41.44	55.25	96.69	[3] 130.00
250	46.31	61.75	108.06	[3] 145.00
300	51.19	68.25	119.44	159.25
	40 years' service			
$100	$34.13	$45.50	$79.63	$106.17
150	39.38	52.50	91.88	122.50
200	44.63	59.50	104.13	138.83
250	49.88	66.50	116.38	155.17
300	55.13	73.50	128.63	[4] 160.00

[1] Individual assumed to enter railroad service at age 21 in 1951 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] No monthly survivor benefits paid under the railroad retirement system for less than 10 years of service.

[3] "Old-age and survivors insurance minimum guarantee" provision applicable.

[4] $160 maximum benefit provision applicable.

[9] *Hearings Before the Committee on Interstate and Foreign Commerce on H.R. 3669, H.R. 3755, and Others* (House of Representatives, 82d Cong., 1st sess.), pp. 482–484.

It also carried the "old-age and survivors insurance minimum guarantee" provision, just as in the final legislation, except that to obtain this guarantee a "current connection" would be required. In general, this requirement is met when the individual, at the time of his retirement or death, had 1 year of railroad service in the preceding 2½ years. The bill also contained a number of minor provisions that were in both S.1347 and the final legislation.

S.1347 As Passed by Senate

On October 4, the Committee on Labor and Public Welfare unanimously reported S.1347 to the Senate. As introduced, S.1347 had been a companion bill to H.R. 3669, but the bill as reported was a complete substitute. It differed from the final legislation in only one important respect—it increased from $300 to $350 the creditable and taxable monthly wage base, while the final bill retained the $300 figure that had been in effect since the system began in 1937.

On October 15 the report was taken up by the Senate and after debate was adopted without a record vote. On October 17 the Senate, in order to take the legislation to conference, considered H.R. 3669 as passed by the House the previous day and by unanimous consent approved it but with the wording of S.1347 as passed by the Senate substituted for the language in the House bill.

Conference Action

On October 18 the conferees met and reported an agreement, which on the next day was accepted by the House by a vote of 339 to 0 and by the Senate by unanimous consent. As indicated previously, the provisions of the final legislation were virtually the same as the bill originally passed by the Senate, with the exception that the maximum wage base was not increased. The important changes from the bill originally passed by the House were the transfer of employees with less than 10 years of service to the old-age and survivors insurance system, the financial interchange provisions between the two systems, certain provisions relating to duplication of benefits, and provision for recomputation of benefits previously awarded to take into account service after age 65.

Benefits Under New Law

Illustrative Benefits

Table 1 shows illustrative retirement annuities under Public Law 234, as contrasted with those under the previous law. The amounts are those arising under the benefit formulas without taking into account the minimum annuity provision for those with a "current connection" or, for the new law, the provisions for correlating the payments to a certain extent with those under the old-age and survivors insurance system.

In table 2, illustrative survivor annuities under the new law are contrasted with those under the former law for an individual entering railroad service at age 21 in 1951 (or thereafter) and remaining steadily employed therein at a level wage. No illustrative survivor annuities for workers now at the middle and older ages (regardless of whether they had service before 1951) are shown since, in the near future and possibly for many years to come, the great majority of the claims for this group will be paid under the "old-age and survivors insurance minimum guarantee" provision rather than under the railroad retirement benefit formula. This minimum provision has relatively slight effect on retirement annuities except when the amount of credited railroad service has been little more than 10 years.

Table 3.—*Average monthly benefits* [1] *under the Railroad Retirement Act and under old-age and survivors insurance, October 1951*

Type of beneficiary	Railroad Retirement Act			Average benefit under old-age and survivors insurance
	Number of persons	Average benefit		
		Old law	New law	
Annuitant over age 65	212,500	$84	[2] $109	[3] $50
Annuitant under age 65	44,800	75	86	([4])
Pensioner [5]	6,600	71	[2] 92	([4])
Aged widow	84,000	30	40	36
Widowed mother	13,300	28	39	34
Child	47,700	17	29	27
Parent	1,100	17	40	37

[1] Rounded to the nearest dollar.
[2] Includes spouse's annuity, when payable.
[3] Includes wife's and child's benefits, when payable.
[4] Not applicable.
[5] Pensioners taken over from former railroad pension plans in 1937.

Source: Railroad retirement data from letter of Railroad Retirement Board to Bureau of the Budget, Oct. 23, 1951.

Average Benefits

The net effect of the various benefit changes is shown in table 3, which contrasts for different types of beneficiaries the average monthly benefits actually paid for October 1951 before the amendments went into effect and the estimated averages that would have been paid if the amendments had been in effect in that month. For comparative purposes, average benefits under the old-age and survivors insurance system are also shown.

The increase for annuitants over age 65 is about 30 percent—the result principally of the 15-percent flat increase, the addition of the spouse's annuity (payable in about 40 percent of the cases), and the crediting of service beyond age 65; there is also present the effect of a decreasing factor—the offset feature for those receiving old-age and survivors insurance benefits. The increases for survivor benefits are somewhat higher than the 33⅓-percent flat increase in the benefit formula because of the "old-age and survivors insurance minimum guarantee" provision; for children the increase is about 70 percent, and for parents, more than 100 percent.

In comparison with the old-age and survivors insurance benefits, the new railroad retirement benefits are notably higher for retirement cases and only slightly higher for survivor cases, since—though the benefits are computed in essentially the same way—railroad earnings are somewhat higher on the average.

Benefit Interrelationships Between the Two Programs

Under the new legislation, there are a number of situations in which benefits under the railroad retirement and old-age and survivors insurance programs are interrelated. This section will give hypothetical examples of how such situations will work out.

Minimum Guarantee—Retirement Annuities

The retirement annuity—plus the spouse's annuity, if any—is guaran-

teed to at least equal the amount that would have been payable under old-age and survivors insurance if the individual's railroad service had been credited thereunder. When the individual is receiving, or is eligible to receive, old-age and survivors insurance benefits based on his earnings under that program, then the guarantee relates to the additional amount that the railroad earnings would have produced under old-age and survivors insurance if added to the earnings from which his old-age and survivors insurance benefit is determined.

Chart 1.—*Principal changes in the Railroad Retirement Act under the 1951 amendments* [1]

Item	Old law	New law
	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 1/15 for each year under age 65 at time of retirement).	No change, except that minimum of 10 years of service required (if less service, credit given under OASI [2] system), but those on rolls at enactment are not removed.
(2) Disability annuitant	Unable to engage in any regular employment, and with 10 or more years of service, or aged 60 or over; or unable to engage in regular occupation, with "current connection" with railroad employment when disabled, and with 20 or more years of service, or aged 60 or over.	No change, except as in item (1).
(3) Spouse of annuitant aged 65 or over	Benefits not payable	Aged 65 or over (husband to be eligible must be "dependent"), or regardless of age for wife with dependent child under age 18 present.
(4) Widow	Aged 65 or over, or with dependent child under age 18 present.	No change,[3] except that benefits provided for dependent widower aged 65 or over and except as in item (1).
(5) Children of deceased individual	Under age 18	No change,[3] except as in item (1).
(6) Dependent parent	Aged 65 or over, and no surviving spouse or child who could ever receive monthly benefits.	No change,[3] except as in item (1).
(7) Lump-sum death payment	For deaths when no monthly benefits payable immediately.	No change, except as in item (1).
(8) Residual death payment	Payable after all benefit rights, including those of survivors, have terminated—to assure total payments of at least contributions paid plus some allowance for interest.	No change, except that suitable modifications made for those with less than 10 years of service, see item (1).
	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.	No change.
(2) "Current connection"	In general, exists at time of retirement or death if 1 year of railroad service in preceding 2 ½ years.	No change.
(3) Completely insured status	Current connection, and 1 quarter of coverage for each 2 quarters after 1936 and before age 65 (or death if earlier), with minimum of 6 quarters of coverage or maximum of 40 quarters of coverage required.	No change, except that minimum of 10 years of service (including years before 1937) also required.
(4) Partially insured status	Current connection, and 6 quarters of coverage in year of death (exclusive of quarter of death) and three preceding years.	No change, except that minimum of 10 years of service (including years before 1937) also required, and that quarter of death included and also applicable to retirements.
(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.	No change, except as noted in item A(1).
	C. Amount of retirement benefits	
(1) "Years of service"	All service after 1936 except that after calendar year of attaining age 65, plus—for those in "employment status" on August 29, 1935—such service before 1937 as will make total of not more than 30 years.	No change, except that service after attaining age 65 creditable in all instances.
(2) "Monthly compensation"	Average of creditable compensation paid in period of service counted, maximum of $300 creditable for any month.	No change.
(3) Monthly amount	2.40% of first $50 of monthly compensation, plus 1.80% of next $100, plus 1.20% of next $150, all multiplied by years of service.	Percentage factors increased by 15% in each case.
(4) Minimum amount	If having current connection at retirement, amount determined under item (3) shall not be less than least of: $60, $3.60 times years of service, and monthly compensation.	No change, except that dollar figures in minimum increased 15% and "OASI minimum guarantee" provision added, see item F(8).
	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 of $250.	No change, except that maximum for average remuneration is raised to $300 (but not for those on survivor benefit rolls at enactment) and except that average may be computed at age 65 if this gives higher amount.
(2) "Basic amount"	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 $10.	Basic amount unchanged, although in effect "adjusted" by 33⅓% in all cases—see items E(2) to E(5). Minimum basic amount increased to $14.
(3) Maximum family benefits	$120, or 80 percent of average remuneration, or twice basic amount, whichever is least (but not to reduce below $20).	$160, or 2⅔ times the basic amount (but as in item (2) above, in effect twice the "adjusted basic amount"), whichever is the lesser (but not to reduce below $30).
(4) Minimum family benefits	$10	$14; also "OASI minimum guarantee" provision added, see item F(8).

See footnotes at end of table.

Consider, for example, an individual who entered railroad service at the beginning of 1937, who retires at age 65 at the end of 1952 after having earned $300 in each month of the 16 years, and who never had old-age and survivors insurance wage credits. Assume that he has a wife aged 65 and an adopted child aged 17. Under the new railroad retirement benefit formula, he would receive $88.32 a month, plus an additional $40 for his spouse, making a total of $128.32. If his railroad service had been counted under the old-age and survivors insurance system, he would have been eligible for an old-age insurance benefit of $80; the additional benefits ($70) for his

Chart 1.—*Principal changes in the Railroad Retirement Act under the 1951 amendments*[1]—Continued

Item	Old law	New law
E. Benefit amounts of dependents and survivors		
(1) Spouse	None payable	50% of full retirement or disability annuity (disregarding any reduction made for retirement before age 65), with maximum of $40.
(2) Widow	75% of survivor basic amount	100% of survivor basic amount, which is 75% of "adjusted basic amount," see item D(2). Widow's annuity shall not be less than any spouse's annuity immediately previously received.
(3) Child of deceased worker	50% of survivor basic amount	66⅔% of survivor basic amount, which is 50% of "adjusted basic amount," see item D(2).
(4) Dependent parent	50% of survivor basic amount	66⅔% of survivor basic amount, which is 50% of "adjusted basic amount," see item D (2).
(5) Lump-sum death payment	8 times the basic amount	10 times survivor basic amount, which is 7½ times "adjusted basic amount," see item D(2).
F. Miscellaneous benefit provisions		
(1) Employment permitted retired workers and spouses.	None for any railroad or for last employer before retirement.	No change.
(2) Employment permitted survivor beneficiaries.	None for any railroad and not more than $25 in employment covered under OASI.	No change, except that $25 allowable OASI employment increased to $50.
(3) Effect of railroad employment on benefits of OASI beneficiaries.	No provision	Railroad earnings counted in determining whether benefits are payable.
(4) Duplication of benefits under railroad system.	Not permitted; in effect, only larger benefit payable	No change.
(5) Duplication of retirement annuity with OASI benefits.	No provision	Annuity reduced by portion thereof based on service before 1937 or by amount of old-age insurance benefit (based on worker's wages), whichever is smaller. No reduction for any other type of benefit under OASI. For annuitants on rolls at enactment, total payable after reduction, including spouse's annuity and OASI benefits, cannot be less than formerly received under both systems.
(6) Duplication of spouse's annuity with OASI benefits.	No provision	Annuity reduced by any OASI benefit except wife's benefit (and indirectly by OASI benefits that reduce husband's retirement annuity, see item (5) above).
(7) Duplication of survivor benefits with OASI benefits.	Not permitted; in effect, only larger benefit payable	No change.
(8) "OASI minimum guarantee" provision.	No provision	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.
(9) 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. Provisions against using same service under more than one Federal system.	No change.
(10) Time within which benefits must be claimed.	Retirement annuities retroactive for 60 days. Survivor monthly benefits retroactive for 3 months. Lump-sum death payment within 2 years. No limit for residual death payment.	Monthly benefits retroactive for 6 months. No change for death payments.
G. Financing provisions		
(1) Tax rates	6% on employer and 6% on employee for 1951, and 6¼% each, thereafter; paid on maximum compensation of $300 per month.	No change.
(2) Government contribution	For cost of military service provision, see item F(9)	No change.
(3) Interest rate on investments	Minimum of 3% per annum guaranteed by General Treasury.	No change.
(4) OASI "interchange"	Transfer made to assure equitable distribution of cost of survivor benefits when credits under both systems are merged, see items B(5) and D(1).	OASI trust fund to be put in same position as it would have been if railroad employment had always been covered thereunder, by transfers in appropriate direction. Takes into account, among other matters, payment of survivor benefits for long-service employees on basis of combined wage credits. Provision for transfers for survivor benefits (see adjoining column) eliminated; for transfer of short-service railroad employees, see item A(1).

[1] All changes applicable to those on the benefit rolls at time of enactment, except as noted.

[2] OASI means old-age and survivors insurance under the Social Security Act.

[3] Certain liberalizations in definitions were made to conform with OASI definitions—for example, a parent need be only chiefly dependent (rather than wholly).

wife and dependent child [10] would bring the total to $150.[11] Accordingly, in this case, the man's railroad retirement annuity and the spouse's annuity would be increased so that they would total $150.[12]

The guarantee provision applies only for months for which the old-age and survivors insurance benefits would be payable. For instance, if in a certain month the child receives more than $50 in employment under the old-age and survivors insurance program, the total benefit payable under that program would have been reduced from $150 to $120. Accordingly, for that month the annuity payable under the railroad retirement program would be reduced to the $128.32 arising under that program's benefit formula. The result would be the same when the child reaches age 18 and any benefits for him under old-age and survivors insurance would be permanently terminated.

If this individual had had a small amount of coverage under the old-age and survivors insurance program—sufficient, say, to qualify him for the minimum old-age insurance benefit of $20, plus an additional $20 for his wife and child—the guarantee provision would have no effect on his railroad annuity. (Nor would the provision against dual receipt of benefits, discussed subsequently, have any effect, since this individual is assumed to have no "prior service.") His additional benefits under old-age and survivors insurance as a result of counting railroad service would then be $110. Since this amount is less than would be paid under the railroad retirement benefit formula, he would receive $128.32 from the railroad system and $40 from the old-age and survivors insurance system.

There may be situations, similar to the one described above, where the railroad benefit is increased by the "old-age and survivors insurance minimum guarantee" provision, and yet old-age and survivors insurance benefits are also paid. For instance, if the individual had a minimum old-age and survivors insurance benefit of $20, and if his railroad earnings had averaged $150 a month in 1937–52 (but $300 in each month of 1951 and 1952), the new railroad retirement formula would give a benefit of $82.80 (including spouse's annuity). By the operation of the guarantee, the total railroad benefit would be increased to $110, which—with the $40 paid by old-age and survivors insurance—would total the $150 that the old-age and survivors insurance program would pay if his railroad earnings were counted as "wages."

Minimum Guarantee—Survivor Benefits

For benefits to the survivors of deceased individuals having 10 or more years of railroad service and the required insured status, including "current connection," the same type of minimum guarantee applies as for retirement annuities. Here, however, the situation is different because (1) no credit is given for prior service, (2) the average monthly wage is computed in the same general fashion as under old-age and survivors insurance—that is, over periods of potential coverage rather than only over the actual months of service as for retirement annuities, (3) the benefit formula produces benefits in some cases lower, although in other cases higher, than the old-age and survivors insurance benefit formula, and (4) less liberal benefit amounts are given for certain categories than under the old-age and survivors insurance system.

In computing the average monthly wage (item 2 above), there is also the very important element that old-age and survivors insurance permits a "new start"; both wages and the period before 1951 can be ignored for individuals having 6 quarters of coverage after 1950. This provision will tend to produce a higher average wage by dropping out the lower wages of the war and prewar periods, whereas under railroad retirement all wages and periods since 1936 must, in general, be included. For persons not able to use the "new start" (such as survivors receiving benefits based on the record of a wage earner who died before 1952), old-age and survivors insurance benefits are computed as under the 1939 act and then adjusted upward by use of a conversion table [13] that partially, though roughly, allows for the lower wages of the past.

In regard to the third item, the old-age and survivors insurance benefit formula is 50 percent of the first $100 of average monthly wage and 15 percent of the excess, while the railroad retirement benefit formula is, in effect, 53⅓ percent of the first $75 and 13⅓ percent of the remainder plus 1-percent increment for each year of coverage after 1936. As a result, for workers with short periods of coverage, the effect of the increment under the railroad retirement formula is more than offset by the higher limit of the first bracket under old-age and survivors insurance.

As to the fourth item, the effective benefit percentages applicable to the "adjusted basic amount" (item D(2) of the accompanying chart) are frequently lower under the railroad retirement system than under old-age and survivors insurance. There is no additional family benefit (25 percent of the primary insurance amount) for survivor children, while parents receive, in effect, benefits at the 50-percent rate formerly used in old-age and survivors insurance (now 75 percent).

For survivor awards made in the near future (and possibly for many years to come), the vast majority of the amounts paid will be under the minimum guarantee provision rather than under the new railroad retirement benefit formula. Any simple comparison is difficult to make because of the differences between the two programs. Illustrative calculations

[10] Under the railroad retirement system, no additional payment is made for the dependent child of a retired worker although, when such a child is present, the wife can receive a spouse's annuity even though she may be under age 65.

[11] The wife and child are each eligible for 50 percent of the man's benefit, which would be $40 apiece in this case, but the $150 maximum benefit provision reduces their benefits to $35 each.

[12] Both the man's retirement annuity and the spouse's annuity would be increased proportionately, to $103.24 and $46.76, respectively; this is the only type of case in which the spouse's annuity can exceed $40.

[13] For a full description of the method of calculation, see Walter E. Wilcox, *Analysis of the Benefits under Title II of the Social Security Act Amendments of 1950*, Actuarial Study No. 30, Social Security Administration, February 1951 (especially pages 12, 14, and 15).

have been made, however, for an individual who died in 1951, having been covered under the railroad retirement program continuously since the beginning of 1937, and who left a widow and one child. Since this individual would not have sufficient coverage after 1950 to use the "new start" average wage under old-age and survivors insurance, the average wage is computed in approximately the same fashion under both programs. In obtaining the benefit under old-age and survivors insurance, the conversion table would be used. The resulting benefits for the widow and child, based on various assumed average monthly wages, are shown below.

Average monthly wage	Benefit under railroad retirement provisions [1]	Benefit under old-age and survivors insurance provisions
$50	$38.33	$62.70
75	57.50	71.70
100	62.30	78.30
150	71.88	87.60
200	81.47	96.00
250	91.05	102.80
300	100.63	102.80

[1] Before application of the "old-age and survivors insurance minimum guarantee" provision.

For this particular case, the minimum guarantee provision would apply at every wage level—that is, the railroad retirement system would pay the larger amount computed under the old-age and survivors insurance provisions.[14]

This situation will not prevail for all survivor benefits currently awarded or those arising in the near future, although it is believed that a substantial majority will be affected—particularly when in the middle of 1952 it becomes possible under old-age and survivors insurance to use the new benefit formula along with the "new start" average wage.

Dual Receipt of Benefits

The retirement annuity of any individual entitled to an old-age insurance benefit (based on the individual's own wages earned in jobs covered by the social security program) is to be reduced by the smaller of (1) the old-age insurance benefit or (2) the portion of the retirement annuity based on service before 1937. For beneficiaries on the rolls when the law was enacted, there is a saving provision to the effect that this reduction, when considered in conjunction with the various increases made by the benefit formula and the spouse's annuity, shall not result in the individual's receiving less than he did before the amendments.

Consider, for example, a retired individual aged 65 or over with a wife also aged 65 or over. Assume that he had 20 years of service before 1937 and 10 years of service after 1936, all at a compensation of $200 a month. Before the amendments he was receiving a retirement annuity of $108 a month. Further assume that, as a result of a small amount of old-age and survivors insurance coverage, he had been receiving an old-age insurance benefit of $20 and his wife was receiving a benefit of $10. Under the amended benefit formula, the man's retirement annuity is increased to $124.20, and in addition there is a spouse's annuity of $40. The man's retirement annuity must be reduced, however, by the old-age insurance benefit of $20 that he is receiving (since this is smaller than the portion of his retirement annuity —about $83—based on prior service). Accordingly, his actual retirement annuity is $104.20, while the spouse's annuity is $40,[15] so that the total payment from the railroad retirement system would be $144.20 as contrasted with the former $108. If the wife should die, however, the man's reduced retirement annuity of $104.20 would be raised to $108, the amount that he had been receiving before the enactment of the amendments.[16] For those retiring after the effective date, this saving provision is not applicable.

In some instances, this provision against dual receipt of benefits will be partially or wholly offset by the "old-age and survivors insurance minimum guarantee" provision described previously. In the example given in the preceding paragraph this guarantee would have no effect because his total railroad benefit of $144.20 is more than the maximum benefit for a married man and his eligible wife under old-age and survivors insurance ($102.80 currently and $120 for retirements after March 1952). Consider, for example, an individual retiring at age 65 in January 1953 who has a wife aged 65 and a child aged 17. Assume that he had 30 years of continuous railroad service (and thus 14 years of prior service) and an average monthly compensation of $125 over the period, but with $300 a month in 1951 and 1952. Further assume that, as a result of a small amount of old-age and survivors insurance coverage, he is receiving an old-age insurance benefit of $20, and correspondingly the total family benefit is $40. Under the amended benefit formula, the man's railroad annuity is $87.98 and the spouse's annuity is $40, or a total of $127.98. Because of the old-age insurance benefit actually paid, the man's annuity is reduced to $67.98 and the spouse's annuity to $33.99, or a total of $101.97. The "old-age and survivors insurance minimum guarantee" in this case is $110 (the $150 maximum family benefit—based on the $300 average wage in 1951 and 1952 and the two eligible dependents—less the $40 actually paid). Accordingly, the railroad total benefit as reduced by the "dual receipt of benefits" provision is then adjusted up to $110 by the guarantee provision.

In future years the provision against dual receipt of retirement benefits will have less and less effect, since fewer

[14] It may be noted that the family benefit based on an average monthly wage of $50 exceeds, under old-age and survivors insurance, the average wage. This situation arises because most workers with an average monthly wage of $50 had much lower earnings than this before and during the war and much higher wages thereafter. The increase in old-age and survivors insurance benefits made by the 1950 amendments, in the aggregate, was designed to raise benefits so as to relate them to the increased wage and price levels at the time. Accordingly, the total benefit would probably be significantly less than the recent monthly earnings of the individual.

[15] When this type of reduction is made, the spouse's annuity is half the reduced retirement annuity, but in the example given the $40 maximum would continue to apply.

[16] The same situation would occur if the individual did not have an eligible wife when the amendments were enacted. In other words, he would then have received no increase in his railroad retirement benefits since the rise due to the new benefit formula would have been offset by the reduction because of dual receipt of benefits under the two systems.

annuities under the railroad retirement system will be based on service performed before 1937. Thus, for those who have no prior service or for those who have at least 30 years of service after 1936, there will be no restrictions against receiving full, dual retirement benefits under the two programs.

As in the previous law, there are provisions against payment of different categories of benefits under the two systems for survivors, with an extension of this principle also to spouse's annuities. Thus, for instance, an aged widow of a railroad worker cannot receive both a widow's annuity under the Railroad Retirement Act and an old-age insurance benefit based on her own earnings, but rather, in effect, only the larger of the two amounts. Similarly, an aged wife of a retired railroad worker cannot receive both a spouse's annuity and an old-age insurance benefit based on her own earnings. She may, on the other hand, receive a wife's benefit under both programs; as previously described, however, since the husband's railroad retirement annuity will be reduced in most cases in the near future when he also receives old-age and survivors insurance benefits, the spouse's annuity under the railroad program will be correspondingly reduced.[17]

Residual Death Payments

The railroad retirement program provides for a residual death payment that gives a minimum guarantee of payments to the individual on the basis of his railroad wages. The amount guaranteed is 4 percent of creditable compensation during 1937–46 and 7 percent thereafter. The payment will always be in excess of the contributions the individual has made. The residual payment is determined by subtracting from the amount guaranteed all payments made under the railroad retirement program and certain payments made under the old-age and survivors insurance program on the basis of railroad earnings.

As an example, consider an individual who had less than 10 years of railroad service when he retired at age 65 in December 1951, with his wife also aged 65. Assume that all his railroad service was after 1946 and that his total credited compensation amounted to $5,000, so that the minimum guarantee of benefits is $350. Since he had less than 10 years of railroad service, his wage history was transferred to the old-age and survivors insurance system and, with the wage credits previously established, produced an old-age insurance benefit of, say, $28 a month, along with a benefit of $14 a month for his wife. Further, assume that without the railroad wage credits he would have been eligible for the minimum old-age insurance benefit of $20 for himself and $10 for his wife. Upon his death, a lump-sum payment of $84 will be payable, and his widow will receive a monthly benefit of $21.

Assume that the individual lives for one full year after retirement and that his widow dies 4 months later.[18] The residual payment is determined as follows: From the $350 minimum guarantee there must be deducted the excess benefits received during the retired worker's lifetime as a result of crediting the railroad wages (12 months at $8 for the man and $4 for his wife, or a total of $144) and all survivor benefits paid (the $84 lump-sum death payment and widow's benefits of $21 for 4 months, or a total of $168). The residual death payment would be $38 ($350 minus $144 minus $168).

Basic Documents Relating to Public Law 234

H.R. 3669, 82d Cong., 1st sess., as introduced April 12, 1951, and as reported out September 19, 1951.

H.R. 3755, 82d Cong., 1st sess., as introduced April 18, 1951.

H.R. 4641, 82d Cong., 1st sess., as introduced June 28, 1951.

S. 1347, 82d Cong., 1st sess. (identical with H.R. 3669), as introduced April 18, 1951, and as reported out October 4, 1951.

S. 1353, 82d Cong., 1st sess. (identical with H.R. 3755), as introduced April 18, 1951.

Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives (82d Cong., 1st sess.), on H.R. 3669, H.R. 3755, and Others, May–June 1951.

Hearings before the Subcommittee on Railroad Retirement Legislation of the Committee on Labor and Public Welfare, U.S. Senate (82d Cong., 1st sess.), on Bills to Amend the Railroad Retirement Act of 1937, April–May 1951.

Report of the Committee on Interstate and Foreign Commerce on H.R. 3669 (H. Rept. 976, 82d Cong., 1st sess.), September 19, 1951.

House debate on H.R. 3669, *Congressional Record,* October 4 and 16, 1951 (Volume 97, Nos. 186 and 194).

Report of the Senate Committee on Labor and Public Welfare on S. 1347 (S. Rept. 890, 82d Cong., 1st sess.), October 4, 1951.

Senate debate on S. 1347, *Congressional Record,* October 15, 1951 (Volume 97, No. 193).

Senate debate on H.R. 3669, *Congressional Record,* October 17, 1951 (Volume 97, No. 195).

Conference Report on H.R. 3669 (H. Rept. 1215, 82d Cong., 1st sess.), October 18, 1951.

House and Senate debate on Conference Report, *Congressional Record,* October 19, 1951 (Volume 97, No. 197).

President's Statement, White House press release, October 30, 1951.

[17] This situation will not occur, however, when the husband's original annuity and his reduced annuity both total $80 or more, since in either case the spouse's annuity is then the $40 maximum.

[18] Actually, this is an unusual case since both husband and wife would, on the average, live for about 12–14 years. In most instances there will be no residual death payment because the benefits paid before the death of the last surviving beneficiary will greatly exceed the minimum guarantee.

Railroad Retirement Act Amendments of 1951: Financial and Actuarial Aspects

by ROBERT J. MYERS*

The benefit provisions and legislative history of the 1951 amendments to the Railroad Retirement Act were summarized in the February Bulletin. In this issue the Chief Actuary of the Social Security Administration discusses the financial and actuarial implications of the amended law, with special emphasis on the provisions coordinating in some measure the railroad program with old-age and survivors insurance.

THE 1951 amendments to the Railroad Retirement Act include provisions for transferring the wage records of short-term railroad workers to old-age and survivors insurance. Congress also provided for a financial interchange between that program and the railroad retirement program designed to place the old-age and survivors insurance trust fund in the same position it would have held if all railroad employment had always been covered by old-age and survivors insurance. The provisions for financial interchange are of special interest both to the persons administering the programs and to the general public, since they establish the first coordination of this type between public retirement programs.

The amendments (Public Law 234) were adopted in October 1951. They had been preceded by hearings in both Houses of Congress and went through a number of changes in the course of their legislative history.[1] One version of the bill would have made the financial interchange the subject of a joint study by the Social Security Administration and the Railroad Retirement Board to be submitted to Congress by 1956, but the law as enacted made it immediately effective. This timing had been strongly urged by both the Federal Security Agency and the Bureau of the Budget in their testimony before the congressional committees, and it was also agreed to by the employee group sponsoring the bill.[2]

Financial Interchange Provisions

According to the statement of the Railroad Retirement Board on H.R. 3669, the purpose of the financial interchange provisions in that bill is as follows:

It is an over-all adjustment to compensate the railroad-retirement system for the savings it affords to the social-security system from the separate existence of the former. The recoupment of these savings contributes to making it possible to increase benefits as provided in the bill without affecting the financial soundness of the railroad-retirement system. The bill, in substance, declares it to be the Congressional policy that the social-security system shall neither profit nor lose from the existence of the separate railroad-retirement system. Because the railroad-retirement system covers an older group and a group which is in other respects a higher-cost segment of the national working population, it has achieved savings to the social-security system by removing that higher cost segment from the coverage of that system. The bill utilizes these savings for increasing benefits under the railroad-retirement system without increasing the tax rates for the maintenance thereof.[3]

In the testimony of the Social Security Administration before the Senate subcommittee it was argued, on the other hand, that the separate existence of the railroad retirement system would not result in a saving to the old-age and survivors insurance program. On the question of whether the group covered by the railroad system is a higher-than-average-cost group, the Administration said:

While it is true that for this group there are certain elements making for higher costs, on the one hand, other factors are present which act in the opposite direction. "Higher cost" factors include an older age distribution and perhaps a lower average retirement age (because of the availability of larger benefits). On the other hand, "lower cost" factors include a higher wage level and a higher proportion of men (since women have superior mortality, lower average retirement age, and less regular employment, all of which increase costs and more than offset their lower cost due to having relatively less in supplementary and survivor benefits).[4]

The financial interchange provisions finally adopted are designed to provide for such continuing adjustments that, whatever the true situation proves to be, the general objective of placing and maintaining the old-age and survivors insurance trust fund in the same position it would have been if railroad service had always been covered by old-age and survivors insurance will be achieved.

Cost Effects of Coordination Provisions

According to the testimony of the Railroad Retirement Board on S.1347, as introduced, the provisions of that bill would have resulted in an "initial debt" of $700 million "owed" by the railroad retirement account to the old-age and survivors insurance trust fund. This amount would be more

* Chief Actuary, Social Security Administration.

[1] See Robert J. Myers and Wilbur J. Cohen, "Railroad Retirement Act Amendments of 1951: Benefit Provisions and Legislative History," *Social Security Bulletin*, February 1951.

[2] See *Report of the Senate Committee on Labor and Public Welfare on S.1347* (S. Rept. 890, 82d Cong., 1st sess.), Oct. 4, 1951, p. 14. As stated there, the wording in the section was drafted jointly by the Bureau of the Budget, the Federal Security Agency, and the Railway Labor Executives' Association.

[3] *Report of the Committee on Interstate and Foreign Commerce on H.R. 3669* (H. Rept. 976, 82d Cong., 1st sess.), September 19, 1951, p. 63.

[4] *Senate Hearings*, pp. 547 and 548.

than offset by annual transfers in the future, based on the developing experience, from the trust fund to the railroad retirement account. It was estimated that the transfers would range generally from about $10 million to $60 million and average about $34 million a year.[5]

On the basis of these estimates, the representative of the Railway Labor Executives' Association testified that, since the net effect was a flow of funds to the railroad retirement system, there would be no need to transfer the "initial debt."[6] Instead, equitable treatment would be accorded both systems if the railroad retirement program merely paid interest on this amount, with the interest payments being more than offset by the annual transfers for future developing experience. This is the procedure established in the final legislation.

The result of handling the financial interchange in this manner would, on the basis of Railroad Retirement Board estimates, be future annual transfers from old-age and survivors insurance to railroad retirement averaging about $13 million for the bill as introduced.[7] Accordingly, under these estimates the old-age and survivors insurance system would not only have to transfer such amounts but would also under this bill have had the cost of granting wage credits for railroad service for employees having less than 10 years of such service.

Leaving the $700 million "initial debt" in the railroad retirement account would result in the latter receiving 3-percent interest[8] on this amount but having to pay to the old-age and survivors insurance trust fund only about 2¼-percent interest, since that is the average interest rate of the trust fund currently. The railroad system would thus have a "net profit" (at the expense of the General Treasury) of $5¼ million per year.

Estimates for S.1347, as introduced, were also presented in the testimony of the Social Security Administration. They agreed with the Railroad Retirement Board estimate in the amount of the "initial debt" but indicated that the flow of funds would at all times be from the railroad retirement account to the trust fund and would average about $35 million a year on a net basis, assuming the "initial debt" would not be transferred.[9]

The provisions of the final legislation (notably the retention of the previous law's work clause applicable to retirement benefits) have an important effect on the financial interrelationships between the two systems. The Railroad Retirement Board estimate for the introduced bill (a net annual transfer from the old-age and survivors insurance trust fund averaging $13 million, or 0.25 percent of railroad payroll) is reduced considerably and in fact reversed for the law as enacted (a net annual transfer to the trust fund averaging about $1.5 million, or 0.03 percent of payroll).[10] Correspondingly, an estimate prepared on the assumptions used in the Social Security Administration testimony would show a much larger average transfer to the trust fund, probably somewhere in the neighborhood of $45–50 million per year.

The two sets of estimates agree on the cost to old-age and survivors insurance of including the short-service railroad employees under that program rather than under the railroad program. Where the difference arises is in the estimates of whether the separate existence of the railroad retirement system does or does not result in a saving to the old-age and survivors insurance system. According to the Railroad Retirement Board estimate, this saving amounts to 0.82 percent of railroad payroll. According to the Social Security Administration figures (which use the Railroad Retirement Board estimate of the cost for short-service employees), the separate existence of the railroad retirement system increases costs for the old-age and survivors insurance system by 0.12 percent of railroad payroll or about 0.005 percent of the covered payroll under old-age and survivors insurance.[11]

The figures given earlier reflect the combined effect of the financial interchange provisions and transferring the short-service railroad employees to the old-age and survivors insurance system. It would have been possible for Congress to have enacted only one of these two provisions. The independent effect on the old-age and survivors insurance system of the financial interchange provisions as they related to the introduced version of S.1347, modified for a $300 monthly wage base, is indicated in the following tabulation:

Item	Percent of railroad payroll	
	Railroad Retirement Board estimate	Social Security Administration estimate
Transfer from old-age and survivors insurance trust fund to railroad retirement account	.25	−.69
Cost to old-age and survivors insurance for short-service employees [1]	.57	.57
Savings to old-age and survivors insurance because of separate existence of railroad system	.82	−.12

[1] Cost of paying additional benefits on basis of wage credits given for railroad service.
Source: *Senate Committee Report*, table III, item III, and table IV, footnote 4, pp. 16 and 17.

As was indicated above, since the legislation provides for continuing transfers between the two systems, future experience will definitely indicate whether the "savings to the old-

[5] *Senate Hearings*, p. 238. The average figure is based on the level-cost calculations, which show a gross reimbursement to railroad retirement for future experience of 0.65 percent of a $5.2 billion annual payroll (*Senate Committee Report*, table III, items D and III, p. 16).

[6] Ibid, p. 241.

[7] The average figure is based on the level-cost calculations, which show a net reimbursement to railroad retirement for future experience amounting to 0.25 percent of a $5.2 billion annual payroll (*Senate Committee Report*, table III, item III, p. 16).

[8] The statutory minimum interest rate provided by the Railroad Retirement Act for investments of the railroad retirement account.

[9] *Senate Hearings*, pp. 541–563 (especially pp. 551–553). Also see *Senate Committee Report*, p. 16, which indicates how the average figure was derived (net reimbursement to old-age and survivors insurance for future experience of 0.69 percent of a $5.2 billion annual payroll).

[10] *Senate Committee Report*, table I, item F minus item E of column 1, p. 11.

[11] The *Senate Committee Report* (p. 16) states that the Social Security Administration testimony "denies the existence of any savings to the social security system from the separate existence of the railroad retirement system" but that "this denial is not supported" by the figures. As indicated here, however, the Social Security Administration estimate shows the existence of a small "loss" to the old-age and survivors insurance system.

age and survivors insurance system because of the separate existence of the railroad retirement system" are positive or negative.

Operation of Interchange Provisions

Although the over-all objective of the financial interchange provisions is simple, the provisions themselves are somewhat complicated. They are summarized in the box on page 18.

A specific numerical example will help to clarify the manner in which the adjustment might work out under the provisions of section 5(k)(2). It is emphasized that the figures used are purely hypothetical and are not estimates of what the situation may be. Thus, many of the assumptions are made merely to show how different situations would be handled rather than to indicate how events will develop. First, assume that the interest rate, as calculated under subparagraph (D),[12] is 2¼ percent for the fiscal year ended June 30, 1953 (determined as of May 31), and 2⅜ percent, 2½ percent, and 2⅝ percent, respectively, for each of the three succeeding fiscal years. Assume further that all events take place at the latest time permitted. The following events, listed in their chronological order, would then occur.

Event 1.—On January 1, 1954, in accordance with subparagraph (A), it is determined that as of June 30, 1952, the amount in the old-age and survivors insurance trust fund would have been $17,100 million if railroad service had always been covered, as against an actual trust fund of $16,400 million, so that the "initial debt" is $700 million.

Determining the size that the trust fund would have been if railroad service had always been covered under old-age and survivors insurance is a relatively simple matter and may be done quite precisely, since the determination depends on past experience and does not involve prediction or projection into the future. The additional taxes from railroad employment for each year back through 1937 are readily calculable, since the railroad payrolls are known and the pertinent old-age and survivors insurance tax rates can be applied against them (after proper allowance for the $3,000 maximum annual taxable wage during 1937–50 and $3,600 thereafter). The amount of additional benefit payments that would have been made each year can also be readily calculated from proper samples, although this procedure is somewhat more complicated. Then the additional administrative expenses can be approximated from the actual administrative expenses of both agencies.

Finally, these additional tax receipts, benefit payments, and administrative expenses can be added to the actual figures, plus interest at the actual rate earned on the trust fund each year in the past so as to yield the resulting hypothetical accumulated trust fund.

Event 2.—On January 1, 1954, in accordance with subparagraph (B), the interest is determined for the fiscal year 1953 (at a rate of 2¼ percent) on the amount of the "initial debt" determined in Event 1. This amount ($15¾ million) is immediately transferred to the trust fund from the railroad retirement account. Since the interest was due June 30, 1953, payment was 6 months late and the trust fund has lost about $150,000, but the loss will be made up by the yearly determination of "the position of the Trust Fund." Moreover, in future years, the interest on the "initial debt" is to be paid promptly when due according to the provisions of the law.

Event 3.—On June 15, 1954, in accordance with subparagraph (C), it is determined that as of June 30, 1953, the holdings of the trust fund would have been $19,625 million if railroad service had always been covered, as against an "actual" trust fund of $19,600 million, made up of $18,900 million of assets in the fund (including the interest received January 1, 1954, under Event 2) and the $700 million "initial debt" under Event 1. Accordingly, there is a "current deficit" in the trust fund amounting to $25 million.

Event 4.—On June 25, 1954, in accordance with subparagraph (C), the $25 million of "current deficit" as of the end of the fiscal year 1953, determined under Event 3, is transferred from the railroad retirement account to the trust fund. With this amount is transferred about $550,000 in interest thereon (at the rate of 2¼ percent, applicable to the fiscal year 1953) for the 11 months and 25 days following the end of the fiscal year 1953.

Event 5.—On June 30, 1954, in accordance with subparagraph (B), interest (at the rate of 2⅜ percent) is determined for the fiscal year 1954 on the "initial debt" of $700 million, determined in Event 1. This interest amounts to $16.6 million and is immediately transferred from the railroad retirement account to the trust fund.

Event 6.—On June 15, 1955, in accordance with subparagraph (C), it is determined that as of June 30, 1954, the trust fund would have been $22,750 million if railroad service had always been covered as against an "actual" trust fund of $22,800 million, made up of $22,100 million of assets in the trust fund (including receipts under Events 2, 4, and 5) and $700 million of "initial debt." Accordingly, there is a "current surplus" of $50 million in the trust fund. This amount due the railroad retirement account can be handled in either of two ways—by paying it to the railroad retirement account within 10 days along with accumulated interest (the reverse of Event 4), or by offsetting it against the "initial debt" determined in Event 1. If the latter procedure is followed, as presumably it will be, the $50 million is offset as of July 1, 1954, against the "initial debt."

Event 7.—On June 30, 1955, in accordance with subparagraph (B), interest (at the rate of 2½ percent) is determined for the fiscal year 1955 on the "initial debt" of $700 million, determined in Event 1, minus the $50 million offset under Event 6. This interest amounts to $16¼ million and is immediately transferred from the railroad retirement account to the

[12] The computation is similar to that used in determining the interest rate for new investments for the old-age and survivors insurance trust fund.

trust fund. It will be noted that the procedure in Event 6—making the offset effective at the beginning of the fiscal year 1955—yields the proper result for interest determination. The $50 million "current surplus" is determined as of June 30, 1954, and, accordingly, is offset against the "initial debt" at that time. Interest for the fiscal year 1955, accordingly, is only on the difference between these two items.

Event 8.—On June 15, 1956, in accordance with subparagraph (C), it is determined that as of June 30, 1955, the trust fund would have been $27,290 million if railroad service had always been covered. The "actual" trust fund is, however, $27,250 million, made up of $26,600 million of assets (including receipts under Events 2, 4, 5, and 7) and $650 million that represents the difference between the "initial debt," determined in Event 1, and the offset made in Event 6. Accordingly, there is a "current deficit" of $40 million in the trust fund.

Event 9.—On June 25, 1956, in accordance with subparagraph (C), the $40 million of "current deficit" as of the end of the fiscal year 1955, determined under Event 8, is transferred from the railroad retirement account to the trust fund. To this amount is added almost $1 million in interest (at the rate of 2½ percent, applicable to the fiscal year 1955) for the 11 months and 25 days following the end of the fiscal year 1955.

Event 10.—On June 30, 1956, in accordance with subparagraph (B), interest (at the rate of 2⅝ percent) is determined for the fiscal year 1956 on the "initial debt" of $700 million, determined in Event 1, minus the $50 million offset under Event 6. This interest amounts to about $17.1 million and is immediately transferred from the railroad retirement account to the trust fund.

Actuarial Cost Estimates

The actuarial staff of the Railroad Retirement Board presented a number of cost estimates for the various bills introduced and the changes made as legislative action developed. Most of these cost estimates were on the basis of a single figure representing the net level premium required to support the benefits in perpetuity, taking into account interest at the rate of 3 percent.[13]

The resulting level premium costs can be compared with what is, in effect, the level contribution rate for the system—that is, 12½ percent of payroll, which is the combined employer-employee rate effective for all years after 1951 (the 1951 rate was 12 percent).

The estimated level premium costs under the old law, the various bills considered, and the final legislation are shown below.

Plan	*Cost as percent of payroll*
Old law	12.60
H.R. 3669 (and S.1347) as introduced	13.90
H.R. 3755 (and S.1353) as introduced[1]	15.70
H.R. 3755 (and S. 1353) as revised	14.40
H.R. 4641	13.49
H.R. 3669 as reported to House	14.71
H.R. 3669 as passed by House[1]	16.40
H.R. 3669 (and S.1347) as passed by Senate	14.06
New law	14.43

[1]Estimates developed for this article on basis of official figures of the Railroad Retirement Board, modified for consistent payroll base and approximate benefit provisions.

The cost figures are all on a comparable basis as to the total equivalent level annual payroll assumed—$4.9 billion when the maximum taxable and creditable wage is $300 a month, $5.3 billion for a $350 wage base, and $5.5 billion for a $400 wage base.

[13] The use of a single cost figure here and in the succeeding discussion does not mean that the actuarial estimates can be made so precisely. The Railroad Retirement Board has always recognized this fact in its presentation of a single cost figure—for instance, in its Fourth Actuarial Valuation, which states: "It should, however, be realized that it is virtually impossible with respect to a system of this size in which there is great variability in basic factors to develop a precise cost figure. At best, the level rate . . . can be looked upon as the most probable point in a range within which the true costs of the system lie." (*Annual Report of the Railroad Retirement Board for Fiscal Year 1949,* p. 175.) This same general conclusion was stated in the Second Actuarial Valuation: "No precise figure can be set down as to the exact cost of the benefits provided under the Railroad Retirement Act." (*Annual Report of the Railroad Retirement Board for Fiscal Year 1943,* p. 119.)

According to these figures, the old law was almost exactly in financial balance, since its cost was virtually the same as the future contribution rate. H.R. 3669, as introduced, had a cost estimated to be about 1½ percent of payroll in excess of the contribution rate. The substantial benefit increases provided were partly offset by savings resulting from the higher wage base of $400, the applicability of the old-age and survivors insurance work clause, the financial interchange provisions with old-age and survivors insurance, and the elimination of benefits for short-service railroad employees.

H.R. 3755, as introduced, had a cost estimated at more than 3 percent of payroll higher than the contribution rate because the substantial benefit increases were not offset by any savings. For similar reasons, the revision of this bill would still have cost almost 2 percent in excess of the contribution rate.

H.R. 4641 was estimated to cost only about 1 percent of payroll in excess of the contribution rate, in part because of the smaller benefit increases provided for retired workers and in part because of the savings due to the introduction of the old-age and survivors insurance work clause.

H.R. 3669, as reported to the House, had an estimated cost fairly close to that of the revised H.R. 3755, which it closely paralleled except for providing an increase in survivor benefits. As passed by the House, however, H.R. 3669 had the highest cost of any of the bills—almost 4 percent of payroll in excess of the contribution rate. This substantial difference resulted from the introduction of spouse's annuities and the incorporation of the "old-age and survivors insurance minimum guarantee" benefit provision.[14]

S. 1347, as passed by the Senate, had an estimated cost of about 1½ percent of payroll in excess of the contribution rate, or roughly the same as the original version of the bill, since the changes raising the cost (lowering the wage base, eliminating the old-age and survivors insurance work clause, and increasing slightly the retirement annuities) offset those de-

[14] See the *Bulletin,* February 1952, pp. 7–11.

Financial Interchange With Old-Age and Survivors Insurance

PROVISIONS OF RAILROAD RETIREMENT ACT FOR FINANCIAL INTERCHANGE WITH OLD-AGE AND SURVIVORS INSURANCE SYSTEM:

Section 5. (k) (2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed "Trust Fund") in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954 . . . the Board shall certify . . . for transfer . . . to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. . . .

(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

creasing the cost (reducing, on the whole, the amounts of the survivor and dependent's benefits).

The cost of the legislation finally enacted is estimated at almost 2 percent of payroll in excess of the contribution rate. The cost was increased somewhat over that of the bill passed by the Senate because the former wage base of $300 a month was retained as contrasted with the $350 base provided in the Senate version.

The lack of balance between the cost and the contribution rates indicated above undoubtedly was one of the important reasons for the adoption of Senate Concurrent Resolution 51, which calls for a congressional study of the railroad retirement system, including its relationship with old-age and survivors insurance. During the hearings, many witnesses testified that a margin of 1 percent of payroll between cost and contribution rate was reasonable and could readily be acceptable; their argument was based on the consistent overstatement of costs in the past. This overstatement had occurred primarily because of the steadily rising wage level during the past decade. As wages rise, the cost of the system, like the cost of old-age and survivors insurance, is decreased when measured as a percentage of payroll because of the weighted benefit formula, under which workers with low wages receive benefits that are proportionately higher than those with higher wages. Raising the maximum wage base reduces the cost of the system for this same reason.

The distribution of the estimated level premium cost of 14.43 percent of payroll under the final legislation, by the various categories of benefits and other cost items, is indicated below.

Item	Cost as percent of payroll
Net level premium cost	14.43
Retirement benefits	12.00
Age annuities and pensions [1]	7.74
Disability annuities payable before age 65	1.71
Disability annuities payable after age 65	1.52
Spouse's annuities	1.03
Survivor benefits	3.28
Aged widow's annuities [2]	2.16
Widowed mother's annuities	.15
Child's annuities	.24
Lump-sum death payments	.19
Residual death payments	.54
Other costs and credits:	
Allowance for minimum and maximum provisions	.28
Administrative expenses	.14
Net financial interchange with old-age and survivors insurance [3]	.03
Funds on hand	[4] −1.30

[1] Pensions are those taken over from former railroad pension plans in 1937.
[2] Includes the relatively small amount of widower's and parent's annuities.
[3] Represents net balance of credits to old-age and survivors insurance trust fund of taxes (both past and future) at old-age and survivors insurance rates based on all railroad employment (level cost of 6.00 percent) over credit from trust fund on account of additional benefits that would have been payable under old-age and survivors insurance with respect to employees with at least 10 years of railroad service (level cost of 5.97 percent).
[4] Credit item to help meet the benefit and administrative costs; relates interest at a rate of 3 percent on the present account to the $4.9 billion annual payroll.

Source: *Senate Committee Report*, table I, p. 11.

By far the greatest part of the cost is for retirement benefits for persons aged 65 and over—that is, for age annuities (most of which are payable to those over age 65) and for disability annuities payable after age 65. As a result of the financial interchange provisions, there is a small cost to the railroad retirement system for net transfers to the old-age and survivors insurance trust fund, amounting to 0.03 percent of railroad payroll.

On the whole, these provisions, along with that transferring short-service employees to the old-age and survivors insurance system, have financial advantages for the railroad retirement program. Although the estimate indicates a small transfer of funds from the railroad retirement system, it does not indicate specifically the savings due to the removal of the short-service employees, which is taken into account in the estimated

cost of the various benefits. According to this estimate the railroad retirement system might have a relatively small amount to transfer to the old-age and survivors insurance system, but the amount is far more than offset by the employer and employee contributions with respect to the short-service employees that the railroad retirement system, in effect, collects and retains. No benefits other than the residual death payment, which in virtually all cases will either not be due or not be claimed because of the survivor's lack of knowledge, can be payable by the railroad retirement system with respect to the wage records on which these contributions are based.

Year-by-year projections of the estimated operation of the railroad retirement program were presented during the hearings only for the old law and for H.R. 3669 as introduced.[15] Under the old law the benefit disbursements for the calendar year 1952 were estimated at $357 million, which represents 55 percent of the estimated contribution income of $649 million. Under H.R. 3669, as introduced, the estimated benefit disbursements for 1952 were $460 million, or 62 percent of the estimated contribution income of $739 million (an increase from the contribution income under the previous law because of the higher maximum taxable wage base). For the legislation enacted, a comparable estimate of the benefit disbursements for 1952 is $462 million,[16] or 71 percent of the estimated contribution income of $649 million (same as the contribution income under the old law because of no change in the tax-rate schedule and wage base). Benefit disbursements under the new law in 1952 will be about $105 million higher than under the earlier provisions, an increase of almost one-third, and will represent about 9 percent of covered payrolls.

[15] *Senate Hearings*, pp. 217 and 238.

Administrative Workloads

The Bureau of Old-Age and Survivors Insurance of the Social Security Administration will have a large amount of additional administrative work as a result of the new railroad retirement legislation, primarily because of the transfer of the short-service cases and the provisions restricting duplication of benefits under the two programs.

New claims arising from the transfer of wage credits for workers who die or retire with less than 10 years of railroad service will average about 16,000 a year in the immediate future. In order that the Railroad Retirement Board may adjust its retirement benefits for those who are also receiving old-age and survivors insurance benefits, the Bureau must process immediately a backlog of about 32,000 cases, while the future workload will vary between 10,000 and 15,000 cases each year.

Further, old-age and survivors insurance benefits will have to be recalculated for individuals currently on the rolls who have had some railroad earnings since 1936. Any increases will, on the whole, be relatively small, so that this work has been budgeted for 1953, when the recalculations will be made and adjusted payments made retroactively to November 1, 1951. It is estimated that 60,000 old-age insurance beneficiaries will be affected. Dependent's benefits will also be involved in about one-third of the cases.

The additional administrative work for the Social Security Administration described above will, in the long run, be reimbursed by the railroad retirement system through the operation of the financial interchange provisions. Any such extra expenses will, as is the case for all administrative costs, be paid out of the old-age and survivors insurance trust fund, which will be decreased thereby. Accordingly, the difference between the "actual" fund and the fund that would have been accumulated if railroad service had always been covered under old-age and survivors insurance will be increased, and the transfer from the railroad retirement account will be that much larger.

[16] Estimate made by the Railroad Retirement Board. Later estimates of the payments in 1952 are slightly lower—$340 million under the old law and $440 million under the present law.

RAILROAD RETIREMENT ACT

Amendments of 1951

Benefit Provisions and Legislative History

by

ROBERT J. MYERS and WILBUR J. COHEN

Financial and Actuarial Aspects

by

ROBERT J. MYERS

FEDERAL SECURITY AGENCY

Social Security Administration

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Railroad Retirement Act Amendments of 1951: Benefit Provisions and Legislative History

by ROBERT J. MYERS and WILBUR J. COHEN*

The Railroad Retirement Act Amendments of 1951 provide for important changes in both the retirement and the survivor insurance provisions of the railroad retirement system. Some of these changes vitally affect the administration and financing of the Federal old-age and survivors insurance program. This article is devoted largely to a summary of the more important benefit provisions and the history of the legislation and is intended both for the general reader and for those who will have the responsibility for administering the provisions affecting old-age and survivors insurance. The March Bulletin will report in detail on the provisions for financial interchange between the old-age and survivors insurance and railroad retirement programs.

THE Railroad Retirement Act Amendments of 1951 became Public Law 234 (Eighty-second Congress, 1st session) on October 30, 1951, when President Truman affixed his signature to H.R. 3669. In signing the bill, President Truman stated that the legislation "will provide substantially higher benefits for railroad workers who have retired because of age or permanent disability, and for the widows and orphans of railroad workers."

The amendments provide the first significant revision of the Railroad Retirement Act since 1948, when Congress raised the retirement benefits 20 percent to allow in part for changes in cost-of-living and wage levels since the period before World War II.[1] In 1946 there had also been important amendments to the railroad retirement system,[2] the most significant of which was the introduction of survivor benefits coordinated to a certain degree with those under old-age and survivors insurance. The 1951 law deals almost entirely with the benefits under the railroad retirement system, although there is a minor amendment to the Railroad Unemployment Insurance Act; no changes are made in the Carriers Taxing Act, which contains the provisions for assessing the contributions to finance the railroad retirement program.

It is significant that Congress at the same time it passed the 1951 legislation also adopted Senate Concurrent Resolution 51,[3] establishing a Joint Congressional Committee to "make a full and complete factfinding study and investigation of the Railroad Retirement Act." Among the matters to be studied are the relationship between this program and the old-age and survivors insurance system, both as to benefits provided and as to simplification of administration. Particular emphasis and study are to be given to the cost of the railroad retirement program and to means of strengthening its financing basis. Such a study, President Truman stated, "is a very desirable step. There are real and serious questions to be settled before we can feel confident that we are giving adequate and fair protection, on a sound financial basis, to retired workers and survivors. I hope the committee will be able to report in time for legislative action next year."

Need for Legislation

The immediate need for the legislation arose because of the general increases in the cost of living and in wages that have occurred in the past decade. The 1948 amendments had provided an increase of 20 percent in the retirement benefits but made no substantial change in the survivor benefits established in 1946.

Since retirement benefits are based on railroad service and compensation both before and after the inception of the program in 1937, increases in wages in the past decade have had little effect on benefits for workers retiring in recent years and, of course, no effect for those who had retired before 1940. The 20-percent increase in 1948 was thus only partial recognition of the economic changes that had occurred, and further increases seemed necessary if the relative benefit adequacy originally planned were to be restored.

Furthermore, the survivor benefits in virtually all instances were less than those that would have been payable on the basis of the same earnings history under the old-age and survivors insurance system as amended in 1950.[4] This fact was also true of retirement benefits for a worker who had had little or no railroad employment before 1937. Since the employee contribution rate under the railroad retirement system in 1951 (6 percent) was four times as high as that under old-age and survivors

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[1] See Wilbur J. Cohen and James L. Calhoon, "Social Security Legislation, January-June 1948: Legislative History and Background," *Social Security Bulletin*, July 1948.

[2] See Jack M. Elkin, "The 1946 Amendments to the Railroad Retirement and Railroad Unemployment Insurance Acts," *Social Security Bulletin*, December 1946.

[3] Agreed to by the Senate on October 15 and by the House the next day (with a minor amendment that the Senate accepted on October 17).

[4] See Wilbur J. Cohen and Robert J. Myers, "Social Security Act Amendments of 1950: A Summary and Legislative History," *Social Security Bulletin*, October 1950.

insurance (1½ percent), it hardly seemed equitable that in some cases the benefits to railroad employees were lower.

Summary of Provisions

The principal provisions of the railroad retirement system, both those of the previous law and those of the new law, are shown in the accompanying chart. The new law makes nine important changes:

1. The formula for retirement annuities is modified to provide a 15-percent increase for both present and future annuitants.

2. A spouse's annuity is provided, under certain conditions, when both spouses are aged 65 or over (and also when a wife is under age 65 and has a dependent child under age 18 in her care). The amount of the spouse's annuity is 50 percent of the husband's full retirement annuity but cannot exceed $40 a month (except under unusual circumstances).

3. Monthly survivor benefits are increased 33⅓ percent and the lump-sum death payments 25 percent by a change in the benefit formula,[5] with a further increase for those with high earnings (since the previous $250 maximum on the average monthly remuneration used in computing the survivor benefits is raised to $300).

4. Both retirement and survivor benefits, but particularly the latter, are increased further in a number of instances by the "old-age and survivors insurance minimum guarantee" provision, which stipulates that benefits are to be at least as large as those that would be payable for the same wage history under old-age and survivors insurance.

5. Retirement annuities are to be reduced for persons also receiving retirement benefits under old-age and survivors insurance if railroad service before 1937 is counted in determining the railroad benefit (but for beneficiaries on the rolls when the bill was enacted and who were then receiving old-age and survivors insurance benefits, such reduction may not result in railroad retirement benefits lower than those previously received).

6. In computing retirement benefits, service after age 65 is credited, whereas formerly service beyond the calendar year in which age 65 was attained could not be counted. This change is applicable not only for future cases but also for those on the rolls when the bill became law, so that many retirement annuities are further increased.[6]

7. For deaths and retirements of individuals with less than 10 years of railroad service,[7] benefits (other than the residual death payment described later) will not be paid by the railroad retirement system, except when the award was made before October 30, 1951; instead, the wage credits for service after 1936 will be transferred to the old-age and survivors insurance program. These workers or their survivors may then receive old-age and survivors insurance benefits. There is no provision for refunding the excess of contributions under the railroad system over those that would have been paid under old-age and survivors insurance for the same employment (other than the residual death payment); the railroad retirement system retains such excess contributions from the short-service employees and their employers, and these funds assist in meeting the over-all costs of the program.

8. To compensate for the preceding change and for other reasons, financial interchanges will be made between the two programs that will place the old-age and survivors insurance trust fund in the same position as it would have been if railroad employment had always been covered by old-age and survivors insurance.

9. In the application of the work clause under old-age and survivors insurance, railroad earnings are to be considered as covered wages; thus an individual cannot engage in railroad employment for wages of more than $50 a month and receive old-age and survivors insurance benefits, as was formerly possible. As before, however, a railroad annuitant may engage in employment covered by old-age and survivors insurance without affecting his railroad retirement benefit.

The various benefit changes described above are generally effective for November 1951. Under administrative procedure, payments of benefits for November 1951 were made at the beginning of December 1951, but in these checks only the increases of 15 percent in retirement annuities and of 33⅓ percent in monthly survivor benefits were made. Retroactive adjustments will be made to reflect the effect of the other changes.

Legislative History

Congressional action on the railroad retirement provisions began with a consideration of H.R. 3669 (and its companion bill S.1347) and H.R. 3755 (and its companion bill S.1353). These bills, introduced in April 1951, embodied two somewhat different approaches. Both House bills were introduced by Representative Crosser, Chairman of the Committee on Interstate and Foreign Commerce, while both Senate bills were introduced by a bipartisan group that included Senator Murray, Chairman of the Committee on Labor and Public Welfare, and Senator Douglas, chairman of the subcommittee that studied the problem. The approach in H.R. 3669

[5] Survivor benefits are computed by applying certain percentages to the so-called "basic amount." On the whole, these percentages under the previous law paralleled those under old-age and survivors insurance (75 percent, for example, for a widow aged 65 or over). The amendments left the basic amount unchanged but raised the beneficiary percentages applied thereto 33⅓ percent for monthly benefits and 25 percent for the lump-sum death payment. Mathematically, this procedure has the same effect as though the factors that are applied to various portions of the average monthly remuneration to obtain the basic amount had been increased 33⅓ percent and the beneficiary percentages left unchanged (except for the lump-sum payment). For comparability with old-age and survivors insurance, the latter concept is used in this article, with suitable notation as to the "adjusted basic amount" and with the beneficiary percentages in effect remaining unchanged.

[6] In general, this change does not greatly increase benefits for those who had service after age 65 but who have previously been credited with the maximum service of 30 years now possible. For such retirants there will usually be a relatively small increase if the use of service performed after age 65 results in higher average monthly compensation, although in a few cases this service may produce a slightly lower average and thus a decrease in the annuity.

[7] In determining whether this 10-year test is met, service before 1937, when contributions were first collected, is included. When such total service is less than 10 years the individual loses credit for all such "prior service" he may have had.

had the support of the 18 "nonoperating" labor organizations (affiliated in the Railway Labor Executives' Association) that represent roughly three-fourths of all railroad employees; H.R. 3755 was supported by the four "operating" labor organizations that represent most of the other employees.

Hearings were held on these as well as on various other railroad retirement bills.[8] The Senate hearings began April 27 and ended May 14, while the House hearings began May 15 and ended June 6. As a result of the House hearings, and in an attempt to find a solution to the problem, another bill—H.R. 4641—was introduced in June by Representative Priest, a member of the Committee on Interstate and Foreign Commerce.

H.R. 3669 As Introduced

This bill contained most of the features of the final legislation, but it also had many features that were not a part of the law as enacted. The following provisions are among the more important items that were changed in the final version.

(1) Increase in retirement annuities by varying amounts, ranging from 13⅓ percent to 16⅔ percent (rather than a uniform 15 percent);

(2) The maximum for a spouse's annuity of $50 a month (rather than the $40 in the final legislation, which the Senate Committee, in describing its subsequent action, noted as also being the maximum for a wife's benefit under old-age and survivors insurance);

(3) Maximum taxable and creditable compensation after 1951 of $400 a month (rather than $300);

(4) A new formula for computing survivor benefits that would increase them on the average by roughly 75 percent (rather than the smaller increases adopted);

(5) Withholding of retirement annuities if the annuitant, aged 65 or older, is in employment covered by old-age and survivors insurance (and would have his benefit suspended under the old-age and survivors insurance work clause—for example, by earning more than $50 per month in covered employment);

(6) Making financial interchange between the railroad retirement and the old-age and survivors insurance systems the subject for a joint study to be submitted to Congress by 1956 (instead of becoming effective immediately without further legislative action);

(7) Service after age 65 creditable only for benefits awarded after enactment of the amendments (instead of including beneficiaries on the rolls, as in the final legislation);

(8) Incorporation of many of the benefit features of the 1950 amendments to the old-age and survivors insurance system. Some of these were retained in the final legislation (for example, benefits for retired workers' wives under age 65 caring for a dependent child; benefits for aged, dependent husbands and widowers; similarity of definitions of dependents; and payment of retroactive benefits for as much as 6 months), while others were omitted (for example, benefits for the former wife divorced who has a dependent survivor child in her care; payment of an additional amount, in effect, for the first survivor child; payment of child's benefits regardless of school attendance between ages 16 and 18; an increase in parent's benefits to the same size as widow's benefits; and lump-sum payments for all deaths rather than only when no survivors are eligible for immediate monthly benefits).

H.R. 3755

H.R. 3755 provided for relatively few changes in the program, principally an increase of 25 percent in all retirement annuities; survivor benefits, on the whole, would be increased in the same proportion. Subsequently the supporters of this legislation redrafted the bill because of cost con-

Transfer of Short-Service Employees

PROVISIONS OF THE RAILROAD RETIREMENT ACT IN REGARD TO TRANSFER OF SHORT-SERVICE EMPLOYEES:

As to retirement annuities under the Railroad Retirement Act—

Section 2 (a). The following-described individuals, if they . . . shall have completed ten years of service, shall be eligible for annuities after they shall have ceased to render compensated service . . . .

As to survivor annuities under the Railroad Retirement Act (payable only with respect to completely or partially insured individuals)—

Section 5 (l) (7). An employee will have been 'completely insured' if . . . he will have completed ten years of service . . . .

Section 5 (l) (8). An employee will have been 'partially insured' . . . if . . . he will have completed ten years of service . . . .

As to crediting railroad service under old-age and survivors insurance—

Section 5 (k) (1). For the purpose of determining (i) insurance benefits under title II of the Social Security Act to an employee who will have completed less than ten years of service and to others deriving from him or her during his or her life and with respect to his or her death, and lump-sum death payments with respect to the death of such employee . . . this Act shall not operate to exclude from 'employment,' under title II of the Social Security Act, service which would otherwise be included in such 'employment' . . . .

[8] Representatives of the Federal Security Agency were asked to testify before the Senate subcommittee (*Hearings Before the Subcommittee on Railroad Retirement Legislation of the Committee on Labor and Public Welfare on . . . Bills To Amend the Railroad Retirement Act of 1937* (U. S. Senate, 82d Cong., 1st sess.), pp. 541–563). For the written views of the Agency, see *Senate Hearings*, pp. 608–614, and *Report of the Senate Committee on Labor and Public Welfare on S.1347*, p. 14.

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

Average monthly compensation	Old law	New law [1]	
		Nonmarried or spouse not eligible	Married, and spouse eligible
	10 years' service		
$100	[2] $21.00	[2] $24.15	$36.23
150	[2] 30.00	[2] 34.50	51.75
200	36.00	41.40	62.10
250	42.00	48.30	72.45
300	48.00	55.20	82.80
	20 years' service		
$100	[2] $42.00	[2] $48.30	$72.45
150	60.00	69.00	103.50
200	72.00	82.80	122.80
250	84.00	96.60	136.60
300	96.00	110.40	150.40
	30 years' service		
$100	$63.00	$72.45	$108.68
150	90.00	103.50	143.50
200	108.00	124.20	164.20
250	126.00	144.90	184.90
300	144.00	165.60	205.60
	40 years' service [3]		
$100	$84.00	$96.60	$136.60
150	120.00	138.00	178.00
200	144.00	165.60	205.60
250	168.00	193.20	233.20
300	192.00	220.80	260.80

[1] Does not take into account the provisions for an increase if necessary to guarantee that benefits will at least equal those that would have been payable under old-age and survivors insurance for the same wage history, or for a decrease when annuity is based on "prior service" (before 1937) and old-age and survivor insurance benefits are also being paid.

[2] Minimum annuity provision would be applicable for those 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 $200 man and for a 20-year man to those for a $150 man.

[3] Persons using prior service cannot have total service of more than 30 years. Accordingly, persons retiring in 1977 are the first who can get credit for 40 years of service.

siderations so that the retirement annuities would be increased by 16⅔ percent; while no general increase would be made in the survivor benefits, it was recognized that such a step was necessary and should be immediately studied.[9]

H.R. 4641

H.R. 4641 also provided for relatively few changes, with the benefit increases being, on the whole, lower than in the previous bills. All retirement annuities would be increased 10 percent, while survivor benefits would be made payable under the same conditions, in approximately the same amounts, and to the same classes of survivors as under the old-age and survivors insurance system. Certain provisions were the same as in the final legislation; both retirement and survivor benefits were to be at least as large as the benefits or additional benefits payable under old-age and survivors insurance if railroad service had been counted as covered employment thereunder, and benefits were reduced for annuitants also receiving old-age and survivors insurance benefits. H.R. 4641 also contained a provision (present in H.R. 3669 as introduced but not in the final legislation) preventing payment of railroad benefits to an annuitant who is past age 65 and who is in employment covered by old-age and survivors insurance if the work clause of that program would prevent benefit payment.

H.R. 3669 As Reported by Committee

By a vote of 18 to 12, the House Committee on Interstate and Foreign Commerce voted on September 19 to report out a completely revised version of H.R. 3669. This action was taken immediately before the House took an extended recess. The two other major bills considered (H.R. 3755 and H.R. 4641) had a significant effect on the provisions of the reported bill.

The provisions were relatively simple, providing a flat increase of 15 percent for retired workers, 33⅓ percent in monthly benefits for survivors, and 25 percent in lump-sum death payments. In its report, the Committee expressed its intention to make a further study of the controversial issues involved and its belief that immediate action should be taken to raise the benefits. The Committee Report also contains the views of the minority (including Chairman Crosser), strongly advocating the provisions of the bill as it had been introduced.

H.R. 3669 As Passed by House

The House debated the legislation on October 4 and completed its action on October 16 (the day after the Senate had acted on the companion bill, S.1347). During the debate, Representative Crosser offered a substitute that closely paralleled the provisions of the bill he had originally introduced. This substitute was rejected by a vote of 114 to 158. Representative Harris, on behalf of the majority of the Committee on Interstate and Foreign Commerce, offered a substitute for the reported bill that was adopted without record vote.

The provisions adopted by the House were in essence those of H.R. 3669 as reported, plus certain features of S.1347 as passed by the Senate. In addition to increasing retirement and survivor benefits and lump-sum death payments, the bill passed by the House provided for spouse's and widower's annuities, as in the final legislation.

Table 2.—*Illustrative monthly survivor annuities under the Railroad Retirement Act* [1]

Average monthly remuneration	Widow aged 65 or over		Widow and 2 children	
	Old law	New law	Old law	New law
	10 years' service [2]			
$100	$26.81	[3] $37.50	$62.56	$83.42
150	30.94	[3] 43.20	72.19	[3] 115.00
200	35.06	[3] 48.80	81.81	[3] 130.00
250	39.19	[3] 54.40	91.44	[3] 145.00
300	43.31	[3] 60.00	101.06	[3] 150.00
	20 years' service			
$100	$29.25	$39.00	$68.25	$91.00
150	33.75	45.00	78.75	[3] 115.00
200	38.25	51.00	89.25	[3] 130.00
250	42.75	57.00	99.75	[3] 145.00
300	47.25	63.00	110.25	[3] 150.00
	30 years' service			
$100	$31.69	$42.25	$73.94	$98.58
150	36.56	48.75	85.31	[3] 115.00
200	41.44	55.25	96.69	[3] 130.00
250	46.31	61.75	108.06	[3] 145.00
300	51.19	68.25	119.44	159.25
	40 years' service			
$100	$34.13	$45.50	$79.63	$106.17
150	39.38	52.50	91.88	122.50
200	44.63	59.50	104.13	138.83
250	49.88	66.50	116.38	155.17
300	55.13	73.50	128.63	[4] 160.00

[1] Individual assumed to enter railroad service at age 21 in 1951 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] No monthly survivor benefits paid under the railroad retirement system for less than 10 years of service.

[3] "Old-age and survivors insurance minimum guarantee" provision applicable.

[4] $160 maximum benefit provision applicable.

[9] *Hearings Before the Committee on Interstate and Foreign Commerce on H.R. 3669, H.R. 3755, and Others* (House of Representatives, 82d Cong., 1st sess.), pp. 482–484.

It also carried the "old-age and survivors insurance minimum guarantee" provision, just as in the final legislation, except that to obtain this guarantee a "current connection" would be required. In general, this requirement is met when the individual, at the time of his retirement or death, had 1 year of railroad service in the preceding 2½ years. The bill also contained a number of minor provisions that were in both S.1347 and the final legislation.

S.1347 As Passed by Senate

On October 4, the Committee on Labor and Public Welfare unanimously reported S.1347 to the Senate. As introduced, S.1347 had been a companion bill to H.R. 3669, but the bill as reported was a complete substitute. It differed from the final legislation in only one important respect—it increased from $300 to $350 the creditable and taxable monthly wage base, while the final bill retained the $300 figure that had been in effect since the system began in 1937.

On October 15 the report was taken up by the Senate and after debate was adopted without a record vote. On October 17 the Senate, in order to take the legislation to conference, considered H.R. 3669 as passed by the House the previous day and by unanimous consent approved it but with the wording of S.1347 as passed by the Senate substituted for the language in the House bill.

Conference Action

On October 18 the conferees met and reported an agreement, which on the next day was accepted by the House by a vote of 339 to 0 and by the Senate by unanimous consent. As indicated previously, the provisions of the final legislation were virtually the same as the bill originally passed by the Senate, with the exception that the maximum wage base was not increased. The important changes from the bill originally passed by the House were the transfer of employees with less than 10 years of service to the old-age and survivors insurance system, the financial interchange provisions between the two systems, certain provisions relating to duplication of benefits, and provision for recomputation of benefits previously awarded to take into account service after age 65.

Benefits Under New Law

Illustrative Benefits

Table 1 shows illustrative retirement annuities under Public Law 234, as contrasted with those under the previous law. The amounts are those arising under the benefit formulas without taking into account the minimum annuity provision for those with a "current connection" or, for the new law, the provisions for correlating the payments to a certain extent with those under the old-age and survivors insurance system.

In table 2, illustrative survivor annuities under the new law are contrasted with those under the former law for an individual entering railroad service at age 21 in 1951 (or thereafter) and remaining steadily employed therein at a level wage. No illustrative survivor annuities for workers now at the middle and older ages (regardless of whether they had service before 1951) are shown since, in the near future and possibly for many years to come, the great majority of the claims for this group will be paid under the "old-age and survivors insurance minimum guarantee" provision rather than under the railroad retirement benefit formula. This minimum provision has relatively slight effect on retirement annuities except when the amount of credited railroad service has been little more than 10 years.

Table 3.—*Average monthly benefits* [1] *under the Railroad Retirement Act and under old-age and survivors insurance, October 1951*

Type of beneficiary	Railroad Retirement Act			Average benefit under old-age and survivors insurance
	Number of persons	Average benefit		
		Old law	New law	
Annuitant over age 65	212,500	$84	[2] $109	[3] $50
Annuitant under age 65	44,800	75	86	([4])
Pensioner [5]	6,600	71	[2] 92	([4])
Aged widow	84,000	30	40	36
Widowed mother	13,300	28	39	34
Child	47,700	17	29	27
Parent	1,100	17	40	37

[1] Rounded to the nearest dollar.
[2] Includes spouse's annuity, when payable.
[3] Includes wife's and child's benefits, when payable.
[4] Not applicable.
[5] Pensioners taken over from former railroad pension plans in 1937.

Source: Railroad retirement data from letter of Railroad Retirement Board to Bureau of the Budget, Oct. 23, 1951.

Average Benefits

The net effect of the various benefit changes is shown in table 3, which contrasts for different types of beneficiaries the average monthly benefits actually paid for October 1951 before the amendments went into effect and the estimated averages that would have been paid if the amendments had been in effect in that month. For comparative purposes, average benefits under the old-age and survivors insurance system are also shown.

The increase for annuitants over age 65 is about 30 percent—the result principally of the 15-percent flat increase, the addition of the spouse's annuity (payable in about 40 percent of the cases), and the crediting of service beyond age 65; there is also present the effect of a decreasing factor—the offset feature for those receiving old-age and survivors insurance benefits. The increases for survivor benefits are somewhat higher than the 33⅓-percent flat increase in the benefit formula because of the "old-age and survivors insurance minimum guarantee" provision; for children the increase is about 70 percent, and for parents, more than 100 percent.

In comparison with the old-age and survivors insurance benefits, the new railroad retirement benefits are notably higher for retirement cases and only slightly higher for survivor cases, since—though the benefits are computed in essentially the same way—railroad earnings are somewhat higher on the average.

Benefit Interrelationships Between the Two Programs

Under the new legislation, there are a number of situations in which benefits under the railroad retirement and old-age and survivors insurance programs are interrelated. This section will give hypothetical examples of how such situations will work out.

Minimum Guarantee—Retirement Annuities

The retirement annuity—plus the spouse's annuity, if any—is guaran-

teed to at least equal the amount that would have been payable under old-age and survivors insurance if the individual's railroad service had been credited thereunder. When the individual is receiving, or is eligible to receive, old-age and survivors insurance benefits based on his earnings under that program, then the guarantee relates to the additional amount that the railroad earnings would have produced under old-age and survivors insurance if added to the earnings from which his old-age and survivors insurance benefit is determined.

Chart 1.—*Principal changes in the Railroad Retirement Act under the 1951 amendments* [1]

Item	Old law	New law
	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 1/15 for each year under age 65 at time of retirement).	No change, except that minimum of 10 years of service required (if less service, credit given under OASI [2] system), but those on rolls at enactment are not removed.
(2) Disability annuitant	Unable to engage in any regular employment, and with 10 or more years of service, or aged 60 or over; or unable to engage in regular occupation, with "current connection" with railroad employment when disabled, and with 20 or more years of service, or aged 60 or over.	No change, except as in item (1).
(3) Spouse of annuitant aged 65 or over	Benefits not payable	Aged 65 or over (husband to be eligible must be "dependent"), or regardless of age for wife with dependent child under age 18 present.
(4) Widow	Aged 65 or over, or with dependent child under age 18 present.	No change,[3] except that benefits provided for dependent widower aged 65 or over and except as in item (1).
(5) Children of deceased individual	Under age 18	No change,[3] except as in item (1).
(6) Dependent parent	Aged 65 or over, and no surviving spouse or child who could ever receive monthly benefits.	No change,[3] except as in item (1).
(7) Lump-sum death payment	For deaths when no monthly benefits payable immediately.	No change, except as in item (1).
(8) Residual death payment	Payable after all benefit rights, including those of survivors, have terminated—to assure total payments of at least contributions paid plus some allowance for interest.	No change, except that suitable modifications made for those with less than 10 years of service, see item (1).
	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.	No change.
(2) "Current connection"	In general, exists at time of retirement or death if 1 year of railroad service in preceding 2 ½ years.	No change.
(3) Completely insured status	Current connection, and 1 quarter of coverage for each 2 quarters after 1936 and before age 65 (or death if earlier), with minimum of 6 quarters of coverage or maximum of 40 quarters of coverage required.	No change, except that minimum of 10 years of service (including years before 1937) also required.
(4) Partially insured status	Current connection, and 6 quarters of coverage in year of death (exclusive of quarter of death) and three preceding years.	No change, except that minimum of 10 years of service (including years before 1937) also required, and that quarter of death included and also applicable to retirements.
(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.	No change, except as noted in item A(1).
	C. Amount of retirement benefits	
(1) "Years of service"	All service after 1936 except that after calendar year of attaining age 65, plus—for those in "employment status" on August 29, 1935—such service before 1937 as will make total of not more than 30 years.	No change, except that service after attaining age 65 creditable in all instances.
(2) "Monthly compensation"	Average of creditable compensation paid in period of service counted, maximum of $300 creditable for any month.	No change.
(3) Monthly amount	2.40% of first $50 of monthly compensation, plus 1.80% of next $100, plus 1.20% of next $150, all multiplied by years of service.	Percentage factors increased by 15% in each case.
(4) Minimum amount	If having current connection at retirement, amount determined under item (3) shall not be less than least of: $60, $3.60 times years of service, and monthly compensation.	No change, except that dollar figures in minimum increased 15% and "OASI minimum guarantee" provision added, see item F(8).
	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 of $250.	No change, except that maximum for average remuneration is raised to $300 (but not for those on survivor benefit rolls at enactment) and except that average may be computed at age 65 if this gives higher amount.
(2) "Basic amount"	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 $10.	Basic amount unchanged, although in effect "adjusted" by 33⅓% in all cases—see items E(2) to E(5). Minimum basic amount increased to $14.
(3) Maximum family benefits	$120, or 80 percent of average remuneration, or twice basic amount, whichever is least (but not to reduce below $20).	$160, or 2⅔ times the basic amount (but as in item (2) above, in effect twice the "adjusted basic amount"), whichever is the lesser (but not to reduce below $30).
(4) Minimum family benefits	$10	$14; also "OASI minimum guarantee" provision added, see item F(8).

See footnotes at end of table.

Consider, for example, an individual who entered railroad service at the beginning of 1937, who retires at age 65 at the end of 1952 after having earned $300 in each month of the 16 years, and who never had old-age and survivors insurance wage credits. Assume that he has a wife aged 65 and an adopted child aged 17. Under the new railroad retirement benefit formula, he would receive $88.32 a month, plus an additional $40 for his spouse, making a total of $128.32. If his railroad service had been counted under the old-age and survivors insurance system, he would have been eligible for an old-age insurance benefit of $80; the additional benefits ($70) for his

Chart 1.—*Principal changes in the Railroad Retirement Act under the 1951 amendments*[1]—Continued

Item	Old law	New law
E. Benefit amounts of dependents and survivors		
(1) Spouse	None payable	50% of full retirement or disability annuity (disregarding any reduction made for retirement before age 65), with maximum of $40.
(2) Widow	75% of survivor basic amount	100% of survivor basic amount, which is 75% of "adjusted basic amount," see item D(2). Widow's annuity shall not be less than any spouse's annuity immediately previously received.
(3) Child of deceased worker	50% of survivor basic amount	66⅔% of survivor basic amount, which is 50% of "adjusted basic amount," see item D(2).
(4) Dependent parent	50% of survivor basic amount	66⅔% of survivor basic amount, which is 50% of "adjusted basic amount," see item D (2).
(5) Lump-sum death payment	8 times the basic amount	10 times survivor basic amount, which is 7½ times "adjusted basic amount," see item D(2).
F. Miscellaneous benefit provisions		
(1) Employment permitted retired workers and spouses.	None for any railroad or for last employer before retirement.	No change.
(2) Employment permitted survivor beneficiaries.	None for any railroad and not more than $25 in employment covered under OASI.	No change, except that $25 allowable OASI employment increased to $50.
(3) Effect of railroad employment on benefits of OASI beneficiaries.	No provision	Railroad earnings counted in determining whether benefits are payable.
(4) Duplication of benefits under railroad system.	Not permitted; in effect, only larger benefit payable	No change.
(5) Duplication of retirement annuity with OASI benefits.	No provision	Annuity reduced by portion thereof based on service before 1937 or by amount of old-age insurance benefit (based on worker's wages), whichever is smaller. No reduction for any other type of benefit under OASI. For annuitants on rolls at enactment, total payable after reduction, including spouse's annuity and OASI benefits, cannot be less than formerly received under both systems.
(6) Duplication of spouse's annuity with OASI benefits.	No provision	Annuity reduced by any OASI benefit except wife's benefit (and indirectly by OASI benefits that reduce husband's retirement annuity, see item (5) above).
(7) Duplication of survivor benefits with OASI benefits.	Not permitted; in effect, only larger benefit payable	No change.
(8) "OASI minimum guarantee" provision.	No provision	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.
(9) 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. Provisions against using same service under more than one Federal system.	No change.
(10) Time within which benefits must be claimed.	Retirement annuities retroactive for 60 days. Survivor monthly benefits retroactive for 3 months. Lump-sum death payment within 2 years. No limit for residual death payment.	Monthly benefits retroactive for 6 months. No change for death payments.
G. Financing provisions		
(1) Tax rates	6% on employer and 6% on employee for 1951, and 6¼% each, thereafter; paid on maximum compensation of $300 per month.	No change.
(2) Government contribution	For cost of military service provision, see item F(9)	No change.
(3) Interest rate on investments	Minimum of 3% per annum guaranteed by General Treasury.	No change.
(4) OASI "interchange"	Transfer made to assure equitable distribution of cost of survivor benefits when credits under both systems are merged, see items B(5) and D(1).	OASI trust fund to be put in same position as it would have been if railroad employment had always been covered thereunder, by transfers in appropriate direction. Takes into account, among other matters, payment of survivor benefits for long-service employees on basis of combined wage credits. Provision for transfers for survivor benefits (see adjoining column) eliminated; for transfer of short-service railroad employees, see item A(1).

[1] All changes applicable to those on the benefit rolls at time of enactment, except as noted.

[2] OASI means old-age and survivors insurance under the Social Security Act.

[3] Certain liberalizations in definitions were made to conform with OASI definitions—for example, a parent need be only chiefly dependent (rather than wholly).

wife and dependent child [10] would bring the total to $150.[11] Accordingly, in this case, the man's railroad retirement annuity and the spouse's annuity would be increased so that they would total $150.[12]

The guarantee provision applies only for months for which the old-age and survivors insurance benefits would be payable. For instance, if in a certain month the child receives more than $50 in employment under the old-age and survivors insurance program, the total benefit payable under that program would have been reduced from $150 to $120. Accordingly, for that month the annuity payable under the railroad retirement program would be reduced to the $128.32 arising under that program's benefit formula. The result would be the same when the child reaches age 18 and any benefits for him under old-age and survivors insurance would be permanently terminated.

If this individual had had a small amount of coverage under the old-age and survivors insurance program—sufficient, say, to qualify him for the minimum old-age insurance benefit of $20, plus an additional $20 for his wife and child—the guarantee provision would have no effect on his railroad annuity. (Nor would the provision against dual receipt of benefits, discussed subsequently, have any effect, since this individual is assumed to have no "prior service.") His additional benefits under old-age and survivors insurance as a result of counting railroad service would then be $110. Since this amount is less than would be paid under the railroad retirement benefit formula, he would receive $128.32 from the railroad system and $40 from the old-age and survivors insurance system.

There may be situations, similar to the one described above, where the railroad benefit is increased by the "old-age and survivors insurance minimum guarantee" provision, and yet old-age and survivors insurance benefits are also paid. For instance, if the individual had a minimum old-age and survivors insurance benefit of $20, and if his railroad earnings had averaged $150 a month in 1937–52 (but $300 in each month of 1951 and 1952), the new railroad retirement formula would give a benefit of $82.80 (including spouse's annuity). By the operation of the guarantee, the total railroad benefit would be increased to $110, which—with the $40 paid by old-age and survivors insurance—would total the $150 that the old-age and survivors insurance program would pay if his railroad earnings were counted as "wages."

Minimum Guarantee—Survivor Benefits

For benefits to the survivors of deceased individuals having 10 or more years of railroad service and the required insured status, including "current connection," the same type of minimum guarantee applies as for retirement annuities. Here, however, the situation is different because (1) no credit is given for prior service, (2) the average monthly wage is computed in the same general fashion as under old-age and survivors insurance—that is, over periods of potential coverage rather than only over the actual months of service as for retirement annuities, (3) the benefit formula produces benefits in some cases lower, although in other cases higher, than the old-age and survivors insurance benefit formula, and (4) less liberal benefit amounts are given for certain categories than under the old-age and survivors insurance system.

In computing the average monthly wage (item 2 above), there is also the very important element that old-age and survivors insurance permits a "new start"; both wages and the period before 1951 can be ignored for individuals having 6 quarters of coverage after 1950. This provision will tend to produce a higher average wage by dropping out the lower wages of the war and prewar periods, whereas under railroad retirement all wages and periods since 1936 must, in general, be included. For persons not able to use the "new start" (such as survivors receiving benefits based on the record of a wage earner who died before 1952), old-age and survivors insurance benefits are computed as under the 1939 act and then adjusted upward by use of a conversion table [13] that partially, though roughly, allows for the lower wages of the past.

In regard to the third item, the old-age and survivors insurance benefit formula is 50 percent of the first $100 of average monthly wage and 15 percent of the excess, while the railroad retirement benefit formula is, in effect, 53⅓ percent of the first $75 and 13⅓ percent of the remainder plus 1-percent increment for each year of coverage after 1936. As a result, for workers with short periods of coverage, the effect of the increment under the railroad retirement formula is more than offset by the higher limit of the first bracket under old-age and survivors insurance.

As to the fourth item, the effective benefit percentages applicable to the "adjusted basic amount" (item D(2) of the accompanying chart) are frequently lower under the railroad retirement system than under old-age and survivors insurance. There is no additional family benefit (25 percent of the primary insurance amount) for survivor children, while parents receive, in effect, benefits at the 50-percent rate formerly used in old-age and survivors insurance (now 75 percent).

For survivor awards made in the near future (and possibly for many years to come), the vast majority of the amounts paid will be under the minimum guarantee provision rather than under the new railroad retirement benefit formula. Any simple comparison is difficult to make because of the differences between the two programs. Illustrative calculations

[10] Under the railroad retirement system, no additional payment is made for the dependent child of a retired worker although, when such a child is present, the wife can receive a spouse's annuity even though she may be under age 65.

[11] The wife and child are each eligible for 50 percent of the man's benefit, which would be $40 apiece in this case, but the $150 maximum benefit provision reduces their benefits to $35 each.

[12] Both the man's retirement annuity and the spouse's annuity would be increased proportionately, to $103.24 and $46.76, respectively; this is the only type of case in which the spouse's annuity can exceed $40.

[13] For a full description of the method of calculation, see Walter E. Wilcox, *Analysis of the Benefits under Title II of the Social Security Act Amendments of 1950*, Actuarial Study No. 30, Social Security Administration, February 1951 (especially pages 12, 14, and 15).

have been made, however, for an individual who died in 1951, having been covered under the railroad retirement program continuously since the beginning of 1937, and who left a widow and one child. Since this individual would not have sufficient coverage after 1950 to use the "new start" average wage under old-age and survivors insurance, the average wage is computed in approximately the same fashion under both programs. In obtaining the benefit under old-age and survivors insurance, the conversion table would be used. The resulting benefits for the widow and child, based on various assumed average monthly wages, are shown below.

Average monthly wage	Benefit under railroad retirement provisions [1]	Benefit under old-age and survivors insurance provisions
$50	$38.33	$62.70
75	57.50	71.70
100	62.30	78.30
150	71.88	87.60
200	81.47	96.00
250	91.05	102.80
300	100.63	102.80

[1] Before application of the "old-age and survivors insurance minimum guarantee" provision.

For this particular case, the minimum guarantee provision would apply at every wage level—that is, the railroad retirement system would pay the larger amount computed under the old-age and survivors insurance provisions.[14]

This situation will not prevail for all survivor benefits currently awarded or those arising in the near future, although it is believed that a substantial majority will be affected—particularly when in the middle of 1952 it becomes possible under old-age and survivors insurance to use the new benefit formula along with the "new start" average wage.

Dual Receipt of Benefits

The retirement annuity of any individual entitled to an old-age insurance benefit (based on the individual's own wages earned in jobs covered by the social security program) is to be reduced by the smaller of (1) the old-age insurance benefit or (2) the portion of the retirement annuity based on service before 1937. For beneficiaries on the rolls when the law was enacted, there is a saving provision to the effect that this reduction, when considered in conjunction with the various increases made by the benefit formula and the spouse's annuity, shall not result in the individual's receiving less than he did before the amendments.

Consider, for example, a retired individual aged 65 or over with a wife also aged 65 or over. Assume that he had 20 years of service before 1937 and 10 years of service after 1936, all at a compensation of $200 a month. Before the amendments he was receiving a retirement annuity of $108 a month. Further assume that, as a result of a small amount of old-age and survivors insurance coverage, he had been receiving an old-age insurance benefit of $20 and his wife was receiving a benefit of $10. Under the amended benefit formula, the man's retirement annuity is increased to $124.20, and in addition there is a spouse's annuity of $40. The man's retirement annuity must be reduced, however, by the old-age insurance benefit of $20 that he is receiving (since this is smaller than the portion of his retirement annuity —about $83—based on prior service). Accordingly, his actual retirement annuity is $104.20, while the spouse's annuity is $40,[15] so that the total payment from the railroad retirement system would be $144.20 as contrasted with the former $108. If the wife should die, however, the man's reduced retirement annuity of $104.20 would be raised to $108, the amount that he had been receiving before the enactment of the amendments.[16] For those retiring after the effective date, this saving provision is not applicable.

In some instances, this provision against dual receipt of benefits will be partially or wholly offset by the "old-age and survivors insurance minimum guarantee" provision described previously. In the example given in the preceding paragraph this guarantee would have no effect because his total railroad benefit of $144.20 is more than the maximum benefit for a married man and his eligible wife under old-age and survivors insurance ($102.80 currently and $120 for retirements after March 1952). Consider, for example, an individual retiring at age 65 in January 1953 who has a wife aged 65 and a child aged 17. Assume that he had 30 years of continuous railroad service (and thus 14 years of prior service) and an average monthly compensation of $125 over the period, but with $300 a month in 1951 and 1952. Further assume that, as a result of a small amount of old-age and survivors insurance coverage, he is receiving an old-age insurance benefit of $20, and correspondingly the total family benefit is $40. Under the amended benefit formula, the man's railroad annuity is $87.98 and the spouse's annuity is $40, or a total of $127.98. Because of the old-age insurance benefit actually paid, the man's annuity is reduced to $67.98 and the spouse's annuity to $33.99, or a total of $101.97. The "old-age and survivors insurance minimum guarantee" in this case is $110 (the $150 maximum family benefit—based on the $300 average wage in 1951 and 1952 and the two eligible dependents—less the $40 actually paid). Accordingly, the railroad total benefit as reduced by the "dual receipt of benefits" provision is then adjusted up to $110 by the guarantee provision.

In future years the provision against dual receipt of retirement benefits will have less and less effect, since fewer

[14] It may be noted that the family benefit based on an average monthly wage of $50 exceeds, under old-age and survivors insurance, the average wage. This situation arises because most workers with an average monthly wage of $50 had much lower earnings than this before and during the war and much higher wages thereafter. The increase in old-age and survivors insurance benefits made by the 1950 amendments, in the aggregate, was designed to raise benefits so as to relate them to the increased wage and price levels at the time. Accordingly, the total benefit would probably be significantly less than the recent monthly earnings of the individual.

[15] When this type of reduction is made, the spouse's annuity is half the reduced retirement annuity, but in the example given the $40 maximum would continue to apply.

[16] The same situation would occur if the individual did not have an eligible wife when the amendments were enacted. In other words, he would then have received no increase in his railroad retirement benefits since the rise due to the new benefit formula would have been offset by the reduction because of dual receipt of benefits under the two systems.

annuities under the railroad retirement system will be based on service performed before 1937. Thus, for those who have no prior service or for those who have at least 30 years of service after 1936, there will be no restrictions against receiving full, dual retirement benefits under the two programs.

As in the previous law, there are provisions against payment of different categories of benefits under the two systems for survivors, with an extension of this principle also to spouse's annuities. Thus, for instance, an aged widow of a railroad worker cannot receive both a widow's annuity under the Railroad Retirement Act and an old-age insurance benefit based on her own earnings, but rather, in effect, only the larger of the two amounts. Similarly, an aged wife of a retired railroad worker cannot receive both a spouse's annuity and an old-age insurance benefit based on her own earnings. She may, on the other hand, receive a wife's benefit under both programs; as previously described, however, since the husband's railroad retirement annuity will be reduced in most cases in the near future when he also receives old-age and survivors insurance benefits, the spouse's annuity under the railroad program will be correspondingly reduced.[17]

Residual Death Payments

The railroad retirement program provides for a residual death payment that gives a minimum guarantee of payments to the individual on the basis of his railroad wages. The amount guaranteed is 4 percent of creditable compensation during 1937–46 and 7 percent thereafter. The payment will always be in excess of the contributions the individual has made. The residual payment is determined by subtracting from the amount guaranteed all payments made under the railroad retirement program and certain payments made under the old-age and survivors insurance program on the basis of railroad earnings.

As an example, consider an individual who had less than 10 years of railroad service when he retired at age 65 in December 1951, with his wife also aged 65. Assume that all his railroad service was after 1946 and that his total credited compensation amounted to $5,000, so that the minimum guarantee of benefits is $350. Since he had less than 10 years of railroad service, his wage history was transferred to the old-age and survivors insurance system and, with the wage credits previously established, produced an old-age insurance benefit of, say, $28 a month, along with a benefit of $14 a month for his wife. Further, assume that without the railroad wage credits he would have been eligible for the minimum old-age insurance benefit of $20 for himself and $10 for his wife. Upon his death, a lump-sum payment of $84 will be payable, and his widow will receive a monthly benefit of $21.

Assume that the individual lives for one full year after retirement and that his widow dies 4 months later.[18] The residual payment is determined as follows: From the $350 minimum guarantee there must be deducted the excess benefits received during the retired worker's lifetime as a result of crediting the railroad wages (12 months at $8 for the man and $4 for his wife, or a total of $144) and all survivor benefits paid (the $84 lump-sum death payment and widow's benefits of $21 for 4 months, or a total of $168). The residual death payment would be $38 ($350 minus $144 minus $168).

Basic Documents Relating to Public Law 234

H.R. 3669, 82d Cong., 1st sess., as introduced April 12, 1951, and as reported out September 19, 1951.

H.R. 3755, 82d Cong., 1st sess., as introduced April 18, 1951.

H.R. 4641, 82d Cong., 1st sess., as introduced June 28, 1951.

S. 1347, 82d Cong., 1st sess. (identical with H.R. 3669), as introduced April 18, 1951, and as reported out October 4, 1951.

S. 1353, 82d Cong., 1st sess. (identical with H.R. 3755), as introduced April 18, 1951.

Hearings before the Committee on Interstate and Foreign Commerce, House of Representatives (82d Cong., 1st sess.), on H.R. 3669, H.R. 3755, and Others, May–June 1951.

Hearings before the Subcommittee on Railroad Retirement Legislation of the Committee on Labor and Public Welfare, U.S. Senate (82d Cong., 1st sess.), on Bills to Amend the Railroad Retirement Act of 1937, April–May 1951.

Report of the Committee on Interstate and Foreign Commerce on H.R. 3669 (H. Rept. 976, 82d Cong., 1st sess.), September 19, 1951.

House debate on H.R. 3669, *Congressional Record,* October 4 and 16, 1951 (Volume 97, Nos. 186 and 194).

Report of the Senate Committee on Labor and Public Welfare on S. 1347 (S. Rept. 890, 82d Cong., 1st sess.), October 4, 1951.

Senate debate on S. 1347, *Congressional Record,* October 15, 1951 (Volume 97, No. 193).

Senate debate on H.R. 3669, *Congressional Record,* October 17, 1951 (Volume 97, No. 195).

Conference Report on H.R. 3669 (H. Rept. 1215, 82d Cong., 1st sess.), October 18, 1951.

House and Senate debate on Conference Report, *Congressional Record,* October 19, 1951 (Volume 97, No. 197).

President's Statement, White House press release, October 30, 1951.

[17] This situation will not occur, however, when the husband's original annuity and his reduced annuity both total $80 or more, since in either case the spouse's annuity is then the $40 maximum.

[18] Actually, this is an unusual case since both husband and wife would, on the average, live for about 12–14 years. In most instances there will be no residual death payment because the benefits paid before the death of the last surviving beneficiary will greatly exceed the minimum guarantee.

Railroad Retirement Act Amendments of 1951: Financial and Actuarial Aspects

by ROBERT J. MYERS*

The benefit provisions and legislative history of the 1951 amendments to the Railroad Retirement Act were summarized in the February Bulletin. In this issue the Chief Actuary of the Social Security Administration discusses the financial and actuarial implications of the amended law, with special emphasis on the provisions coordinating in some measure the railroad program with old-age and survivors insurance.

THE 1951 amendments to the Railroad Retirement Act include provisions for transferring the wage records of short-term railroad workers to old-age and survivors insurance. Congress also provided for a financial interchange between that program and the railroad retirement program designed to place the old-age and survivors insurance trust fund in the same position it would have held if all railroad employment had always been covered by old-age and survivors insurance. The provisions for financial interchange are of special interest both to the persons administering the programs and to the general public, since they establish the first coordination of this type between public retirement programs.

The amendments (Public Law 234) were adopted in October 1951. They had been preceded by hearings in both Houses of Congress and went through a number of changes in the course of their legislative history.[1] One version of the bill would have made the financial interchange the subject of a joint study by the Social Security Administration and the Railroad Retirement Board to be submitted to Congress by 1956, but the law as enacted made it immediately effective. This timing had been strongly urged by both the Federal Security Agency and the Bureau of the Budget in their testimony before the congressional committees, and it was also agreed to by the employee group sponsoring the bill.[2]

Financial Interchange Provisions

According to the statement of the Railroad Retirement Board on H.R. 3669, the purpose of the financial interchange provisions in that bill is as follows:

It is an over-all adjustment to compensate the railroad-retirement system for the savings it affords to the social-security system from the separate existence of the former. The recoupment of these savings contributes to making it possible to increase benefits as provided in the bill without affecting the financial soundness of the railroad-retirement system. The bill, in substance, declares it to be the Congressional policy that the social-security system shall neither profit nor lose from the existence of the separate railroad-retirement system. Because the railroad-retirement system covers an older group and a group which is in other respects a higher-cost segment of the national working population, it has achieved savings to the social-security system by removing that higher cost segment from the coverage of that system. The bill utilizes these savings for increasing benefits under the railroad-retirement system without increasing the tax rates for the maintenance thereof.[3]

In the testimony of the Social Security Administration before the Senate subcommittee it was argued, on the other hand, that the separate existence of the railroad retirement system would not result in a saving to the old-age and survivors insurance program. On the question of whether the group covered by the railroad system is a higher-than-average-cost group, the Administration said:

While it is true that for this group there are certain elements making for higher costs, on the one hand, other factors are present which act in the opposite direction. "Higher cost" factors include an older age distribution and perhaps a lower average retirement age (because of the availability of larger benefits). On the other hand, "lower cost" factors include a higher wage level and a higher proportion of men (since women have superior mortality, lower average retirement age, and less regular employment, all of which increase costs and more than offset their lower cost due to having relatively less in supplementary and survivor benefits).[4]

The financial interchange provisions finally adopted are designed to provide for such continuing adjustments that, whatever the true situation proves to be, the general objective of placing and maintaining the old-age and survivors insurance trust fund in the same position it would have been if railroad service had always been covered by old-age and survivors insurance will be achieved.

Cost Effects of Coordination Provisions

According to the testimony of the Railroad Retirement Board on S.1347, as introduced, the provisions of that bill would have resulted in an "initial debt" of $700 million "owed" by the railroad retirement account to the old-age and survivors insurance trust fund. This amount would be more

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[1] See Robert J. Myers and Wilbur J. Cohen, "Railroad Retirement Act Amendments of 1951: Benefit Provisions and Legislative History," *Social Security Bulletin*, February 1951.

[2] See *Report of the Senate Committee on Labor and Public Welfare on S.1347* (S. Rept. 890, 82d Cong., 1st sess.), Oct. 4, 1951, p. 14. As stated there, the wording in the section was drafted jointly by the Bureau of the Budget, the Federal Security Agency, and the Railway Labor Executives' Association.

[3] *Report of the Committee on Interstate and Foreign Commerce on H.R. 3669* (H. Rept. 976, 82d Cong., 1st sess.), September 19, 1951, p. 63.

[4] *Senate Hearings*, pp. 547 and 548.

than offset by annual transfers in the future, based on the developing experience, from the trust fund to the railroad retirement account. It was estimated that the transfers would range generally from about $10 million to $60 million and average about $34 million a year.[5]

On the basis of these estimates, the representative of the Railway Labor Executives' Association testified that, since the net effect was a flow of funds to the railroad retirement system, there would be no need to transfer the "initial debt."[6] Instead, equitable treatment would be accorded both systems if the railroad retirement program merely paid interest on this amount, with the interest payments being more than offset by the annual transfers for future developing experience. This is the procedure established in the final legislation.

The result of handling the financial interchange in this manner would, on the basis of Railroad Retirement Board estimates, be future annual transfers from old-age and survivors insurance to railroad retirement averaging about $13 million for the bill as introduced.[7] Accordingly, under these estimates the old-age and survivors insurance system would not only have to transfer such amounts but would also under this bill have had the cost of granting wage credits for railroad service for employees having less than 10 years of such service.

Leaving the $700 million "initial debt" in the railroad retirement account would result in the latter receiving 3-percent interest[8] on this amount but having to pay to the old-age and survivors insurance trust fund only about 2¼-percent interest, since that is the average interest rate of the trust fund currently. The railroad system would thus have a "net profit" (at the expense of the General Treasury) of $5¼ million per year.

Estimates for S.1347, as introduced, were also presented in the testimony of the Social Security Administration. They agreed with the Railroad Retirement Board estimate in the amount of the "initial debt" but indicated that the flow of funds would at all times be from the railroad retirement account to the trust fund and would average about $35 million a year on a net basis, assuming the "initial debt" would not be transferred.[9]

The provisions of the final legislation (notably the retention of the previous law's work clause applicable to retirement benefits) have an important effect on the financial interrelationships between the two systems. The Railroad Retirement Board estimate for the introduced bill (a net annual transfer from the old-age and survivors insurance trust fund averaging $13 million, or 0.25 percent of railroad payroll) is reduced considerably and in fact reversed for the law as enacted (a net annual transfer to the trust fund averaging about $1.5 million, or 0.03 percent of payroll).[10] Correspondingly, an estimate prepared on the assumptions used in the Social Security Administration testimony would show a much larger average transfer to the trust fund, probably somewhere in the neighborhood of $45–50 million per year.

The two sets of estimates agree on the cost to old-age and survivors insurance of including the short-service railroad employees under that program rather than under the railroad program. Where the difference arises is in the estimates of whether the separate existence of the railroad retirement system does or does not result in a saving to the old-age and survivors insurance system. According to the Railroad Retirement Board estimate, this saving amounts to 0.82 percent of railroad payroll. According to the Social Security Administration figures (which use the Railroad Retirement Board estimate of the cost for short-service employees), the separate existence of the railroad retirement system increases costs for the old-age and survivors insurance system by 0.12 percent of railroad payroll or about 0.005 percent of the covered payroll under old-age and survivors insurance.[11]

The figures given earlier reflect the combined effect of the financial interchange provisions and transferring the short-service railroad employees to the old-age and survivors insurance system. It would have been possible for Congress to have enacted only one of these two provisions. The independent effect on the old-age and survivors insurance system of the financial interchange provisions as they related to the introduced version of S.1347, modified for a $300 monthly wage base, is indicated in the following tabulation:

Item	Percent of railroad payroll	
	Railroad Retirement Board estimate	Social Security Administration estimate
Transfer from old-age and survivors insurance trust fund to railroad retirement account	.25	−.69
Cost to old-age and survivors insurance for short-service employees [1]	.57	.57
Savings to old-age and survivors insurance because of separate existence of railroad system	.82	−.12

[1] Cost of paying additional benefits on basis of wage credits given for railroad service.
Source: *Senate Committee Report*, table III, item III, and table IV, footnote 4, pp. 16 and 17.

As was indicated above, since the legislation provides for continuing transfers between the two systems, future experience will definitely indicate whether the "savings to the old-

[5] *Senate Hearings*, p. 238. The average figure is based on the level-cost calculations, which show a gross reimbursement to railroad retirement for future experience of 0.65 percent of a $5.2 billion annual payroll (*Senate Committee Report*, table III, items D and III, p. 16).

[6] Ibid, p. 241.

[7] The average figure is based on the level-cost calculations, which show a net reimbursement to railroad retirement for future experience amounting to 0.25 percent of a $5.2 billion annual payroll (*Senate Committee Report*, table III, item III, p. 16).

[8] The statutory minimum interest rate provided by the Railroad Retirement Act for investments of the railroad retirement account.

[9] *Senate Hearings*, pp. 541–563 (especially pp. 551–553). Also see *Senate Committee Report*, p. 16, which indicates how the average figure was derived (net reimbursement to old-age and survivors insurance for future experience of 0.69 percent of a $5.2 billion annual payroll).

[10] *Senate Committee Report*, table I, item F minus item E of column 1, p. 11.

[11] The *Senate Committee Report* (p. 16) states that the Social Security Administration testimony "denies the existence of any savings to the social security system from the separate existence of the railroad retirement system" but that "this denial is not supported" by the figures. As indicated here, however, the Social Security Administration estimate shows the existence of a small "loss" to the old-age and survivors insurance system.

age and survivors insurance system because of the separate existence of the railroad retirement system" are positive or negative.

Operation of Interchange Provisions

Although the over-all objective of the financial interchange provisions is simple, the provisions themselves are somewhat complicated. They are summarized in the box on page 18.

A specific numerical example will help to clarify the manner in which the adjustment might work out under the provisions of section 5(k)(2). It is emphasized that the figures used are purely hypothetical and are not estimates of what the situation may be. Thus, many of the assumptions are made merely to show how different situations would be handled rather than to indicate how events will develop. First, assume that the interest rate, as calculated under subparagraph (D),[12] is 2¼ percent for the fiscal year ended June 30, 1953 (determined as of May 31), and 2⅜ percent, 2½ percent, and 2⅝ percent, respectively, for each of the three succeeding fiscal years. Assume further that all events take place at the latest time permitted. The following events, listed in their chronological order, would then occur.

Event 1.—On January 1, 1954, in accordance with subparagraph (A), it is determined that as of June 30, 1952, the amount in the old-age and survivors insurance trust fund would have been $17,100 million if railroad service had always been covered, as against an actual trust fund of $16,400 million, so that the "initial debt" is $700 million.

Determining the size that the trust fund would have been if railroad service had always been covered under old-age and survivors insurance is a relatively simple matter and may be done quite precisely, since the determination depends on past experience and does not involve prediction or projection into the future. The additional taxes from railroad employment for each year back through 1937 are readily calculable, since the railroad payrolls are known and the pertinent old-age and survivors insurance tax rates can be applied against them (after proper allowance for the $3,000 maximum annual taxable wage during 1937–50 and $3,600 thereafter). The amount of additional benefit payments that would have been made each year can also be readily calculated from proper samples, although this procedure is somewhat more complicated. Then the additional administrative expenses can be approximated from the actual administrative expenses of both agencies.

Finally, these additional tax receipts, benefit payments, and administrative expenses can be added to the actual figures, plus interest at the actual rate earned on the trust fund each year in the past so as to yield the resulting hypothetical accumulated trust fund.

Event 2.—On January 1, 1954, in accordance with subparagraph (B), the interest is determined for the fiscal year 1953 (at a rate of 2¼ percent) on the amount of the "initial debt" determined in Event 1. This amount ($15¾ million) is immediately transferred to the trust fund from the railroad retirement account. Since the interest was due June 30, 1953, payment was 6 months late and the trust fund has lost about $150,000, but the loss will be made up by the yearly determination of "the position of the Trust Fund." Moreover, in future years, the interest on the "initial debt" is to be paid promptly when due according to the provisions of the law.

Event 3.—On June 15, 1954, in accordance with subparagraph (C), it is determined that as of June 30, 1953, the holdings of the trust fund would have been $19,625 million if railroad service had always been covered, as against an "actual" trust fund of $19,600 million, made up of $18,900 million of assets in the fund (including the interest received January 1, 1954, under Event 2) and the $700 million "initial debt" under Event 1. Accordingly, there is a "current deficit" in the trust fund amounting to $25 million.

Event 4.—On June 25, 1954, in accordance with subparagraph (C), the $25 million of "current deficit" as of the end of the fiscal year 1953, determined under Event 3, is transferred from the railroad retirement account to the trust fund. With this amount is transferred about $550,000 in interest thereon (at the rate of 2¼ percent, applicable to the fiscal year 1953) for the 11 months and 25 days following the end of the fiscal year 1953.

Event 5.—On June 30, 1954, in accordance with subparagraph (B), interest (at the rate of 2⅜ percent) is determined for the fiscal year 1954 on the "initial debt" of $700 million, determined in Event 1. This interest amounts to $16.6 million and is immediately transferred from the railroad retirement account to the trust fund.

Event 6.—On June 15, 1955, in accordance with subparagraph (C), it is determined that as of June 30, 1954, the trust fund would have been $22,750 million if railroad service had always been covered as against an "actual" trust fund of $22,800 million, made up of $22,100 million of assets in the trust fund (including receipts under Events 2, 4, and 5) and $700 million of "initial debt." Accordingly, there is a "current surplus" of $50 million in the trust fund. This amount due the railroad retirement account can be handled in either of two ways—by paying it to the railroad retirement account within 10 days along with accumulated interest (the reverse of Event 4), or by offsetting it against the "initial debt" determined in Event 1. If the latter procedure is followed, as presumably it will be, the $50 million is offset as of July 1, 1954, against the "initial debt."

Event 7.—On June 30, 1955, in accordance with subparagraph (B), interest (at the rate of 2½ percent) is determined for the fiscal year 1955 on the "initial debt" of $700 million, determined in Event 1, minus the $50 million offset under Event 6. This interest amounts to $16¼ million and is immediately transferred from the railroad retirement account to the

[12] The computation is similar to that used in determining the interest rate for new investments for the old-age and survivors insurance trust fund.

trust fund. It will be noted that the procedure in Event 6—making the offset effective at the beginning of the fiscal year 1955—yields the proper result for interest determination. The $50 million "current surplus" is determined as of June 30, 1954, and, accordingly, is offset against the "initial debt" at that time. Interest for the fiscal year 1955, accordingly, is only on the difference between these two items.

Event 8.—On June 15, 1956, in accordance with subparagraph (C), it is determined that as of June 30, 1955, the trust fund would have been $27,290 million if railroad service had always been covered. The "actual" trust fund is, however, $27,250 million, made up of $26,600 million of assets (including receipts under Events 2, 4, 5, and 7) and $650 million that represents the difference between the "initial debt," determined in Event 1, and the offset made in Event 6. Accordingly, there is a "current deficit" of $40 million in the trust fund.

Event 9.—On June 25, 1956, in accordance with subparagraph (C), the $40 million of "current deficit" as of the end of the fiscal year 1955, determined under Event 8, is transferred from the railroad retirement account to the trust fund. To this amount is added almost $1 million in interest (at the rate of 2½ percent, applicable to the fiscal year 1955) for the 11 months and 25 days following the end of the fiscal year 1955.

Event 10.—On June 30, 1956, in accordance with subparagraph (B), interest (at the rate of 2⅝ percent) is determined for the fiscal year 1956 on the "initial debt" of $700 million, determined in Event 1, minus the $50 million offset under Event 6. This interest amounts to about $17.1 million and is immediately transferred from the railroad retirement account to the trust fund.

Actuarial Cost Estimates

The actuarial staff of the Railroad Retirement Board presented a number of cost estimates for the various bills introduced and the changes made as legislative action developed. Most of these cost estimates were on the basis of a single figure representing the net level premium required to support the benefits in perpetuity, taking into account interest at the rate of 3 percent.[13]

The resulting level premium costs can be compared with what is, in effect, the level contribution rate for the system—that is, 12½ percent of payroll, which is the combined employer-employee rate effective for all years after 1951 (the 1951 rate was 12 percent).

The estimated level premium costs under the old law, the various bills considered, and the final legislation are shown below.

Plan	*Cost as percent of payroll*
Old law	12.60
H.R. 3669 (and S.1347) as introduced	13.90
H.R. 3755 (and S.1353) as introduced[1]	15.70
H.R. 3755 (and S. 1353) as revised	14.40
H.R. 4641	13.49
H.R. 3669 as reported to House	14.71
H.R. 3669 as passed by House[1]	16.40
H.R. 3669 (and S.1347) as passed by Senate	14.06
New law	14.43

[1]Estimates developed for this article on basis of official figures of the Railroad Retirement Board, modified for consistent payroll base and approximate benefit provisions.

The cost figures are all on a comparable basis as to the total equivalent level annual payroll assumed—$4.9 billion when the maximum taxable and creditable wage is $300 a month, $5.3 billion for a $350 wage base, and $5.5 billion for a $400 wage base.

[13] The use of a single cost figure here and in the succeeding discussion does not mean that the actuarial estimates can be made so precisely. The Railroad Retirement Board has always recognized this fact in its presentation of a single cost figure—for instance, in its Fourth Actuarial Valuation, which states: "It should, however, be realized that it is virtually impossible with respect to a system of this size in which there is great variability in basic factors to develop a precise cost figure. At best, the level rate . . . can be looked upon as the most probable point in a range within which the true costs of the system lie." (*Annual Report of the Railroad Retirement Board for Fiscal Year 1949,* p. 175.) This same general conclusion was stated in the Second Actuarial Valuation: "No precise figure can be set down as to the exact cost of the benefits provided under the Railroad Retirement Act." (*Annual Report of the Railroad Retirement Board for Fiscal Year 1943,* p. 119.)

According to these figures, the old law was almost exactly in financial balance, since its cost was virtually the same as the future contribution rate. H.R. 3669, as introduced, had a cost estimated to be about 1½ percent of payroll in excess of the contribution rate. The substantial benefit increases provided were partly offset by savings resulting from the higher wage base of $400, the applicability of the old-age and survivors insurance work clause, the financial interchange provisions with old-age and survivors insurance, and the elimination of benefits for short-service railroad employees.

H.R. 3755, as introduced, had a cost estimated at more than 3 percent of payroll higher than the contribution rate because the substantial benefit increases were not offset by any savings. For similar reasons, the revision of this bill would still have cost almost 2 percent in excess of the contribution rate.

H.R. 4641 was estimated to cost only about 1 percent of payroll in excess of the contribution rate, in part because of the smaller benefit increases provided for retired workers and in part because of the savings due to the introduction of the old-age and survivors insurance work clause.

H.R. 3669, as reported to the House, had an estimated cost fairly close to that of the revised H.R. 3755, which it closely paralleled except for providing an increase in survivor benefits. As passed by the House, however, H.R. 3669 had the highest cost of any of the bills—almost 4 percent of payroll in excess of the contribution rate. This substantial difference resulted from the introduction of spouse's annuities and the incorporation of the "old-age and survivors insurance minimum guarantee" benefit provision.[14]

S. 1347, as passed by the Senate, had an estimated cost of about 1½ percent of payroll in excess of the contribution rate, or roughly the same as the original version of the bill, since the changes raising the cost (lowering the wage base, eliminating the old-age and survivors insurance work clause, and increasing slightly the retirement annuities) offset those de-

[14] See the *Bulletin,* February 1952, pp. 7–11.

Financial Interchange With Old-Age and Survivors Insurance

PROVISIONS OF RAILROAD RETIREMENT ACT FOR FINANCIAL INTERCHANGE WITH OLD-AGE AND SURVIVORS INSURANCE SYSTEM:

Section 5. (k) (2) (A) The Board and the Federal Security Administrator shall determine, no later than January 1, 1954, the amount which would place the Federal Old-Age and Survivors Insurance Trust Fund (hereafter termed "Trust Fund") in the same position in which it would have been at the close of the fiscal year ending June 30, 1952, if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act.

(B) On January 1, 1954, for the fiscal year ending June 30, 1953, and at the close of each fiscal year beginning with the fiscal year ending June 30, 1954 . . . the Board shall certify . . . for transfer . . . to the Trust Fund, interest for such fiscal year at the rate specified in subparagraph (D) on the amount determined under subparagraph (A) less the sum of all offsets made under subparagraph (C).

(C) At the close of the fiscal year ending June 30, 1953, and each fiscal year thereafter, the Board and the Federal Security Administrator shall determine the amount, if any, which if added to or subtracted from the Trust Fund would place such Trust Fund in the same position in which it would have been if service as an employee after December 31, 1936, had been included in the term "employment" as defined in the Social Security Act and in the Federal Insurance Contributions Act. . . .

(D) For the purposes of subparagraphs (B) and (C), for any fiscal year, the rate of interest to be used shall be equal to the average rate of interest, computed as of May 31 preceding the close of such fiscal year, borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

creasing the cost (reducing, on the whole, the amounts of the survivor and dependent's benefits).

The cost of the legislation finally enacted is estimated at almost 2 percent of payroll in excess of the contribution rate. The cost was increased somewhat over that of the bill passed by the Senate because the former wage base of $300 a month was retained as contrasted with the $350 base provided in the Senate version.

The lack of balance between the cost and the contribution rates indicated above undoubtedly was one of the important reasons for the adoption of Senate Concurrent Resolution 51, which calls for a congressional study of the railroad retirement system, including its relationship with old-age and survivors insurance. During the hearings, many witnesses testified that a margin of 1 percent of payroll between cost and contribution rate was reasonable and could readily be acceptable; their argument was based on the consistent overstatement of costs in the past. This overstatement had occurred primarily because of the steadily rising wage level during the past decade. As wages rise, the cost of the system, like the cost of old-age and survivors insurance, is decreased when measured as a percentage of payroll because of the weighted benefit formula, under which workers with low wages receive benefits that are proportionately higher than those with higher wages. Raising the maximum wage base reduces the cost of the system for this same reason.

The distribution of the estimated level premium cost of 14.43 percent of payroll under the final legislation, by the various categories of benefits and other cost items, is indicated below.

Item	Cost as percent of payroll
Net level premium cost	14.43
Retirement benefits	12.00
Age annuities and pensions [1]	7.74
Disability annuities payable before age 65	1.71
Disability annuities payable after age 65	1.52
Spouse's annuities	1.03
Survivor benefits	3.28
Aged widow's annuities [2]	2.16
Widowed mother's annuities	.15
Child's annuities	.24
Lump-sum death payments	.19
Residual death payments	.54
Other costs and credits:	
Allowance for minimum and maximum provisions	.28
Administrative expenses	.14
Net financial interchange with old-age and survivors insurance [3]	.03
Funds on hand	[4] −1.30

[1] Pensions are those taken over from former railroad pension plans in 1937.
[2] Includes the relatively small amount of widower's and parent's annuities.
[3] Represents net balance of credits to old-age and survivors insurance trust fund of taxes (both past and future) at old-age and survivors insurance rates based on all railroad employment (level cost of 6.00 percent) over credit from trust fund on account of additional benefits that would have been payable under old-age and survivors insurance with respect to employees with at least 10 years of railroad service (level cost of 5.97 percent).
[4] Credit item to help meet the benefit and administrative costs; relates interest at a rate of 3 percent on the present account to the $4.9 billion annual payroll.

Source: *Senate Committee Report*, table I, p. 11.

By far the greatest part of the cost is for retirement benefits for persons aged 65 and over—that is, for age annuities (most of which are payable to those over age 65) and for disability annuities payable after age 65. As a result of the financial interchange provisions, there is a small cost to the railroad retirement system for net transfers to the old-age and survivors insurance trust fund, amounting to 0.03 percent of railroad payroll.

On the whole, these provisions, along with that transferring short-service employees to the old-age and survivors insurance system, have financial advantages for the railroad retirement program. Although the estimate indicates a small transfer of funds from the railroad retirement system, it does not indicate specifically the savings due to the removal of the short-service employees, which is taken into account in the estimated

cost of the various benefits. According to this estimate the railroad retirement system might have a relatively small amount to transfer to the old-age and survivors insurance system, but the amount is far more than offset by the employer and employee contributions with respect to the short-service employees that the railroad retirement system, in effect, collects and retains. No benefits other than the residual death payment, which in virtually all cases will either not be due or not be claimed because of the survivor's lack of knowledge, can be payable by the railroad retirement system with respect to the wage records on which these contributions are based.

Year-by-year projections of the estimated operation of the railroad retirement program were presented during the hearings only for the old law and for H.R. 3669 as introduced.[15] Under the old law the benefit disbursements for the calendar year 1952 were estimated at $357 million, which represents 55 percent of the estimated contribution income of $649 million. Under H.R. 3669, as introduced, the estimated benefit disbursements for 1952 were $460 million, or 62 percent of the estimated contribution income of $739 million (an increase from the contribution income under the previous law because of the higher maximum taxable wage base). For the legislation enacted, a comparable estimate of the benefit disbursements for 1952 is $462 million,[16] or 71 percent of the estimated contribution income of $649 million (same as the contribution income under the old law because of no change in the tax-rate schedule and wage base). Benefit disbursements under the new law in 1952 will be about $105 million higher than under the earlier provisions, an increase of almost one-third, and will represent about 9 percent of covered payrolls.

[15] *Senate Hearings*, pp. 217 and 238.

Administrative Workloads

The Bureau of Old-Age and Survivors Insurance of the Social Security Administration will have a large amount of additional administrative work as a result of the new railroad retirement legislation, primarily because of the transfer of the short-service cases and the provisions restricting duplication of benefits under the two programs.

New claims arising from the transfer of wage credits for workers who die or retire with less than 10 years of railroad service will average about 16,000 a year in the immediate future. In order that the Railroad Retirement Board may adjust its retirement benefits for those who are also receiving old-age and survivors insurance benefits, the Bureau must process immediately a backlog of about 32,000 cases, while the future workload will vary between 10,000 and 15,000 cases each year.

Further, old-age and survivors insurance benefits will have to be recalculated for individuals currently on the rolls who have had some railroad earnings since 1936. Any increases will, on the whole, be relatively small, so that this work has been budgeted for 1953, when the recalculations will be made and adjusted payments made retroactively to November 1, 1951. It is estimated that 60,000 old-age insurance beneficiaries will be affected. Dependent's benefits will also be involved in about one-third of the cases.

The additional administrative work for the Social Security Administration described above will, in the long run, be reimbursed by the railroad retirement system through the operation of the financial interchange provisions. Any such extra expenses will, as is the case for all administrative costs, be paid out of the old-age and survivors insurance trust fund, which will be decreased thereby. Accordingly, the difference between the "actual" fund and the fund that would have been accumulated if railroad service had always been covered under old-age and survivors insurance will be increased, and the transfer from the railroad retirement account will be that much larger.

[16] Estimate made by the Railroad Retirement Board. Later estimates of the payments in 1952 are slightly lower—$340 million under the old law and $440 million under the present law.

LISTING OF REFERENCE MATERIALS

U. S. Congress. House. Committee on Interstate and Foreign Commerce. *Railroad Retirement Amendments. Hearings on H.R. 3669, H.R. 3755, and Others. 82d Congress, 1st session.*

U.S. Congress. Senate. Committee on Labor and Public Welfare. Subcommittee on Railroad Retirement Legislation. *Hearings on Bills to Amend the Railroad Retirement Act of 1937. 82d Congress, 1st session.*

82D CONGRESS } HOUSE OF REPRESENTATIVES { REPORT
2d Session } { No. 1999

EXTENSION OF TIME FOR RETROACTIVE OLD-AGE AND SURVIVORS INSURANCE COVERAGE OF CERTAIN STATE AND LOCAL EMPLOYEES

MAY 27, 1952.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. DOUGHTON, from the Committee on Ways and Means, submitted the following

REPORT

[To accompany H. R. 6291]

The Committee on Ways and Means to whom was referred the bill (H. R. 6291) to amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

PURPOSE

The bill would amend section 218 (f) of the Social Security Act, which relates to the effective dates of Federal-State agreements for old-age and survivors insurance coverage of State and local government employees, so as to extend from January 1, 1953, to January 1, 1954, the period within which such coverage may be made retroactive to January 1, 1951. The effect of the bill would be to permit State and local government employees covered under an original agreement or a modification of an agreement during the year 1953 to obtain coverage retroactively to January 1, 1951, if they desired. The maximum period of retroactive coverage would be 3 years.

GENERAL STATEMENT

The Social Security Act amendments of 1950 made old-age and survivors insurance coverage available to 1.4 million employees of State and local governments not covered by State or local retirement systems. Statutory authority is required before a State agency can enter into a coverage agreement with the Federal Security Adminis-

trator. Such agreements have been negotiated by more than three-fourths of the States. In other States plans have been made for extending old-age and survivors insurance coverage to State and local employees retroactive to January 1, 1951, but the legislatures of those States do not meet again until 1953. Consequently, under existing law, a special session of the legislature would be required to enable those States to provide for their employees the advantages which would accrue from this retroactive coverage.

This bill would grant to the States which have not yet negotiated an agreement with the Federal Security Agency, and to States which may desire to extend coverage to employees not provided for in an original agreement, an additional year in which to enter into an agreement to make coverage of State and local employees retroactive to January 1, 1951.

The report of the Federal Security Agency, which was approved by the Bureau of the Budget, states:

> The enactment of the bill would allow the States and political subdivisions considering old-age and survivors insurance coverage more time in which to make a thorough study of the problems involved without disadvantage to their employees. It would be of particular advantage to employees in States which will not have a regular session of the legislature until 1953 and which may therefore be unable to enact enabling legislation and complete a coverage agreement by the present deadline, January 1, 1953. While the Federal Security Agency would not favor an indefinite extension of the period during which coverage may be made retroactive, the 1-year extension proposed by the bill is a desirable one.

The bill is reported unanimously by your committee.

CHANGES IN EXISTING LAW

In compliance with paragraph 2a of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as introduced, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 218 (f) OF THE SOCIAL SECURITY ACT, AS AMENDED

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

PURPOSE OF AGREEMENT

SEC. 218. (a) * * *

* * * * * * *

EFFECTIVE DATE OF AGREEMENT

(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, [1953] *1954*) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

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Union Calendar No. 629

82D CONGRESS
2D SESSION

H. R. 6291

[Report No. 1999]

IN THE HOUSE OF REPRESENTATIVES

JANUARY 29, 1952

Mr. HARRISON of Wyoming introduced the following bill; which was referred to the Committee on Ways and Means

MAY 27, 1952

Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

A BILL

To amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 218 (f) of the Social Security Act, as amended (relating to the effective dates of voluntary agreements for coverage of State and local employees), is hereby amended by striking out "January 1, 1953" and inserting in lieu thereof "January 1, 1954".

Union Calendar No. 629

82D CONGRESS
2D SESSION

H. R. 6291

[Report No. 1999]

A BILL

To amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954.

By Mr. HARRISON of Wyoming

JANUARY 29, 1952
Referred to the Committee on Ways and Means

MAY 27, 1952
Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

AMENDING SECTION 218 (F) OF SOCIAL SECURITY ACT

The SPEAKER. The Chair recognizes the gentleman from New York [Mr. REED].

Mr. REED of New York. Mr. Speaker, I ask unanimous consent for the present consideration of the bill (H. R. 6291) to amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954.

The Clerk read the title of the bill.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

The Clerk read the bill, as follows:

Be it enacted, etc., That section 218 (f) of the Social Security Act, as amended (relating to the effective dates of voluntary agreements for coverage of State and local employees), is hereby amended by striking out "January 1, 1953" and inserting in lieu thereof "January 1, 1954."

Mr. REED of New York. Mr. Speaker, I ask unanimous consent to extend my remarks at this point in the RECORD.

The SPEAKER. Is there objection to the request of the gentleman from New York?

There was no objection.

Mr. REED of New York. Mr. Speaker, H. R. 6291 would amend section 218 (f) of the Social Security Act, which relates to the effective dates of Federal-State agreements for old-age and survivors insurance coverage of State and local government employees, so as to extend from January 1, 1953, to January 1, 1954, the period within which such coverage may be made retroactive to January 1, 1951. The effect of the bill would be to permit State and local government employees covered under an original agreement or a modification of an agreement during the year 1953 to obtain coverage retroactively to January 1, 1951, if they desired. The maximum period of retroactive coverage would be 3 years.

The Social Security Act amendments of 1950 made old-age and survivors insurance coverage available to 1,400,000 employees of State and local governments not covered by State or local retirement systems. Statutory authority is required before a State agency can enter into a coverage agreement with the Federal Security Administrator. Such agreements have been negotiated by more than three-fourths of the States. In other States plans have been made for extending old-age and survivors insurance coverage to State and local employees retroactive to January 1, 1951, but the legislatures of those States do not meet again until 1953. Consequently, under existing law a special session of the legislature would be required to enable those States to provide for their

employees the advantages which would accrue from this retroactive coverage.

This bill would grant to the States which have not yet negotiated an agreement with the Federal Security Agency, and to States which may desire to extend coverage to employees not provided for in an original agreement, an additional year in which to enter into an agreement to make coverage of State and local employees retroactive to January 1, 1951. H. R. 6291 was reported unanimously by the Ways and Means Committee, and is favored by the Federal Security Agency.

The bill was ordered to be engrossed and read a third time, was read the third time, and passed, and a motion to reconsider was laid on the table.

82D CONGRESS } SENATE { REPORT
2d Session } { No. 1792

EXTENSION OF TIME FOR RETROACTIVE OLD-AGE AND SURVIVORS INSURANCE COVERAGE OF CERTAIN STATE AND LOCAL EMPLOYEES

JUNE 19 (legislative day, JUNE 10), 1952.—Ordered to be printed

Mr. GEORGE, from the Committee on Finance, submitted the following

REPORT

[To accompany H. R. 6291]

The Committee on Finance, to whom was referred the bill (H. R. 6291) to amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

By virtue of this act the House report is accepted as follows:

PURPOSE

The bill would amend section 218 (f) of the Social Security Act, which relates to the effective dates of Federal-State agreements for old-age and survivors insurance coverage of State and local government employees, so as to extend from January 1, 1953, to January 1, 1954, the period within which such coverage may be made retroactive to January 1, 1951. The effect of the bill would be to permit State and local government employees covered under an original agreement or a modification of an agreement during the year 1953 to obtain coverage retroactively to January 1, 1951, if they desired. The maximum period of retroactive coverage would be 3 years.

GENERAL STATEMENT

The Social Security Act amendments of 1950 made old-age and survivors insurance coverage available to 1.4 million employees of State and local governments not covered by State or local retirement systems. Statutory authority is required before a State agency can enter into a coverage agreement with the Federal Security Administrator. Such agreements have been negotiated by more than three-fourths of the States. In other States plans have been made for extending old-age and survivors insurance coverage to State and local employees retroactive to January 1, 1951, but the legislatures of those States do not meet again until 1953. Consequently, under existing law, a special session of the legislature would be required to enable those States to provide for their employees the advantages which would accrue from this retroactive coverage.

This bill would grant to the States which have not yet negotiated an agreement with the Federal Security Agency, and to States which may desire to extend coverage to employees not provided for in an original agreement an additional year in

which to enter into an agreement to make coverage of State and local employees retroactive to January 1, 1951.

The report of the Federal Security Agency, which was approved by the Bureau of the Budget, states:

"The enactment of the bill would allow the States and political subdivisions considering old-age and survivors insurance coverage more time in which to make a thorough study of the problems involved without disadvantage to their employees. It would be of particular advantage to employees in States which will not have a regular session of the legislature until 1953 and which may therefore be unable to enact enabling legislation and complete a coverage agreement by the present deadline, January 1, 1953. While the Federal Security Agency would not favor an indefinite extension of the period during which coverage may be made retroactive, the 1-year extension proposed by the bill is a desirable one."

CHANGES IN EXISTING LAW

In compliance with subsection 4 of rule XXIX of the Standing Rules of the Senate, changes in existing law made by the bill are as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 218 (f) OF THE SOCIAL SECURITY ACT, AS AMENDED

VOLUNTARY AGREEMENTS FOR COVERAGE OF STATE AND LOCAL EMPLOYEES

PURPOSE OF AGREEMENT

SEC. 218. (a) * * *

* * * * * * *

EFFECTIVE DATE OF AGREEMENT

(f) Any agreement or modification of an agreement under this section shall be effective with respect to services performed after an effective date specified in such agreement or modification, but in no case prior to January 1, 1951, and in no case (other than in the case of an agreement or modification agreed to prior to January 1, [1953] *1954*) prior to the first day of the calendar year in which such agreement or modification, as the case may be, is agreed to by the Administrator and the State.

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AMENDMENT OF SOCIAL SECURITY ACT RELATING TO EFFECTIVE DATES OF AGREEMENTS ENTERED INTO WITH STATES

Mr. GEORGE. Mr. President, from the Committee on Finance, I report favorably, without amendment, the bill (H. R. 6291) to amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954, and I submit a report (No. 1792) thereon.

I ask unanimous consent for the present consideration of the bill.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. GEORGE. Mr. President, I wish to explain the bill. It simply amends a provision of the Social Security Act of 1950 which relates to the effective dates of Federal-State agreements with regard to old-age and survivors insurance coverage of State and local government employees, so as to extend the time from January 1953 to January 1954. That is all the bill does. It is unanimously reported from the Committee on Finance. The purpose is to prevent States which do not have a session of their legislatures between this time and January 1, 1953, from being compelled to call an extraordinary session of their legislatures.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

Mr. SALTONSTALL. Mr. President, reserving the right to object—and I do not think I shall object—I should like to ask the Senator from Georgia a question. As I understand, the purpose of the bill is to permit States whose legislatures are not now in session to receive the benefits of the changes in the social-security law, without the necessity of calling a special session of their legislatures.

Mr. GEORGE. That is exactly true. There are a few States whose legislatures do not meet prior to January 1, next. The bill merely extends for 1 year the time in which they may act.

Mr. SALTONSTALL. So their citizens will receive the benefits in the meantime. Assuming that a State does not act at the time set, what happens?

Mr. GEORGE. Its employees would not be covered. Under the Social Security Act of 1950, as amended, about 1,400,000 employees and citizens of the States who were not covered under any retirement system were given this privilege. However, a State must act affirmatively. This merely gives to a State the privilege of asking or not asking for the benefits, as it sees fit. The only purpose of the bill is to accommodate the States and meet their convenience, avoiding unnecessary expenses in the States whose legislative sessions do not take place until after next January 1st.

Mr. SALTONSTALL. But the benefits go to the citizens of a State before the time when the State acts.

Mr. GEORGE. Provided the State affirmatively acts.

Mr. SALTONSTALL. If it acts negatively at that time—which presumably it would not do—what happens to the benefits which have been received in the meantime? Does the Federal Government bear the entire expense?

Mr. GEORGE. There would be no expense. If a State does not affirmatively act, its employees are not brought under the act, and we do not receive any benefits.

Mr. SALTONSTALL. As I understand, the bill is unanimously reported from the committee.

Mr. GEORGE. The bill is unanimously reported from the committee.

Mr. SALTONSTALL. I have no objection.

The PRESIDING OFFICER. Is there objection to the present consideration of the bill?

There being no objection, the bill was considered, ordered to a third reading, read the third time, and passed.

Public Law 420 - 82d Congress
Chapter 483 - 2d Session
H. R. 6291

AN ACT

All 66 Stat. 285.

To amend section 218 (f) of the Social Security Act with respect to effective dates of agreements entered into with States before January 1, 1954.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That section 218 (f) of the Social Security Act, as amended (relating to the effective dates of voluntary agreements for coverage of State and local employees), is hereby amended by striking out "January 1, 1953" and inserting in lieu thereof "January 1, 1954".

64 Stat. 516.
42 U.S.C. § 418.

Approved June 28, 1952.