

Notes and Brief Reports

Experience Under Financial Interchange, OASDI and Railroad Retirement System*

Under the 1951 amendments to the Railroad Retirement Act, the railroad wage credits of workers who die or retire with less than 10 years of railroad employment are transferred to the old-age, survivors, and disability insurance program and benefits are paid by that program. The amendments also provide that funds shall be transferred between the two programs so that, in effect, at the start of each fiscal year the old-age and survivors insurance trust fund will be in essentially the same position it would have been in if railroad employment after 1936 had been covered under the Social Security Act.¹

On the basis of the actuarial studies and analyses required by the amendments, it was determined that the "initial amount" due the old-age and survivors insurance trust fund from the railroad retirement account as of June 1952 was \$488.2 million. The amendments provided that only interest would be transferred as long as any part of this initial amount due the trust fund remained and that, when the initial amount had been dissipated, transfer of the principal amounts would occur. Annually, therefore, the interest on the amount due has been transferred from the railroad retirement account to the trust fund, computed each year on the basis of the initial amount as it has been subsequently reduced. By June 30, 1956, annual determinations of principal applied against the initial amount had reduced that amount to \$60.5 million.

The most recent determination—as of June 30, 1957—not only shows that the entire \$488.2 million initially owed to the old-age and survivors insurance trust fund has been liquidated, but it also indicates that \$121.3 million was owed to the railroad retirement ac-

count by the trust fund. Accordingly, \$124.4 million, which includes \$3.1 million of accrued interest for the period July 1, 1957–June 25, 1958, was transferred to the railroad retirement account in July 1958.

It is anticipated by the Social Security Administration that annual transfers from the old-age and survivors insurance trust fund to the railroad retirement account will be made until approximately 1975. By that year, most of the working population, including male railroad workers, will have had employment covered by the Social Security Act. In addition, the contribution rate under the Social Security Act will then be at the maximum. As the result of these two factors, the financial interchange is expected to favor the old-age and survivors insurance trust fund.² The accompanying table shows the results of the financial interchange through June 30, 1957, on a calendar-year basis. Amounts reimbursable to the railroad retirement account from the trust fund for railroad employment are offset against contributions and

² Based on estimates of the Social Security Administration.

interest that are owed to the trust fund by the account to determine the cumulative balance due the trust fund.

Similar procedures with respect to the disability insurance trust fund and the railroad retirement account will be followed at the end of the fiscal year 1958–59, except that any balance payable, in one direction or the other, will be immediately transferred rather than held as an "initial amount."

Applicants for Account Numbers, 1957*

By the end of 1957, almost 125.4 million social security account numbers had been issued—about 57 percent of them to men. During the year more than 3.6 million new accounts were established (table 1). This total was 17 percent smaller than the figure for 1956, a year when many of the farm operators who were first covered in 1955 obtained their account numbers. The number of accounts established in 1957 was no doubt reduced by the drop in employ-

* Prepared in the Division of Program Analysis, Bureau of Old-Age and Survivors Insurance.

Effect of financial interchange calculations on the railroad retirement account and the old-age and survivors insurance trust fund through June 30, 1957

[In millions]

Calendar year	Reimbursable from trust fund to railroad account		Payable to trust fund from railroad retirement account		Net cumulative balance in railroad retirement account due trust fund
	Benefit payments	Administrative expenses	Contributions	Interest	
1937.....	\$0.1	-----	\$37.2	\$0.2	\$37.3
1938.....	.9	-----	24.7	1.1	62.2
1939.....	1.3	-----	40.3	1.9	103.1
1940.....	6.7	\$2.4	40.9	3.0	137.9
1941.....	13.9	2.1	49.7	3.7	175.3
1942.....	20.0	2.2	62.3	4.5	219.9
1943.....	25.7	2.4	74.7	5.2	271.7
1944.....	32.1	2.6	83.5	6.0	326.5
1945.....	40.7	2.6	84.7	7.2	375.1
1946.....	52.3	3.0	87.8	7.9	415.5
1947.....	61.1	3.1	91.4	8.2	450.9
1948.....	71.9	3.4	95.4	13.3	484.3
1949.....	84.1	3.3	87.8	6.4	491.1
1950.....	112.7	3.6	129.4	10.4	514.6
1951.....	183.2	3.5	152.9	15.0	495.8
1952.....	201.0	3.4	155.0	11.1	457.5
1953.....	239.0	3.4	153.8	10.2	379.1
1954.....	269.6	3.1	178.8	8.3	¹ 272.0
1955.....	331.8	2.9	193.8	5.7	¹ 128.8
1956.....	362.9	3.3	208.4	2.7	¹ -32.1
1957 ²	190.0	1.6	103.0	-----	^{1 3} -124.4

* Prepared in the Division of the Actuary, Office of the Commissioner.

¹ See the *Bulletin*, March 1952, pages 14–19, and May 1957, pages 18–21.

¹ Adjusted for cash interest transfers to the old-age and survivors insurance trust fund.

² January–June.

³ Represents amount (including \$3.1 million in interest) transferred from the old-age and survivors insurance trust fund for fiscal year 1956–57.