

FOR IMMEDIATE RELEASE

October 12, 1974

Office of the White House Press Secretary

THE WHITE HOUSE

TO THE HOUSE OF REPRESENTATIVES:

I am returning today without my approval, H.R. 15301, a bill which would finance a long-standing deficit in the Railroad Retirement System at the expense of the general taxpayer.

The Railroad Retirement System, under current law, is headed toward bankruptcy by the mid-1980s. This condition arises largely because benefits have been increased 68 percent since 1970 without requiring the beneficiaries of the system, railroad employees and employers, to pay the added costs.

This bill proposes to solve the financial problems of the Railroad Retirement System by placing a seven billion dollar burden on the general taxpayer, requiring him to contribute \$285 million to the Railroad Retirement Trust Fund each year for the next twenty-five years. In return for his seven billion dollar contribution, the general taxpayer would earn no entitlement to benefits and would receive no return on his investment.

At a time when the taxpayer is already carrying the double burden of taxes and inflation, legislation such as this is most inappropriate.

Recognizing the financial straits of the Railroad Retirement System, the Executive Branch in 1970 proposed and the Congress authorized an independent study of the System. After eighteen months of careful work, the study group recommended that the benefits be financed "...on an assured, fully self-supporting basis by contributions from the railroad community through the crisis period of the next 20 to 30 years and then beyond."

Following receipt of the report, the Congress directed representatives of railroad employees and management to submit their combined recommendations for restoring financial soundness to the System, taking into account the report and the specific recommendations of the Commission.

The bill which is now before me is true neither to the recommendation of the Commission nor to the charge placed on the industry by the Congress.

Forcing the general taxpayer to carry an unfair burden is not the only defect in this bill. It would also establish a special investment procedure for the Railroad Retirement Trust Fund.

more

(OVER)

Under the bill, the interest paid by the Treasury on Railroad Retirement investments and Federal securities would rise when interest rates increase but would not fall when they decrease. This "heads I win; tails you lose" arrangement, with the taxpayer being the loser, has been suggested before, but never adopted. It should not be a part of the solution to the Railroad Retirement System's financial problem.

Furthermore, the provisions of the benefit formula are so complex that they would be extremely difficult to administer and virtually impossible to explain to the persons who are supposed to benefit from it. Now is the time to simplify the benefit structure of the Railroad Retirement System, not make it more complex. Splitting administrative responsibility between the Railroad Retirement System and the Social Security System over benefits that depend on entitlement under the Social Security Act is bad law. Full responsibility for administering Social Security benefits should be vested in the Social Security Administration, not divided among agencies with resultant uncertainty as to who should be held accountable.

I believe it is our obligation to the general taxpayer to see that the problems of this system are overcome by the industry and people it serves -- those who have benefitted from it in the past and will continue to receive its benefits in the future. Other industries -- other parts of the transportation industry -- pay for their own pension systems. There is no justification for singling out the railroads for special treatment.

There are only two ways this obligation can be met -- by increasing revenues or by limiting benefits or by a combination of both. Administration spokesmen have proposed constructive ways to achieve this goal, but our proposals have not received serious consideration by the Congress.

We are in need of a better railroad retirement system and a financially sound one. This bill does not meet that need. I urge the Congress to reconsider that need and to develop a new bill which is fair to the taxpayers as well as to the beneficiaries of the Railroad Retirement System. This Administration stands ready to help in any way it can.

GERALD R. FORD

THE WHITE HOUSE,
October 12, 1974

#