

Programs for Specific Groups

Veterans' Benefits

Benefit programs for military veterans had their origins in the earliest days of the Nation's history. Pensions for disabled veterans of the Revolutionary War were paid by the Federal Government in 1789, and shortly thereafter for widows and orphans of men who died in service. The initial scope of the veterans' benefit system was broadened early in the 19th century with the introduction of programs for medical and hospital care.

America's involvement in World War I triggered the establishment of several new programs that provided disability compensation, life insurance, and vocational rehabilitation. Significant provisions for veterans were added in 1944 as a result of the World War II GI Bill of Rights, including extensive educational benefits and a home loan program.

During fiscal year 1994, total benefits to veterans and their dependents, exclusive of career retirement and Social Security benefits, was \$36.2 billion. This amount included \$19.5 billion for disabled veterans, their dependents, and survivors; \$15.6 billion for medical programs; and \$1.1 billion for educational programs. In September 1994, disability compensation or pension payments were being made to 2,659,000 veterans. Of these, 2,218,000 had service-connected disabilities and 441,000 were receiving nonservice-connected pensions. In addition, benefits were payable to survivors of 683,000 deceased veterans (based on service- and nonservice-connected deaths).

Eligibility for Benefits

Eligibility for most benefits is based on discharge from active military service under other than dishonorable conditions for a minimum period specified by law. Active service generally means full-time service as a member of the Army, Navy, Air Force, Marines, Coast Guard, or as a commissioned officer of the Public Health Service, the Environmental Services Administration, or the National Oceanic and Atmospheric Administration. Completion of at least 6 years of honorable service in the Selected Reserves also provides for home-loan benefits for those not otherwise eligible. Persons serving in the reserves also may be eligible for educational benefits. Men and women veterans with similar service are entitled to the same benefits. Service in 28 organizations during special periods that include World Wars I and II has been certified as active military service by the Defense

Department. Members of these groups may be eligible for veterans' benefits if the Defense Department certifies their service and issues a discharge under honorable conditions.

Types and Amounts of Benefits

Many of the benefits and services provided to veterans were adopted to help war veterans readjust to civilian life. These benefits include but are not limited to disability compensation, benefits for survivors, health care, and educational assistance and training.

Disability Compensation

There are two major cash payment programs for veterans. The first program provides benefits to the veteran with service-connected disabilities and, on the veteran's death, benefits are paid to the eligible spouse and children. These benefits are not means tested. The second program provides benefits to veterans who have nonservice-connected disabilities. These benefits, however, are means tested.

Service-Connected Disabilities.—The disability compensation program pays monthly cash benefits to veterans whose disabilities resulted from injuries or diseases incurred or aggravated by active military duty, whether in wartime or peacetime. The amount of monthly compensation depends on the degree of disability, rated as the percentage of normal function lost. Payments range from \$94 a month for a 10% disability to \$1,924 a month for total disability. Additional amounts may be paid when a veteran suffers severe disabilities. Veterans who have at least a 30% service-connected disability are entitled to an additional allowance for dependents. The amount, up to \$240 a month for a spouse and two children, is based on the number of dependents and the degree of disability.

Nonservice-Connected Disabilities.—Monthly benefits are provided to wartime veterans with limited income and resources who are totally and permanently disabled because of conditions not

1997 compensation rates*	
Disability	Monthly rate
10%	\$94
20%	\$179
30%	\$274
40%	\$391
50%	\$558
60%	\$703
70%	\$887
80%	\$1,028
90%	\$1,157
100%	\$1,924

*Effective December 1, 1996. For single veterans without dependents.

attributable to their military service. To qualify for these pensions, a veteran must have served in one or more of the following designated war periods: the Mexican Border Period, World War I, World War II, the Korean Conflict, the Vietnam Era, or the Persian Gulf War. Generally, the period of service must have lasted at least 90 days and the discharge or separation cannot have been dishonorable.

Effective December 1, 1996, maximum benefit amounts for nonservice-connected disabilities range from \$707 per month for a single veteran without a dependent spouse or child to \$1,350 per month for a veteran in need of regular aid and attendance and who has one dependent. For each additional dependent child, the pension is raised by \$120 per month. Benefits to veterans without dependents are reduced to \$90 per month if they are receiving long-term domiciliary or medical care from the Department of Veterans Affairs (VA). Benefits are reduced by \$1 for each \$1 the beneficiary has in other income.

Benefits for Survivors

The Dependency and Indemnity Compensation (DIC) program provides monthly benefits to surviving spouses, children (younger than age 18, disabled, or students), and low-income parents of servicemembers or veterans who died from: (1) a disease or injury incurred or aggravated while on active duty or active duty for training; or (2) any injury incurred or aggravated in the line of duty while on inactive duty training; or (3) a disability compensable by VA.

1997 Improved Death Pension	
Recipient	Maximum annual income
Surviving spouse with—	
No dependent children	\$5,688
One dependent child	\$7,450
Surviving spouse in need of regular aid and attendance with—	
No dependent child	\$9,096
One dependent child	\$10,854
Surviving spouse permanently housebound with—	
No dependent children	\$6,954
One dependent child	\$8,712
Increase for each additional dependent child	\$1,445
Pension rates for each surviving child	\$1,445

The DIC program also provides for spouses and children of veterans who were totally service-connected disabled at the time of their death but whose deaths were not the result of their service-connected disability, if: (1) the veteran was continuously rated totally disabled for a period of 10 or more years immediately preceding death; or (2) the veteran was so rated for a period of not less than 5 years from the date of discharge from military service.

Surviving spouses of veterans who died before January 1, 1993, receive a benefit amount that is based on the veterans' pay grade. In 1997, for pay grades E-1 through E-6, a monthly rate of \$833 is paid to surviving spouses. For grades E-7 through E-10, the amount ranges from \$861 to \$1,774 a month. If the veteran died on or after January 1, 1993, a basic monthly rate of \$833 is payable. A surviving spouse receives an additional \$182 a month if the deceased veteran had been entitled to receive 100% service-connected compensation for at least 8 years immediately preceding death and the surviving spouse was married to the veteran for those 8 years. The monthly amounts payable to eligible parents depend upon the income of the parents. The 1997 maximum for two parents is \$12,977; the maximum for one parent is \$9,654.

In addition to their regular benefit, surviving spouses and parents may be granted a special allowance for the aid and attendance of another person if they are patients in a nursing home or require the regular assistance of another person.

Death Pension.—Surviving spouses and unmarried children of deceased veterans with wartime service may be eligible for a nonservice-connected pension based on need. The pension amount depends on the composition of the surviving family and the physical condition of the surviving spouse. Pensions range in 1997 from \$474 a month for a surviving spouse without dependent children to \$904 a month for a surviving spouse who is in need of regular aid and attendance and who has a dependent child. The pension is raised by \$120 a month for each additional dependent child.

Health Care Benefits

The Department of Veterans Affairs provides a nationwide system of hospital and other medical care.

Many health care benefits are provided to veterans who need certain types of care but not hospitalization—for example, nursing and domiciliary care, outpatient medical and dental treatment, treatment for alcohol and drug dependence, prosthetic services, and services and aids for the blind. Medical care is also provided for dependents and survivors of veterans.

Hospital and Outpatient Care.—Eligibility for VA hospital and outpatient care is divided into two categories: In the first category,

VA provides any needed care to the extent and in the amount that Congress appropriates funds. In the second category, VA provides any needed care to the extent resources and facilities are available, if the veteran makes a copayment.

Category 1 is composed of the following veterans—

veterans in need of care for a service-connected condition;

veterans who have a compensable service-connected disability;

veterans whose discharge or release from active military service was for a compensable disability that was incurred or aggravated in the line of duty;

veterans who are former prisoners of war;

veterans of the Mexican Border period or World War I;

veterans who were exposed to Agent Orange in Vietnam, ionizing radiation, or environmental hazards in the Persian Gulf; and

veterans whose annual income and net worth is below the means test threshold, which is adjusted annually and published in January.

Category 2 includes all other veterans (including nonservice connected veterans with incomes and net worth above the means test threshold and zero percent service-connected veterans needing care for any nonservice-connected disability). These veterans must agree to make copayments. These patients are responsible for the Medicare deductible for the first 90 days of care during any 365-day period. For each additional 90 days of hospital care, the patient pays one-half the deductible. In addition to these charges, the patient is charged \$10 a day for hospital care and \$5 a day for VA nursing home care. For outpatient care, the copayment is 20% of the cost of an average outpatient visit.

Medical Care for Dependents and Survivors.—CHAMPVA, the VA Civilian Health and Medical Program, shares the cost of medical care for dependents and survivors of veterans. The following are eligible for the program provided they are not eligible for CHAMPUS (the health program administered by the Department of Defense for dependents of active duty personnel, and military retirees and their dependents) or Medicare: (1) The spouse or child of a veteran who has a permanent and total service-connected disability, (2) the surviving spouse or child of a veteran who died as a result of a service-connected condition, or

who, at the time of death, was permanently and totally disabled from a service-connected condition, and (3) the surviving spouse or child of a person who died in the line of duty within 30 days of entry into active service.

Beneficiaries covered by CHAMPVA may be treated at VA facilities when space is available. Usually, however, they receive treatment at a community hospital of their choice. The VA pays for part of the bill and the beneficiary is responsible for a copayment.

Educational Assistance and Training

Educational assistance is available to veterans under three acts. The GI Bill of Rights provides assistance to those who served on active duty between January 31, 1955, and January 1, 1977. The Veterans' Educational Assistance program is available to those who have served since January 1, 1977, and who enrolled in the program before July 1, 1985. Since July 1, 1985, veterans have been entitled to aid under the Veterans' Educational Assistance Act of 1984.

Individuals who elect to participate in the Veterans' Educational Assistance Program (VEAP) have their contributions matched \$2 for \$1 by the Department of Defense. A veteran will receive a monthly payment for the number of months contributed or for 36 months, whichever is less. A typical VEAP payment is \$150. For example, a participant contributes \$1,800 over a 36-month period and the Government adds \$3,600 (\$2 for \$1 match). This results in a total entitlement amount of \$5,400. This amount would be divided by 36 months, yielding a monthly benefit of \$150 for full-time schooling for the veteran. A veteran has 10 years from the date of last discharge or release from active duty to use VEAP benefits.

Educational assistance is also provided for the spouse and for children (aged 18-26) of veterans who are permanently and totally disabled from a service-related cause. Servicemembers, veterans, and dependents of deceased and totally disabled veterans may receive a wide range of vocational and educational counseling services throughout the period they are eligible for an educational assistance program administered by the VA.

Administration

The Department of Veterans Affairs was established March 15, 1989, with Cabinet rank, succeeding the Veterans' Administration. Its responsibilities are carried out through nationwide programs that are administered through the Veterans Health Administration, the Veterans Benefits Administration, and the National Cemetery System. Each organization has field facilities as well as a central office component.

Government Employee Retirement Systems

The Federal Government, the 50 States, and many localities maintain programs that provide retirement, disability, and survivor benefits for their employees. Many of these jurisdictions also provide medical benefits and paid sick leave and workers' compensation.

In addition to coverage under the Social Security program, members of the Armed Forces with 20 or more years service receive military retirement benefits and medical care through the Department of Veterans Affairs.

Federal Government

The first retirement program for Federal civilian workers was enacted in 1920. The program covered about 330,000 persons and provided benefits to those who retired because of age or disability after at least 15 years of service. In September of 1996, 2.6 million Federal workers were covered. This figure included workers covered by the Civil Service Retirement System (CSRS) and those under the more recently established Federal Employees Retirement System (FERS).

In general, employees hired before January 1, 1984, are covered by CSRS and those hired on or after that date are covered under FERS. Several separate retirement systems cover special classes of employees, such as those in the Foreign Service or the Central Intelligence Agency.

Generally speaking, the CSRS is a defined benefit plan, financed through joint employer-employee contributions, that provides annuities in the event of the retirement, disability, or death of a covered worker. FERS is a three-tiered system including Social Security, a Federal pension, and a tax-deferred savings plan. All workers enrolled in FERS are covered by Social Security. They contribute to it at the current tax rate and are eligible for the same benefits as all other workers covered by the program.

In addition, a worker who meets the full age and service requirements for an annuity under FERS, but at an age when Social Security benefits are not yet payable, may receive a Special Retirement Supplement until he or she attains age 62. This benefit approximates the Social Security benefit earned during Federal service, and stops when the retiree begins to receive the Social Security benefit.

The third and final tier of FERS is a tax-deferred savings plan known as the Thrift Savings Plan. Under this plan, workers may contribute up to 10% of their salaries to the plan, with the Government matching up to 5% of the salary. Contributions and interest earnings are not taxable until they are withdrawn, usually at retirement. These funds may be invested in U.S. Government securities, in a private sector fixed-income fund, or in a common stock index fund.

PROGRAMS FOR SPECIFIC GROUPS

Under the CSRS, workers and their employing agencies each contribute 7% of the worker's salary. Under FERS, workers and their agencies each contribute 7.65% of salary to Social Security and 0.8% to the pension fund. In both cases, the Government assumes the balance of the cost, including unfunded liabilities.

In addition, all Federal civilian workers are covered by the Hospital Insurance program (Part A of Medicare), and contribute 1.45% of their salaries to that program.

The Federal pension segment of FERS is administered by the Civil Service Retirement and Disability Trust Fund, as is the CSRS. In 1996, the fund paid \$33.0 billion to 1.7 million retired and disabled annuitants, and \$5.7 billion to 621,000 survivor annuitants. About 98% of all annuitants received benefits under the CSRS.

The group life and health insurance programs available to Federal employees are optional and are financed by joint contributions from the worker and his or her employing agency. The Gov-

Federal pension qualifications and amount of annuity based on age and service

Type of pension	Qualifications	Amount of annuity
CSRS		
Retirement	Age 55 with 30 years of service, Age 60 with 20 years of service, or Age 62 with 5 years of service	1.5% of high-three average earnings* for each of the first 5 years of service, 1.75 for each of the next 5, and 2% thereafter
Disability	Any age with 5 years of service	The lesser of 40% of high-three average earnings* or the projection of service to age 62
Survivorship	Death of an employee or annuitant	Employee: 55% of disability guarantee Annuitant: 55% of benefit amount
FERS		
Retirement	Same as CSRS	1.1% of high-three average earnings* for each year of service for those retiring at age 62 with at least 20 years of service; 1% for all others
Disability	Any age with 18 months of service	60% of high-three average earnings the first year, and 40% thereafter
Survivorship	Same as CSRS	Employee: With 18 months to 10 years of service, a lump-sum payment; with 10 or more years of service, 50% of projected annuity Annuitant: 50% of benefit amount

* The average of a worker's three highest-salaried years, normally the last three before retirement.

ernment pays one-third of the cost of basic life insurance and an average of 70% of the cost of health insurance. Workers receive 13 days of paid sick leave each year, which may be accumulated without limit. Under CSRS (but not under FERS) this accumulated sick leave may be credited toward length of service at retirement.

The Federal Employees Compensation Act (workers' compensation) provides benefits in the event of job-related injury, illness, or death. Unemployment insurance for Federal workers is paid for by Government employer contributions to the Federal-State unemployment insurance system.

Armed Forces

Since 1957, all members of the U.S. Armed Forces have been covered by the Social Security program. Those individuals with 20 or more years of service are also eligible for retirement benefits under the military retirement system.

Military retirement pay is noncontributory, and is equal to 2.5% of a servicemember's final basic pay for each year of service. For those who entered the Armed Forces after September 8, 1980, the formula uses the average of the highest paid 3 years instead of final pay. Persons who entered the Armed Forces after August 1, 1986, have this basic benefit reduced for each year under 30 years of service at the time of retirement. An unreduced pension (30 years or more) provides 75% of pre-retirement basic pay, although the retiree may elect to have this amount reduced in order to provide a survivor benefit for his or her spouse. This survivor benefit is a proportion (up to 55%) of the retired service member's unreduced benefit at the time of death. During 1996, 1.8 million retired service members and their survivors received \$28.5 billion in military retirement benefits.

The Department of Defense provides medical care for active duty personnel, retirees and their dependents. In addition to care in the hospitals and clinics maintained by the Department, the dependents of active duty personnel and retirees and their dependents are eligible for a program called the Civilian Health and Medical Program of the Uniformed Services (CHAMPUS). This program shares the cost of civilian medical services when care is not available at a military facility. Direct care facilities and CHAMPUS are both funded through the Department of Defense.

The Federal Government contributes to the Federal-State unemployment insurance system on behalf of military personnel. Ex-servicemembers are qualified for unemployment insurance on the same basis as other workers in their States.

State and Local Government

The majority of State and local government employees are covered by retirement systems maintained by the States and localities. The provisions of these plans vary from one jurisdiction to another. However, nearly all require contributions from their

employees and nearly all guarantee benefits at least equal to the amount of those contributions.

Most State and local plans permit retirement because of disability or age, and provide for early retirement at a reduced benefit. It is usual for employees in high-risk jobs, such as police officers and firefighters, to be eligible for retirement based only on length of service, regardless of age. Normally, other workers must meet both age and length of service requirements.

Benefits under State and local retirement systems are usually calculated on a 3- to 5-year average salary and a 1.5- or 2.0% multiplier for each year of service. The multiplier is lower in plans where workers are covered by Social Security and benefits are integrated with the Social Security programs. Although relatively few systems provide survivor benefits per se, retiring workers are commonly given the option of electing a smaller benefit in order to provide for a surviving spouse.

Paid sick leave is often provided by State and local governments to their employees. Group life and health insurance plans are also commonly offered. Government workers are usually covered by their State's unemployment insurance and workers' compensation programs.

Railroad Retirement

At the time of the Great Depression of the early 1930's, few of the Nation's elderly were covered under any type of retirement plan. The situation was better for workers in the railroad industry: 80% were covered by some type of private pension plan by 1927. However, these plans were inadequate to the demands made by the general deterioration of employment conditions in the 1930's. While the Social Security system was in the planning stage, railroad workers sought a separate Railroad Retirement system to continue and broaden the existing railroad programs under a uniform national plan. As a result, legislation was enacted in 1934, 1935, and 1937 establishing a railroad retirement system separate from the Social Security program legislated in 1935.

Also based on social insurance principles, the Railroad Retirement program provides monthly benefits to retired and disabled workers and their dependents and to survivors of deceased workers. Coverage under the Railroad Retirement system has declined in the years since the program was established, paralleling the decline in the railroad industry itself. In 1939, the system covered 1.2 million employees: by the mid-1990's that number was 266,000. There were 799,000 beneficiaries on the rolls at the end of fiscal year 1995, of whom 548,000 were employee or spouse annuitants and 251,000 were survivor annuitants.

The specific benefit provisions of the program have changed a number of times since 1937, as the shrinking of the railroad system caused various financial problems. The structure of the current system was established by the Railroad Retirement Act of 1974, although amendments were made in 1981 and later years.

Eligibility for Benefits

To be eligible for Railroad Retirement benefits, an employee must have 10 years (120 months) of creditable railroad service. Those with less time in service have their railroad employment credited under the Social Security system.

A special minimum guarantee provision ensures that railroad families will not receive less in monthly benefits than they would have if their earnings had been covered under Social Security. In addition, persons covered by the Railroad Retirement program participate in Medicare on the same basis as those covered by Social Security.

Annuities are calculated under a two-tier formula. The first tier is calculated generally the same as for a Social Security benefit and is based on railroad credits and any Social Security credits an employee has accrued. This Tier I portion is the equivalent of a Social Security benefit. The second tier is based on railroad credits only, and it may be compared to pensions paid over and above Social Security benefits to workers in other industries.

Types and Amounts of Benefits

When the employee's annuity begins, the amount of Railroad Retirement benefits payable is limited to a family maximum based on the highest 2 years of creditable earnings in the previous 10-year period. Benefits are subsequently increased for the cost of living, and the maximum increases every year as the amounts of creditable earnings rise.

For workers first entitled to a railroad annuity and a Federal, State, or local government pension after 1985, the Tier I amount is reduced for receipt of a public pension based on employment not covered by Social Security. There is a guarantee that the Tier I amount cannot be reduced by more than 50% of the public pension amount. Similar provisions apply to spouse annuities.

The Tier I and vested dual benefit components of employee and spouse annuities may also be subject to limitations based on any earnings outside the railroad industry, although no reduction is made after the annuitant attains age 70. In 1997, annual earnings of up to \$13,500 for those aged 65-69 and \$8,640 for those under age 65 are exempt from such work deductions.

The Tier I portion of a disability annuity may, under certain circumstances, be reduced for receipt of workers' compensation or public disability benefits. The annuity is not payable for any month in which the annuitant earns more than \$400 from employment or self-employment, although withheld payments will be restored if earnings for the year are less than \$5,000.

Types of benefits and qualifying conditions

Employee and spouse annuities

Age 62 with 10-29 years of service, with actuarial reduction for annuities awarded before age 65.

or

Age 60 with 30 or more years of service, with actuarial for annuities awarded before age 62.

Total disability annuities

Ten years service and permanent disability for all regular work.

Occupational disability annuities

Age 60 with 10 years of service, or any age with 20 or more years of service, a current connection to the railroad industry,* and permanent disability for one's regular railroad occupation.

Vested dual benefits

Qualification for both Railroad Retirement and Social Security benefits as of December 31, 1975, and a current connection to the railroad industry.*

Supplemental annuities

Age 65 with 25-29 years of service, or age 60 with 30 or more years service of service, and a current connection to the railroad industry.*

Survivor annuities

Ten or more years of service and a current connection to the railroad industry.* Paid to widows, widowers, children, and certain other dependents of the deceased employee.

Lump-sum benefits

Ten or more years of service and a current connection to the railroad industry.* Paid when there is no survivor eligible for an annuity.

* An employee with 12 or more months of service in the 30 months preceding retirement or death is deemed to have a current connection to the railroad industry.

The Tier I portion of railroad annuities is usually increased for the rise in the cost of living at the same time, and by the same percentage, as are Social Security benefits. Tier II annuities are normally increased annually by 32.5% of the increase in the Consumer Price Index.

Financing and Administration

The financial interchange between the Railroad Retirement and Social Security programs is intended to put the Social Security trust funds in the same position they would have been in if railroad employment had been covered under the Social Security Act. It follows that all computations under the financial interchange are performed according to Social Security law.

If a retired or disabled railroad annuitant is also awarded Social Security benefits, the amount of his or her Tier I payment is

Benefits and beneficiaries under the Railroad Retirement system, January 1996

Type of benefit	Number	Average benefit amount
Total	7,900,100	...
Regular employee annuities	349,300	\$1,173
Age	271,000	1,163
Disability		
Age 65 or older	43,300	1,017
Under age 65	35,000	1,440
Spouses and divorced spouses	192,400	467
Widow(ers)s—aged and disabled	216,900	697
Widowed mothers and fathers	1,600	865
Widow(er)s—remarried and divorced	14,600	491
Children	15,300	605
Other survivors	100	465

Note: Data are on a cash basis (unaudited) and are partly estimated. Detail may not add to total due to rounding. Total for regular retirement and survivor benefit payments totals includes Hospital Insurance benefits for services in Canada.

Source: U.S. Railroad Retirement Board, *Benefits and Beneficiaries Under the Railroad Retirement and Unemployment Insurance Systems—January 1996*.

reduced by the amount of the Social Security benefit. This reduction occurs because the Tier I portion is based on combined railroad and Social Security credits, figured under Social Security formulas, and reflects what Social Security would pay if railroad work were covered by that system. This dual benefit reduction follows the principles of Social Security, under which the beneficiary receives only the higher of any two benefits payable.

Railroad Retirement Tier I taxes are coordinated with Social Security taxes and are increased at the same time. Employers and employees pay Tier I taxes at the Social Security rate—7.65% in 1996. In addition, both employers and employees pay Tier II taxes to finance the industry pension segment of the annuities. In 1996, the employer tax rate was 16.10%, and the employee tax rate was 4.90%. The earnings base for Tier I taxes is the same as for Social Security—\$62,700 in 1996. The Tier II earnings base for the same year was \$46,500. As of 1993, tax contributions to the Medicare program are levied on all earnings. Tier I benefits are taxed like Social Security benefits; Tier II benefits are taxed like other private pensions.

The Railroad Retirement Board is an independent agency in the Executive Branch of the Federal Government. It is administered

by three members appointed by the President, with the advice and consent of the Senate. One member is appointed on the recommendation of railroad labor organizations, one on the recommendation of railroad employers, and the third—the chairman—represents the public interest. The term of office is 5 years and the three terms are arranged to expire in different calendar years.

Unemployment Insurance and Sickness Benefits

Like the retirement system, the railroad unemployment insurance system was established in the 1930's. The Great Depression demonstrated the need for unemployment compensation programs, and State programs were established under the Social Security Act.

State unemployment programs generally covered railroad workers, but railroad operations that crossed State lines caused special problems. Because of differences in State laws, railroad employees working in the same jobs on the same railroad in different States received different treatment and different benefits when they became unemployed. Workers whose jobs required that they cross State lines sometimes found that they were not eligible for benefits in any of the States in which they worked.

It was therefore recommended that railroad workers be covered by a separate plan. Congress enacted the Railroad Unemployment Insurance Act in June 1938. The Act established a system of benefits for unemployed railroad workers, financed by railroad employers and administered by the Railroad Retirement Board.

In 1946, Congress extended the railroad unemployment insurance program to include cash payments for temporary sickness and special maternity benefits. Both programs are financed by the contributions of railroad employers only, based on the taxable earnings of their employees. In 1996, the taxable earnings base was the first \$865 of each employee's monthly salary.