Who are we?

The United States Railroad Retirement Board (RRB) is an independent agency in the executive branch that administers comprehensive retirement-survivor-disability annuities and unemployment-sickness benefits for the nation's railroad workers and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts. The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code. A presidentially-appointed three-member Board leads the agency, which is headquartered in Chicago, Illinois, and has 53 field offices nationwide. The Labor Member is appointed from the recommendation of rail labor organizations, the Management Member is appointed from the recommendation of rail employers, and the Chairman is appointed to represent the public interest. In Fiscal Year (FY) 2023, approximately 760 employees assisted the RRB in paying more than $14 billion in benefits to over 500,000 retired employees, spouses, survivors, and disabled railroad workers. There are approximately 200,000 active railroad workers eligible for current sickness or unemployment benefits as well as future retirement and disability benefits.

Why do we exist?

Congress created the RRB in the 1930s because of the Great Depression. Railroads were one of the first industries to create and maintain pensions for their retired employees, but because of the depression, the railroads could not afford to continue regular pension payments. Rail labor spearheaded a movement, which preceded the creation of social security and ultimately was supported by rail employers, to develop a federal pension program strictly for rail workers. Congress agreed, recognizing that the railroad industry was critically important to the economic well-being of the nation. Congress added unemployment benefits and sickness benefits, in 1938 and 1946 respectively, as part of the nationwide structure in lieu of individual state unemployment programs.

Why is railroad retirement important to the American economy?

According to industry analysts, freight railroads move approximately 16 billion tons annually across 140,000 miles of track throughout 49 states. Rail freight revenue averages $80 billion/year, and private rail infrastructure invests approximately $25 billion annually. In addition, railroads allow for passengers on Amtrak and commuter operations throughout the country. Both rail freight and passenger transportation greatly reduce truck and passenger traffic on the nation's highways. The railroad industry's contributions to the nation's transportation system cannot be overstated and, as the COVID-19 pandemic demonstrated, the nation's supply system relies heavily on the rails. Without the nation's rail freight and passenger employees, most of whom are covered under the railroad retirement system administered by the RRB, supply chains would grind to a halt. Rail employers and employees pay significantly higher payroll taxes, which support enhanced benefits to attract and retain a stable workforce. Critically, the RRB supports rail industry employers and employees, coordinates benefits across states and other benefit agencies, and ensures constituents receive continuity of benefits across all railroad businesses.

How are railroad retirement benefits funded?

Payroll taxes levied on covered employers and their employees are the primary source of income to the Railroad Retirement Accounts. Payroll taxes are collected by the Internal Revenue Service and remitted to the RRB. Through the years, railroad retirement annuities have been coordinated with social security benefits. In 1974, legislation restructured annuities into two tiers: (i) tier I reflects the benefit an employee would receive if the employee worked only for employers under social security, and (ii) tier II resembles a private pension, based solely on the employee's compensation and years of service at covered railroads.

Tier I payroll taxes for railroad employers and employees mirror the Federal Insurance Contributions Act (FICA) taxes and are used to fund the tier I portion of annuities. Tier II payroll taxes, which fund the tier II portion of annuities and other enhancements, are an additional 13.1% for railroad employers and 4.9% for employees and reflect a percentage of employees' taxable maximum earnings adjusted each year like FICA. Tier II payroll taxes are held by the Railroad Retirement Account and the National Railroad Retirement Investment Trust (NRRIT). NRRIT, which Congress created in 2002, is a non-federal entity, managed by trustees appointed by both rail employers and employees along with a neutral member, with reporting requirements to Congress, the President, the RRB, the Government Accountability Office, and the Department of the Treasury. Since its inception, NRRIT's rate of return through its diversified managed portfolio averages 7% and its diversified portfolio of investments has returned $34 billion to Treasury to pay RRB retirement, survivor, and disability annuities. As of June 2024, NRRIT holds approximately $27.2 billion.

Railroad unemployment and sickness benefits are funded by contributions from railroad employers, which are assessed annually by the RRB based on employers' experience rating. The more sickness and unemployment claims filed by employees, the higher the employers' experience rating and the more contributions employers pay into the Railroad Unemployment Insurance Account trust fund.

Importantly, funding for the railroad retirement system is solvent. The RRB's 29th actuarial valuation, published in June 2024, concludes that the railroad retirement system will continue to have adequate funds to pay benefits for railroad employees for the next 75 years, even under its pessimistic employment scenario.

Who funds the RRB's administrative costs?

The RRB's administrative costs are primarily funded by payroll taxes paid by rail employees and rail employers and contributions (similar to state unemployment tax) by employers. The RRB's administrative budget is set by Congress through annual appropriations. The funds appropriated by Congress come from the RRB trust funds, not the U.S. Treasury's general fund. **The railroad employers and employees, through taxes paid, provide most of the monies to support the daily operations of the RRB.**

How do railroad retirement annuities and social security benefits differ?

Through tier II payroll taxes funded by rail employers and employees, railroad retirement annuities are, on average, higher than social security benefits. A railroad employee aged 60 and older with at least 30 years of service can retire at age 60 with full benefits. The higher benefit along with an earlier retirement provision assists the rail industry in attracting and maintaining a skilled workforce, which is crucial for the nation's economy. The subsequent chart shows the average monthly annuities paid by the RRB to covered railroad workers and their families versus similar benefits paid by the Social Security Administration (SSA).

2023 Monthly Annuities	RRB	SSA	RRB-SSA (Difference)
Average Employee Age Annuity Paid	$4,310	$1,810	$2,500
Average Spouse Annuity Paid	$1,235	$865	$370
Average Widow(er) Annuity Paid	$2,090	$1,640	$450

Over the past five years, the railroad workforce has fluctuated, partially driven by the pandemic. At the end of 2023, there were approximately 200,000 active employees paying into the railroad retirement system. The subsequent chart shows railroad employment fluctuations. **Notably, a decline in railroad employment does not equate to a decline in the RRB's workload because non-active employees vested in RRB benefits and eligible family members will apply for benefits and inquire about their current and future benefits.**

AVERAGE RAILROAD EMPLOYMENT (IN THOUSANDS)
JANUARY 2019 - DECEMBER 2023

The calendar year average employment was 217,000 in 2019, 195,000 in 2020, 186,000 in 2021, 190,000 in 2022, and preliminarily 198,000 in 2023.

Why does the RRB need adequate funding?

The RRB has been managing stagnant budgets along with significant unfunded cost-of-living (COLA) increases for more than a decade. In 2024, the RRB requested direct funding of $173.744 million, which would support an estimated 880 full-time equivalents (FTEs) to sustain the agency's mission. Instead, the agency not only absorbed an unfunded COLA of approximately $3.6 million but also suffered a $2 million funding cut from its FY 2023 budget of $128 million. The $5.6 million reduction severely impacted the RRB's ability to meet its mission. In response, the RRB was forced to freeze all new hiring, reduce travel, curtail training, and implement across-the-board cuts to spending. **Stagnant budgets in 2025 and beyond will seriously imperil the RRB's ability to meet its mission and result in significant reductions in customer service to railroad beneficiaries, employees, and employers, while further cuts in line with the House Appropriations Committee's mark of $100 million (a 21% reduction from the RRB's FY 2024 budget of $126 million) would decimate constituent service at all levels and force the agency to make severe cuts to its workforce. Although the RRB's FY 2025 Senate Appropriations Committee's mark of $129 million provides a 2.35% increase over the reduced FY 2024 budget, it is only a .78% increase over the approved FY 2023 budget. The funding level will not allow the RRB to fully meet its mission and will result in additional backlogs, service delays, possible closing of field offices (due to staffing shortages), and continued hiring freezes.**

What is the status of the RRB's efforts to modernize its IT systems?

From 2018 to 2021, Congress appropriated no-year funding specifically for agency-wide IT modernization of RRB's information systems and applications. The agency used the funds received to stabilize its fragile infrastructure environment before the modernization process could begin.

While stabilizing the current environment, the RRB's operational costs continue to rise as it shifts into a hybrid IT environment and must operate both legacy on-premises and modernized cloud-based applications and systems. In this hybrid, transitional IT environment, the RRB must simultaneously allocate staffing and funding to sustain critical benefits administration operations via legacy applications and systems while also maintaining early-modernized components of the IT systems and applications portfolio. Continuing to operate in this hybrid IT state requires sufficient FTEs to sustain benefit determination and payment operations that still rely heavily on manual processing. Additionally, the RRB has incurred yearly increases in operating costs due to "pay-per-use" fees of cloud-based technologies utilized as part of the RRB's modernization efforts. These increases have forced the RRB to limit investment in new technologies, such as artificial intelligence, and halt hiring for new skillsets to assist in modernizing our legacy systems. Without appropriate funding, the RRB cannot operate and maintain the security of critical benefit administration systems and will suffer significant delays to IT modernization plans.

Why does the RRB need to hire?

Since 2018, the agency has lost significant institutional knowledge through the separation of an overwhelming percentage of its workforce. In IT alone, staffing levels have plummeted by 34%. Similarly, the Office of Programs—responsible for benefit claim operations, payment processing, and assisting with developing and maintaining our systems—has seen its overall staffing decrease by nearly 14%, which has disrupted and slowed operations. Along with the consistent decline in FTEs, approximately 25% of RRB employees are retirement eligible by FY 2025 and 32% are retirement eligible by FY 2028. Without significant additional funding, the RRB risks losing additional institutional knowledge critical to maintaining operations in the hybrid IT environment and modernizing legacy computer systems and applications. At the proposed funding levels, the RRB risks not meeting its mission and will not be able to hire sufficient staff to sustain operational needs.

In addition to paying benefits to current railroad annuitants, the RRB staff services the existing railroad workforce by processing disability, sickness, and unemployment claims and retirement applications, as well as by answering questions regarding benefits. Due to the reduced budget, the agency cannot hire 40 field representatives needed to answer customer inquiries, file applications, and plan for succession. Consequently, average phone wait times are already over 35 minutes and will increase. Further, the processing time for benefit applications has significantly increased, leaving the railroad community more vulnerable during life-changing moments such as retirement, a spouse's death, unemployment, or the onset of a disability. For instance, in FY 2023, the average processing time for a disability application climbed to approximately 436 days. In addition, the sickness and unemployment division faces backlogs exacerbated by the pandemic, an increased volume of cases, and CARES Act requirements. Given current staffing levels, the RRB estimates it will take more than seven years to process a portion of the existing caseload. Additional backlogs exist with post-adjudicative actions, where annuitants may be entitled to enhanced or reduced benefits. Again, the RRB does not have sufficient seasoned examiners needed to process these complex actions. Without funding for additional staffing and the resources to retain employees, the RRB cannot meet its mission to pay benefits to the right people, in the right amounts, in a timely manner, and to respond to all inquiries promptly, accurately, and clearly.

The RRB issued news releases in June and August 2024, which reflect its concerns with reduced and stagnant budgets: Proposed Funding Level Will Severely Impact RRB Customer Service & Operations and Update to RRB Fiscal Year 2025 Funding Concerns. Both news releases are available online at **RRB.gov/Newsroom/NewsReleases**.