The Office of Inspector General's Report on the Railroad Retirement Board's Financial Statements begins on page 115 of the RRB's FY 2024 Performance and Accountability Report

RAILROAD RETIREMENT BOARD

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2024

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Railroad Retirement Board
Performance and Accountability Report
Fiscal Year 2024

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MESSAGE FROM THE BOARD MEMBERS

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Message from the Board Members

Through this fiscal year 2024 Performance and Accountability Report, the Railroad Retirement Board (RRB) provides performance and financial information related to our mission of administering the retirement, disability, and survivor benefit programs provided under the Railroad Retirement Act (RRA) and the unemployment and sickness insurance benefit programs provided under the Railroad Unemployment Insurance Act (RUIA). This report provides timely and useful performance and financial information to RRB managers, the Office of Management and Budget (OMB), Congress, and our constituents. We are proud of the agency's dedicated employees whose efforts are reflected in this report.

The RRB's financial statement auditors again issued disclaimer of opinions for fiscal year 2024 on the RRB's consolidated financial statements and the RRB's internal control over financial reporting. As in past years, a significant component of the basis for both disclaimer opinions remains the statutory parameters for the National Railroad Retirement Investment Trust (Trust) set by Congress in the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act). Via the Act, Congress specifically established the Trust as a tax-exempt entity independent of the RRB and the federal government but subject to independent audits and mandatory reporting requirements. However, for financial reporting purposes, OMB, the Department of the Treasury, and the Government Accountability Office (GAO) determined that the net assets of the Trust must be included in the RRB's balance sheet as part of its consolidated financial statements. In this regard, the RRB's financial statement auditors have requested to perform audit procedures in accordance with the applicable auditing standards to assess the Trust's internal controls and support the net asset value.

Due to the statutory parameters referenced above, the RRB lacks the authority to grant the RRB's financial statement auditors access to the Trust's independent auditor's working papers. As such, the RRB acknowledges that the auditors cannot perform audit procedures in accordance with AICPA AU-C Section 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).* Cognizant of the cited statutory parameters, the Board had discussions with the previous Acting Inspector General to search for a mutually acceptable resolution. The RRB will continue these efforts with the Principal Deputy Performing the Duties of the Inspector General until such time as a new Inspector General is appointed by the President and confirmed by the Senate.

In light of the matters discussed above, we believe that the performance and financial data presented in this report are reasonably complete and reliable in accordance with OMB guidance. Though challenged by a $2 million cut to the RRB's fiscal year 2024 appropriation and an unfunded cost of living adjustment of 5.2%, we were prudent stewards over the agency's Trust funds and remain committed to serving the railroad employers, railroad employees, and the beneficiaries to the best of our ability.

Original Signed by:

Erhard R. Chorlé, Chairman

John Bragg, Labor Member

Thomas Jayne, Management Member

November 15, 2024

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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Management's Discussion and Analysis **(Unaudited)**

Overview of the Railroad Retirement Board

Mission

The RRB is an independent agency in the executive branch of the Federal Government. The agency's mission statement is as follows:

> *The RRB's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code. In carrying out its mission, the RRB will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.*

Major Program Areas

The RRB was created in the 1930s by legislation establishing a retirement benefit program for the nation's railroad workers. Private industrial pension plans had been pioneered in the railroad industry; the first industrial pension plan in North America was established on a railroad in 1874. By the 1930s, pension plans were far more developed in the rail industry than in most other businesses or industries, but these plans had serious defects, which were magnified by the Great Depression.

The economic conditions of the 1930s demonstrated the need for retirement plans on a national basis because few of the nation's elderly were covered under any type of retirement program. While the social security system was in the planning stage, railroad workers sought a separate railroad retirement system which would continue and broaden the existing railroad programs under a uniform national plan. The proposed social security system was not scheduled to begin monthly benefit payments for several years and would not give credit for service performed prior to 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation was enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the social security program legislated in 1935. Such legislation, taking into account particular circumstances of the rail industry, was not without precedent. Numerous laws pertaining to rail operations and safety had already been enacted since the Interstate Commerce Act of 1887. Since passage of the Railroad Retirement Acts of the 1930s, numerous other railroad laws have been enacted.

While the railroad retirement system has remained separate from the social security system, the two systems are closely coordinated with regard to earnings credits, benefit payments, and taxes. The financing of the two systems is linked through a financial interchange under which, in effect, the portion of railroad retirement annuities that is equivalent to social security benefits is coordinated with the social security system. The purpose of this financial coordination is to place the social security trust funds in the same position they would be in if railroad service were covered by the social security program instead of the railroad retirement program.

Legislation enacted in 1974 restructured railroad retirement benefits into two tiers, to coordinate them more fully with social security benefits. The first tier is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier is based on railroad service only and is comparable to the private pensions paid over and above social security benefits in other industries.

The railroad unemployment insurance system was also established in the 1930s. The Great Depression demonstrated the need for unemployment compensation programs, and State unemployment programs had been established under the Social Security Act in 1935. While the State unemployment programs generally covered railroad workers, railroad operations which crossed State lines caused special problems. Unemployed railroad workers were denied compensation by one State because their employers had paid unemployment taxes in another State. Although there were cases where employees appeared to be covered in more than one State, they often did not qualify in any.

A Federal study commission, which reported on the nationwide State plans for unemployment insurance, recommended that railroad workers be covered by a separate plan because of the complications their coverage had caused the State plans. Congress subsequently enacted the RUIA in June 1938. The RUIA established a system of benefits for unemployed railroad workers, financed entirely by railroad employers and administered by the RRB. Sickness insurance benefits were added in 1946.

Railroad Retirement Act

Under the RRA, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Such annuities are also payable to workers with 5 years of service if performed after 1995.

Full age annuities are payable at age 60 to workers with 30 years of service. For those with less than 30 years of service, reduced annuities are payable at age 62 and unreduced annuities are payable at full retirement age, which is gradually rising from 65 to 67, depending on the year of birth. Disability annuities can be paid on the basis of total or occupational disability. Annuities are also payable to spouses and divorced spouses of retired workers and to widow(er)s, surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers. Qualified railroad retirement beneficiaries are covered by Medicare at age 65, or earlier if disabled, in the same way as social security beneficiaries.

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and the Social Security Administration (SSA). The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or 5 years if performed after 1995. For survivor benefits, there is an additional requirement that the employee's last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee's railroad retirement credits to SSA, where they are treated as social security credits.

Payroll taxes paid by railroad employers and their employees are the primary source of funding for the railroad retirement and survivor benefit programs. By law, railroad retirement taxes are coordinated with social security taxes. Employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels. Tier II taxes are based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses. Historically, railroad retirement taxes have been considerably higher than social security taxes.

Revenues in excess of benefit payments are invested to provide additional trust fund income, and legislation enacted in 2001 allows for Railroad Retirement (RR) Account funds transferred to the National Railroad Retirement Investment Trust (NRRIT) to be invested in non-governmental assets, as well as in governmental securities. Funds transferred from the Social Security Equivalent Benefit (SSEB) Account to the NRRIT are allowed to be invested only in governmental securities. The legislation also established the NRRIT, whose Board of seven trustees oversees these investments. The Board of Trustees is comprised of three members selected by rail labor, three members selected by rail management, and one independent member selected by a majority of the other six members.

Another major source of income to the railroad retirement and survivor benefit program consists of transfers from the social security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act. In fiscal year 2024, the RRB trust funds realized a net of $5.3 billion, representing 39 percent of RRB financing sources (excluding transfers to/from the NRRIT and the change in NRRIT net assets), through the financial interchange.

Other sources of income currently include revenue resulting from Federal income taxes on railroad retirement benefits (tier I, tier II, and vested dual benefits), and appropriations from general Department of the Treasury (Treasury) revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

Railroad Unemployment Insurance Act

Under the RUIA, unemployment insurance benefits are paid to qualified railroad workers who are unemployed but ready, willing, and able to work, and sickness insurance benefits are paid to railroad workers who are unable to work because of illness, injury, or pregnancy. The RRB also operates a placement service to assist unemployed railroad workers in securing employment.

A new unemployment and sickness insurance benefit year begins every July 1, with eligibility generally based on railroad service and earnings in the preceding calendar year. Up to 26 weeks of normal unemployment and 26 weeks of sickness insurance benefits are payable to an individual in a benefit year. Additional extended benefits are payable for up to 13 weeks to persons with 10 or more years of service.

The railroad unemployment and sickness insurance benefit program are financed by taxes on railroad employers under an experience rating system initiated in 1991. Each employer's payroll tax rate is determined annually by the RRB based on benefit payments to the railroad's employees.

Reporting Components

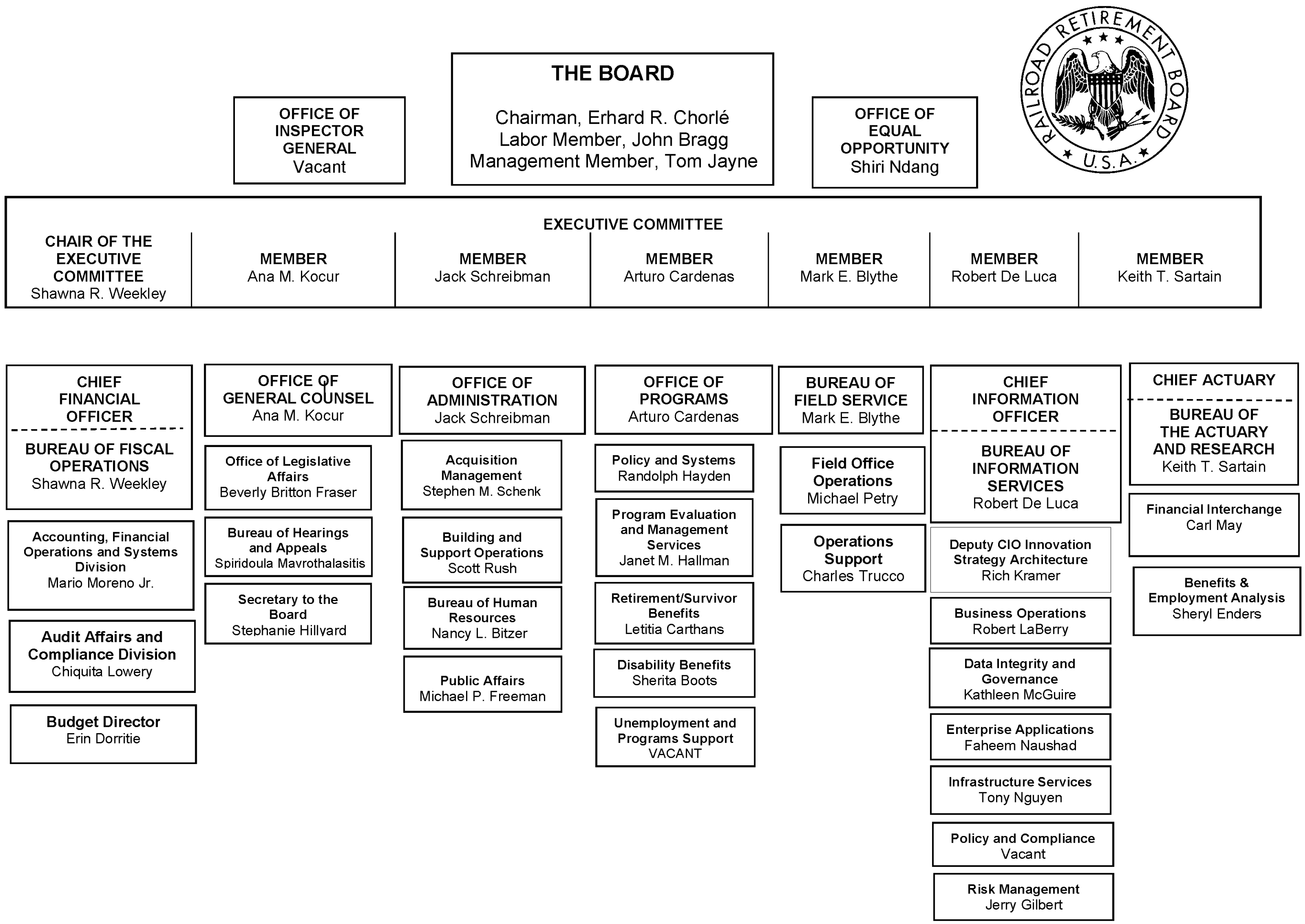
The RRB, as an independent agency in the executive branch of the U.S. Government, is responsible for administering the RRA and the RUIA. The financial statements include the accounts of all funds under the control of the RRB and the OIG. These funds consist of three administrative funds, four trust funds, five general funds, one American Recovery and Reinvestment Act of 2009 fund, one Worker, Homeownership, and Business Assistance Act of 2009 funds, five Coronavirus Aid, Relief, and Economic Security Act of 2020 funds, and five American Rescue Plan Act of 2021 funds.

RRB Organizational Structure

The RRB is headed by three Board Members appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employers; one is appointed upon recommendation of railroad labor organizations; and the third, who is the Chairman, is appointed to represent the public interest. The Board Members' terms of office are 5 years and are scheduled to expire in different years. The Chairman of the Board is Erhard R. Chorlé, the Labor Member is John Bragg, and the Management Member is Thomas Jayne. The President also appoints an Inspector General for the RRB, which is currently vacant. While the RRB Inspector General position is vacant, Shanon E. Holman, Principal Deputy Performing the Duties of the Inspector General, will perform all necessary functions and duties for the Office of Inspector General until such time as a new Inspector General is appointed by the President and confirmed by the Senate.

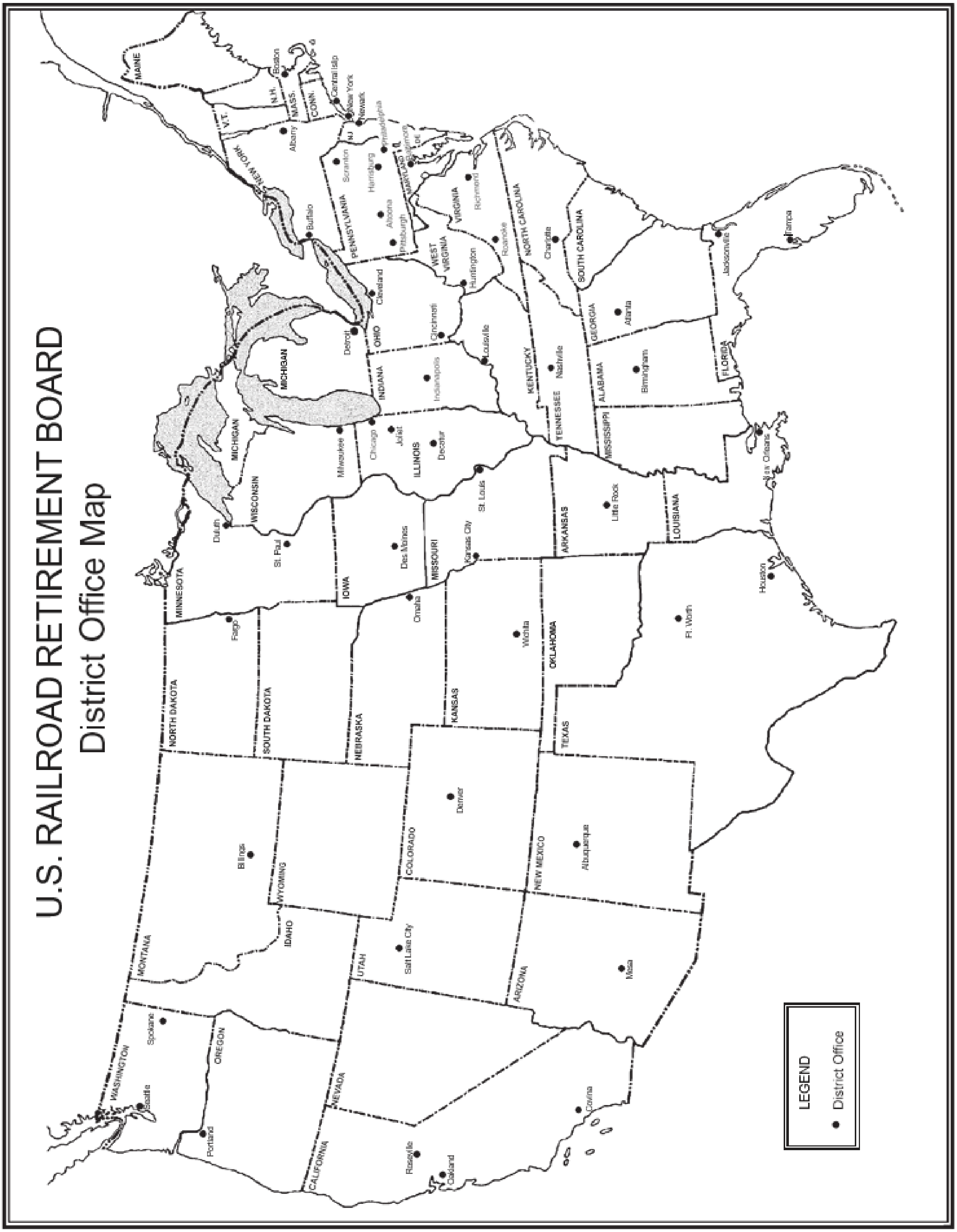
The primary function of the RRB is the determination and payment of benefits under the railroad retirement and survivor and the unemployment and sickness insurance programs. To this end, the RRB employs field representatives to assist railroad personnel and their families in filing claims for benefits, examiners to adjudicate the claims, and information technology staff to ensure equipment and programs maintain earnings records, calculate benefits, and process payments. The RRB also employs actuaries to predict the income and outlays of the agency's trust funds and accounts, statisticians and economists to provide vital data, and attorneys to interpret legislation and represent the RRB in litigation. Internal administration requires a procurement staff, a budget and accounting staff, quality assurance staff, and personnel specialists. The Inspector General employs auditors and investigators to detect waste, fraud, or abuse in the benefit programs.

The RRB's headquarters is located at 844 North Rush Street in Chicago, Illinois. The RRB field structure is comprised of 53 offices located throughout the United States as shown on page 12



---------The Inspector General reports administratively to the Chairman

November 2024


U.S. RAILROAD RETIREMENT BOARD
District Office Map
LEGEND
District Office
WASHINGTON
OREGON
CALIFORNIA
NEVADA
IDAHO
MONTANA
WYOMING
UTAH
ARIZONA
COLORADO
NEW MEXICO
NORTH DAKOTA
SOUTH DAKOTA
NEBRASKA
KANSAS
OKLAHOMA
TEXAS
MINNESOTA
IOWA
MISSOURI
ARKANSAS
LOUISIANA
WISCONSIN
ILLINOIS
MICHIGAN
INDIANA
OHIO
KENTUCKY
TENNESSEE
MISSISSIPPI
ALABAMA
GEORGIA
FLORIDA
SOUTH CAROLINA
NORTH CAROLINA
VIRGINIA
WEST VIRGINIA
PENNSYLVANIA
NEW YORK
MAINE
V.T.
N.H.
MASS.
CONN.
NJ
Seattle
Spokane
Portland
Roseville
Oakland
Covina
Billings
Salt Lake City
Mesa
Denver
Albuquerque
Fargo
Omaha
Wichita
Ft. Worth
Houston
St. Paul
Duluth
Des Moines
Kansas City
Little Rock
St. Louis
New Orleans
Milwaukee
Chicago
Joliet
Decatur
Indianapolis
Louisville
Nashville
Birmingham
Atlanta
Detroit
Cincinnati
Cleveland
Huntington
Charlotte
Roanoke
Richmond
Jacksonville
Tampa
Pittsburgh
Altoona
Harrisburg
Scranton
Philadelphia
Buffalo
Albany
Boston
Central Islip
New York
Newark

Performance Goals, Objectives, and Results

During fiscal year 2024 (ended September 30, 2024), benefit payments totaled $14.6 billion, net of recoveries and offsetting collections. Of this amount, benefit payments for the railroad retirement and survivor benefits program totaled $14.5 billion, for the railroad unemployment and sickness insurance benefits program totaled $62.4 million, for the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES) Act programs totaled $0.1 million, and vested dual benefits program totaled $6.2 million, net of recoveries and offsetting collections. During fiscal year 2024, the RRB also paid benefits on behalf of SSA (for which the RRB is reimbursed) amounting to $2.6 billion to about 128,000 beneficiaries.

In fiscal year 2024, the RRB continued to focus its efforts on providing excellent customer service to current and former railroad workers and their family members. Our regular workloads in fiscal year 2024 included:

- Providing payments to about 483,000 retirement and survivor beneficiaries.
- Providing payments to about 4,800 unemployment insurance beneficiaries.
- Providing payments to about 11,200 sickness insurance beneficiaries.
- Providing payments to about 3,000 vested dual benefit beneficiaries.
- Processing 9,522 retirement, survivor, and disability applications for benefits (through April 30, 2024).
- Processing 51,331 applications and claims for unemployment and sickness insurance benefits (through April 30, 2024).
- Issuing 234,831 certificates of employee railroad service and compensation (mailed on June 13, 2024).

During fiscal year 2024, the RRB used 35 specific program performance objectives, including several with multiple indicators, to manage and track progress in meeting its long-term strategic plan goals. These objectives were accomplished with a direct appropriation of $126,000,000. (A breakdown of administrative expenses by strategic goal is not available at the time of this report.) Agency performance with respect to the key performance indicators is covered in the following section. For most performance measures, actual full-year performance results for fiscal year 2024 were not available at the time this report was published. For those objectives, we reported part-year performance information for fiscal year 2024, if available. We also reported actual results from prior years, as applicable.

Summary of Achievement by Strategic Goal for Fiscal Year 2024

Strategic Goal I: Modernize Information Technology (IT) Operations to sustain mission essential services. During fiscal year 2024, we continued efforts in the Stabilize phase to leverage current technologies within RRB's infrastructure, which will serve as the foundation for the next phase, Modernize.

Strategic Goal II: Provide Excellent Customer Service. For fiscal year 2024, we met or exceeded most of timeliness goals and maintained the level of Internet services available to employers.

Strategic Goal III: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources. In fiscal year 2024, the RRB continued to fulfill its fiduciary responsibilities to the rail community. Additionally, benefit payment accuracy rates met or exceeded targets.

Strategic Goals and Objectives

For fiscal year 2024, the three overriding strategic goals were Modernizing Information Technology (IT) operations, providing excellent customer service and serving as responsible stewards of our customer's trust funds. The **IT operations** initiative involved utilizing a three-phased approach to enable RRB is accomplish its mission essential functions in a secure, reliable enterprise IT environment, streamline core business processes, and achieve more efficient and effective benefits administration. The **service** initiative involved continuing to achieve our customers' expectations for customized, high-quality service as well as position the agency to achieve rising customer expectations for new and improved services in the future. The **stewardship** initiative was multifaceted and involved protecting the trust funds, fulfilling responsibilities, ensuring the accuracy and integrity of benefit payments as well as addressing efficacy of security operations. The three strategic goals are summarized below:

STRATEGIC GOAL I: Modernize Information Technology (IT) Operations to Sustain Mission Essential Services

Today, our mission essential programs are strained under the burden of legacy computer systems built over 40 years ago. Additionally, we continue to suffer significant institutional knowledge drain regarding these legacy systems and applications. Several years ago, we set out to modernize the enterprise, including all legacy IT systems and applications to continue providing the excellent service to our beneficiaries. While we have made significant strides in recent years, there is more to be done. Our current IT Modernization Program is a three-phased program to achieve such a comprehensive task. Today, we find ourselves preparing to complete the Stabilize Phase, where we established our cloud presence and modernized our support of a remote and hybrid workforce. We are now set to begin the Modernize Phase, where the focus will be two- fold – 1) To deliver new online services and applications to improve the annuitant and applicant experiences, and 2) To gain efficiencies in core business processes, both supporting the RRB mission.

Our performance plan, submitted as a component of our FY 2024 Justification of Budget Estimates, includes the following strategic objectives to facilitate achieving this goal.

Strategic Objective I-A: RRB's Transformation

The RRB developed an IRM Strategic Plan for Modernization with the following goals in support of the Agency's first Strategic Objective:

- Improve the User Experience
- Secure the Enterprise
- Upskill the IT Team
- Optimize the Infrastructure

To achieve these goals, the RRB continues to implement its IT Modernization Program. Those initiatives are captured in the Information Technology (IT) Update section of this submission.

The performance indicators that we will utilize to assess our progress toward our strategic objective and reference to the IRM Strategic Plan for Modernization Goals are as follows:

FY 2024 Performance Plan Strategic Goal I-A.	IRM Strategic Plan for Modernization Goals.
I-A-6. Complete the development of business rules strategy and data layer components of the modernization.	1. Improve the User Experience 2. Upskill the IT Team
I-A-7. Deliver citizen-centric services and applications to railroad employees through mobile- and web-ready interfaces.	1. Improve the User Experience 2. Secure the Enterprise 3. Upskill the IT Team
I-A-8. Complete the streamlining of core business processes and modernize key applications, which support these processes.	1. Improve the User Experience 2. Secure the Enterprise 3. Upskill the IT Team
I-A-9. Refine critical management processes in the following areas within the IT organization: change, project, program, and configuration.	1. Secure the Enterprise 2. Upskill the IT Team 3. Optimize the Infrastructure
I-A-10. Evaluate the re-engineering assessment deliverables to determine a cost-effective path forward to application rationalization and streamline business processes.	1. Improve the User Experience 2. Secure the Enterprise 3. Upskill the IT Team 4. Optimize the Infrastructure

STRATEGIC GOAL II: Provide Excellent Customer Service

We aim to satisfy our customers' expectations for quality service both in terms of service delivery options and levels and manner of performance. Our performance plan, submitted as a component of our FY 2024 Justification of Budget Estimates, includes the following strategic objectives to facilitate achieving this goal.

Strategic Objective II-A: Pay benefits timely.
Strategic Objective II-B: Provide a range of choices in service delivery methods.

STRATEGIC GOAL III: Serve as Responsible Stewards for our Customers' Trust Funds and Agency Resources

The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. Our performance plan, submitted as a component of our FY 2024 Justification of Budget Estimates, includes the following strategic objectives to facilitate achieving this goal.

Strategic Objective III-A: Ensure that trust fund assets are protected, collected, recorded, and reported appropriately.
Strategic Objective III-B: Ensure the accuracy and integrity of benefit programs.
Strategic Objective III-C: Ensure effectiveness, efficiency, and security of operations.
Strategic Objective III-D: Effectively carry out responsibilities with respect to the NRRIT.

Validation of Performance Information. The RRB has implemented comprehensive administrative procedures to ensure that reported performance information is accurate and valid. Administrative Circular RRB-2 establishes standards and assigns responsibility for collecting, documenting, validating, certifying, reporting, and retaining information related to the actual performance data reported for objectives in the RRB's Annual Performance Budget and Government Performance and Results Act Report.

The procedures require that reporting managers develop and maintain written procedures for:

- Collecting data related to each objective,
- Testing and validating performance data to ensure accuracy,
- Retaining source documents for future reference, and
- Attesting to the accuracy of performance information reported.

Members of the RRB's Executive Committee review performance issues related to their areas of responsibility and assign follow-up action, as necessary. The Executive Committee also reviews and approves performance reports before releasing the drafts for approval by the Board Members.

The following begins a discussion of our key performance indicators.

Discussion of Key Performance Indicators

The RRB has identified the following 10 key performance indicators, which represent our most important responsibilities.

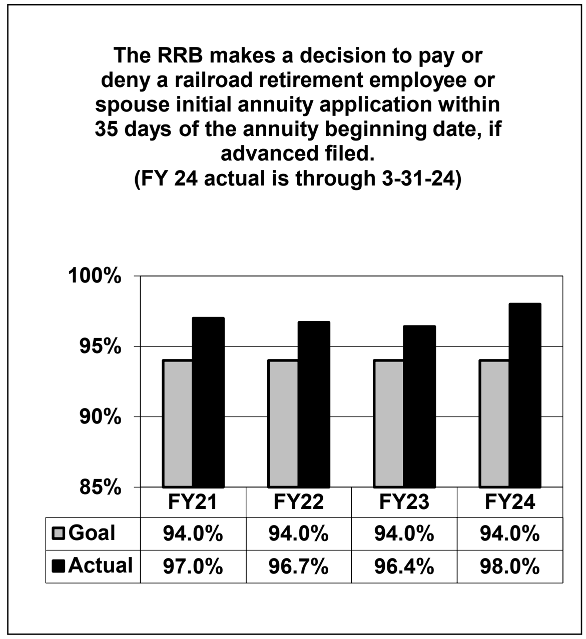
<u>Key performance indicator 1:</u> Timeliness of initial railroad retirement annuity payments, when advanced filed (Objective II-A-1)

FY 2024 goal: 94.0%
Our FY 2024 performance: 98.0% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 94.0%
Our FY 2023 performance: 96.4%

Data definition: This goal is included in the RRB Customer Service Plan.



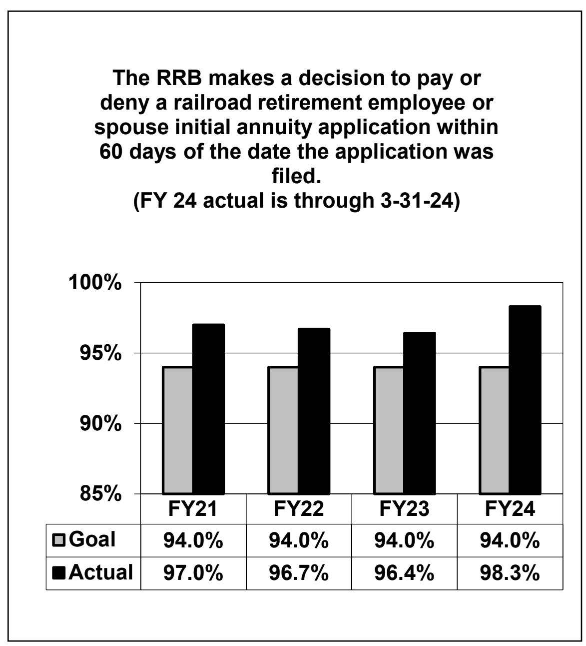
<u>Key performance indicator 2:</u> Timeliness of initial railroad retirement annuity payments, if not advanced filed (Objective II-A-2)

FY 2024 goal: 94.0%
Our FY 2024 performance: 98.3% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 94.0%
Our FY 2023 performance: 96.4%

Data definition: This goal is included in the RRB Customer Service Plan.



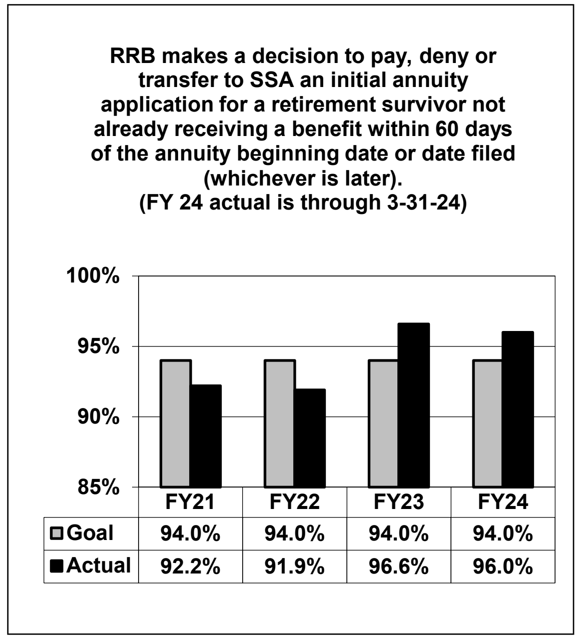
Key performance indicator 3: Timeliness of new survivor benefit payments (Objective II-A-3)

FY 2024 goal: 94.0%
Our FY 2024 performance: 96.0% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 94.0%
Our FY 2023 performance: 96.6%

Data definition: This goal is included in the RRB Customer Service Plan.



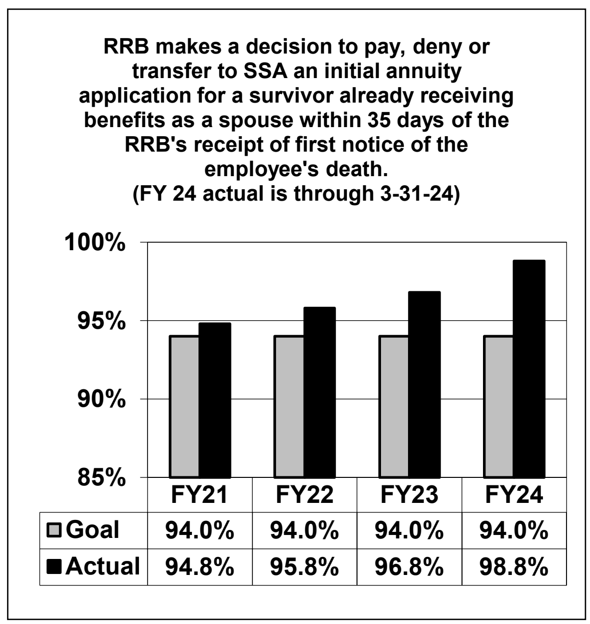
Key performance indicator 4: Timeliness of spouse to survivor benefit payment conversions (Objective II-A-4)

FY 2024 goal: 94.0%
Our FY 2024 performance: 98.8% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 94.0%
Our FY 2023 performance: 96.8%

Data definition: This goal is included in the RRB Customer Service Plan.



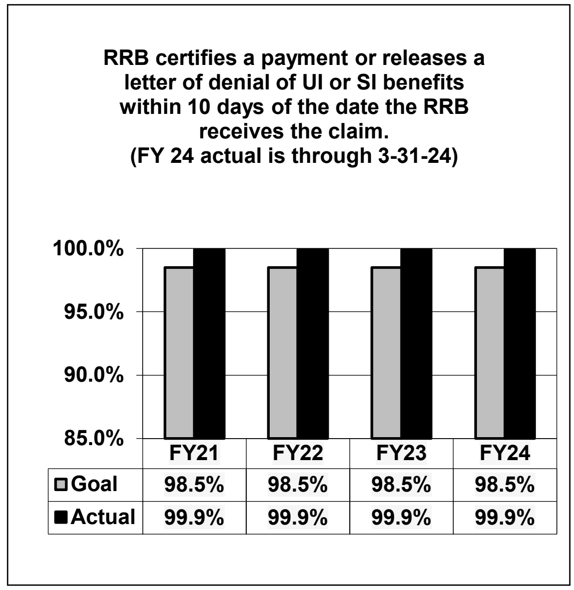
Key performance indicator 5: Timeliness of unemployment or sickness insurance payments (Objective II-A-6)

FY 2024 goal: 98.5%
Our FY 2024 performance: 99.9% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 98.5%
Our FY 2023 performance: 99.9%

Data definition: This goal is included in the RRB Customer Service Plan.

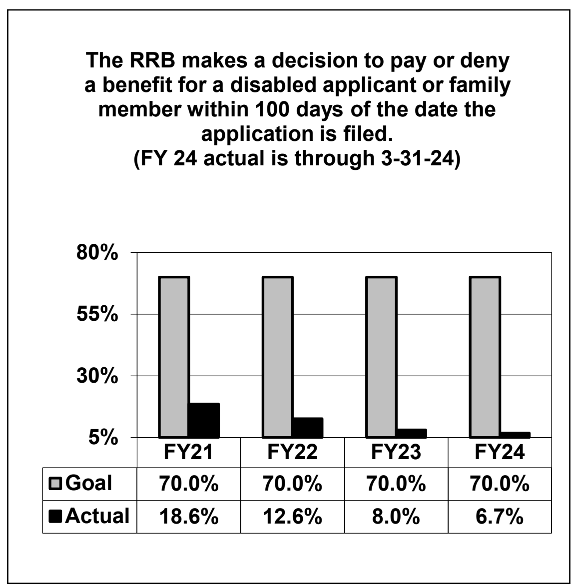


Key performance indicator 6: Timeliness of disability decisions (Objective II-A-7)

FY 2024 goal: 70.0%
Our FY 2024 performance: 6.7% through the 2nd quarter

We are not achieving our goal.

FY 2023 goal: 70.0%
Our FY 2023 performance: 8.0%



Initial disability decision timeliness performance was below the goal of 70% within 100 days. The continued effort in the Disability Benefits Division (DBD) to finalize decisions with older filing dates impacts the timeliness performance, specifically the elimination of cases with filing dates greater than 2 fiscal years. At the start of Fiscal Year 2024, cases with filing dates 2022 and earlier was 49.84% of the total workload balance. At the end of the second quarter, this balance was reduced to 26.89% of the pending work, a 48.85% reduction. Although 2021 filing dates were less than 9% of the cases adjudicated (and less than 2% of the current pending) the final adjudication gravely impacts the calculation of the overall timeliness performance.

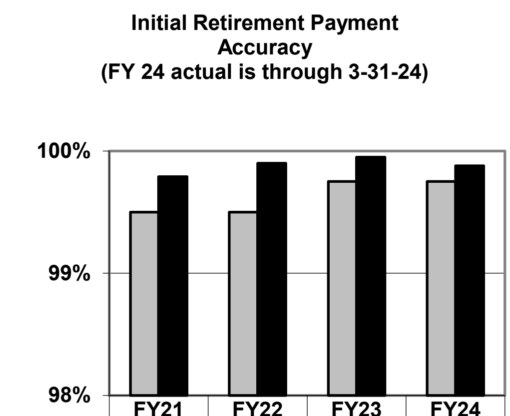
In addition, DBD's staffing changes resulted in increased total pending; however, the DBD examiners are making progress to reduce the number of cases with filing dates within two years of the current fiscal year. The FY 2023 hires and any future examiner onboarding will continue to assist DBD in reducing cases with older filing dates.

Data Definition: This goal is included in the RRB Customer Service Plan.

<u>Key performance indicator 7:</u> Initial recurring retirement payment accuracy (Objective III-B-1a)

Our overall strategic goal is to achieve a railroad retirement benefit payment recurring accuracy rate of at least 99 percent on our initial processing of applications for retirement (employee, spouse and widow) benefits.

FY 2024 goal: 99.75%
Our FY 2024 performance: 99.88% through 2nd quarter FY 24



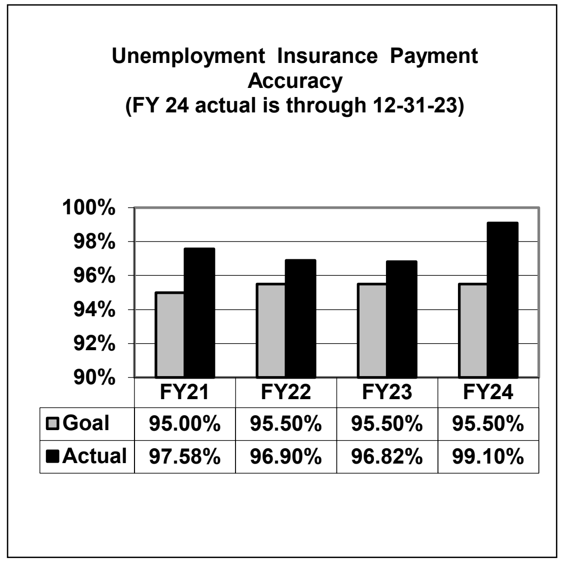
	FY21	FY22	FY23	FY24
Goal	99.50%	99.50%	99.75%	99.75%
Actual	99.79%	99.90%	99.95%	99.88%

We are achieving our goal.
Automation plays a key role in assuring initial benefit payment accuracy by reducing the number of erroneous payments. Automation will become more critical in this area as experienced personnel retire in the coming years.

FY 2023 goal: 99.75%
Our FY 2023 performance: 99.95%

Data definition: This is the percentage of the dollar value of initial recurring retirement benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

<u>Key performance indicator 8:</u> Unemployment insurance payment accuracy (Objective III-B-2a)



Our overall strategic goal is to achieve a railroad unemployment insurance benefit payment accuracy rate of at least 99 percent.

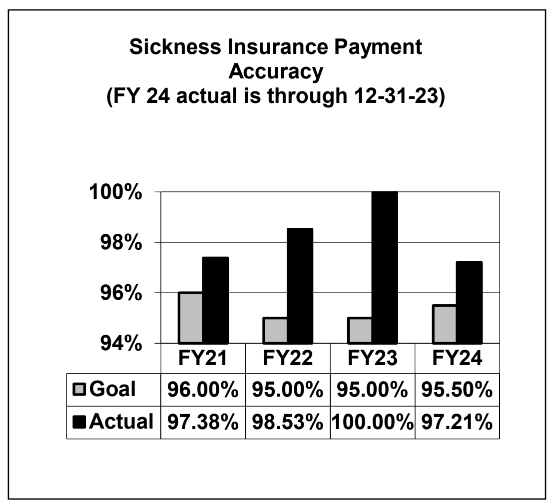
FY 2024 goal: 95.50%
Our FY 2024 performance: 99.10%
through the 1st quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 95.50%
Our FY 2023 performance: 96.82%

Data definition: This is the percentage of the dollar value of unemployment insurance benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

<u>Key performance indicator 9:</u> Sickness insurance payment accuracy (Objective III-B-2b)



Our overall strategic goal is to achieve a railroad sickness insurance benefit payment accuracy rate of at least 99 percent.

FY 2024 goal: 95.50%
Our FY 2024 performance: 97.21%
through the 1st quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2023 goal: 95.00%
Our FY 2023 performance: 100%

Data definition: This is the percentage of the dollar value of sickness insurance benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

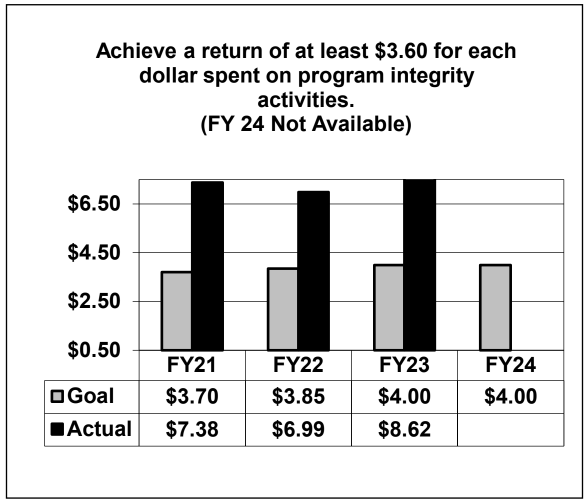
Key performance indicator 10: Return on investment in program integrity activities (Objective III-B-5)

FY 2024 goal: $ 4.00: $1
Our FY 2024 performance: Not Available

FY 2023 goal: $4.00: $1
Our FY 2023 performance: $8.62: $1

We achieved our goal.

Our fiscal year 2023 goal was to achieve a return of $4.00 for each dollar spent on program integrity activities. We achieved a rate of return of $8.62 for each dollar spent.



	FY21	FY22	FY23	FY24
Goal	$3.70	$3.85	$4.00	$4.00
Actual	$7.38	$6.99	$8.62	

As part of our fiduciary responsibilities to the rail community, we must ensure that the correct benefit amounts are being paid to the right people. We match our benefit payments against SSA's earnings and benefits database, the Centers for Medicare & Medicaid Services' (CMS) utilization and death records, the Office of Personnel Management's benefit records, and State wage reports, usually via data exchange files, and administer other benefit monitoring programs to identify and prevent erroneous payments. We also refer some cases to the OIG for investigation. After investigation, the OIG may pursue more aggressive collection methods, which include civil and criminal prosecution.

Data definition: This is the ratio of the sum of the dollar recoverables and savings, to the labor dollars spent.

Analysis of Financial Statements and Stewardship Information

Amounts in the RR Account not needed to pay current benefits and administrative expenses are transferred to the NRRIT whose Board of seven trustees is empowered to invest NRRIT assets in non-governmental assets, such as equities and debt, as well as in governmental securities. Amounts in the SSEB Account not needed to pay current benefits and administrative expenses are transferred to either the RR Account or the NRRIT.

Shown on the following page are snapshots of the net position, financing sources, and benefit payments (before elimination of inter-fund transactions) for the RRB accounts. All dollar amounts are in millions.

Net Position, Financing Sources, and Benefit Payments (Unaudited)
(In millions)

	2024	2023
NET POSITION AT SEPTEMBER 30		
Social Security Equivalent Benefit Account	685.5	$605.0
Railroad Retirement Account 1/	27,859.8	24,809.0
Railroad Retirement Administrative Fund	47.4	71.9
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	434.6	347.3
Administrative Expenses	10.0	9.1
Limitation on the Office of Inspector General	12.0	10.9
Dual Benefits Payments Account	7.6	7.9
Federal Payments to the Railroad Retirement Accounts	0.9	0.8
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	.03	0.3
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments		0
Coronavirus Aid, Relief, and Economic Security Act of 2020		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	5.0	4.1
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	227.4	225.8
Railroad Unemployment Insurance Waiver of 7 Day Period	37.5	37.3
Payment to Limitation on Administration	0	0.9
Administrative Expenses	0	0
American Rescue Plan Act of 2021		
Payment to Limitation on the Office of Inspector General	0	0
Limitation on the Office of Inspector General	0.2	0.2
Administrative Expenses	4.4	8.6
Total	**$29,332.6**	**$26,139.1**
FINANCING SOURCES FOR FISCAL YEAR		
Social Security Equivalent Benefit Account	$8,788.6	$8,516.2
Railroad Retirement Account 2/	8,824.1	7,305.6
Railroad Retirement Administrative Trust Fund	156.3	161.4
Railroad Unemployment Insurance Trust Fund -		
Benefit Payments	144.7	314.1
Administrative Expenses	1.0	2.6
Limitation on the Office of Inspector General	12.8	13.5
Dual Benefits Payments Account	6.2	7.7
Federal Payments to the Railroad Retirement Accounts 3/	0	0
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	(0.1)	0.2
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	0	0
Coronavirus Aid, Relief, and Economic Security Act		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	(1.2)	(0.7)
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	(1.6)	(1.7)
Railroad Unemployment Insurance Waiver of 7 Day Period	(0.1)	(0.2)
Payment to Limitation on Administration	0.9	0.1
American Rescue Plan Act of 2021		
Payment to Limitation on the Office of Inspector General	0	0
Limitation on the Office of Inspector General	(0.1)	0
Administrative Expenses	8.0	6.9
Total	**$17,939.5**	**$16,325.7**
BENEFIT PAYMENTS FOR FISCAL YEAR 4/		
Social Security Equivalent Benefit Account	$8,708.0	$8,456.0
Railroad Retirement Account	5,773.6	5,465.4
Railroad Unemployment Insurance Trust Fund -		
Unemployment Insurance	19.9	15.1

Sickness Insurance	42.5	39.6
Dual Benefits Payments Account	6.2	7.7
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	0	0
Worker, Homeownership, and Business Assistance Act of 2009		
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	0	0
Coronavirus Aid, Relief, and Economic Security Act		
Railroad Unemployment Insurance Extended Benefits (no year dollars) 1a/	0	0
Railroad Unemployment Insurance Enhanced Benefit Payments (no year dollars)	0.2	(0.2)
Railroad Unemployment Insurance Waiver of 7 Day Period	(0.1)	(0.2)
Payment to Limitation on Administration	0	0
Administrative Expenses	0	0
Total	**$14,550.3**	**$13,983.4**

1/ NRRIT-held net assets are a financing source and are included in the Railroad Retirement Account above.
1a/ Funds were reported in FY2019 as Worker, Homeownership, and Business Assistance Act of 2009.
2/ Change in NRRIT-held net assets is included in the Railroad Retirement Account above.
3/ Includes funds subsequently transferred to other accounts. Such inter-fund transfers are eliminated in the preparation of the consolidated statements.
4/ Net of recoveries and offsetting collections; excludes SSA benefit payments.

The RRB's financial statements are comprised of Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Net Position, Consolidated Statement of Budgetary Resources, Statement of Social Insurance, and the accompanying notes which are an integral part of the statements. We also present, as required supplementary information, a discussion of the actuarial outlook for the railroad retirement program, and the Disaggregate of Budgetary Resources.

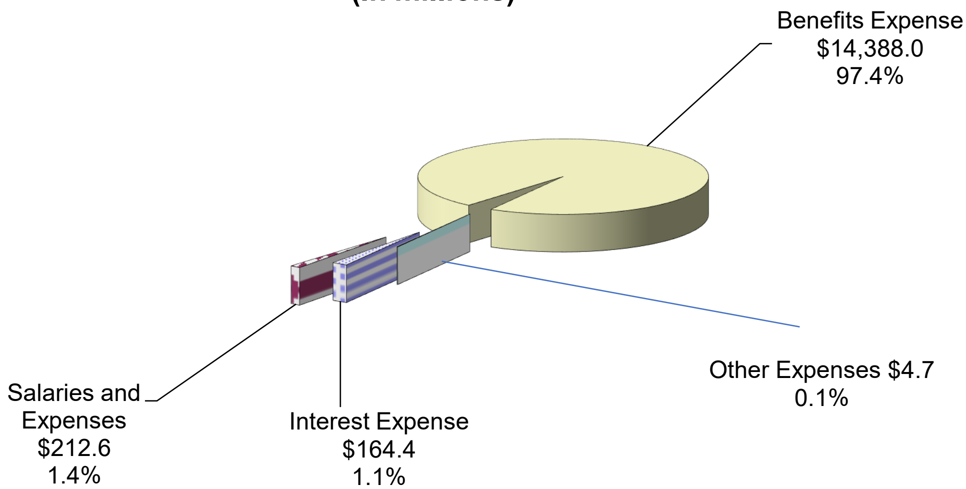
Comparison of Net Cost of Operations and Financing Sources

The net cost of operations for fiscal years 2024 and 2023 was $14,739.5 million and $14,456.3 million, respectively. The details of the net cost of operations by type, amount, increase or decrease, and percentage change from fiscal year 2023 to fiscal year 2024 are shown below. Additional information regarding the net cost of operations and financing sources for fiscal years 2023 and 2022 is shown on the following pages.

NET COST OF OPERATIONS (Unaudited)
(In millions)

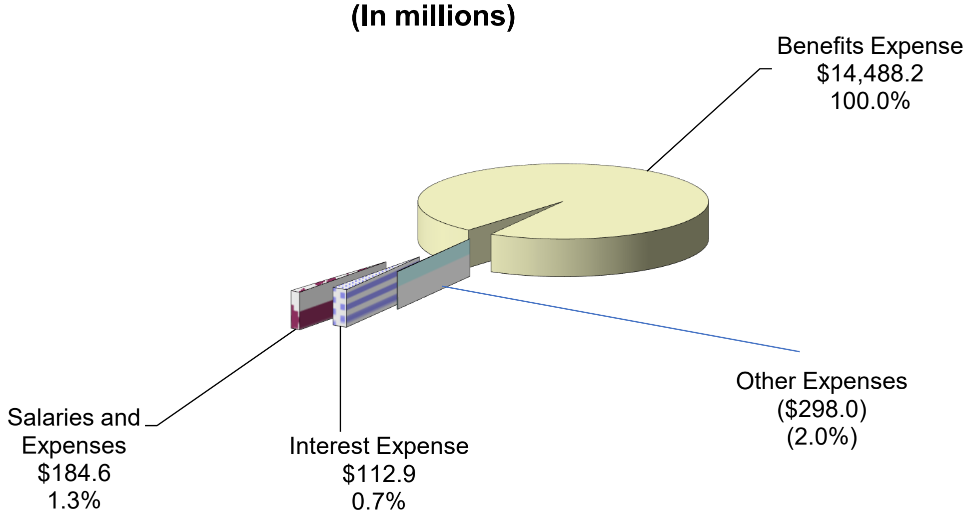
	FY 2024	FY 2023	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Interest expense – Treasury borrowing	$164.4	$112.9	$51.5	45.6%
Salaries and expenses	212.6	184.6	28.0	15.2%
Benefits expense	14,388.0	14,488.2	(100.2)	(0.7%)
Other expenses	4.7	(298.0)	302.7	(101.6%)
Subtotal	**$14,769.7**	**$14,487.7**	**$282.0**	**1.9%**
Less: Earned revenues	(30.2)	(31.4)	1.2	(3.8%)
Net cost of operations	**$14,739.5**	**$14,456.3**	**$283.2**	**2.0%**

FY 2024
NET COST OF OPERATIONS
(In millions)



Totals $14,769.7 million, excluding reimbursements, and earned revenues of ($30.2) million

FY 2023
NET COST OF OPERATIONS
(In millions)



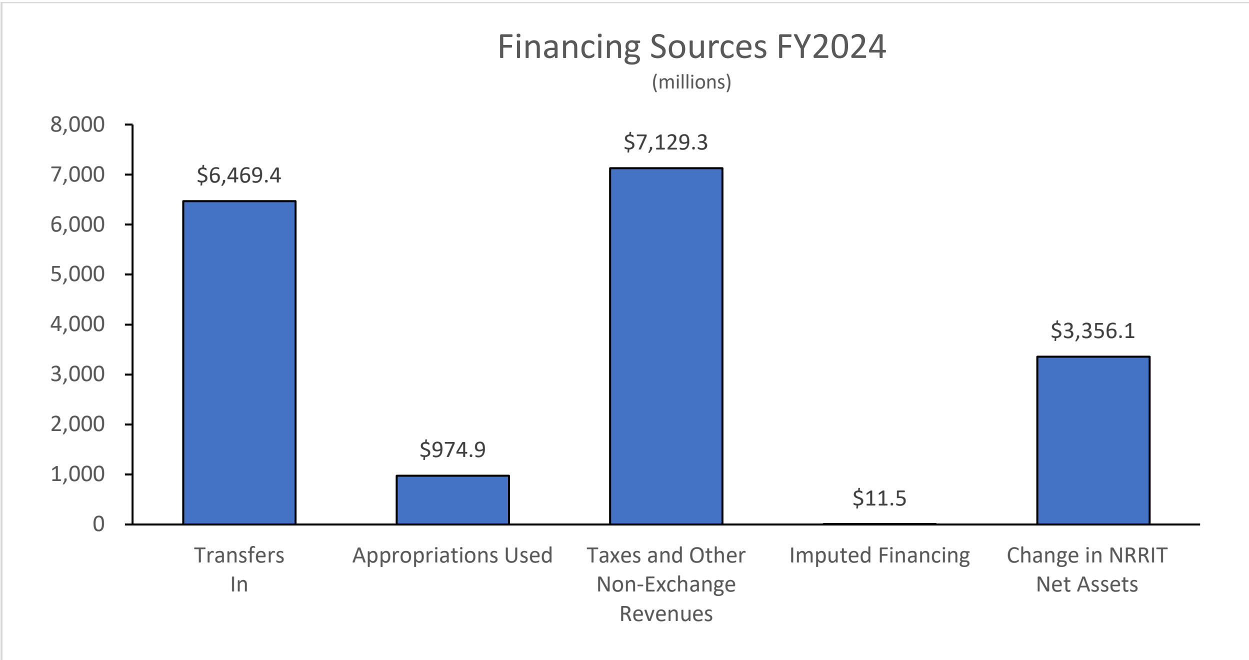
Totals $14,487.7 million, excluding reimbursements, and earned revenues of ($31.4) million.

The following table shows financing sources (excluding changes in unexpended appropriations) by type, amount, increase or decrease, and percentage change from fiscal year 2023 to fiscal year 2024.

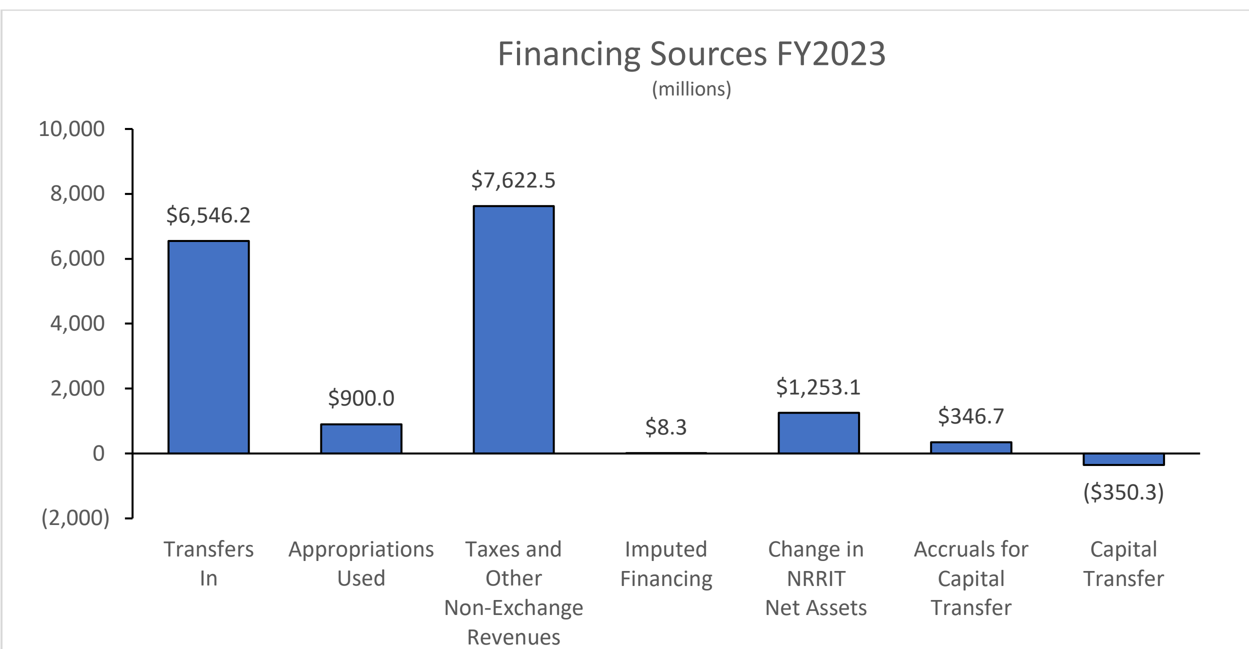
FINANCING SOURCES (Unaudited)
(in millions)

	FY 2024	FY 2023	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Budgetary Financing Sources:				
Appropriations used	$974.9	$900.0	$74.9	8.3%
Taxes and other non-exchange revenues:				
Payroll taxes	6,929.1	7,218.2	(289.1)	(4.0%)
Interest revenue and other income	59.2	75.6	(16.4)	(21.7%)
Carriers refunds – principal	(26.5)	(7.9)	(18.6)	235.4%
Railroad Unemployment Insurance (RUI) Revenue	167.5	336.6	(169.1)	(50.2%)
Subtotal	**$8,104.2**	**$8,522.4**	**(418.2)**	**(4.9%)**
Transfers in:				
Financial Interchange, net	$5,289.4	$5,131.2	158.2	3.1%
NRRIT	1,180.0	1,415.0	(235.0)	(16.6%)
Subtotal	**$6,469.4**	**$6,546.2**	**(76.8)**	**(1.2%)**
TOTAL BUDGETARY FINANCING SOURCES	**$14,573.6**	**$15,068.6**	**(495.0)**	**(3.3%)**
Other Financing Sources:				
Imputed financing	$11.5	$8.3	3.2	38.6%
Change in NRRIT net assets	3,356.1	1,253.1	2,103.0	167.8%
Gain/(Loss) in Contingency	(1.7)	(0.7)	(1.0)	142.9%
Accruals for Capital Transfers	0	346.7	(346.7)	(100%)
Capital Transfer	0	(350.3)	350.3	(100%)
TOTAL OTHER FINANCING SOURCES	**$3,365.9**	**$1,257.1**	**2,108.8**	**167.8%**
TOTAL FINANCING SOURCES	**$17,939.5**	**$16,325.7**	**1,613.8**	**9.9%**

The most significant difference between the RRB's financial statements for fiscal year 2023 and fiscal year 2024 was the change in NRRIT net assets. The NRRIT net assets increased by approximately $3,356.1 million due to market fluctuations during the past year. There is a section later in this publication that describes the NRRIT, and the NRRIT net assets balances for fiscal year 2023 and fiscal year 2024 are shown in the RRB's Financial Section of this publication.



Total Financing Sources $17,941.2 million, excluding ($1.7) million loss on contingency.



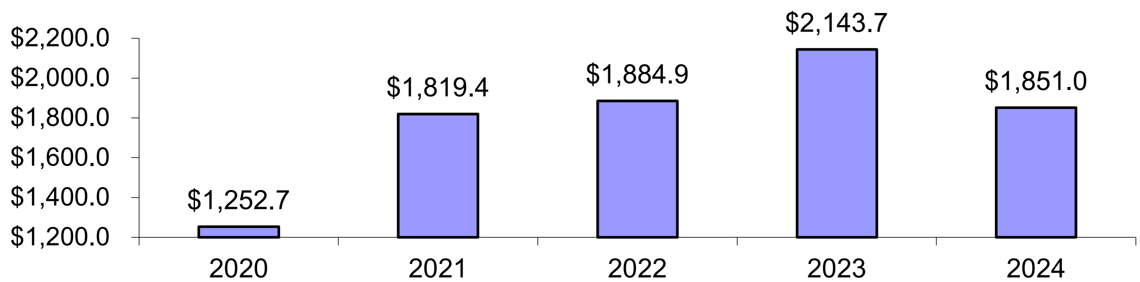
Total Financing Sources $16,326.4 million, excluding ($0.7) million loss on contingency.

Railroad Retirement Investments at Treasury

The book value of all railroad retirement investments, including accrued interest, decreased to $1,851.0 million as of September 30, 2024, from $2,143.7 million on September 30, 2023 (excludes NRRIT net assets). The graph below reflects the book value of the railroad retirement investments from September 30, 2020, through September 30, 2024.

INVESTMENT BALANCES HELD AT TREASURY (AT BOOK VALUE)
AT SEPTEMBER 30, 2020 - 2024

(In millions, excluding NRRIT net assets)

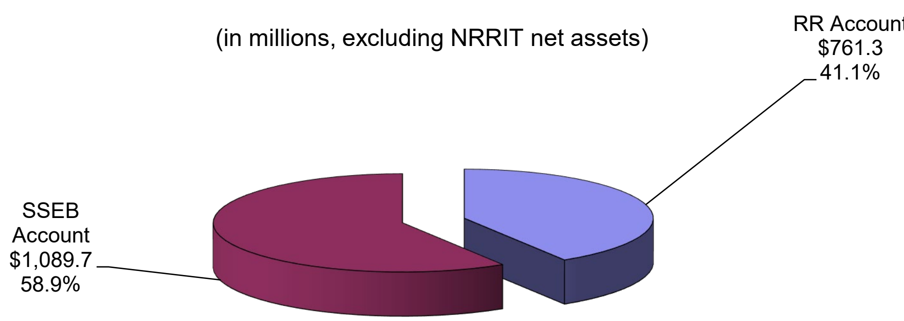


The following chart shows the portfolio of the railroad retirement investments as of September 30, 2024

RAILROAD RETIREMENT INVESTMENTS HELD AT TREASURY
AS OF SEPTEMBER 30, 2024

AT BOOK VALUE
Total $1,851.0

(in millions, excluding NRRIT net assets)



Railroad Retirement Account

On September 30, 2024, and 2023, the book values of the RR Account investments, excluding NRRIT assets, including accrued interest, totaled $761.3 million and $1,098.6 million, respectively. The balance on September 30, 2024, consisted of $759.9 million in 3.750 percent par value specials (with market value equal to face value) maturing on October 1, 2024, and $1.4 million in accrued interest. The balance on September 30, 2023, consisted of 1,097.0 million in 4.250 percent par value specials (with market value equal to face value) maturing on October 2, 2023, and $1.6 million in accrued interest. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

Social Security Equivalent Benefit Account

On September 30, 2024, and 2023, the book values of the SSEB Account investments, including accrued interest, totaled $1,089.7 million and $1,045.1 million, respectively. The balance on September 30, 2024, consisted of $1,087.5 million in 3.750 percent par value specials maturing on October 1, 2024, and $2.2 million in accrued interest. The balance on September 30, 2023, consisted of $1,042.7 million in 4.250 percent par value specials maturing on October 2, 2023, and $2.4 million in accrued interest.

National Railroad Retirement Investment Trust

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA). The sole purpose of the NRRIT is to manage and invest railroad retirement assets. The NRRIT is a tax-exempt entity, independent from the Federal Government and not subject to Title 31, United States Code (USC). The NRRIT is domiciled in and subject to the laws of the District of Columbia.

The NRRIT is comprised of a Board of seven trustees: three selected by railroad labor unions and three by railroad companies. The seventh trustee is an independent member selected by the other six. Members of the Board of Trustees are not considered officers or employees of the Government of the United States.

The RRSIA authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the RRSIA, investment of railroad retirement assets was limited to U.S. Government securities.

The NRRIT and the RRB are separate entities. The RRB remains a federal agency and continues to have full responsibility for administering the railroad retirement program, including eligibility determinations and the calculation of benefit payments. The NRRIT has no powers or authority over the administration of benefits under the railroad retirement program. Under the RRSIA, the NRRIT is required to act solely in the interest of the RRB, and through it, the participants and beneficiaries of the programs funded under the RRA. The RRSIA does not delegate any authority to the RRB with respect to day-to-day activities of the NRRIT, but the RRSIA provides that the RRB may bring a civil action to enjoin any act or practice of the NRRIT that violates the provisions of the RRSIA or to enforce any provision of the RRSIA.

Under the RRSIA, the financial statements of the NRRIT are required to be audited annually by an independent public accountant. In addition, the NRRIT must submit an annual management report to the Congress on its operations, including a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flows, a Statement on Internal Accounting and Administrative Control Systems, the independent auditor's report, and any other information necessary to inform the Congress about the operations and financial condition of the NRRIT. A copy of the annual report must also be submitted to the President, the RRB, and the Director of OMB.

Social Insurance: Key Measures

Balance Sheet: The Balance Sheet displayed in the Financial Section presents our assets, liabilities, and net position. Total assets for fiscal year 2024 are $36.1 billion, a 9.9 percent increase over last year. Of the total assets, $27.6 billion relates to funds held by the NRRIT. The net asset value of funds held by the NRRIT increased from fiscal year 2023 by 13.9 percent. Our investments totaled $1.9 billion, and we invest those funds not needed to pay current expenses or benefits in interest bearing Treasury securities. A chart of investment balances held at Treasury can be found on page 28. Total liabilities for fiscal year 2024 are $6.8 billion. Liabilities increased by $48.1 million or 0.7 percent in fiscal year 2024. Also, benefits due increased by $9.3 million. By statute, benefits due in September are not paid until October.

Statement of Net Cost: The Statement of Net Cost displayed in the Financial Section presents the annual cost of operating our two major programs: 1) railroad retirement and 2) railroad unemployment and sickness insurance. In fiscal year 2024, our net cost of operations was $14.7 billion, an increase over last year of $283.2 million, or 2.0 percent. A table for the net cost of operations for fiscal years 2024 and 2023 can be found on page 24.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed in the Financial Section reflects the changes that occurred within cumulative results of operations and unexpended appropriations. Total net position for 2024 is $ 29.3 billion. The statement shows an increase in the net position of the agency of $ 3.2 billion attributable to the change in cumulative results of operations. Total financing sources for 2024 are $ 17.9 billion. A table for financing sources for fiscal years 2024 and 2023 can be found on page 26.

Statement of Social Insurance: Federal accounting standards require the presentation of a Statement of Social Insurance (SOSI) as a basic financial statement. The SOSI presents the present values of estimated future revenue and expenditures of the Railroad Retirement program. The SOSI covers a period of 75 years in the future, and the information and disclosures presented are deemed essential to the fair presentation of this statement.

The open group as of the valuation date includes current participants who have attained retirement age under the Railroad Retirement program, current participants who have not yet attained retirement age, and those expected to become participants, or new entrants. The closed group as of the valuation date includes only current participants: (1) those who have not yet retired but are active workers paying payroll taxes, (2) those who have retired and are receiving benefits, and (3) those who are not currently working but have sufficient service to be eligible for future benefits. The closed group measure represents a reasonably good estimate of the extent to which benefits of the closed group are funded by members of the closed group. The open group measure is inherently more sensitive to assumptions about the distant future than the closed group measure. The open group measure gives a more complete assessment of the long-term financial stability of the program because it includes all those who are projected to be participants in the program over the given projection period, whether paying payroll taxes or receiving benefits.

The net present value (NPV) of estimated future expenditures less estimated future revenue (net expenditures) for all participants over the next 75 years (open group) changed from $23.5 billion as of September 30, 2022, to $24.4 billion as of September 30, 2023, a net change in the open group measure of $0.9 billion, when rounded. Note that the Social Insurance information in the Table of Key Measures shows future expenditures less future revenue, while the Statement of Social Insurance shows future revenue less future expenditures. This change in presentation in the Table of Key Measures is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts.

As can be seen on the Statement of Changes in Social Insurance Amounts, the change in the valuation period (from fiscal years 2023-2097 to fiscal years 2024-2098) resulted in a change of $0.6 billion in the open group measure. There were changes in the demographic assumptions, and there were updates to projected levels of railroad employment and demographic data. Changes in demographic data, assumptions, and methods resulted in a change of ($0.9) billion in the open group measure. Ultimate and select assumptions for the Cost-of-Living Adjustment (COLA), wage increase, and investment return were updated, as described in the notes to the Statement of Changes in Social Insurance Amounts found in **14. Social Insurance**. A change in the open group measure of $1.2 billion is due to changes in economic data, assumptions, and methods. This year there were no changes in methodology or in law or policy.

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on current conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

TABLE OF KEY MEASURES (Unaudited)				
Dollars in Millions	**As reported in FY 2024**	**As reported in FY 2023**	**Increase / $**	**(Decrease) %**
COSTS				
Total Financing Sources	$17,939.5	$16,325.7	$1,613.8	9.9%
Less: Net Cost	14,739.5	14,456.3	283.2	2.0%
Net Change of Cumulative Results of Operations	**$3,200.0**	**$1,869.4**	**1,330.6**	**71.2%**
NET POSITION				
Assets	$36,127.7	$32,886.2	$3,241.5	9.9%
Liabilities	6,795.1	6,747.1	48.0	0.7%
Net Position (Assets minus Liabilities)	**$29,332.6**	**$26,139.1**	**$3,193.5**	**12.2%**

Dollars in Billions	**10/1/2023**	**10/1/2022**	**Increase / $**	**(Decrease) %**
SOCIAL INSURANCE				
SOCIAL INSURANCE[3] Social Insurance Net Expenditures (Open Group)	$24.4	$23.5	$0.9	4.0%

[3] Source: Statement of Social Insurance (SOSI). Amounts reflect estimated present value of projected revenue and expenditures for scheduled benefits over the next 75 years. The SOSI shows future revenue less future expenditures while the Key Measure above shows future expenditures less future revenue. This change in presentation is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts. Included in Net Expenditures is the Asset Experience Gain/(Loss) for the period 10/1-12/31 following. Note that detail may not add to total due to rounding.

Analysis of Systems, Controls and Legal Compliance

Management Assurances

As of September 30, 2024, the Railroad Retirement Board states and assures that, to the best of our knowledge:

1. The Railroad Retirement Board (RRB) management is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). The RRB conducted its assessment of risk and internal control in accordance with OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the Agency can provide reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance as September 30, 2024, except for the following material weakness:

    The Railroad Retirement and Survivors' Improvement Act of 2001 (the Act) established National Railroad Retirement Investment Trust (NRRIT). As stated in the Act, the NRRIT is not a department, agency, or instrumentality of the Federal Government, and is not subject to Title 31 of the U.S. Code. The Act states that the NRRIT shall annually engage an independent qualified public accountant to audit the financial statements of the NRRIT, and shall transmit the audited financial statements, together with an Annual Management Report that includes a statement on internal accounting and administrative control systems, to Congress and the Executive branch. There is no other legal basis or requirement for NRRIT to provide financial information to another party outside of that which is specified in the Act.

    Due to the statutory parameters set by Congress via the Act, RRB lacks the authority to grant the RRB OIG or RMA access to the NRRIT's independent auditor's working papers. As such RRB acknowledges that the auditors cannot perform audit procedures in accordance with AICPA AU-C Section 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).* Cognizant of the cited statutory parameters, the Board had discussions with the previous Acting Inspector General to search for a mutually acceptable resolution. RRB will continue these efforts with the Principal Deputy Performing the Duties of the Inspector General
    until such time as a new Inspector General is appointed by the President and confirmed by the Senate.

    Pursuant to implementation of the Statement of Federal Financial Accounting Standards 47 (SFFAS 47), effective in fiscal year 2018, the Office of Management and Budget (OMB), the Department of the Treasury (Treasury), and the United States Government Accountability Office (GAO) determined that the NRRIT will be classified as a consolidation entity, for purposes of the governmentwide financial statements. As a result, the NRRIT's Net Asset Value must be included within RRB's Balance Sheet, even though the NRRIT is a tax exempt entity independent from the RRB and the Federal Government. Accordingly, the NRRIT and GAO signed a Memorandum of Understanding (MOU) in October 2018 that provided the GAO access to information necessary to support inclusion of the NRRIT's financial information in the governmentwide financial statements starting in fiscal year 2018. The RRB was not part a party to this agreement.

Regarding the NRRIT, the RRB provides reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance and in accordance with the 2002 MOU between the RRB, NRRIT, Treasury and OMB.

2. In accordance with the *Federal Information Security Modernization Act of 2014* (FISMA), this agency has established an Information Security Program and practice and has implemented controls to support the Cybersecurity framework; however, additional work is needed to achieve a rating of effective. This agency's financial management system is managed under contract and is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service and is discussed in detail in the Financial Management Systems Strategy Section. As a result, the agency's FISMA overall maturity level does not directly impact its financial management system.

3. The financial management systems of this agency maintain accountability for assets and provide reasonable assurance that obligations and costs are in compliance with applicable law, and that performance data and proprietary and budgetary accounting transactions applicable to the agency are recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial management systems at this agency satisfy the requirements of the Section 4 of the FMFIA.

4. The financial management systems of this agency provide the agency with reliable timely, complete, and consistent performance and other financial information to make decisions, and efficiently operate and evaluate programs and substantially satisfies the requirements of the *Government Performance and Results Act of 1933* and OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*.

5. In accordance with Office of Management and Budget (OMB), M-18-16, Appendix A to OMB Circular No. A-123, *Management of Reporting and Data Integrity Risk*, we can provide reasonable assurance that the Data Quality Plan and its associated internal controls substantially support the reliability and validity of this agency's account-level and award-level data reported for display on USASpending.gov in compliance with the *Digital Accountability and Transparency Act of 2014* (DATA Act).

Original Signed by:

Erhard R. Chorlé, Chairman

John Bragg, Labor Member

Thomas Jayne, Management Member

Enterprise Risk Management Program

In fiscal year 2024, the RRB made significant strides toward implementing its enterprise risk management (ERM) program. In December 2023, the United States Government Accountability Office (GAO) published a report that included an assessment of the RRB's ERM implementation efforts against key practices in GAO's ERM framework. GAO found that the RRB had partially implemented key risk practices for two of the six essential elements of risk management and recommended that the RRB develop a written plan detailing how it will implement the remaining unimplemented and partially implemented essential elements and key practices of the ERM process (audit report number 24-105545, recommendation 1). In response to this recommendation, we developed a comprehensive written plan that addresses all six essential elements of ERM and includes measurable goals, a timeline, milestones, and sub-tasks for completing our ERM implementation. We also developed a communication plan that outlines how stakeholders will receive information on ERM implementation progress, decisions, and potential delays. We submitted our written plan to GAO, and they closed the recommendation as implemented in July 2024. Since then, we have continued our work toward full ERM implementation and are on track to fully implement essential element 1 in early calendar year 2025.

Management Control Review Program

The Management Control Review (MCR) program supports the RRB's ERM program, internal control process, and Federal Manager's Financial Integrity Act of 1982 (FMFIA) reporting requirements. From an ERM perspective, the MCR program is a critical component of the agency's efforts to identify, assess, and manage risks. Our internal control process provides reasonable assurance that the RRB's objectives will be met. The MCR program supports the internal control process by serving as a mechanism for identifying and assessing risk, documenting the control environment, and determining control effectiveness for the agency's assessable units. We use the results from our MCR work to meet our annual FMFIA reporting requirements and provide assurance that the RRB established a system of internal accounting and administrative control in accordance with standards prescribed by the Comptroller General and provide reasonable assurance that:

- obligations and costs comply with applicable law;
- assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- revenues and expenditures applicable to agency operations are recorded and accounted for properly so that accounts and reliable financial and statistical reports may be prepared and accountability over assets may be maintained; and
- programs are efficiently and effectively carried out in accordance with applicable laws and management policy.

The MCR program generates evidentiary material to support the RRB's reasonable assurance statement in the FMFIA report. Specifically, the agency's MCR work provides evidence that the RRB took systematic and proactive measures to:

- develop and implement appropriate, cost-effective management controls for results-oriented management;
- assess the adequacy of management controls in Federal programs and operations;
- identify needed improvements; and
- take corresponding corrective action.

During the fiscal year 2024 MCR, management reviewed and assessed the control environment for 47 assessable units. As part of this review, organizational heads and responsible officials certified each assessable unit's compliance with FMFIA requirements. The Executive Committee reviewed the certifications and supporting documentation for each assessable unit and concluded that the system of management control of the overall control environment complied with applicable standards.

Financial Statement Audit

The RRB's Office of Inspector General (OIG) contracted with RMA Associates LLC (RMA) to render audit opinions on RRB's fiscal year 2024 consolidated financial statements and on Internal Control Over Financial Reporting. We expect again to receive disclaimer of opinions on RRB 's fiscal year 2024 financial statements as of and for the year ended September 30, 2024, and on RRB 's fiscal year 2024 Internal Control over Financial Reporting (ICOFR). The basis for both disclaimer opinions is due to lack of access to the National Railroad Retirement Investment Trust (NRRIT) or NRRIT's auditors for the purposes of conducting RRB's consolidated financial statement audit pursuant to American Institute of Certified Public Accountants (AICPA) auditing standards.

Due to the statutory parameters set by Congress via the Railroad Retirement and Survivors' Improvement Act of 2001 Act, RRB lacks the authority to grant the RRB's financial statement auditors access to the Trust's independent auditor's working papers. As such RRB acknowledges that the auditors cannot perform audit procedures in accordance with AICPA AU-C Section 600 *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors).* Cognizant of the cited statutory parameters, the Board had discussions with the previous Acting Inspector General to search for a mutually acceptable resolution. RRB will continue these efforts with the Principal Deputy Performing the Duties of the Inspector General until such time as a new Inspector General is appointed by the President and confirmed by the Senate.

Federal Information Security Modernization Act

During fiscal year 2024, the RRB continued to maintain its security posture for the agency. In fiscal year 2024, the RRB's cloud environments in the IBM zCloud, and Microsoft's (MS) Azure and M365 clouds, and the RRB general support system and major applications received their full Authorities to Operate (ATOs) based on NIST 800-53 revision 5 security control assessments. Implementation of the federally directed zero trust architecture strategy continued in fiscal year 2024, with the RRB implementing many controls using tools and services available in MS Azure and M365 cloud environments. These actions directly and strongly impacted our ability to improve the overall risk management posture for the agency. Through these efforts, we addressed and closed 16 OIG and 32 non-OIG POAMs during fiscal year 2024. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations to improve the agency's security posture and to sustain at acceptable levels.

Preliminary Cyberscope audit results, a part of the fiscal year 2024 FISMA audit, indicate that Castro & Company recognized the RRB sustained progress on 19 Core Metrics from the prior year at consistently implemented (level 3) and has decreased in maturity level for 1 Core Metric to defined (level 2). Additionally, the RRB is continuing to refine our roadmap to successfully implement a full Zero-Trust architecture as well as maximize its performance against the measured FISMA controls as it continues to modernize its enterprise. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

Financial Management Systems Strategy

The RRB is committed to an integrated and automated financial management system that focuses on the agency's mission and accountability. Our goals are to (1) achieve compliance with applicable laws, regulations, standards and requirements; (2) identify requirements for financial systems support; (3) improve and facilitate user access to financial information; (4) reduce redundant data entry, storage and processing; and (5) improve security, control and disaster recovery capability for information processed and stored on remote servers, local area network and personal computer systems.

The RRB's financial management system is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service. The RRB's system is referred to as the Financial Management Integrated System (FMIS). Momentum meets the core financial system requirements set by the Financial Systems Integration Office (FSIO) and is Federal Enterprise Architecture compliant. The hosting service is also provided by CGI Federal which is a commercial shared service provider for financial system services. Its cloud system has achieved compliance with the General Services Administration's (GSA) FedRAMP security requirements and is an authorized cloud service provider. As such, FMIS is separate and distinct from RRB's internally managed Agency Enterprise General Information Systems (AEGIS), Benefit Payment Operations (BPO) and Financial Interchange (FI) system.

FMIS supports the RRB's budget formulation and execution, general ledger and trust fund accounting, procurement, contract management, fixed assets, accounts payable and both administrative and program accounts receivable requirements. FMIS was migrated from its Phoenix Data Center hosting environment to AWS cloud environment in March 2024.

The RRB currently utilizes both commercial and Federal shared service providers for other E-Government functions, including payroll (GSA), travel (CWTSatoTravel) and employee relocation services (Bureau of the Fiscal Service). The RRB's human resources shared service provider is IBM (i.e. GSA, RRB's previous provider, transitioned the functions to IBM in FY 2019). The payroll and travel functions are integrated with FMIS through electronic interfaces.

Forward-Looking Information

Information Technology Modernization

Our mission essential programs are straining under the burden of being maintained by legacy computer systems built 40 years ago. To continue providing the excellent service to our beneficiaries, our IT modernization efforts are being leveraged to transform these legacy systems and build modern digital services while safeguarding information anywhere, anytime, in all ways throughout the information life cycle. As part of modernization, we have the opportunity to leverage more efficient and effective technologies that will positively impact our infrastructure and use of software applications and data to provide timely and accurate services to our customers. The modernization will require an updated architecture to directly address our service delivery from a managed cloud services perspective. With ever increasing IT security and privacy risks, we aim to make our systems and processes more robust with advanced privacy and security controls. This IT modernization is a three-phased, iterative and incremental approach to confirm program integrity and meet operational performance standards, all while improving our customer's experiences with our services.

In fiscal year 2024, the RRB was focused on completing the final infrastructure activities of the Stabilize Phase. Within the Stabilize Phase, we completed the RRB Data Center Mainframe Migration to the IBM zCloud, finalized the IRM Strategic Plan for IT Modernization, and completed the migration of Outlook and OneDrive to Microsoft's M365 Cloud. The remaining Stabilize Phase infrastructure efforts for the GSA Enterprise Infrastructure Solutions (EIS) are forecasted to complete in the first quarter of fiscal year 2025, as we saw equipment delays due to ongoing global supply chain and financial challenges.

The RRB sought an alternative funding source to shift into the Modernize Phase of its three-phase strategy – Stabilize | Modernize | Perform. On December 13, 2022, RRB was awarded an $8.69M investment from GSA and OMB's Technology Modernization Fund (TMF) to improve the Customer Experience for our citizens. In fiscal year 2024, with the assistance of 18F, GSA's agile contracting services, the RRB is positioned to award a development services contract for Citizen Centric Online Self Services in fiscal year 2025. Once the contract is awarded, we can begin building and implementing new self-service options on our public-facing website, which will provide our customers with the ability to update some of their personal information such as changes to their mailing address or direct deposit account . It will also provide railroad employees the ability to file sickness applications, submit supporting documentation, and view the status of their sickness applications online.

Human Capital Management

The RRB continues to evaluate its workforce strategies to include accounting for succession planning efforts into its management of human capital. Nearly 30 percent of our employees have 20 or more years of service and 22 percent of the current workforce will be eligible for retirement by fiscal year 2024. The Bureau of Human Resources has shifted to a strategic approach in managing its human capital through such efforts as workforce and succession planning, alignment of the mission with employee performance to ensure efficient and effective accomplishment of RRB operations and evaluating job-fit and recruitment efforts to ensure a developed, diverse, inclusive, engaged and accountable workforce. The RRB continues to automate and streamline antiquated and outdated personnel policies and procedures and educate, develop, and train our employees and supervisors both in technical and soft skills in alignment with the RRB's mission, values and goals. The RRB continues to strategically align our most important human resources with the RRB's mission and best human capital management practices within the Federal government.

The Workforce Organization Management section (WOMS) continues to refine recruitment efforts to ensure the RRB reaches applications from a talented, diverse, and inclusive pool of applicants. Through USAJOBS, the RRB has been able to reach candidates from across the country. By maximizing workplace flexibilities and using a variety of recruitment strategies, including targeted advertising and hiring programs such as internship and recent graduate programs, as well as other hiring authorities for the RRB's more difficult positions to fill, the RRB continues to create the opportunities to attract a diverse and high-quality applicant pool.

The Human Services/Labor Relations section (HS/LR) is in the process of re-negotiating the Nationwide Collective Bargaining Agreement (CBA), which was last negotiated in 1985. In addition to rewriting the CBA, the HS/LR section has taken on the task of updating a number of Human Resources policies and negotiating those policies, where appropriate, with its Union. This includes creating new policies, such as remote work, and alternative work schedules, and updating antiquated and outdated policies on Performance Management, Leave Administration, Hours of Work, etc. The revisions of both the policies and the CBA are forward thinking and afford employees a number of flexibilities, are reflective of the RRB's shifting culture, and encompass the importance of employee engagement and empowerment as well as employee accountability.

The Training and Development section within the Bureau of Human Resources utilizes the results from training needs assessments, workforce planning, and employee surveys to create the RRB's training strategies and develop training (whether it be virtual or in-person). The Training and Development section also utilizes available technology, low-cost training options and innovative and best practices in training and development in order to deliver varied training modalities for all agency employees, whether the training is mandatory or developmental in nature. The RRB continues to update and automate training modules available to all of our employees from entry-level and mission critical claims and benefit training classes through to leadership to ensure a successful training environment and the successful accomplishment of our mission.

Summary of Actuarial Forecast

The Statement of Social Insurance (SOSI) presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2023, under our intermediate employment assumption. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Under our intermediate employment assumption, as well as the optimistic and pessimistic employment assumptions, no cash flow problems arise during fiscal years 2024-2098. However, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether any corrective action is necessary. Extremely poor experience may still make the system unable to pay benefits in all future years.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of three employment assumptions for the 11 fiscal years 2024-2034. The results indicate that experience-based contribution rates will respond to fluctuating employment and unemployment levels and, potentially with short-term borrowing, will maintain the solvency of the Railroad Unemployment Insurance Account (RUIA).

Following surcharges in 2021-2023 and recent historically low claims, the RUIA balance is expected to be above the indexed $250 million surcharge thresholds in June 2024, resulting in a pooled credit for calendar year 2025, which will be the first since 1994. For calendar years 2026 and 2027, no surcharge or pooled credit is predicted under all assumptions.

Under the pessimistic employment assumption, there is the possibility of short-term loans in fiscal years 2028 and 2029 that will be repaid in 2029.

Limitations of the Financial Statements

The limitations of the principal financial statements are as follows:

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of the entity in accordance with Federal Generally Accepted Accounting Principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

PERFORMANCE SECTION

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PERFORMANCE SECTION (Unaudited)

Government Performance and Results Act Report

The following performance report is based on the major goals and objectives for fiscal year 2024 from the RRB's Annual Performance Plan. The indicators we developed support our mission and communicate our intentions to meet challenges and seek opportunities for greater efficiency, effectiveness and economy.

To achieve our performance goals, the RRB holds managers accountable for achieving program results and improving program effectiveness by focusing on results, service quality and customer satisfaction. In addition, the annual performance plan is used to help managers improve service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. To provide reasonable assurance that the reported performance information is relevant and reliable, performance goals are incorporated into performance standards for managers and supervisors and monitored on an agency-wide basis.

The following is a consolidated presentation of our actual performance for fiscal year 2024 through March 31, 2024 (except as noted), followed by a discussion of our unmet performance goals and objectives for fiscal year 2023. At the time this report was prepared, actual fiscal year 2024 information was unavailable. Unmet fiscal year 2024 goals and indicators will be presented in next year's report. This performance report was prepared by RRB employees.

Railroad Retirement Board Fiscal Year 2024 Performance Plan	**2021 Actual (At $123.5m [2/])**	**2022 Actual (At $123.5m [3/])**	**2023 Actual (At $128.0m [4/])**	**2024 Planned [1/] (At $128.0m)**	**2024 Actual [1/] (At $126.0m [5/6/])**
STRATEGIC GOAL I: Modernize Information Technology (IT) Operations to Sustain Mission Essential Services					
Strategic Objective: Legacy Systems Modernization Goal leader: Richard Kramer, Acting Chief Information Officer					
I-A-1. Prepare to consolidate and rationalize applications to improve the effectiveness and efficiency of mission essential functions.	Azure Migration: 100%	Azure Migration: 100%	Goal Complete	Goal Complete	Goal Complete
I-A-2. Evaluate the results of the customer surveys obtained through the LSMS re-engineering assessment contract deliverable to identify and deliver a broader range of online citizen centric services that will specifically address our customer's expectations and improve overall customer service.	100%	Goal Complete	Goal Complete	Goal Complete	Goal Complete
I-A-3. Transition Mission Essential Programs from the End-of-Life Mainframe hardware.	100%	Goal Complete	Goal Complete	Goal Complete	Goal Complete

Railroad Retirement Board Fiscal Year 2024 Performance Plan	**2021 Actual (At $123.5m [2/])**	**2022 Actual (At $123.5m [3/])**	**2023 Actual (At $128.0m [4/])**	**2024 Planned [1/] (At $128.0m)**	**2024 Actual [1/] (At $126.0m [5/6/])**
I-A-4. Evaluate the re-engineering assessment contract deliverable and determine a modernization path forward consistent with agency priorities and within available funding to address mission critical functions.	100%	Goal Complete	Goal Complete	Goal Complete	Goal Complete
I-A-5. Enhance infrastructure components to stabilize the information systems and the related ecosystems to prepare for the modernize phase.	100%	Goal Complete	Goal Complete	Goal Complete	Goal Complete
I-A-6. Complete the development of business rules strategy and data layer components of the modernization.	New Goal for FY2022	50%	50%	50%	50%
I-A-7. Deliver citizen-centric services and applications to railroad employees through mobile- and web-ready interfaces.	New Goal for FY2022	0%	0%	0%	0%
I-A-8. Complete the streamlining of core business processes and modernize key applications, which support these processes.	New Goal for FY2022	0%	0%	0%	0%
I-A-9. Refine critical management processes in the following areas within the IT organization: change, project, program and configuration.	New Goal for FY2022	50%	75%	75%	75%
I-A-10. Evaluate the reengineering assessment deliverables to determine a cost effective path forward to application rationalization and streamline business processes.	New Goal for FY2022	50%	100%	100%	100%

Railroad Retirement Board Fiscal Year 2024 Performance Plan	2021 Actual (At $123.5m [2/])	2022 Actual (At $123.5m [3/])	2023 Actual (At $128.0m [4/])	2024 Planned [1/] (At $128.0m)	2024 Actual [1/] (At $126.0m [5/6/])
STRATEGIC GOAL II: Provide Excellent Customer Service					
Strategic Objective: Pay benefits timely. Goal leader for objectives II-A-1 through II-A-5; II-A-7 and II-A-8: Arturo Cardenas, Director of Programs Goal leader for objective II-A-6: Mark Blythe, Director of Field Service Goal leader for objective II-A-9: Spiridoula Mavrothalasitis, Director of Hearings and Appeals					
II-A-1. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 35 days of the annuity beginning date, if advanced filed. (Measure: % ≤ 35 days)	97.0%	96.7%	96.4%	94.0%	98.0%
II-A-2. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	97.0%	96.7%	96.4%	94.0%	98.3%
II-A-3. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor not already receiving a benefit within 60 days of the annuity beginning date, or date filed (whichever is later). (Measure: % ≤ 60 days)	92.2%	91.9%	96.6%	94.0%	96.0%
II-A-4. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor already receiving benefits as a spouse within 30 days of the RRB's receipt of first notice of the employee's death. (Measure: % ≤ 30 days. Measure FY 2024 and later: % ≤ 35 days)	94.8%	95.8%	96.8%	94.0%	98.8%
II-A-5. RRB makes a decision to pay or deny a lump sum death benefit within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	95.0%	94.4%	99.2%	95.0%	98.7%
II-A-6. RRB certifies a payment or releases a letter of denial of UI or SI benefits within 10 days of the date RRB receives the claim. (Measure: % ≤ 10 days)	99.9%	99.9%	99.9%	98.5%	99.9%

Railroad Retirement Board Fiscal Year 2024 Performance Plan		2021 Actual (At $123.5m [2/])	2022 Actual (At $123.5m [3/])	2023 Actual (At $128.0m [4/])	2024 Planned [1/] (At $128.0m)	2024 Actual [1/] (At $126.0m [5/6/])
II-A-7. RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days)		18.6%	12.6%	8.0%	70.0%	6.7%
II-A-8. RRB makes a payment to a disabled applicant within 25 days of the date of decision or earliest payment date, whichever is later. (Measure: % ≤ 25 days)		87.5%	89.4%	92.6%	91.0%	91.7%
II-A-9. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Measure: average elapsed days)		208	174	204	210	273 [11/]
Strategic Objective: Provide a range of choices in service delivery methods. Goal leader: Arturo Cardenas, Director of Programs						
II-B-1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media)		19 services available	19 services available	19 services available	19 services available	20 services available
II-B-2. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measures: percentage of employers who use electronic media to file reports; number of services available through electronic media)	a) Employer s using ERS:	99.1%	99.3%	96.03%	99.0%	99.54%
	b) Internet Services	30 Internet services available	31 Internet services available	31 Internet services available	33 Internet services available	31 Internet services available

Railroad Retirement Board Fiscal Year 2024 Performance Plan		**2021 Actual (At $123.5m [2/])**	**2022 Actual (At $123.5m [3/])**	**2023 Actual (At $128.0m [4/])**	**2024 Planned [1/] (At $128.0m)**	**2024 Actual [1/] (At $126.0m [5/6/])**
STRATEGIC GOAL III: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources						
Strategic Objective: Ensure that trust fund assets are protected, collected, recorded, and reported appropriately. Goal leader: Shawna R. Weekley, Chief Financial Officer						
III-A-1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs, and a variety of other collection efforts. (Measure: total overpayments recovered in the fiscal year / total overpayments established in the fiscal year.)		89.08%	89.35%	88.53%	85.00%	87.27%
Strategic Objective: Ensure the accuracy and integrity of benefit programs. Goal leader III-B-1(a)(b) and III-B-3, 4, and 5: Arturo Cardenas, Director of Programs; Goal leader III-B-2a: Mark Blythe, Director of Field Service; Goal leader III-B-2b: Jebby Rasputnis, Deputy Director Programs						
III-B-1. Achieve a railroad retirement benefit payment accuracy rate [7/] of at least 99%. (Measure: percent accuracy rate)	a) Initial payments	99.79%	99.90%	99.95%	99.75%	99.88%
	b) Sample post recurring payments	99.59%	99.68%	FY 2023 Post Study Suspended	99.75%	97.95%
III-B-2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate [7/] of at least 99%. (Measure: percent accuracy rate)	a) Unemploy-ment	97.58%	96.90%	96.82%	95.50%	99.10%[8/]
	b) Sickness	97.38%	98.53%	100%	95.50%	97.21%[8/]
III-B-3. Overall Initial Disability Determination Accuracy. (Measure: % of Case Accuracy)		83.30%	80.60%	Not Available	95.00%	Not Available
III-B-4. Maintain the level of RRA improper payments below the OMB threshold. (Measure: prior to fiscal year 2014, below 2.5%; beginning fiscal year 2014, below 1.5%)		Not Applicable Reporting Relief [9/]	Not Applicable Reporting Relief [9/]	Not Applicable Reporting Relief [9/]	Not Applicable Reporting Relief [9/]	Not Applicable Reporting Relief [9/]

Railroad Retirement Board Fiscal Year 2024 Performance Plan	**2021 Actual (At $123.5m [2/])**	**2022 Actual (At $123.5m [3/])**	**2023 Actual (At $128.0m [4/])**	**2024 Planned [1/] (At $128.0m)**	**2024 Actual [1/] (At $126.0m [5/6/])**
III-B-5. Achieve a return of at least $3.60 for each dollar spent on program integrity activities. (Measure for fiscal year 2011: recoveries and savings per dollar spent. Measure for fiscal years 2012 and following: recoverables and savings per dollar spent).	$7.38: $1:00	$6.99: $1.00	$8.62: $1.00	$4.00: $1.00	Not Available
III-B-6. Reduce the backlog of RRB's Cost of Living (COLA) annuity adjustment cases that do not fully process mechanically by 70% (less than 1,000 for FY 2024).[10/]	Superseded by III-B-13	Superseded by III-B-13	Superseded by III-B-13	Superseded by III-B-13	Superseded by III-B-13
III-B-7. Reduce the backlog of RRB's Service and Compensation annuity adjustment cases that do not fully process mechanically by 10% (less than 27,250 for FY 2024).[10/]	Superseded by III-B-14	Superseded by III-B-14	Superseded by III-B-14	Superseded by III-B-14	Superseded by III-B-14
III-B-8. Reduce the backlog of earnings report annuity adjustment cases by 20% (less than 12,000 for FY 2024).[10/]	Superseded by III-B-15	Superseded by III-B-15	Superseded by III-B-15	Superseded by III-B-15	Superseded by III-B-15
III-B-9. Reduce the backlog of miscellaneous retirement annuity adjustment cases, that may include an increase in a public pension, a favorable RRB Disability Freeze determination or a workman compensation adjustment by 15% (less than 7,500 for FY 2024).[10/]	Superseded by III-B-16	Superseded by III-B-16	Superseded by III-B-16	Superseded by III-B-16	Superseded by III-B-16
III-B-10. Reduce the backlog of miscellaneous Social Security Retirement non-COLA adjustment cases that include changes in SSA benefit amounts due to processes such as Automatic Earnings Reappraisal Operation (AERO), garnishment reductions or voluntary tax withholding by 15% (less than 7,650 for FY 2024).[10/]	Superseded by III-B-17	Superseded by III-B-17	Superseded by III-B-17	Superseded by III-B-17	Superseded by III-B-17
III-B-11. Reduce the backlog of Social Security adjustment cases that include COLA adjustments and do not fully process mechanically by 11% (less than 3,050 for FY 2024).[10/]	Superseded by III-B-18	Superseded by III-B-18	Superseded by III-B-18	Superseded by III-B-18	Superseded by III-B-18

Railroad Retirement Board Fiscal Year 2024 Performance Plan	**2021 Actual (At $123.5m [2/])**	**2022 Actual (At $123.5m [3/])**	**2023 Actual (At $128.0m [4/])**	**2024 Planned [1/] (At $128.0m)**	**2024 Actual [1/] (At $126.0m [5/6/])**
III-B-12. Reduce the backlog of Social Security non-award record maintenance actions, which could result in a benefit payment adjustment by 11% (less than 73,750 for FY 2024).[10/]	Superseded by III-B-19	Superseded by III-B-19	Superseded by III-B-19	Superseded by III-B-19	Superseded by III-B-19
III-B-13. Process RR cost of living reject referrals received October 1, 2023, and later within 90 days of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	90.0%	Not Available
III-B-14. Process SS cost of living reject referrals received October 1, 2023, and later within 180 days of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	85.0%	Not Available
III-B-15. Process Social Security Automatic Earnings Reappraisal Operation (AERO) referrals received October 1, 2023, and later within 240 days of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	80.0%	Not Available
III-B-16. Process earnings reports referred out by the System Processing Excess Earnings Database (SPEED) received October 1, 2023, and later within 240 days of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	80.0%	Not Available
III-B-17. Process Earnings Data Processing (EDP Policing) referrals received October 1, 2023, and later within one year of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	70.0%	Not Available
III-B-18. Process general Railroad and Social Security post referrals received October 1, 2023, and later within 240 days of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	80.0%	Not Available
III-B-19. Process Social Security Monthly Output Referrals (MOR) received October 1, 2023, and later within 240 days of receipt.	Effective FY 2024	Effective FY 2024	Effective FY 2024	80.0%	Not Available
Strategic Objective: Ensure effectiveness, efficiency, and security of operations. Goal leader: Richard Kramer, Acting Chief Information Officer					

Railroad Retirement Board Fiscal Year 2024 Performance Plan		**2021 Actual (At $123.5m [2/])**	**2022 Actual (At $123.5m [3/])**	**2023 Actual (At $128.0m [4/])**	**2024 Planned [1/] (At $128.0m)**	**2024 Actual [1/] (At $126.0m [5/6/])**
III-C-1. Deliver – Deliver on Budget. Percent of IT Projects costs within 10% of budgeted cost.		100%	100%	100%	85%	100%
III-C-2. Deliver – Meet Customer Expectations. WWW.RRB.GOV Internet Services (Mainline and employer Reporting System) Continuous availability experienced by End users.	a) Continuous availability target	98.80%	99.76%	99.17%	99.00%	99.82
	b) Average hours of outage allowed per month	8.83 hours	1.67 hours	5.79 hours	7 hours	1.33 hours
III-C-3. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements.		Microsoft Azure Cloud: Yes.	Microsoft Azure Cloud: Yes.	Microsoft Azure Cloud: Yes.	Decommission Legacy Disaster Recovery Site: Yes	Decommission Legacy Disaster Recovery Site: Yes
III-C-4. Innovate – Adopt New Technologies. Percentage of investments that evaluated cloud alternatives.		100%	100%	100%	Performance Indicator Complete and Closed Starting in FY24.	Performance Indicator Complete and Closed Starting in FY24.
III-C-5. Protect – Email Data Loss Prevention. Percentage of externally bound emails and their attachments automatically encrypted that contain personally identifiable or credit card information.		100%	100%	100%	Performance Indicator Complete and Closed Starting in FY24.	Performance Indicator Complete and Closed Starting in FY24.
III-C-6. Protect – Percentage of agency employees required to use a Personal Identity Verification (PIV) card to authenticate.		Unprivileged Users>54% Privileged Users 98%	Unprivileged Users>49% Privileged Users 100%	Unprivileged Users>83% Privileged Users 100%	Unprivileged Users>85% Privileged Users 100%	Unprivileged Users>83% Privileged Users 100%
Strategic Objective: Effectively carry out responsibilities with respect to the National Railroad Retirement Investment Trust. Goal leader: Ana M. Kocur, General Counsel						
III-D-1. Timely review information reported by the National Railroad Retirement Investment Trust to carry out RRB's oversight responsibility under section 15(j) (5) (F) of the Railroad Retirement Act. Reports are to be reviewed within 30 days of receipt. (Measure: Yes/No)		Yes	Yes	Yes	Yes	Yes

Footnotes:

1/ Planned amounts reflect the fiscal year 2024 performance targets shown in the RRB's Congressional Justification of Budget Estimates, released on March 13, 2023. Unless otherwise noted, actual results represent status as of March 31, 2024, and as reported in the RRB's FY 2026 Budget Submission, dated September 9, 2024.

2/ Public Law 116-260, the Consolidated Appropriations Act, 2021, provided $123,500,000 in funding and includes $9,000,000 devoted specifically to RRB information technology investment initiatives. The $9,000,000 will remain available until expended.

3/ Public Law 117-103, the Consolidated Appropriation Act, 2022, provided $124,000,000 in funding.

4/ Public Law 117-328, the Consolidated Appropriations Act, 2023, provided $128,000,000 in funding.

5/ Public Law 118-364, Further Consolidated Appropriations Act, 2024, provided $126,000,000 in funding.

6/ Fiscal year 2024 actual results represent status as of March 31, 2024 (except as noted).

7/ The payment accuracy rate is the percentage of dollars paid correctly as a result of adjudication actions performed.

8/ Fiscal year 2024 actual results represent status as of December 31, 2023.

9/ The RRA program is in a three-year risk assessment cycle and operates under Phase 1 guidelines of OMB Circular A-123, Appendix C. We conducted risk assessments in FY 2020 and FY 2023, and our results concluded that the RRA program consistently remains below the thresholds for significant improper payments under the Payment Integrity Information Act (PIIA) of 2019. The next scheduled risk assessment is in FY 2026, unless the RRA program experiences a significant change in legislation and/or a significant increase in funding levels, which would then warrant an earlier assessment.

10/ Goals III-B-6 through III-B-12 were first published in the FY 2024 Congressional Justification, which was released during March 2023. These goals were restructured to better represent and measure pending post adjudication workloads and are now included in our Plan as goals III-B-13 through III-B-19. They will be measured beginning in FY 2024. Goals III-B-6 through III-B-12 will not be measured as written, are superseded by goals III-B-13 through III-B-19, and are considered obsolete.

11/ Fiscal year 2024 actual results represent status as of June 30, 2024.

Discussion of Unmet Performance Goals and Indicators for Fiscal Year 2023

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator I-A-7. Deliver citizen-centric services and applications to railroad employees through mobile- and web-ready interfaces.	Although the RRB did not deliver citizen-centric services and applications (CCOSS) to railroad employees in fiscal year 2023, significant progress was made with training RRB employees in the Agile methodology. Additionally, the RRB partnered with GSA's 18F to help create an Agile methodology-based solicitation for release in Q4 of FY2024 that will deliver CCOSS projects under TMF program in FY2025.
Performance Indicator II-A-7: RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % < 100 days) Our fiscal year 2023 goal was 70.0%, and the actual was 8.0%.	DBD has not been fully staffed for a number of years and, at the start of fiscal year 2023, nearly 1/3 (31.8%) of the pending cases had filing dates 2021 and earlier. During FY 2023, DBD had eliminated 2019 and 2020 filing dates. In addition, the team reduced 2021 filings by 80%. The reduction of cases with older filing dates continues to affect the timeliness calculation. At the end of FY 2023, approximately 50% of the pending had filing dates in 2023. Elimination of older filing dates impacts timeliness but will eventually allow more focus on finalizing cases with current filing dates which will increase the percentage rated within 100 days.
Performance Indicator II-A-9: Reduce the number of days elapsed between the date the appeal is filed, and a decision is rendered. (Measure: average elapsed days)	The number of days elapsed for the Bureau of Hearings & Appeals (BHA) to complete its appeals exceeds the budgeted amount by approximately 2 months. This is the result of a high rate of attrition endured by BHA, which lost 60% of its experienced hearings officers over the last three fiscal years. BHA has since hired new hearings officers; however, during FY 2024 each of the new hearings officers was in training and/or in the process of building up their productivity. In addition, during FY 2024, the experienced hearings officers had to allocate their time and attention to assisting with training the newer hires due to a lack of dedicated staff to conduct training. This has negatively impacted productivity overall. When establishing the FY 2024 budgeted goal, the number of elapsed days was underestimated due to a lack of historical information on the impact of the effects of attrition. It is anticipated that timeliness will improve for FY 2025 as the newer hearings officers become better acclimated.
Performance Indicator II-B-1: Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media) Our fiscal year 2023 goal was 23 services available, and the actual was 19 services available.	Policy and Systems did not reach the projected goal of 23 internet services available for FY 2023. Four internet services are on hold due to higher agency priority projects. Notably, although Policy and Systems plans and coordinates such updates, the work is prioritized and completed by our partners in BIS who have limited resources.

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator II-B-2a: Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measure: percentage of employers who use the on-line ERS). Our fiscal year 2023 goal was 99.0%, and the actual was 96.03%	Policy and Systems did not reach its goal of 99% of employers who use electronic media to file their reports. A new service provider that provides services to Railroad employers contracted with 20 employers who had previously utilized a service provider that used electronic media to file reports. We have reached out to this new service provider and educated them on the benefits of utilizing electronic media. We have also assisted them with registering on ERSNet as a user so that they can file their customers reports electronically.
Performance Indicator II-B-2b: Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measure: number of services available through electronic media). Our fiscal year 2023 goal was 33 Internet services available, and the actual was 31 Internet services available.	Policy and Systems did not reach the projected goal of 33 internet services available for FY 2023. Two internet services through ERSNet are on hold due to higher agency priority projects. Notably, although Policy and Systems plans and coordinates such updates, the work is prioritized and completed by our partners in BIS who have limited resources.
Performance Indicator III-C-6. Protect – Percentage of agency employees required to use a Personal Identity Verification (PIV) card to authenticate.	"BIS did not reach the project goal of planned 85% compliance on the Agency employees' use of Personal Identity Verification (PIV) card for authentication. RRB has faced with a timeline challenge of not being able to issue the PIV card quickly enough to keep up with the cycle of onboarding employees (new) vs offboarding retiring/departing employees from the agency."

Program Evaluations

PROGRAM EVALUATION	RESULTS IN FISCAL YEAR 2024
Federal Managers' Financial Integrity Act Reports	See "Analysis of Systems, Controls and Legal Compliance" in the "Management's Discussion and Analysis" section.
Triennial actuarial valuation, which serves as the annual actuarial report required by the Railroad Retirement Act of 1974 and the Railroad Retirement Act of 1983.	The report, which was completed in June 2024, concludes that, barring a sudden, unanticipated, large drop in railroad employment or substantial investment losses, the railroad retirement system will experience no cash flow problems during the next 75 years under any of the three employment assumptions. The report did not include any recommendations for financing changes.
Railroad Unemployment Insurance System, annual report required by section 7105 of the Technical and Miscellaneous Revenue Act of 1988	The report, which was released in June 2024, addresses the 11 fiscal year period 2024 through 2034. The report indicated that even as maximum benefits are expected to increase 59 percent from 2023 to 2034, experience-based contribution rates will respond to fluctuating employment and unemployment levels and, with short-term borrowing, are expected to keep the unemployment insurance system solvent. The report did not include any recommendations for financing changes at this time.
Customer service performance reports	The RRB continuously monitors the timeliness and accuracy of our performance in managing program workloads. These results are reflected in the performance objectives shown in the charts within this Performance Section and published on our website at www.RRB.gov
Program integrity report	Our most recent Program Integrity report was for fiscal year 2023. It showed that program integrity activities resulted in the establishment of about $19.96 million in recoverables, benefit savings of $542,554 and 98 cases referred to the Office of Inspector General.
Quality assurance reviews and special studies	RRA and RUIA adjudicative and payment accuracy is measured in regular diagnostic reviews conducted by quality assurance staff within the RRB's Program Evaluation and Management Services (PEMS) component. Initial disability determination accuracy is evaluated by quality assurance staff within PEMS and by an external contractor (Juncture). PEMS also evaluates policies and processes through special studies, as needed. PEMS reports to the Director of Programs.

PROGRAM EVALUATION	*RESULTS IN FISCAL YEAR 2024*
Occupational disability reviews	Advisory doctors, representing the rail industry (labor and management), are authorized by law to review agency medical decisions. Case review audits were completed in 2000, 2008, and 2018.
Performance budget monitoring	Results of performance budget monitoring are shown in the chart of performance objectives on the preceding pages. Actual performance data are reviewed, validated and certified prior to inclusion in this report. Validation and certification processes are documented as part of the RRB's management control review process.
Computer security and privacy assessment	RRB is maintaining progress towards achieving full certification and compliance with the Federal Information Security Management Act (FISMA), Office of Management and Budget directives and National Institute of Standards and Technology guidance for its information systems as evidenced in the Fiscal Year 2024 FISMA CyberScope scores: • Identify – 2.33 Core • Protect – 2.13 Core • Detect – 2.50 Core • Respond – 3.0 Core • Recover – 3.0 Core
Electronic government (e-Gov) activities	See pages 54 through 55 of this section
Payment integrity evaluation	See "Payment Integrity" in the "Other Information" section.
RRB Office of Inspector General audits	See "Inspector General's Statement on Management and Performance Challenges" and "Management's Comments" in the "Other Information" section.

Automation, e-Government and Customer Service Initiatives

As the RRB continues its commitment to accomplish its top priority – the IT Modernization (or RRB Transformation), during fiscal year 2023, there were several enhancements to existing applications, which are intended to incrementally improve the services provided to the US Railroad Industry.

In FY 2024, we continued adoption of the U.S. General Services Administration's (GSA) Login.gov service for identity proofing and multi-factor authentication at the RRB. The Login.gov service was invaluable during the COVID-19 pandemic, as it allowed claimants to verify their identity online and immediately apply for unemployment benefits, or file claims for unemployment and sickness benefits, without calling, mailing forms, or visiting offices. Login.gov seamlessly scaled up to accommodate increased traffic and usage due to the pandemic and extended periods of unemployment, to meet the needs of claimants entitled to benefits under the Railroad Unemployment Insurance Act (RUIA), the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES), the Continued Assistance to Railway Workers Act of 2020 (CARWA), and the American Rescue Plan Act of 2021 (ARPA).

SPEED is an automation initiative designed to process post-entitlement annuity adjustments in both retirement and survivor cases that result from excess earnings and work deductions. SPEED allows the RRB to adjust annuity payments for earnings on a timely basis, which minimizes any underpayments or overpayments that may result from changes in earnings. SPEED is being built in a multi-phase approach. However, the agency's re-platforming and engineering projects starting in fiscal year 2020 and fiscal year 2021 have an impact on the SPEED project. In consideration of those two higher priorities, in May 2020, we determined a tentative priority ranking of deliverables for SPEED after the projects are completed. As such, we have deferred the SPEED enhancements until completion of those higher priority projects.

In FY 2024, we added a new service under myRRB.gov ahead of schedule that allows claimants who received unemployment or sickness benefits to obtain their annual RUIA tax statements (Form 1099-G and Form W-2) online rather than receive mailed paper statements. This new service made the 2023 RUIA tax statements available to download as a PDF on February 1, 2024. We also released an email to notify the claimants, who had opted out of printed paper tax statements, that their statements were available online.

Sequestration of RUIA Benefits

Under provisions of the Budget Control Act of 2011 (BCA), across-the-board cuts in Federal spending took effect March 1, 2013. While railroad retirement, survivor and disability payments are not affected by this measure, unemployment and sickness insurance benefits payable under the RUIA are impacted. Benefits payable October 1, 2019, through September 30, 2020, were reduced by 5.9 percent. The reduction was required by the sequestration order issued by the President in accordance with the BCA. For fiscal year 2021, a sequestration reduction of 5.7 percent was applied starting on October 1, 2020, through January 2, 2021. For fiscal year 2022, due to the pandemic, the sequestration order was temporarily lifted under the Continued Assistance to Railway Workers Act of 2020 for days beginning January 3, 2021, through May 9, 2023. The sequestration reduction of 5.7 percent was reinstated on May 10, 2023, and will continue through 2031, or until the law is amended again.

Strategic Management of Human Capital

The RRB continues to evaluate its workforce strategies to include accounting for succession planning efforts into its management of human capital. Nearly 30 percent of our employees have 20 or more years of service and 22 percent of the current workforce will be eligible for retirement by fiscal year 2024. The Bureau of Human Resources has shifted to a strategic approach in managing its human capital through such efforts as workforce and succession planning, alignment of the mission with employee performance to ensure efficient and effective accomplishment of RRB operations and evaluating job-fit and recruitment efforts to ensure a developed, diverse, inclusive, engaged and accountable workforce. We continue to automate and streamline antiquated and outdated personnel policies and procedures and educate, develop, and train our employees and supervisors both in technical and soft skills in alignment with the RRB's mission, values and goals. The RRB continues to strategically align our most important human resources with the RRB's mission and best human capital management practices within the Federal government.

The Workforce Organization Management section (WOMS) continues to refine recruitment efforts to ensure the RRB receives applications from a talented, diverse, and inclusive pool of applicants. Through USAJOBS, the RRB has been able to reach candidates from across the country. By maximizing workplace flexibilities and using a variety of recruitment strategies, including targeted advertising and hiring programs, such as internship and recent graduate programs, as well as other hiring authorities for the RRB's more difficult positions to fill, the RRB continues to create the opportunities to a diverse and high-quality applicant pool.

The Human Services/Labor Relations section (HS/LR) is in the process of re-negotiating the Nationwide Collective Bargaining Agreement (CBA), which was last negotiated in 1985.In addition to rewriting the CBA, the HS/LR section has taken on the task of updating a number of Human Resources policies and negotiating those policies, where appropriate, with its Union. This includes creating new policies, such as remote work, and alternative work schedules, and updating antiquated and outdated policies on Performance Management, Leave Administration, Hours of Work, etc. The revisions of both the policies and the CBA are forward thinking and afford employees a number of flexibilities, are reflective of the RRB's shifting culture, encompass the importance of employee engagement and empowerment, as well as employee accountability and define a commitment to organizational responsibility.

The Training and Development section within the Bureau of Human Resources utilizes the results from training needs assessments, workforce planning, and employee surveys to create the RRB's training strategies and develop training (whether it be virtual or in-person). The Training and Development section also utilizes available technology, low-cost training options and innovative and best practices in training and development in order to deliver varied training modalities for all agency employees, whether the training is mandatory or developmental in nature. The RRB continues to update and automate training modules available to all of our employees, from entry-level and mission critical claims and benefit training to leadership classes, to ensure a successful training environment for new employees and the successful accomplishment of our mission.

Information Security Program

Information Security Program Information security is a critical consideration for government agencies where maintaining the public's trust is essential. The RRB relies extensively on IT systems to support its mission operations and store the sensitive information that it collects. The RRB's information security program is established and maintained to reasonably protect systems data and resources against internal failures, human errors, attacks and natural catastrophes that might cause improper disclosure, modification, destruction, or denial of services.

We continue to make progress towards a compliant Information Security Program to improve the RRB's security posture, even as executive orders, binding, and emergency operational directives emerge from the Administration. The need for an increased focus on cybersecurity today cannot be overstated. The RRB has implemented and will expand its Information Security Continuous Monitoring (ISCM) Strategy as outlined in OMB Memorandum M-20-04, Fiscal Year 2019-2020 Guidance on Federal Information Security and Privacy Management Requirements. We partnered with the Department of Homeland Security (DHS) in the Continuous Diagnostic and Mitigation (CDM) program and continue to build upon our partnership with DHS-CISA by participating the CDM Dynamic and Evolving Federal Enterprise Network Defense (DEFEND) program. Our partnership with DHS will further improve our Information Security continuous monitoring compliance towards vulnerability assessment, hardware and software management, configuration management, and privileged account management.

FINANCIAL SECTION
(Unaudited)

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RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEETS
AS OF SEPTEMBER 30, 2024 AND 2023
(in thousands)

	(Unaudited) FY 2024	(Unaudited) FY 2023
ASSETS		
Intragovernmental assets:		
Fund Balance with Treasury (Note 3)	$519,491	$477,791
Investments, net (Note 4)	1,851,025	2,143,664
Accounts Receivable, net (Note 6)	6,097,102	5,960,963
Advances and Prepayments	2,993	3,743
Total Intragovernmental assets	**$8,470,611**	**$8,586,161**
Other than intragovernmental:		
Accounts Receivable, net (Note 6)	66,372	65,398
Property, Plant and Equipment, net (Note 7)	4,342	4,344
NRRIT Net Assets (Note 5)	27,586,375	24,230,255
Other Assets	4	5
Total other than intragovernmental assets	27,657,093	24,300,002
TOTAL ASSETS	**$36,127,704**	**$32,886,163**
LIABILITIES		
Intragovernmental liabilities:		
Accounts Payable	$673,771	$636,440
Debt (Note 8)	4,678,761	4,686,613
Other Liabilities (Note 9)	2,999	3,139
Total Intragovernmental liabilities	**5,355,531**	**5,326,192**
Other than intragovernmental liabilities		
Accounts Payable	8,769	4,197
Federal Employee Salary, Leave and Benefits Payable	9,945	8,702
Benefits Due and Payable	1,294,980	1,285,705
Other Liabilities (Note 9)	125,918	122,285
Total other than intragovernmental liabilities	1,439,612	1,420,889
TOTAL LIABILITIES	**$6,795,143**	**$6,747,081**
COMMITMENTS AND CONTINGENCIES (Note 10)		
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 17)	$698	$907
Unexpended Appropriations - Funds from other than Dedicated Collections	273,149	279,420
Total Unexpended Appropriations (Consolidated)	273,847	280,327
Cumulative Results of Operations - Funds from Dedicated Collections (Note 17)	29,053,109	25,853,152
Cumulative Results of Operations - Funds from other than Dedicated Collections	5,605	5,603
Total Cumulative Results of Operations (Consolidated)	29,058,714	25,858,755
TOTAL NET POSITION	**29,332,561**	**26,139,082**
TOTAL LIABILITIES AND NET POSITION	**$36,127,704**	**$32,886,163**

The accompanying notes are an integral part of the financial statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENTS OF NET COST
FOR THE YEAR ENDED SEPTEMBER 30, 2024 AND 2023
(in thousands)

	(Unaudited) FY 2024	(Unaudited) FY 2023
Gross Program Costs		
Railroad Retirement Program		
Gross costs	$14,672,060	$14,385,695
Less: earned revenue	(15,042)	(15,977)
Net program costs	14,657,018	14,369,718
Railroad Unemployment and Sickness Insurance Program		
Gross costs	97,667	101,959
Less: earned revenue	(15,077)	(15,304)
Net program costs	82,590	86,655
Costs not assigned to programs	0	0
Less: earned revenues not attributed to programs	(66)	(72)
Net cost of operations	**$14,739,542**	**$14,456,301**

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(in thousands)

(Unaudited)
FY 2024

	Funds from Dedicated Collections (Consolidated Totals) (Note 17)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$907	$279,420	$0	$280,327
Appropriations received	962,670	7,500	0	970,170
Other Adjustments	(141)	(1,610)	0	(1,751)
Appropriations used	(962,738)	(12,161)	0	(974,899)
Net Change in Unexpended Appropriations	(209)	(6,271)	0	(6,480)
Total Unexpended Appropriations	**$698**	**$273,149**	**$0**	**$273,847**
Cumulative Results from Operations:				
Beginning Balances	$25,853,152	$5,603	$0	$25,858,755
Other Adjustments	0	0	0	0
Appropriations used	962,738	12,161	0	974,899
Non-exchange revenue (Note 25)	7,129,412	(288)	0	7,129,124
Transfers in from NRRIT (Note 11)	1,180,000	0	0	1,180,000
Transfers in/out without reimbursement	5,289,543	0	0	5,289,543
Imputed financing	11,548	0	0	11,548
Change in NRRIT Assets	3,356,119	0	0	3,356,119
Capital Transfers to the General Fund	0	0	0	0
Accruals for Capital Transfers to the General Fund	0	0	0	0
Gain/(Loss) contingency	(1,732)	0	0	(1,732)
Net Cost of Operations	(14,727,671)	(11,871)	0	(14,739,542)
Net Change in Cumulative Results of Operations	**3,199,957**	**2**	**0**	**3,199,959**
Total Cumulative Results of Operations	**29,053,109**	**5,605**	**0**	**29,058,714**
Net Position	**$29,053,807**	**$278,754**	**$0**	**$29,332,561**

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENTS OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(in thousands)

(Unaudited)
FY 2023

	Funds from Dedicated Collections (Consolidated Totals) (Note 17)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$959	$379,250	$0	$380,209
Appropriations received	885,910	9,000	0	894,910
Other Adjustments	(144)	(94,691)	0	(94,835)
Appropriations used	(885,818)	(14,139)	0	(899,957)
Net Change in Unexpended Appropriations	(52)	(99,830)	0	(99,883)
Total Unexpended Appropriations	**$907**	**$279,420**	**$0**	**$280,327**
Cumulative Results from Operations:				
Beginning Balances	$23,985,986	$5,596	$0	$23,991,582
Other Adjustments	(2,213)	0	0	(2,213)
Appropriations used	885,818	14,139	0	899,957
Non-exchange revenue (Note 25)	7,622,262	84	(1)	7,622,345
Transfers in from NRRIT (Note 11)	1,415,000	0	0	1,415,000
Transfers in/out without reimbursement	4,783,057	348,272	0	5,131,329
Imputed financing	8,284	0	0	8,284
Change in NRRIT assets	1,253,128	0	0	1,253,128
Capital Transfers to the General Fund	0	(350,318)	0	(350,318)
Accruals for Capital Transfers to the General Fund	346,702	0	0	346,702
Gain/(Loss) contingency	(740)	0	0	(740)
Net Cost of Operations	(14,444,132)	(12,170)	1	(14,456,301)
Net Change in Cumulative Results of Operations	**1,867,166**	**7**	**0**	**1,867,173**
Total Cumulative Results of Operations	**25,853,152**	**5,603**	**0**	**25,858,755**
Net Position	**$25,854,059**	**$285,023**	**$0**	**$26,139,082**

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
COMBINED STATEMENTS OF BUDGETARY RESOURCES
FOR YEARS ENDED SEPTEMBER 30, 2024 AND 2023
(in thousands)

	(Unaudited) FY 2024	(Unaudited) FY 2023
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 26)	334,304	415,767
Appropriations (discretionary and mandatory)	10,592,996	10,140,492
Borrowing authority (discretionary and mandatory) (Note 19)	5,059,900	5,074,300
Spending authority from offsetting collections (discretionary and mandatory)	175,583	207,458
Total budgetary resources	**$16,162,783**	**$15,838,017**
Status of budgetary resources		
New obligations and upward adjustments (total)	$15,861,462	$15,536,572
Unobligated balance, end of year		
Apportioned, unexpired accounts	234,327	246,835
Unapportioned, unexpired accounts	2,773	1,037
Unexpired unobligated balance, end of year	237,100	247,872
Expired unobligated balance, end of year	64,221	53,573
Unobligated balance, end of year (total)	301,321	301,445
Total budgetary resources	**$16,162,783**	**$15,838,017**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	$15,645,706	$15,187,112
Distributed offsetting receipts (-)	(6,247,078)	(5,991,471)
Agency outlays, net (discretionary and mandatory)	**$9,398,628**	**$9,195,641**

The accompanying notes are an integral part of the financial statements.

Railroad Retirement Board

Statement of Social Insurance (Note 14, Note 16)

Actuarial Surplus or (Deficiency)

75-year Projection as of October 1, 2023

(Present values in billions of dollars)

	10/1/2023	10/1/2022	10/1/2021	10/1/2020	10/1/2019
Current participants who have attained retirement age:					
Contributions and earmarked taxes	$100.8	$105.1	$104.5	$94.1	$92.3
Expenditures for scheduled future benefits	149.7	157.2	157.5	144.8	142.6
Present Value of future revenue less future expenditures	(48.9)	(52.1)	(52.9)	(50.7)	(50.3)
Current participants not yet having attained retirement age:					
Contributions and earmarked taxes	100.7	105.4	93.9	95.5	92.5
Expenditures for scheduled future benefits	109.6	116.2	103.8	103.3	96.3
Present Value of future revenue less future expenditures	(8.9)	(10.7)	(9.9)	(7.8)	(3.8)
Present value of future revenue less future expenditures for current participants	(57.8)	(62.9)	(62.8)	(58.6)	(54.1)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	1.2	1.4	0.8	2.1	N/A
Net present value for current participants (closed group measure)	(56.7)	(61.5)	(62.0)	(56.5)	(54.1)
Plus: Treasury securities and assets held by the program	26.5	24.9	30.5	26.2	27.3
Closed group surplus/(unfunded obligation)	($30.1)	($36.6)	($31.5)	($30.3)	($26.9)
Future participants:					
Contributions and earmarked taxes	$75.9	$82.5	$70.2	$68.4	$55.3
Expenditures for scheduled future benefits	43.7	44.5	37.3	36.7	27.2
Present Value of future revenue less future expenditures	32.2	38.0	32.9	31.7	28.1
Present value of future revenue less future expenditures for current and future participants	(25.6)	(24.9)	(30.0)	(26.8)	(26.0)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	1.2	1.4	0.8	2.1	N/A
Net present value for current and future participants (open group measure)	(24.4)	(23.5)	(29.1)	(24.7)	(26.0)
Plus: Treasury securities and assets held by the program	26.5	24.9	30.5	26.2	27.3
Open group surplus/(unfunded obligation)	$2.1	$1.4	$1.4	$1.4	$1.3

Detail may not add to totals due to rounding.
The accompanying notes are an integral part of these financial statements.

Railroad Retirement Board

Statement of Changes in Social Insurance Amounts

Open Group Measure

For the Two-Year Period Ended September 30, 2023

(dollars in billions)

Net Present Value beginning of year 2022	$ (29.1)
Reasons for changes in the NPV during 2022:	
Changes in valuation period	(0.3)
Changes in demographic data, assumptions, and methods	(0.1)
Changes in economic data, assumptions, and methods	6.0
Changes in law or policy	NA
Changes in methodology and programmatic data	NA
Changes in Medicare healthcare and other healthcare assumptions	NA
Other changes	NA
Net change during 2022	5.6
Net Present Value end of year 2022/beginning of year 2023	$ (23.5)
Reasons for changes in the NPV during 2023:	
Changes in valuation period	(0.6)
Changes in demographic data, assumptions, and methods	0.9
Changes in economic data, assumptions, and methods	(1.2)
Changes in law or policy	NA
Changes in methodology and programmatic data	NA
Changes in Medicare healthcare and other healthcare assumptions	NA
Other changes	NA
Net change during 2023	(0.9)
Net Present Value end of year 2023	$ (24.4)

Detail may not add to totals due to rounding.

Net Present Values in the table above are present values of future revenues, adjusted for asset experience during the quarter ending 12/31, less future expenditures.

The accompanying notes are an integral part of these financial statements.
Please see note 13 for more information on each of the changes above.

Notes to the Financial Statements: Fiscal Years Ended September 30, 2024, and 2023.

1. Summary of Significant Accounting Policies (Unaudited)

A. *Basis of Presentation*

Public Law 107-289, the Accountability of Tax Dollars Act of 2002, added the RRB as an agency required to prepare audited financial statements for fiscal year 2003, and subsequent years. OMB guidance requires that Performance and Accountability Reports for fiscal year 2023 are to be submitted to the President, the Congress, and the Director of OMB by November 15, 2023. As required by law, OMB has also prescribed the form and content of financial statements under OMB Circular A-136. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with Generally Accepted Accounting Principles and standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The principal statements (prepared on a consolidated basis, except for the Statement of Budgetary Resources, which was prepared on a combined basis, and eliminating all significant inter-fund balances and transactions) are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, Social Insurance, and Changes in Social Insurance Amounts. These statements are different from the financial reports, also prepared by the RRB pursuant to OMB directives, used to monitor and control the RRB's use of budgetary resources.

The current year balance sheet net asset amount for the NRRIT is an unaudited figure that is within the acceptable materiality amount. It is used to meet the goal of November 15, 2024 release of the RRB's financial statements. The prior year balance sheet unaudited NRRIT amount was within an acceptable materiality amount, not restated and used to meet the goal of November 15, 2023 release of RRB's financial statements. The prior year balance sheet unaudited NRRIT amount was used in the computations for the SOSI.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

B. *Reporting Entity*

The railroad retirement and the railroad unemployment and sickness insurance programs are financed through the following accounts:

- Railroad Retirement Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231f(c) (1).

- Social Security Equivalent Benefit Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231n-1(c) (1).

- Dual Benefits Payments Account, 60 0111, funds the phase-out costs of certain vested dual benefits from general appropriations. Account 60 0111 is considered a general fund. Our authority to use these collections is 45 U.S.C. § 231n (d).

- Federal Payments to the Railroad Retirement Accounts, 60 0113, a two-year fund, is used as payment for interest on uncashed checks appropriated in fiscal year 2021, by P. L. 115-245, Further Consolidated Appropriations Act, 2020. Account 60 0113 is considered a fund from dedicated collections

- Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits; and funds provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Account 60X0113 is considered a fund from dedicated collections. This account has no basis in law.

- Limitation on Administration Account, 60 8237, pays salaries and expenses to administer the railroad retirement program and the railroad unemployment and sickness insurance program. This account is financed by the RR Account, the SSEB Account, and the Railroad Unemployment Insurance Trust Fund, Administrative Expenses. Account 60 8237 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231n-1(c) and 45 U.S.C. § 231n (h).

- Limitation on Administration Account, 60X8237, Public Law 107-217, Sec. 121(d)(3), authorizes Federal agencies to retain indefinitely as “no-year money” any unexpended portion of the fiscal year appropriated funds, up to the estimated cost of the operation and maintenance of the delegated properties. Funds carried over may only be expended for operation and maintenance and repair of the facility. In addition, this fund contains the Limitation on Administration funds for extended unemployment benefits provided under Public Laws 111-92, 112-96, and 112-240. Account 60X8237 is considered a fund from dedicated collections. Based on Public Law 118-5, there was a capital transfer on this Account in Fiscal Year 2023.

- Under ARPA of 2021, LOA 60X8237 received appropriations for hiring and IT from pass through account 60210121. This portion of funding for LOA 60X8237 is considered as fund other than fund from dedicated collections.

- Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 360.

- Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered a fund from dedicated collections. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 U.S.C. § 361.

- Limitation on the Office of Inspector General, 60 8018, was established to fund the administration of the Inspector General's Office. Account 60 8018 is considered a fund from dedicated collections. Our authority to use these collections is Public Law 118-47, Further Consolidated Appropriations Act of 2024.

- Under ARPA of 2021, LOA 60X8018 received appropriations for audit, investigatory and review activities from pass thru account 60210124. This portion of funding for LOA 60X8018 is considered as a fund other than a fund from dedicated collections.

- Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act, 60X0114: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009. Based on Public Law 118-5, there was a recission on this Account in Fiscal Year 2023.

- Railroad Unemployment Insurance Extended Benefit Payments, for Limitation Account – 60X0118: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009, and Public Law 112-96, Middle Class Tax Relief and Job Creation Act of 2012, and Public Law 112-240, American Taxpayer Relief Act of 2012.

- Railroad Unemployment Insurance Extended Benefit Payments – 60X0117: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009. Per Division A of the CARES Act, section 2114 amends the extended benefits that was originally created by ARRA to use of existing appropriation of $133 million. Under ARPA of 2021, additional appropriation is provided to cover the cost of additional extended unemployment benefits to remain available until expended. Based on Public Law 118-5, there was a recission on this Account in Fiscal Year 2023.

- Railroad Unemployment Insurance Waiver of 7 Day Period – 6020/210123: General fund appropriation provided by Division A of the CARES Act, section 2112.

- Railroad Unemployment Insurance Enhanced Benefit Payments – 60X0122: General fund appropriation provided by Division A of the CARES Act, section 2113.

- Payment to Limitation on Administration – 6020/210121: General fund provided by the CARES Act as a pass thru to LOA 6020/218237.

- Payment to Limitation on Administration – 6021/210121: General fund provided by the ARPA of 2021 as a pass thru to LOA 60X8237 (hiring and IT)

- Payment to Limitation on Administration – 6021/210124: General fund provided by the ARPA of 2021 as a pass thru to LOA 60X8018 for audit, investigatory and review activities.

- Limitation on Administration – 6020/218237: General fund passed thru from 6020/210121 under CARES Act

- General Fund 601099 - Transfer of Civil Monetary Penalty to the General Funds of the U.S. Government

- General Fund 603234 – Capital Transfer of Payroll Tax Shortfall to the General Fund of the U.S. Government

- National Railroad Retirement Investment Trust Account – 60X8118, is used as a pass thru or conduit for transfers from the NRRIT to the RRB for payment of railroad retirement benefits. Authority for this account is 45 U.S.C. § 231n. The NRRIT and the RRB are separate entities.

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA). The sole purpose of the NRRIT is to manage and invest railroad retirement assets. The NRRIT is a tax-exempt entity, independent from the Federal Government and not subject to Title 31, United States Code (USC). The NRRIT is domiciled in and subject to the laws of the District of Columbia. See page 29 for additional information.

C. *Budgets and Budgetary Accounting*

Budget requests are prepared and submitted by the RRB in accordance with OMB Circular A-11 and other specific guidance issued by OMB. The RRB prepares and submits to OMB Apportionment and Reapportionment Requests (SF-132) in accordance with OMB Circular A-11 for all funds appropriated by the Congress or permanently appropriated. Although OMB may apportion funds by category, time period, or object class of expense, the RRB controls and allocates all apportioned funds by three-digit object class codes of expense. For budgetary accounting, all receipts are recorded on a cash basis of accounting and obligations are recorded against the object class codes when they are incurred, regardless of when the resources acquired are to be consumed. Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. The RRB prepares and submits Reports on Budget Execution (SF-133) to OMB, reporting all obligations incurred against the amounts apportioned.

D. *Basis of Accounting*

As required by law, the Dual Benefits Payment Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred.

For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

The accompanying consolidated financial statements of the RRB include all funds maintained by the RRB, after elimination of all significant inter-fund balances and transactions.

E. *Concepts*

The Fund Balance with Treasury (FBWT) is the aggregate amount of funds on deposit with the Department of the Treasury, excluding seized cash deposited. The FBWT is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from the Bureau of the Fiscal Service, the Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. The FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by the Bureau of the Fiscal Service or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the General Fund of the Treasury; and (5) sequestration or rescission of appropriations.

F. *Funds from Dedicated Collections*

SFFAS No. 43, Funds from Dedicated Collections, amends SFFAS No. 27, Identifying and Reporting Earmarked Funds. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-Federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Funds from Dedicated Collections should be shown as a separate presentation and disclosure in the financial statements. The three required criteria for funds from dedicated collections are:

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes;

- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguish the fund from the Federal Government's general revenues.

Refer to Note 17, Funds from Dedicated Collections.

G. *Application of Critical Accounting Estimates*

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

2. Related Parties (Unaudited)

The RRB has significant transactions with the following governmental and non-governmental entities:

- Treasury collects payroll taxes from the railroads on behalf of the RRB. The taxes collected are credited by Treasury to the RRB's trust fund account via an appropriation warrant. In fiscal years 2024 and 2023, net payroll taxes transferred to the RRB by Treasury were $7.1 and $7.5 billion, respectively.

  Treasury provides payment services to Federal agencies and operates collections and deposit systems. The RRB invests in government account securities through the Bureau of the Fiscal Service. In fiscal years 2024 and 2023, investments, including accrued interest, totaled $1.9 billion and $2.1 billion, respectively. In addition, Treasury advances funds to the RRB for the financial interchange which are repaid annually. The amount paid by the RRB to Treasury in fiscal year 2024 due to the financial interchange advances during fiscal year 2023 included principal of $5.1 billion and interest of $150 million. The amount paid by the RRB to Treasury in fiscal year 2023 due to the financial interchange advances during fiscal year 2022 included principal of $4.9 billion and interest of $88 million.

- SSA and RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act. In fiscal years 2024 and 2023, the RRB trust funds realized $5.9 billion and $5.6 billion through the financial interchange, respectively.

  Under Section 7(b) (2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals, described in this section, monthly social security benefits on behalf of SSA. SSA reimburses the RRB for benefits paid on behalf of SSA. The amounts reimbursed were $2.6 billion for fiscal year 2024 and $2.4 billion for fiscal year 2023.

- CMS participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $671 million and $588 million to CMS in fiscal years 2024 and 2023, respectively.

  In addition to the financial interchange transactions, CMS reimburses the RRB for certain expenses it incurs associated with administering the Medicare program. The amounts reimbursed in fiscal years 2024 and 2023 were $13.7 million and $16.1 million, respectively. The fiscal year 2024 amount does not include the funds received for purposes of the SMAC contract which are recorded as a transfer and is described below.

  Finally, CMS funds are transferred to the RRB for the Specialty Medicare Administrative Contractor (SMAC) contract that provides specified health insurance benefit administration services.

- GSA provides payroll processing and human resources services to the RRB. In addition, the RRB entered into occupancy agreements with GSA as the lessor covering RRB Headquarters at 844 N. Rush St, Chicago, Illinois, as well as 53 field offices across the continental United States. RRB paid rent to GSA in the amount of $3.2 million for fiscal year 2024 and $2.6 million for fiscal year 2023.

- The Department of Labor invests RUIA contributions. Accounts receivable with the Department of Labor amounted to $433.9 million and $340.5 million for fiscal years 2024 and 2023, respectively.

- NRRIT transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2024 and 2023, the NRRIT transferred $1,180 million and $1,415 million, respectively, to the RR Account. The NRRIT holds and invests funds not immediately needed to pay benefits under the RRA. The net assets of the NRRIT are reported on the RRB's balance sheet as a non-governmental investment. The RRB reports this information based on information provided by the NRRIT for that purpose.

3. Fund Balances with Treasury (Unaudited)

Fund balances with Treasury as of September 30 consisted of:

(in thousands)	2024	2023
1. Status of Fund Balance with Treasury		
(1) Unobligated Balance		
(a) Available	$234,327	$246,835
(b) Unavailable	2,773	1,037
(2) Obligated Balance not yet Disbursed	282,391	229,919
(3) Non-Budgetary FBWT	0	0
Total	**$519,491**	**$477,791**
2. Other Information: The above represents cash held in Treasury. Unobligated and obligated funds not held in cash are invested in Treasury securities.		

4. Investments (Unaudited)

The investments in Treasury securities represent the investments of two of the RRB's funds from dedicated collections, the RR and the SSEB Accounts.

	Amounts for Balance Sheet Reporting (in thousands)		
	Cost	**Interest Receivable**	**Investments Net**
Intragovernmental Securities:			
Non-Marketable Par Value 2024	$1,847,404	$3,621	$1,851,025
Non-Marketable Par Value 2023	$2,139,709	$3,955	$2,143,664

The balance on September 30, 2024, consisted of investments in 3.750 percent par value specials (with market value equal to face value) maturing on October 1, 2024. The balance on September 30, 2023, consisted of investments in 4.250 percent par value specials (with market value equal to face value) maturing on October 2, 2023. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with the RR and SSEB Accounts. The cash receipts from the railroads for the RR and SSEB Accounts are deposited in the Treasury, which uses the cash for general government purposes. Treasury securities are issued to the RRB as evidence of its receipts. Treasury securities are an asset to the RRB and a liability to the Treasury. Because the RRB and the Treasury are both parts of the Federal Government, these assets and liabilities offset each other from the standpoint of the government, as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements.

Treasury securities provide the RRB with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the RRB requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Federal Government finances all other expenditures.

5. NRRIT Net Assets (Unaudited)

The balance sheet amounts represent the net asset value of NRRIT assets, at fair value, as of September 30, 2024 and 2023. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2024 and 2023.

Readers of these financial statements should be aware that the Railroad Retirement and Survivors' Improvement Act of 2001 authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.

6. Accounts Receivable (Unaudited)

- *Intragovernmental*

Accounts receivable - Intragovernmental as of September 30 consisted of:

(in thousands)	2024	2023
Financial Interchange – Principal	$5,599,800	$5,525,300
Financial Interchange – Interest	62,200	95,200
Department of Labor	433,881	340,463
Centers for Medicare and Medicaid Services	1,221	0
Total	**$6,097,102**	**$5,960,963**

- *Accounts Receivable, Net*

Accounts receivable, net as of September 30 consisted of:

(in thousands)	2024	2023
Accounts receivable – Benefit overpayments	$73,778	$64,759
Accounts receivable – Past due RUI contributions and taxes	1,176	558
Accounts receivable – Interest, penalty & administrative costs	1,735	9,365
Accounts receivable - Criminal Restitution	7,113	8,391
Sub-Total	**$83,802**	**$83,073**
Accounts receivable - Criminal Restitution - Long Island Railroad	2,262	2,262
Total Gross Receivables	**$86,064**	**$85,335**
Less: Allowances for doubtful accounts	17,408	17,339
Less: Allowances for doubtful accounts-Criminal Restitution	1,718	2,033
Less: Allowances for doubtful accounts-Criminal Restitution - Long Island Railroad	566	565
Total Net Receivables	**$66,372**	**$65,398**

The allowance for doubtful accounts for the railroad retirement program excluding the criminal restitution receivables was calculated by averaging the percentages determined from the past five fiscal years of amounts due the RRB that would probably not be collected and applying those percentages against accounts receivable.

The allowance for doubtful accounts for the criminal restitution and criminal restitution-Long Island Railroad related to benefit overpayments for fiscal year 2024 and 2023 is estimated using the percentages calculated for the railroad retirement programs rounded to the nearest whole number.

7. Property, Plant, and Equipment, Net (Unaudited)

Property, Plant, and Equipment, Net are stated at cost less accumulated depreciation/amortization. Beginning with fiscal year 2014, acquisitions are capitalized if the cost is $50,000 or more and the service life is 2 years or greater. Depreciation/amortization is computed on the straight-line method. These assets consisted of:

(in thousands)	As of September 30, 2024			
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities, and leasehold improvements	15 years	$2,724	$2,724	$0
IT software	5 years	28,854	28,854	0
Equipment	5-10 years	7,043	7,043	0
Internal-Use Software in Development		4,342	0	4,342
Total		**$42,963**	**$38,621**	**$4,342**

(in thousands)	As of September 30, 2023			
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities, and leasehold improvements	15 years	$2,724	$2,724	$0
IT software	5 years	28,854	28,853	1
Equipment	5-10 years	7,043	7,042	1
Internal-Use Software in Development		4,342	0	4,342
Total		**$42,963**	**$38,619**	**$4,344**

The table below discloses activity for General Property, Plant, and Equipment, Net as of September 30, 2024 and 2023, respectively:

(in thousands)	**FY 2024**	**FY 2023**
Property, Plant, and Equipment, Net - Beginning Balances	**$4,344**	**$2,842**
Capitalized Acquisitions	0	1,692
Depreciation Expense	(2)	(190)
Property, Plant, and Equipment, Net - Ending Balances	**$4,342**	**$4,344**

8. Liabilities (Unaudited)

Liabilities as of September 30 consisted of:

- *Total Liabilities Not Covered by Budgetary Resources*

(in thousands)	**2024**	**2023**
A. Intragovernmental Liabilities		
(1) Other Liabilities	$274	$243
B. Other than Intragovernmental Liabilities:		
(1) Accounts Payable	556	556
(2) Federal employee and veteran benefits payable	8,192	7,796
Total Other than Intragovernmental Liabilities	**$8,748**	**$8,352**
Total Liabilities Not Covered by Budgetary Resources	**$9,022**	**$8,595**
Total Liabilities Covered by Budgetary Resources	6,778,124	6,731,485
Total Liabilities Not Requiring Budgetary Resources	7,997	7,001
Total Liabilities	**$6,795,143**	**$6,747,081**

- *Federal Debt and Interest Payable*

Intragovernmental debt results from borrowing from Treasury to fund benefit payments from the SSEB Account.

(in thousands)	**2024**	**2023**
Beginning Balance, Principal	$4,626,800	$4,417,400
New Borrowing	5,062,600	5,074,300
Repayments	(5,084,700)	(4,864,900)
Ending Balance, Principal	**$4,604,700**	**$4,626,800**
Accrued Interest	74,061	59,813
Total	**$4,678,761**	**$4,686,613**

- *Benefits Due and Payable*

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts (in thousands) include uncashed checks of $20,144 and $18,783 as of September 30, 2024 and 2023, respectively. Under Public Law 100-86, the amount of RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists, or another check is issued to the beneficiary.

A special workload of approximately 10,545 benefit cases, estimated at $5.2 million, has been identified and will be processed over the next few years.

9. Other Liabilities (Unaudited)

Other liabilities as of September 30, 2024, and September 30, 2023, consisted of:

(in thousands)	Non-Current	Current	2024 Total
Intragovernmental Liabilities			
Employer Contributions & Payroll Taxes Payable	$0	$1,550	$1,550
Unfunded FECA Liabilities	0	274	274
Other	0	1,175	1,175
Custodial Liabilities	0	0	0
Total Intragovernmental Liabilities	**$0**	**$2,999**	**$2,999**
Other than Intragovernmental Liabilities			
Other Liabilities With Related Budgetary Obligations	0	0	0
Accrued Payroll	0	0	0
Withholdings Payable	0	0	0
Contingent Liabilities (see Note 10 for details)	$90,979	0	90,979
Other	0	34,939	34,939
Total Other than Intragovernmental Liabilities	**$90,979**	**$34,939**	**$125,918**
Total Other Liabilities	**$90,979**	**$37,938**	**$128,917**

(in thousands)	Non-Current	Current	2023 Total
Intragovernmental Liabilities			
Employer Contributions & Payroll Taxes Payable	0	$1,596	$1,596
Unfunded FECA Liabilities	0	243	243
Other	0	0	0
Custodial Liabilities	0	1,300	1,300
Total Intragovernmental Liabilities	**$0**	**$3,139**	**$3,139**
Other than Intragovernmental Liabilities			
Other Liabilities with Related Budgetary Obligations	0	0	0
Accrued Payroll	0	$62	$62
Withholdings Payable	0	0	0
Contingent Liabilities (see Note 10 for details)	$89,254	0	89,254
Other	0	32,969	32,969
Total Other than Intragovernmental Liabilities	**$89,254**	**$33,031**	**$122,285**
Total Other Liabilities	**$89,254**	**$36,170**	**$125,424**

10. Commitments and Contingencies (Unaudited)

The RRB is involved in the following actions:

Legal Contingencies:

- Several Class I railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the $24.8 million in claims, the RRB's legal counsel has determined that it is probable that the RR and SSEB Accounts are contingently liable for $24.8 million. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims. No provision has been made in the accompanying financial statements regarding the reasonably possible claims other than this disclosure. Details may not add to totals due to rounding.

Other Contingencies: We also recorded a contingent liability in the amount of $66.2 million, for forthcoming adjustments to the financial interchange for military service credits due SSA.

Commitments: As of September 30, 2024, the RRB had contractual arrangements which may result in future financial obligations of $144.4 million.

Contingent Loss Table (in thousands)

		Estimated Range of Loss	
FY 2024	**Accrued Liabilities**	**Lower End**	**Upper End**
Legal Contingencies:			
Probable	$24.800	$24,800	$24,800
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$66,200	$66,200	$66,200
Reasonably Possible	$0	$0	$0

		Estimated Range of Loss	
FY 2023	**Accrued Liabilities**	**Lower End**	**Upper End**
Legal Contingencies:			
Probable	$23,300	$23,300	$23,300
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$66,000	$66,000	$66,000
Reasonably Possible	$0	$0	$0

11. Transfers To/From NRRIT (Unaudited)

The RRB received a total of $1,180 million and $1,415 million from the NRRIT during fiscal years 2024 and 2023, respectively. These funds were received into the Railroad Retirement Account. Transfers were to fund the payment of benefits.

12. Undelivered Orders at the End of the Period (Unaudited)

(in thousands)	2024	2023
Federal Undelivered Orders	$0	$0
Non-Federal Undelivered Orders	45,153	66,893
Total Federal/Non-Federal Undelivered Orders	**$45,153**	**$66,893**
Paid Undelivered Orders	$0	$0
Unpaid Undelivered Orders	45,153	66,893
Total Paid/Unpaid Undelivered Orders	**$45,153**	**$66,893**
Total Undelivered Orders	**$45,153**	**$66,893**

13. Explanation of Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government (Unaudited)

A reconciliation was completed of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays, as presented in the Statement of Budgetary Resources for the year ended September 30, 2023, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2024, since the RRB's Performance and Accountability Report is published in November 2024, and OMB's MAX system will not have actual budget data available until after the RRB's P&AR is published. Budget with the actual amounts for the current year FY2024 will be available at a later date at https://www.whitehouse.gov/omb/budget

The Budget of the United States Government and the RRB's Statement of Budgetary Resources differ because of the following transaction types:

	Fiscal Year 2023 (in millions)	Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
1.	Combined Statement of Budgetary Resources – September 30, 2023	$15,838	$15,537	$5,991	$9,196
2.	Expenditure Transfers from Trust Funds	(142)	0	0	0
3.	Unobligated Balance, Brought Forward October 1, 2022 as adjusted	(407)	0	0	0
4.	Recoveries of Prior Year Unpaid Obligations	(4)	(8)	0	0
5.	Sickness Insurance Benefit Recoveries	(15)	0	0	0
6.	Administrative Expense Reimbursement	(44)	0	0	0
7.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113),	(886)	0	0	0
8.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(5,576)	0	0	0
9.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(68)	0	0	0
	FINANCIAL INTERCHANGE				
10.	Accrued Receipts from the OASI and DI Trust Funds	0	0	(156)	156
11.	Accrued Transfers to the Federal Hospital Insurance Trust Fund	0	0	687	(687)
	NRRIT				
12.	NRRIT Obligations / Outlays	1,473	1,473	0	1,473
13.	Intrafund Transfers: NRRIT Transfer to RRA	(1,415)	0	1,415	(1,415)
14.	Proprietary Receipts: NRRIT – Gains and Losses	(2,392)	0	2,392	(2,392)
15.	Proprietary Receipts: NRRIT – Interest and Dividends	(339)	0	339	(339)
16.	Rounding	(4)	0	0	(1)
17.	**Budget of the United States Government FY 2023 Actuals**	**$6,019**	**$17,002**	**$10,668**	**$5,991**

14. Social Insurance (Unaudited)

- Surplus/(unfunded obligation) represents combined values for the RR Account, SSEB Account, and NRRIT.

- Estimated future revenue includes tier I taxes, tier II taxes, income taxes on benefits, and financial interchange income, where financial interchange income consists of financial interchange transfers plus financial interchange advances from general revenues less repayment of financial interchange advances from general revenues. Beginning in fiscal year 2020, future revenue includes an adjustment for asset experience gain / (loss) as reflected in the projections that is different than the expected long-term investment return.

- Estimated future expenditures include benefit and administrative costs.

- Detail may not add to totals due to rounding. Employee and beneficiary status are determined as of 1/1/2023, whereas present values are as of 10/1/2023.

- Due to the use of the Account Benefits Ratios to determine and automatically adjust tier II tax rates, higher Treasury security and assets balances result in lower tax rates and consequently lower future tax income, with the outcome being a lower present value of expected future revenue, whereas lower Treasury security and assets balances result in higher tax rates and income, which increases the present value of future revenue.

- Statement of Changes in Social Insurance Amounts:

    - Changes in valuation period:

        - ***Between 10/1/2021 and 10/1/2022:*** Changes in the valuation period from fiscal years 2022-2096 to fiscal years 2023-2097 resulted in a change of about $(0.3) billion in the open group measure between 10/1/2021 and 10/1/2022.

        - ***Between 10/1/2022 and 10/1/2023:*** Changes in the valuation period from fiscal years 2023-2097 to fiscal years 2024-2098 resulted in a change of about $(0.6) billion in the open group measure between 10/1/2022 and 10/1/2023.

    - Changes in demographic data, assumptions, and methods:

        - ***Between 10/1/2021 and 10/1/2022:*** Demographic assumptions were not changed between the Statement of Social Insurance as of 10/1/2021 and the Statement of Social Insurance as of 10/1/2022, with the exception of an update to the mortality loads. There were updates to projected levels of railroad employment and demographic data. Changes in demographic data, assumptions, and methods resulted in a change of about $(0.1) in the open group measure between 10/1/2021 and 10/1/2022.

        - ***Between 10/1/2022 and 10/1/2023:*** Demographic assumptions were changed between the Statement of Social Insurance as of 10/1/2022 and the Statement of Social Insurance as of 10/1/2023 to reflect recent experience and expectations for the future. There were also changes to projected levels of railroad employment and updates to demographic data. Changes in demographic data, assumptions, and methods resulted in a change of about $0.9 in the open group measure between 10/1/2022 and 10/1/2023.

    - Changes in economic data, assumptions, and methods:

        - ***Between 10/1/2021 and 10/1/2022:*** Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 10/1/2021 and the Statement of Social Insurance as of 10/1/2022, but there were changes in near-term economic assumptions. The actual COLA of 8.7% was used for 2023 in place of the 7.8% COLA assumed in the prior year's report. A COLA of 3.3% was assumed for 2024 instead of the 5.2% COLA assumed in the prior year's report. A COLA of 2.9% was assumed for 2025 instead of the ultimate COLA of 2.4% assumed in the prior year's report. A 6.1% wage increase was used for 2022 instead of the ultimate 3.4% wage increase assumption used in the prior year's report. Wage increase assumptions of 10.0% and 2.0% were used for 2023 and 2024, respectively, instead of the ultimate 3.4% assumption used in the prior year's report. Actual investment return was (10.8%) for 2022 and 5.4% for quarter ended 12/31/2022 instead of an annual 6.5% assumed last year. The 6.5% long-term investment assumption was used for all other years of the projection period. Changes in economic data, assumptions, and methods resulted in a change of about $6.0 billion in the open group measure from 10/1/2021 to 10/1/2022.

  - ***Between 10/1/2022 and 10/1/2023:*** Ultimate economic assumptions were changed between the Statement of Social Insurance as of 10/1/2022 and the Statement of Social Insurance as of 10/1/2023. The ultimate COLA was changed from 2.4% to 2.5%, the wage increase assumption was changed from 3.4% to 3.5%, and the long-term investment return assumption was changed from 6.5% to 7.0%. There were changes in near-term economic assumptions, as well. The actual COLA of 3.2% was used for 2024 in place of the 3.3% COLA assumed in the prior year's report. A COLA of 3.0% was assumed for 2025 instead of the 2.9% COLA assumed in the prior year's report. A COLA of 2.8% was assumed for 2026 instead of the ultimate COLA of 2.4% assumed in the prior year's report. A wage increase of 11.4% was used for 2023 instead of the 10.0% wage increase assumption used in the prior year's report. A wage increase assumption of 1.5% was used for 2024, instead of the 2.0% wage increase assumption used in the prior year's report. Actual investment return was 12.8% for 2023 and 6.8% for quarter ended 12/31/2023 instead of an annual 6.5% assumed last year. The 7.0% long-term investment return assumption was used for all other years of the projection period. Changes in economic data, assumptions, and methods resulted in a change of about ($1.2) billion in the open group measure from 10/1/2022 to 10/1/2023.

- There were no changes in law or policy.

- Changes in methodology and programmatic data:

  - ***Between 10/1/2021 and 10/1/2022:*** There were no changes in methodology and programmatic data.

  - ***Between 10/1/2022 and 10/1/2023:*** There were no changes in methodology and programmatic data.

- Medicare healthcare and other healthcare assumptions are not applicable to the railroad retirement program.

15. Sustainability Financial Statements Disclosure (Unaudited)

The sustainability financial statements are based on management's assumptions. These sustainability financial statements show the actuarial present value of the RRB's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The Statements of Social Insurance and Changes in Social

Insurance Amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The statements of long-term fiscal projections are based on the continuation of current policy. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable for the projection period under all circumstances.

In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes (in other words, benefit changes or payroll tax changes) to avoid trust fund exhaustion or unsustainable debt levels. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. The financial statements include Required Supplementary Information to assist in understanding the effect of changes in assumptions to the related information.

The Statement of Social Insurance as of 10/1/2023 includes an adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1/2023-12/31/2023. This explicit adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1-12/31 was included in the Statement of Social Insurance effective 10/1/2020. In prior years, the actual rate of return for the period 10/1-12/31 was used to discount projected income and expenditures rather than the long-term investment return assumption. The actual rate of return for this period is a significant fact that is reflected in the 75-year projection of income for the Statement of Social Insurance.

Because of the way the RUIA rating system is structured, there is no long-term financial impact on the Trust funds due to loans from the RR account to the RUI account. There are currently no outstanding loans from the RR account to the RUI account.

16. Significant Assumptions (Unaudited)

The estimated future revenue and expenditures in the SOSI and Required Supplementary Information are based on the assumption that the program will continue as presently constructed. The calculations assume that all future transfers required by current law under the financial interchange will be made.

The estimated future revenue and expenditures are also based on various economic, employment, and other actuarial assumptions. The ultimate economic assumptions are a 7.0 percent investment return, a 2.5 percent annual increase in the cost of living, and a 3.5 percent annual wage increase. These assumptions are adjusted in the near term for actual experience and expectations, as described in the 29th Actuarial Valuation.

The employment assumption for the SOSI is employment assumption II, the intermediate employment assumption, as used in the 29th Actuarial Valuation. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 46,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a reducing annual rate starting at 1.4 percent for 40 years and remain level thereafter.

During 2023, average employment increased from 194,000 to 200,000 in the latter part of the year and reached 201,000 in the beginning of 2024. Projected employment levels were updated to reflect the actual average employment in 2023, which was 198,200 (subject to later adjustment). Average passenger employment was estimated to be about 46,000, as stated above.

We added a 1.4 percent increase in non-passenger employment across all scenarios between 2023 and 2024. This upward adjustment brings the projected 2024 employment under assumption I (optimistic) up to the actual preliminary employment estimate for the first quarter of 2024 and maintains projected 2024 employment under assumption II (intermediate) at 198,200, which equals the initial 2023 average employment.

The 29th Actuarial Valuation is as of December 31. These results are rolled back to Fiscal Year End September 30 reflecting expected cash flows and expected long-term investment return. The disclosure includes an explicit adjustment for asset experience reflected in the valuation that is different from expected experience.

Actuarial assumptions and methods are those published in the Technical Supplement to the "Twenty-Ninth Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2022." This report may be found on the RRB's website, www.rrb.gov.

Actuarial assumptions published in the Twenty-Ninth Actuarial Valuation include:

Table S-1.	2021 RRB Annuitants Mortality Table
Table S-2.	2021 RRB Disabled Mortality Table for Annuitants with Disability Freeze
Table S-3.	2021 RRB Disabled Mortality Table for Annuitants without Disability Freeze
Table S-4.	2018 RRB Active Service Mortality Table
Table S-5.	2021 Base Year RRB Spouse Total Termination Table
Table S-6.	Probability of a retired employee having a spouse eligible for railroad retirement benefits
Table S-7.	2021 RRB Mortality Table for Widows
Table S-8.	2021 RRB Remarriage Table
Table S-9.	2021 RRB Total Termination Table for Disabled Children
Table S-10.	2021 RRB Mortality Improvement Scale
Table S-11.	Calendar year rates of immediate age retirement
Table S-12.	Rates of immediate disability retirement and of eligibility for disability freeze
Table S-13.	Calendar year rates of final withdrawal
Table S-14.	Service months and salary scales
Table S-15.	Family characteristics of railroad employees assumed for the valuation of survivor benefits

17. Funds from Dedicated Collections (Unaudited)

Treasury securities reflect a government commitment to the program and allow the program to continue to provide benefits required by law. When the benefits are paid, the way the Government finances the benefits is similar to the way it finances other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). Funds from dedicated collections are discussed in additional detail in Note 1.B to the financial statements.

Note 17 Funds from Dedicated Collections* (in thousands)

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections	Eliminations between Dedicated	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2024										
Intragovernmental assets										
Fund Balance with Treasury	63,918	82,315	14,425	857	71,230	3,265	10,337	246,347	0	246,347
Investments, net	1,089,696	761,329	0	0	0	0	0	1,851,025	0	1,851,025
Accounts receivable, net	5,662,000	0	427,338	0	1,221	6,543	7	6,097,109	(7)	6,097,102
Advances and Prepayments	0	0	0	0	431	0	2,562	2,993	0	2,993
Total intragovernmental assets	**6,815,614**	**843,644**	**441,763**	**857**	**72,882**	**9,808**	**12,906**	**8,197,474**	**(7)**	**8,197,467**
Other than intragovernmental assets										
Accounts receivable, net	0	47,084	12,650	0	40	0	0	59,774	0	59,774
Property, plant, and equipment, net	0	0	0	0	4,342	0	0	4,342	0	4,342
NRRIT Net Assets	0	27,586,375	0	0	0	0	0	27,586,375	0	27,586,375
Other assets	0	0	0	0	3	0	0	3	0	3
Total other than intragovernmental	**0**	27,633,459	12,650	0	4,385	0	0	27,650,494	0	27,650,494
Total assets	**6,815,614**	**28,477,103**	**454,413**	**857**	**77,267**	**9,808**	**12,906**	**35,847,968**	**(7)**	**35,847,961**
Intragovernmental Liabilities										
Accounts Payable	667,415	920	0	0	5,647	(228)	24	673,778	7	673,771
Debt	4,678,761	0	0	0	0	0	0	4,678,761	0	4,678,761
Other liabilities	0	0	0	0	2,990	0	10	3,000	0	3,000
Total Intragovernmental liabilities	**5,346,176**	**920**	**0**	**0**	**8,637**	**(228)**	**34**	**5,355,539**	**7**	**5,355,532**
Other than Intragovernmental Liabilities										
Accounts Payable	0	0	0	0	8,397	0	144	8,541	0	8,541
Federal employee salary, leave & benefits payable	0	0	0	0	9,169	0	776	9,945	0	9,945
Benefits Due and Payable	717,706	556,674	19,838	0	0	0	0	1,294,218	0	1,294,218
Other liabilities	66,200	59,763	0	0	(45)	0	0	125,918	0	125,918
Total other than intragovernmental	783,906	616,437	19,838	0	17,521	0	920	1,438,622	0	1,438,622
Total liabilities	**6,130,082**	**617,357**	**19,838**	**0**	**26,158**	**(228)**	**954**	**6,794,161**	**7**	**6,794,154**
Unexpended Appropriations	0	0	0	857	(159)	0	0	698	0	698
Cumulative Results of Operations	685,532	27,859,746	434,575	0	51,267	10,036	11,953	29,053,109	0	29,053,109
Total Liabilities and Net Position	**6,815,614**	**28,477,103**	**454,413**	**857**	**77,266**	**9,808**	**12,907**	**35,847,968**	**7**	**35,847,961**
Statement of Net Cost for the Year Ended September 30, 2024										
Gross Program Costs	8,707,983	5,773,523	72,402	2	190,397	0	13,970	14,758,277	(427)	14,757,850
Less: Earned Revenues	0	(3)	(15,072)	0	(13,247)	0	(2,217)	(30,539)	425	(30,114)
Net Program Costs	**8,707,983**	**5,773,520**	**57,330**	**2**	**177,150**	**0**	**11,753**	**14,727,738**	**(2)**	**14,727,736**
Costs not attributable to Program Costs	0	0	0	0	0	0	0	0	0	0
Less: Earned revenues not attributable to Program Costs	0	0	0	0	(65)	0	0	(65)	0	(65)
Net Cost of Operations	**8,707,983**	**5,773,520**	**57,330**	**2**	**177,085**	**0**	**11,753**	**14,727,673**	**(2)**	**14,727,671**
Statement of Changes in Net Position for the Year Ended September 30, 2024										
Unexpended Appropriations										
Beginning Balance	0	0	0	850	57	0	0	907	0	907
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	0	0	0	850	57	0	0	907	0	907
Appropriations received	0	0	0	962,670	0	0	0	962,670	0	962,670
Other Adjustments	0	0	0	(141)	0	0	0	(141)	0	(141)
Apropriations used	0	0	0	(962,522)	(216)	0	0	(962,738)	0	(962,738)
Total unexpended appropriations	**0**	**0**	**0**	**857**	**(159)**	**0**	**0**	**698**	**0**	**698**
Cumulative Results of Operations										
Beginning Balance	605,000	24,809,138	347,250	0	71,796	9,065	10,903	25,853,152	0	25,853,152
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	**605,000**	**24,809,138**	**347,250**	**0**	**71,796**	**9,065**	**10,903**	**25,853,152**	**0**	**25,853,152**
Other Adjustment	0	0	0	0	0	0	0	0	0	0
Appropriations Used	0	0	0	962,522	216	0	0	962,738	0	962,738
Other than intragovernemtal non-exchange revenue	0	(3,886)	125,503	0	0	30,126	0	151,743	0	151,743
Miscellaneous taxes and receipts	0						0	0		0
Total other than intragovernmental non-exchange revenue	0	(3,886)	125,503	0	0	30,126	0	151,743	0	151,743
Intragovernmental non-exchange revenue	3,256,728	3,708,969	11,765	0	2	207	0	6,977,671	(2)	6,977,669
Transfers In From NRRIT	0	1,180,000	0	0	0	0	0	1,180,000	0	1,180,000
Change in NRRIT Assets	0	3,356,119	0	0	0	0	0	3,356,119	0	3,356,119
Transfers-in/out without reimbursement	5,531,987	584,452	7,393	(962,520)	145,615	(29,363)	11,979	5,289,543	0	5,289,543
Imputed financing	0	0	0	0	10,725	0	823	11,548	0	11,548
Gain/(Loss) contingency	(200)	(1,525)	(7)	0	0	0	0	(1,732)	0	(1,732)
Net Cost of Operations	(8,707,983)	(5,773,520)	(57,330)	(2)	(177,085)	0	(11,753)	(14,727,673)	(2)	(14,727,671)
Net Change in Cumulative Results of Operations	80,532	3,050,609	87,324	0	(20,527)	970	1,049	3,199,957	0	3,199,957
Total Cumulative Results of Operations	685,532	27,859,747	434,574	0	51,269	10,035	11,952	29,053,109	0	29,053,109
Net position, end of period	**685,532**	**27,859,747**	**434,574**	**857**	**51,110**	**10,035**	**11,952**	**29,053,807**	**0**	**29,053,807**

* rounding difference; not included eliminations between funds from dedicated collections and other than funds from dedicated collections

Note 17 Funds from Dedicated Collections*

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections	Eliminations between Dedicated	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2023										
Intragovermental										
Fund Balance with Treasury	32,051	47,157	19,091	849	84,609	3,292	8,989	196,038	0	196,038
Investments, net	1,045,101	1,098,563	0	0	0	0	0	2,143,664	0	2,143,664
Accounts receivable, net	5,620,500	0	334,917	0	0	5,545	7	5,960,969	(7)	5,960,962
Advances and Prepayments	0	0	0	0	364	0	3,377	3,741	0	3,741
Total intragovernmental assets	**6,697,652**	**1,145,720**	**354,008**	**849**	**84,973**	**8,837**	**12,373**	**8,304,412**	**(7)**	**8,304,405**
Other than intragovernmental										
Accounts receivable, net	0	49,962	11,093	0	35	0	0	61,090	0	61,090
General property, plant, and equipment, net	0	0	0	0	4,345	0	0	4,345	0	4,345
NRRIT Net Invested Assets	0	24,230,255	0	0	0	0	0	24,230,255	0	24,230,255
Other assets	0	0	0	0	5	0	0	5	0	5
Total other than intragovernmental	**0**	24,280,217	11,093	0	4,385	0	0	24,295,695	0	24,295,695
Total assets	**6,697,652**	**25,425,937**	**365,101**	**849**	**89,357**	**8,837**	**12,373**	**32,600,106**	**(7)**	**32,600,100**
Intragovernmental										
Accounts Payable	632,815	920	0	0	2,940	(228)	0	636,447	7	636,440
Debt	4,686,613	0	0	0	0	0	0	4,686,613	0	4,686,613
Other liabilities	0	32,969	0	0	2,446	0	51	35,466	0	35,466
Total Intragovernmental liabilities	**5,319,427**	**33,889**	**0**	**0**	**5,385**	**(228)**	**51**	**5,358,526**	**7**	**5,358,519**
Accounts Payable	0	0	0	0	3,432	0	699	4,131	0	4,131
Federal employee benefits payable	0	0	0	0	7,185	0	611	7,796	0	7,796
Benefits Due and Payable	707,223	559,657	17,851	0	0	0	0	1,284,731	0	1,284,731
Other liabilities	66,000	23,254	0	0	1,501	0	109	90,864	0	90,864
Total other than intragovernmental	773,223	582,911	17,851	0	12,119	0	1,419	1,387,523	0	1,387,523
Total liabilities	**6,092,651**	**616,800**	**17,851**	**0**	**17,505**	**(228)**	**1,470**	**6,746,049**	**7**	**6,746,043**
Unexpended Appropriations	0	0	0	849	57	0	0	906	0	906
Cumulative Results of Operations	605,001	24,809,137	347,250	0	71,796	9,065	10,903	25,853,152	0	25,853,152
Total Liabilities and Net Position	**6,697,652**	**25,425,937**	**365,101**	**849**	**89,357**	**8,837**	**12,373**	**32,600,106**	**7**	**32,600,100**
Statement of Net Cost for the Year Ended September 30, 2023										
Gross Program Costs	8,456,087	5,764,451	77,330	12	164,709	0	13,329	14,475,918	(436)	14,475,482
Less Earned Revenues	0	3	15,303	0	14,811	0	1,588	31,705	425	32,130
Net Program Costs	**8,456,087**	**5,764,448**	**62,026**	**12**	**149,898**	**0**	**11,740**	**14,444,213**	**(11)**	**14,444,202**
Costs Not Attributable to Program Costs	0	0	0	0	0	0	0	0	0	0
Less Earned Revenues Not	0	0	0	0	0	0	0	0	0	0
Attributable to Program Costs	0	0	0	0	69	0	0	69	0	69
Net Cost of Operations	**8,456,087**	**5,764,448**	**62,026**	**12**	**149,829**	**0**	**11,740**	**14,444,144**	**(11)**	**14,444,132**
Statement of Changes in Net Position for the Year Ended September 30, 2023										
Unexpended Appropriations										
Beginning Balance	0	0	0	902	57	0	0	959	0	959
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	0	0	0	902	57	0	0	959	0	959
Appropriations received	0	0	0	885,910	0	0	0	885,910	0	885,910
Other Adjustments	0	0	0	(144)	0	0	0	(144)	0	(144)
Apropriations used	0	0	0	(885,818)	0	0	0	(885,818)	0	(885,818)
Total unexpended appropriations	**0**	**0**	**0**	**849**	**57**	**0**	**0**	**907**	**0**	**907**
Cumulative Results of Operations										
Beginning Balance	544,779	23,267,930	95,214	0	62,481	6,485	9,098	23,985,987	0	23,985,987
Corrections of errors (+/-)	0	0	0	0	0	0	0	0	0	0
Beginning Balance, as Adjusted	**544,779**	**23,267,930**	**95,214**	**0**	**62,481**	**6,485**	**9,098**	**23,985,987**	**0**	**23,985,987**
Other Adjustment	0	0	0	0	(2,213)	0	0	(2,213)	0	(2,213)
Appropriations Used	0	0	0	885,818	0	0	0	885,818	0	885,818
Non-federal non-exchange revenue	3,436	4,041	303,509	0	0	27,780	0	338,764	0	338,764
Total non-federal non-exchange revenue	3,436	4,041	303,509	885,818	0	27,780	0	1,224,583	0	1,224,583
Intragovernmental non-exchange revenue	3,538,130	3,740,325	4,945	0	0	109	0	7,283,508	(11)	7,283,497
Transfers In From NRRIT	0	1,415,000	0	0	0	0	0	1,415,000	0	1,415,000
Change in NRRIT Assets	0	1,253,128	0	0	0	0	0	1,253,128	0	1,253,128
Transfers-in/out without reimbursement	4,628,240	893,703	5,608	(885,806)	153,663	(25,308)	12,955	4,783,057	0	4,783,057
Imputed financing	0	0	0	0	7,694	0	590	8,284	0	8,284
Accruals for Capital Transfer to the General Fund	346,702	0	0	0	0	0	0	346,702	0	346,702
Gain/(Loss) contingency	(200)	(540)	0	0	0	0	0	(740)	0	(740)
Net Cost of Operations	(8,456,087)	(5,764,448)	(62,026)	(12)	(149,829)	0	(11,740)	(14,444,144)	(11)	(14,444,132)
Net Change in Cumulative Results of Operations	60,221	1,541,208	252,036	(0)	11,528	2,580	1,805	1,867,166	0	1,867,166
Total Cumulative Results of Operations	605,000	24,809,138	347,250	(0)	71,796	9,065	10,903	25,853,153	0	25,853,153
Net position, end of period	**605,000**	**24,809,138**	**347,250**	**849**	**71,853**	**9,065**	**10,903**	**25,854,059**	**0**	**25,854,059**

* rounding difference; not included eliminations between funds from dedicated collections and other than funds from dedicated collections

18. Terms of Borrowing Authority Used (Unaudited)

The RRB, Social Security Administration, and Centers for Medicare and Medicaid Services are parties to a financing arrangement described as the “financial interchange”.

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Old-Age, Survivors, and Disability Insurance and Hospital Insurance trust funds in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts.

Financial interchange transfers are made in a lump sum for a whole fiscal year in the June following the close of a fiscal year. The Railroad Retirement Solvency Act of 1983, as amended, provided for monthly advances of the financial interchange from the U.S. Treasury general fund to be repaid when the financial interchange is settled each June. Each advance/loan is equal to an estimate of the transfer the RRB would have received in the preceding month if the financial interchange with social security were on an up-to-date basis, with interest adjustments. The RRB must repay these advances/loans when it receives the transfer from social security against which the money was advanced.

Section 7(c)(4) of the 1974 RRA, as amended, provides the rules for repayment of the financial interchange advances and references Section 7(c)(3) for the interest rate to be used.

The interest rate on the repayment of the advances is the same as that used in the actual financial interchange determination from the close of the prior fiscal year until the date of the transfer.

19. Available Borrowing Authority, End of the Year (Unaudited)

The amount of RRB available borrowing authority at the end of the year associated with financial interchange advances is $5,059,900.

20. Legal Arrangements Affecting Use of Unobligated Balances (Unaudited)

The portion of RRB trust fund receipts collected in the current fiscal year that exceed the amount needed to pay benefits or other valid obligations remain in the RRB trust funds as unobligated balances. These receipts can become available in the current year if needed for valid obligations. RRB receipts are assets of the trust fund and available for obligation as needed in the future.

21. Subsequent Events (Unaudited)

There was an increase of $3,356.1 million in NRRIT net assets from the SOSI, October 1, 2023, valuation date and the September 30, 2024, balance sheet date. Other than this event, no other material events or transactions have occurred subsequent to September 30, 2024, of which we are aware. We have evaluated subsequent events through November 15, 2024, the date the financial statements were released.

22. Permanent Indefinite Appropriations (Unaudited)

In fiscal year 2024, the Railroad Retirement Board had the following permanent indefinite appropriations that were available until expended:

a. 60X0113 – Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits; receiving credit for the interest portion of uncashed check transfers; and funds provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Account 60X0113 is considered a fund from dedicated collections. This account has no basis in law.

b. 60X0122 – Railroad Unemployment Insurance Enhanced Benefit Payments, 060X0122, funds railroad unemployment insurance benefits provided by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act of 2020, P.L 116-136. Our authority to use these collections is P.L. 116-136.

c. 60X8010 – Social Security Equivalent Benefit Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231n-1(c) (1).

d. 60X8011 – Railroad Retirement Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 231f(c) (1).

e. 60X8051.001 – Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered a fund from dedicated collections. Our authority to use these collections is 45 U.S.C. § 360.

f. 60X8051.002 – Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered a fund from dedicated collections. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 U.S.C. § 361

23. Budget and Accrual Reconciliation (Unaudited)

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis.

The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The increase in net cost over the previous year is due to an increase in Railroad Retirement

Program Benefit Payments & Accruals and an increase in Payroll Expenditure. The year over year difference in accounts receivable is due to an increase in the annual Financial Interchange (FI) settlement from Social Security Administration (SSA). The decrease of accounts payable compared to last year is due to the lower accrual benefit payment. The increase in transfers in/out without reimbursement is due to the increase in quarterly income tax receipts.

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Budget and Accrual Reconciliation
For the Year Ended September 30, 2024
(in thousands)

	Intra-governmental	Other than Intragovernmental	Total FY 2024
NET COST	**$194,808**	**$14,544,734**	**$14, 739,542**
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	(5,994,943)	8,629	(5,986,314)
Other assets	(748)	(4)	(752)
(Increase)/decrease in liabilities:			
Accounts payable	(16,976)	(13,725)	(30,701)
Salaries and benefits	207	(759)	(552)
Other liabilities	830,232	(396)	829,836
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(11,548)		(11,548)
Transfers out (in) without reimbursement	942,836		942,836
Total Components of Net Cost That Are Not Part of Net Outlays	**(4,250,940)**	**(6,255)**	**(4,257,195)**
Components of Net Outlays That Are Not Part of Net Cost:			
Other	(118,800)	(964,919)	(1,083,719)
Total Components of Net Outlays That Are Not Part of Net Cost	(118,800)	(964,919)	(1,083,719)
NET OUTLAYS	**($4,174,932)**	**$13,573,560**	**$9,398,628**

Budget and Accrual Reconciliation
For the Year Ended September 30, 2023
(in thousands)

	Intra-governmental	Other than Intragovernmental	Total FY 2023
NET COST	**$144,084**	**$14,312,217**	**$14,456,301**
Components of Net Cost That Are Not Part of Net Outlays:			
Increase/(decrease) in assets:			
Accounts receivable	(5,940,114)	(7,707)	(5,947,821)
Other assets	1,369	1,502	2,871
(Increase)/decrease in liabilities:			
Accounts payable	(26,051)	(85,651)	(111,702)
Salaries and benefits	(33)	(37)	(70)
Other liabilities	827,830	74	827,904
Other financing sources:			
Federal employee retirement benefit costs paid by OPM and imputed to the agency	(8,284)		(8,284)
Transfers out (in) without reimbursement	865,342		865,342
Total Components of Net Cost That Are Not Part of Net Outlays	**(4,279,941)**	**(91,819)**	**(4,371,760)**
Components of Net Outlays That Are Not Part of Net Cost:			
Other	(155)	(888,745)	(888,900)
Total Components of Net Outlays That Are Not Part of Net Cost	(155)	(888,745)	(888,900)
NET OUTLAYS	**($4,136,012)**	**$13,331,653**	**$9,195,641**

24. Reclassification of Financial Statement Line Items for Financial Report Compilation Process (Unaudited)

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the Railroad Retirement Board's financial statements and Railroad Retirement Board's Reclassified statement of Net Cost prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2023 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/
and a copy of the 2024 FR will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Pursuant to OMB Circular A-136 Section II.3.8.37, Significant entities using the Balance Sheet Template in section II.3.2.2 are not required to disclose any Balance Sheet information in this Note. RRB used that Balance Sheet template in the financial section on page 61.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2024

Financial Statement Line	Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	All Other Amounts (with Eliminations)	Eliminations Between Dedicated and All Other	Total	Reclassified Financial Statement Line
Gross Program Costs:							
Railroad Retirement Program							
Gross costs	14,672,060						
		14,435,684	0	14,879	-	14,450,563	Non-federal gross cost
		23,276	0	0	-	23,276	Benefit program costs
		11,548	0	0	-	11,548	Imputed costs
		16,528	(425)	(70)	-	16,033	Buy/sell cost
		164,386	(2)	0	-	164,384	Borrowing and other interest expense
		6,256	0	0	-	6,256	Other expenses (without reciprocals)
Total Gross Cost		14,657,678	(427)	14,809	-	14,672,060	total
Less: earned revenue	(15,042)						
		(3)	0	0	-	(3)	Non-federal earned revenue
		(15,464)	425	0	-	(15,039)	Buy/sell revenue (exchange)
Total Earned Revenue		(15,467)	425	0	-	(15,042)	total
Net program costs	14,657,018	14,642,211	(2)	14,809	-	14,657,018	Program Total
Railroad Unemployment and Sickness Insurance Program					-		
Gross costs	97,667			0		0	
		100,600	0	(2,933)	-	97,667	Non-federal gross cost
		0	0	0	-	0	Buy/sell cost
Less: earned revenue	(15,077)						
		(15,072)	0	0	-	(15,072)	Non-federal earned revenue
				(5)		(5)	
Net program costs	82,590	85,528	0	(2,938)	-	82,590	Program total
				0	-		
Costs not assigned to programs	0			0	-		
Less: Gross Cost not attributed to programs	0	0	0	0	-	0	Non-federal gross cost
revenues not attributed to programs	(66)						
		(4)	0	0	-	(4)	Non-federal earned revenue
		(62)	0	0	-	(62)	Federal Buy/sell revenue (exchange)
		(66)	0	0	-	(66)	Total
Net Cost	14,739,542	14,727,673	(2)	11,871	-	14,739,542	Net Cost

Reclassification of Statement of Changes in Net Poistion to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2024

FY 2024 RRB SCNP		Line Items Used to Prepare FY 2024 Government-wide SCNP	
Financial Statement Line	RRB Amounts (in 000s)	Reclassified Financial Statement Consolidated (000s)	Reclassified Financial Statement Line
UNEXPENDED APPROPRIATIONS:			
Unexpended Appropriations, Beginning Balance	$280,327	$280,327	Net Position, beginning of period
Changes in Accounting Principles			Changes in Accounting Principles
Total Corrections of Errors			Total Reclassified Corrections of Errors
Appropriations received	970,170	970,170	Appropriations received
Other Adjustments	(1,751)	(1,751)	Other Adjustments
			Appropriations Transferred In/Out
Appropriations used	(974,899)	(974,899)	Appropriations used
Total Unexpended Appropriations	**$273,847**	**$273,847**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS			
Cumulative Results of Operations, Beginning Balances	$25,858,755	$25,858,755	Cumulative Results of Operations, Beginning Balances, as adjusted
Changes in Accounting Principles			Changes in Accounting Principles
Corrections of errors			Corrections of errors
Other Adjustments			Other Adjustments
Appropriations used	974,899	974,899	7.3-Appropriations expended (RC 38) - Footnote 1
Nonexchange Revenue	7,129,124		
		151,456	5.7-Other taxes and receipts
		75,034	6.1-Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03) - Footnote 1
		6,902,634	6.6-Other taxes and receipts (RC 45) - Footnote 1
Change in NRRIT assets	3,356,119	3,356,119	5.7-Other taxes and receipts
Capital Transfers to the General Fund	0	0	6.9-Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)
Gain/(Loss) contingency	(1,732)	(1,732)	5.7-Other taxes and receipts
Transfers in from NRRIT (Note 10)	1,180,000	1,180,000	7.8-Expenditure transfers-in of financing sources (RC 09) - Footnote
Transfers In/Out w/o Reimbursement - Budgetary	5,289,543		
		(277)	7.6-Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) - Footnote 1
		277	7.7-Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) - Footnote 1
		5,995,961	7.8-Expenditure transfers-in of financing sources (RC 09) - Footnote
		(706,418)	7.9-Expenditure transfers-out of financing sources (RC 09) - Footnote 1
Imputed financing	11,548	11,548	7.22-Imputed financing sources (RC 25) - Footnote 1
Accruals for Capital Transfer to the General Fund	0	0	6.9-Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)
Total Financing Sources	17,939,508	17,939,508	**Total Financing Sources**
Net Cost of Operations	14,739,542	14,739,542	**Net Cost of Operations**
Ending Balance-Cumulative Results of Operations	$29,058,714	$29,058,714	**Ending Balance-Cumulative Results of Operations**
Total Net Position	$29,332,561	$29,332,561	**Total Net Position**

25. Non-Custodial Non-Exchange Revenues (Unaudited)

Railroad Retirement Board has non exchange revenue that consist of payroll tax collected by Treasury from railroads on behalf of the RRB, income tax on railroad retirement benefits, unemployment insurance contributions paid by railroad employers, and interest earned on Treasury securities.

RRB received payroll taxes, which were paid by railroad employers and their employees as the primary source of funding for the railroad retirement and survivor benefit programs. By law, railroad retirement taxes are coordinated with social security taxes.

Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7.
All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred.

The IRS collects Railroad Retirement Tax Act taxes on behalf of RRB. The IRS refunds RRTA taxes to railroads. The IRS bills RRB on a cash basis and does not accrue an account receivable for the refunds paid.

FY 2024 Collection of non-custodial non-exchange revenue and carrier refunds below: (in thousands)

Non-Exchange Revenue	FY 2024 Tax Year	FY 2023 Tax Year	FY 2022 Tax Year	All Other Prior Tax Years	FY 2024 Collections
Payroll Tax	7,087,791	0	0	0	7,087,791
Interest Revenue	70,115	(3,646)	265	1,054	67,788
Subtotal	7,157,906	(3,646)	265	1,054	7,155,579
Less: amounts collected for non-federal entities	8,874	(309)	(265)	(1,054)	7,246
Total amount of federal revenues collected	7,166,780	(3,955)	0	0	7,162,825

Refunds	FY 2024 Tax Year	FY 2023 Tax Year	FY 2022 Tax Year	All Other Prior Tax Years	FY 2024 Refunds
Carrier Refunds	26,455	0	0	0	26,455
Total amount of refunds	26,455	0	0	0	26,455

FY 2023 Collection of non-custodial non-exchange revenue and carrier refunds below: (in thousands)

Non-Exchange Revenue	FY 2023 Tax Year	FY 2022 Tax Year	FY 2021 Tax Year	All Other Prior Tax Years	FY 2023 Collections
Payroll Tax	$7,548,909	$0	$0	$0	$7,548,909
Interest Revenue	83,123	(2,551)	0	749	81,321
Subtotal	7,632,032	(2,551)	0	749	7,630,230
Less: amounts collected for non-federal entities	121	(232)	0	(749)	(860)
Total amount of federal revenues collected	$7,632,153	($2,783)	$0	$0	$7,629,370

Refunds	FY 2023 Tax Year	FY 2022 Tax Year	FY 2021 Tax Year	All Other Prior Tax Years	FY 2023 Refunds
Carrier Refunds	$15,181	($7,296)	$0	$0	$7,885
Total amount of refunds	$15,181	($7,296)	$0	$0	$7,885

26. Unobligated balance from prior year budget authority (Unaudited)

The Unobligated balance from prior year budget authority, net (discretionary and mandatory) of $334.3 million from prior year budget authority includes the prior year unobligated balance of $301.4 million plus $32.9 million current year recoveries of prior year paid/unpaid obligations.

Required Supplementary Information (Unaudited)

Social Insurance

Program Financing

Payroll taxes paid by railroad employers and employees are the primary source of funding for the railroad retirement-survivor benefit programs. Railroad retirement taxes, which have historically been higher than social security taxes, are calculated, like benefit payments, on a two-tier basis. Railroad retirement tier I payroll taxes are coordinated with social security taxes so that employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes that are used to finance railroad retirement benefit payments over and above social security levels. The tier II tax rate is automatically adjusted based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses.

Revenues in excess of benefit payments are invested to provide additional trust fund income. The NRRIT oversees most investments, including all investments in non-governmental assets.

Additional trust fund income is derived from the financial interchange with the social security trust funds, revenues from Federal income taxes on railroad retirement benefits, and appropriations from general treasury revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Administration (SSA) Federal Old-Age, Survivors, and Disability Insurance (FOASI/DI) trust funds and the Centers for Medicare and Medicaid Services (CMS) Federal Hospital Insurance (FHI) trust fund in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts. It follows that all computations under the FI are performed according to social security law.

Placing the social security trust funds in the same position they would have been had railroad employment been covered under social security since its inception involves computing the additional amount of social security payroll and income taxes that social security would have received and computing the amount of additional benefits that social security would have paid to railroad retirement beneficiaries during the same fiscal year. In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll and income taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the social security trust funds to the SSEB Account. If taxes exceed benefit reimbursements, a transfer would be made in favor of the social security trust funds.

On a present value basis, funds provided through the FI are expected to equal $92.0 billion, reflecting net payments from social security offset by a smaller transfer to CMS. The FI funds are 33.2% of the estimated future revenue of $277.4 billion. Although the contributions and expenditures related to the FI have historically been included in the SOSI, they are in effect primarily contributions and expenditures of SSA that are administered by the RRB.

Benefits

Full age annuities are payable at age 60 to workers with 30 years of service. For those with less than 30 years of service, reduced annuities are payable at age 62, and unreduced annuities are payable at full retirement age, which is gradually rising from 65 to 67, depending on year of birth. Disability annuities can be paid on the basis of total or occupational disability. Annuities are also payable to spouses and divorced spouses of retired workers and to widow(er)s, surviving divorced spouses, partitioned surviving spouses, partitioned surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers. Qualified railroad retirement beneficiaries are covered by Medicare in the same way as social security beneficiaries.

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and SSA. The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or five years if performed after 1995. For survivor benefits, there is an additional requirement that the employee's last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee's railroad retirement credits to SSA, where they are treated as social security credits.

Program Finances and Sustainability

The RRB must submit to the President and the Congress a report on the actuarial status of the railroad retirement system. Projections are made of the various components of income and outgo under three employment assumptions.

The SOSI presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2023. The figures in the table are based on the 29th Actuarial Valuation Report extended through fiscal year 2098. The present values of estimated future revenue and expenditures in the table are based on estimates of revenue and expenditures through the fiscal year 2098. The estimates include revenue and expenditures related to future participants as well as to former and present railroad employees. The present values are computed on the basis of economic and demographic assumptions and employment assumption II, the moderate (or intermediate) employment assumption, as used in the 29th Actuarial Valuation. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 46,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a reducing rate starting at 1.4% for 40 years and remain level thereafter.

The projections for this year are updated to reflect the actual 2023 average employment levels. The projected average employment for 2023, based on the three employment assumptions used in last year's report, ranged from 190,800 to 195,200. The actual average employment for 2023 was 198,200 (subject to later adjustment), which was above the range of projected amounts. Average passenger employment for calendar year 2023 was estimated to be higher at about 46,000, rather than the 44,000 assumed in the 2023 Section 502 Report. The decreasing rates of decline in non-passenger employment from the 29th Actuarial Valuation were then applied in all years except for 2024. To recognize the increasing trend in average employment, which reached 200,000 in the first quarter of 2024, we made a 1.4% upward adjustment to the initial projected 2024 non-passenger employment numbers under all three scenarios to bring the projected 2024 employment under employment assumption I (optimistic) up to the actual preliminary employment estimate for the first quarter of 2024. The upward adjustment maintains 2024 employment under employment assumption II (moderate) at 198,200, which equals the 2023 average employment.

Actuarial Estimates: Actuarial estimates of the long-range financial condition of the railroad retirement program are presented here. Throughout this section, the following terms will generally be used as indicated:

- Revenue: sources of revenue are payroll taxes, income taxes, investment income, and financial interchange transfers.
- Revenue excluding interest: [a] revenue, as defined above, excluding the investment income from assets of the trust fund.
- Expenditures**:** benefit payments and administrative expenses.
- Cashflow**:** either (1) revenue excluding interest or (2) expenditures, depending on the context, expressed in nominal dollars.
- Net Cashflow**:** revenue excluding interest less expenditures, expressed in nominal dollars.

The SOSI and the required supplementary information are based on actuarial and economic assumptions used in the 29th Actuarial Valuation extended through fiscal year 2098, the Railroad Retirement Act, and the Railroad Retirement Tax Act and, for the financial interchange, the Social Security and Federal Insurance Contributions Acts. The charts in the required supplementary information are on a calendar year basis. This information includes:

(1) actuarial present values of future estimated expenditures for and estimated revenue from, or on behalf of, current and future program participants;

(2) estimated annual revenue excluding interest and expenditures in nominal dollars and as a percentage of taxable payroll;

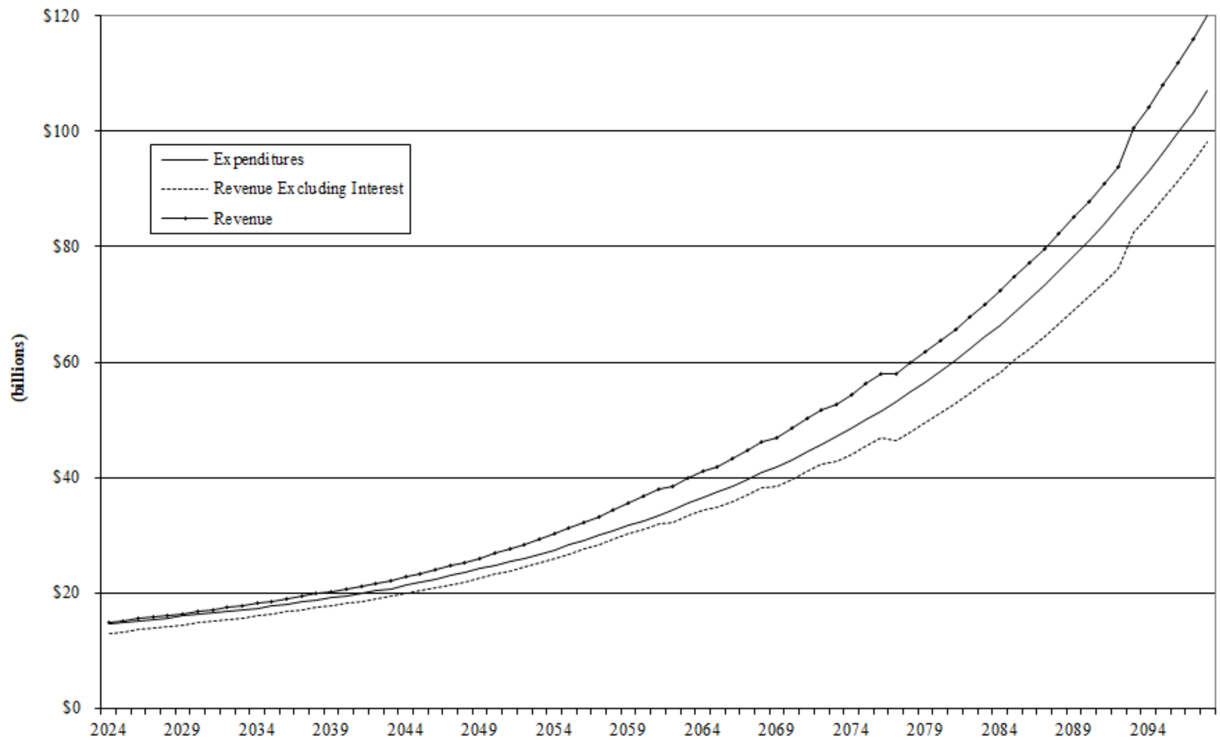
(3) the ratio of estimated annuitants to estimated full-time employees, showing the relationship between the program's benefit recipients and taxpayers; and

(4) an analysis of the sensitivity of the projections to changes in selected assumptions, which is included in recognition of the inherent uncertainty of those assumptions.

Estimated future revenue and expenditures are generally based on a 75-year projection period. Estimated future revenue and expenditures extending far into the future are inherently uncertain, with uncertainty increasing with time.

[a] Interest income in this section refers to total investment income including dividends and capital gains.

Chart 1: Estimated Income and Expenditures

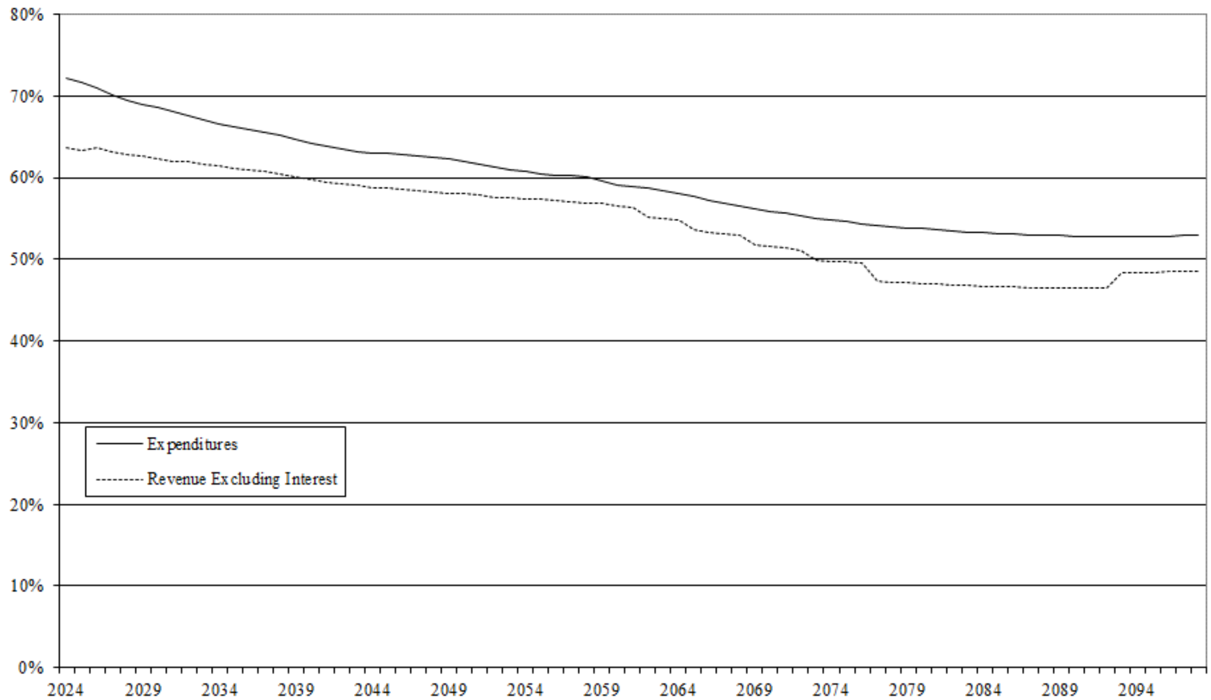


Cashflow Projections: Chart 1 shows actuarial estimates of railroad retirement annual revenue, revenue excluding interest, and expenditures for 2024-2098 in nominal dollars. The estimates are for the open-group population, which includes all persons projected to participate in the railroad retirement program as workers or beneficiaries during the period. Thus, the estimates include payments from, and on behalf of, those who will be employed by the railroads during the period as well as those who already have been employed at the beginning of the period. They also include expenditures made to, and on behalf of, such workers during that period.

As Chart 1 shows, annual revenue exceeds annual expenditures throughout the entire projection period. Without investment income, however, annual expenditures are greater than annual revenue throughout the entire period. Reasons for this pattern include participant demographics, the assumed drop in railroad employment, and the automatic tier II tax rate adjustment mechanism. The combined balance of the NRRIT, RR Account, and SSEB Account never becomes negative largely because (i) a sufficient balance exists at the beginning of the projection period and (ii) tier II tax rates respond automatically to changing account balances.

Percentage of Taxable Payroll: Chart 2 shows estimated annual revenue excluding interest and expenditures for the railroad retirement program expressed as percentages of taxable payroll. Expenditures decrease as a percentage of payroll except for very small increases in 2057 and 2094 through 2098. This is largely due to the projected decline in the number of annuitants per full-time employee. Sources of revenue generally vary as a percentage of payroll with the pattern shown driven by the level of tier II taxes. (See Chart 3c).

Chart 2: Estimated Railroad Retirement Income Excluding Interest and Expenditures as a Percent of Taxable Tier II Payroll



Sensitivity Analysis: The projections of the future financial status of the railroad retirement program depend on many economic and demographic assumptions including rail employment, inflation, wage increase, investment return, age retirement, disability retirement, withdrawal, active service mortality, beneficiary mortality, spouse total termination, probability of spouse, remarriage, family composition, disability freeze, service patterns, and salary scales. Because perfect long-range projections are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in certain key assumptions that have the greatest impact on the results. All present values are calculated as of October 1, 2023, and are based on estimates of revenue and expenditures during the fiscal years 2024-2098 projection period.

Employment: History shows that railroad employment has generally declined over a long period of years but less quickly since the early 2000s. Railroad employment may vary more dramatically year to year and was particularly affected by the COVID-19 pandemic in 2020 and 2021. From its lowest point in January of 2021, employment increased slightly before leveling off and then decreasing again in January of 2022. Railroad employment steadily recovered during 2022 and 2023, assisted by Amtrak hiring supported by the Infrastructure Investment and Jobs Act, and has currently stabilized at about 200,000 employees since mid-2023.

Since employment is a key consideration, projections of revenue and expenditures using three different employment assumptions have been made. The SOSI uses employment assumption II, the moderate assumption, but this section compares results under the three assumptions. Employment assumptions I and II assume that (1) passenger employment will remain at the level of 46,000 and (2) the employment base, excluding passenger employment, will decline at a reducing annual rate (starting at 0.2 percent for assumption I and 1.4 percent for assumption II) for 40 years and remain level thereafter. Employment assumption III differs from employment assumptions I and II by assuming that (1) passenger employment will decline by 400 per year until a level of 38,000 is reached and then remain level, and (2) the employment base, excluding passenger employment, will decline at a reducing rate starting at 2.6% over the next 40 years and remain level thereafter. Average employment for 2023 increased to the level of 198,200 and is expected to be at slightly higher levels during 2024 before returning to the longer-term rates of decline in employment. Employment assumptions I, II, and III are intended to provide an optimistic, moderate, and pessimistic outlook, respectively.

Table 1 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the three employment assumptions.

Table 1

Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Three Employment Assumptions, 2024-2098

(in billions)

Employment Assumption	I	II	III
Present Value	$2.5	$2.1	$1.7
Average Tier II tax rate [a]	16.1%	17.2%	18.8%

[a] Average combined employer/employee tier II tax rate is calculated by dividing the present value of tier II taxes by the present value of tier II payroll.

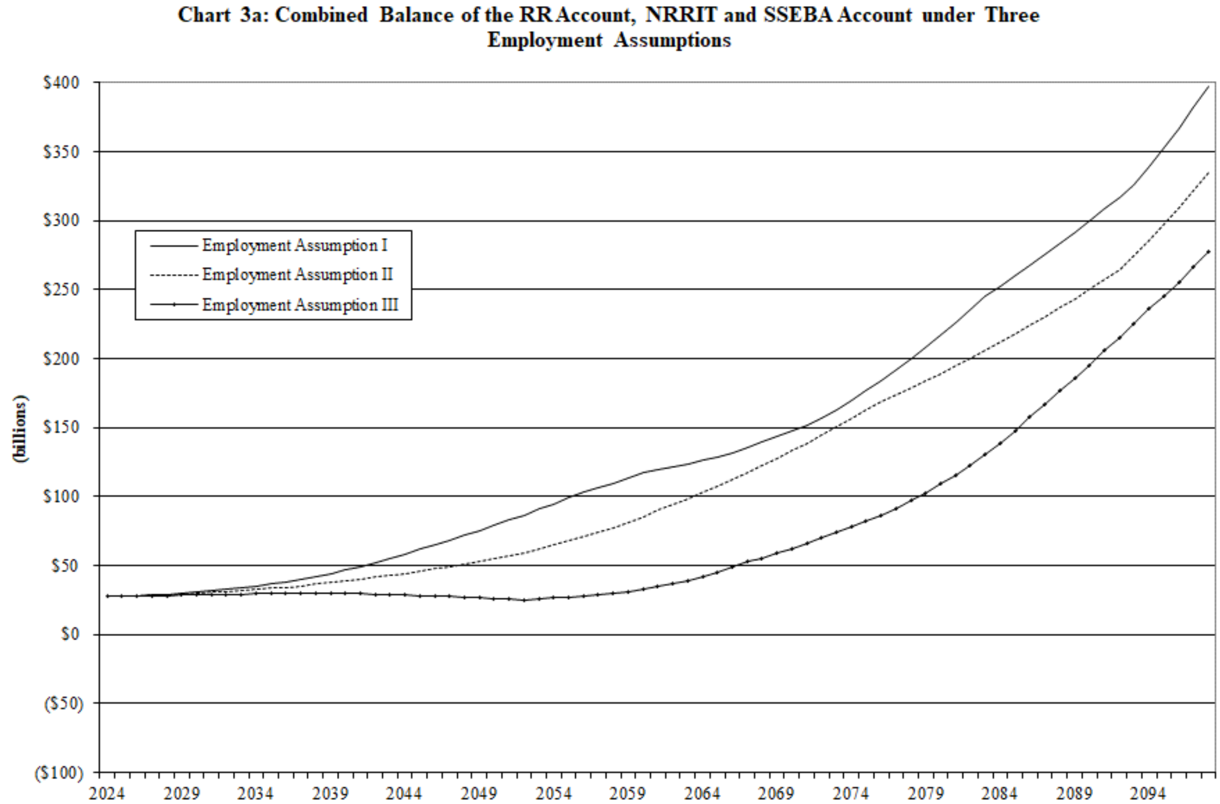


Chart 3a shows the combined balance of the accounts under each of the three employment assumptions. Note that the combined account balance is positive throughout the entire period for all three employment assumptions during the projection period.

Chart 3b shows the Accounts Benefit Ratio (ABR) under the three employment assumptions. The ABR is calculated by dividing the fair market value of the assets in the RRA and the NRRIT as of the close of the fiscal year by the total benefits and administrative expenses paid from the RRA and the NRRIT during that fiscal year. Under assumption I, the ABR decreases from 2024 to 2025, increases from 2026 until 2056, decreases in 2057 and 2058, increases in 2059 and 2060, decreases from 2061 through 2072, increases from 2073 through 2083, decreases from 2084 through 2093, and increases throughout the last years of the projection period. Under assumption II, the ABR decreases from 2024 to 2025, increases from 2026 until 2076 , decreases from 2077 through 2092, and then increases again through the end of the projection period. Under assumption III, the ABR decreases from 2024 through 2053, increases from 2054 through 2056, decreases in 2057, and then increases from 2058 until the end of the projection period.

Chart 3b: Account Benefit Ratio under Three Employment Assumptions

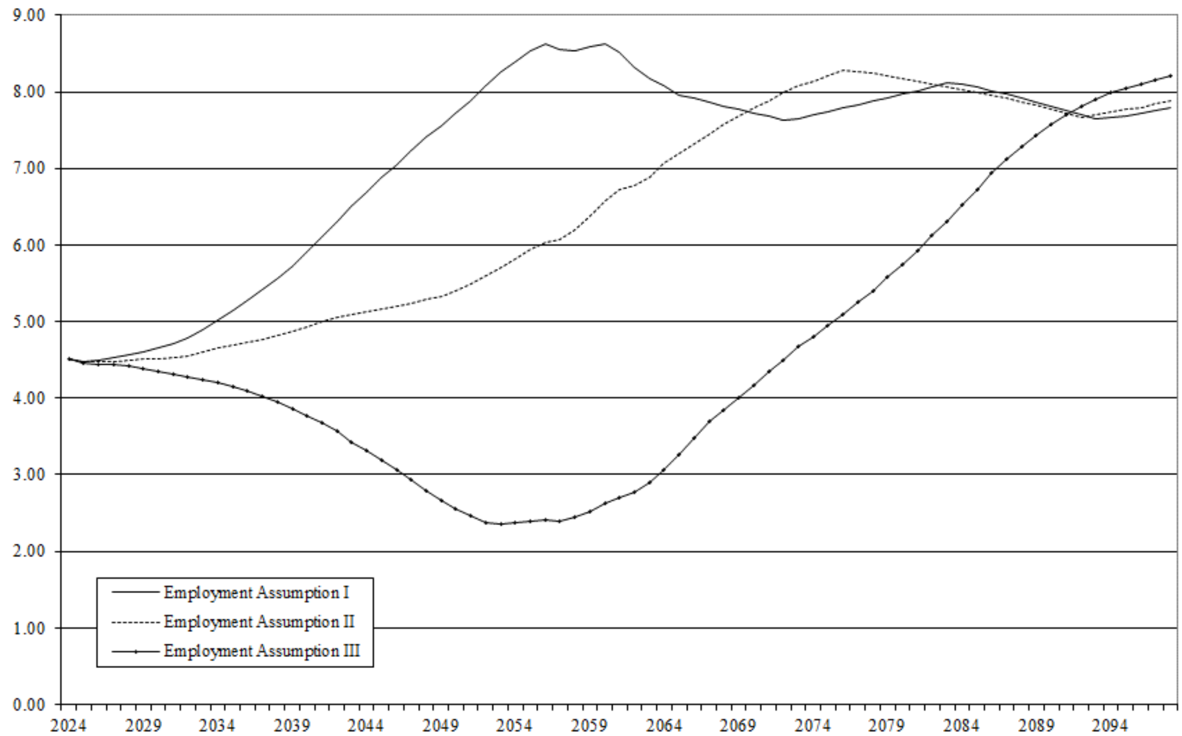
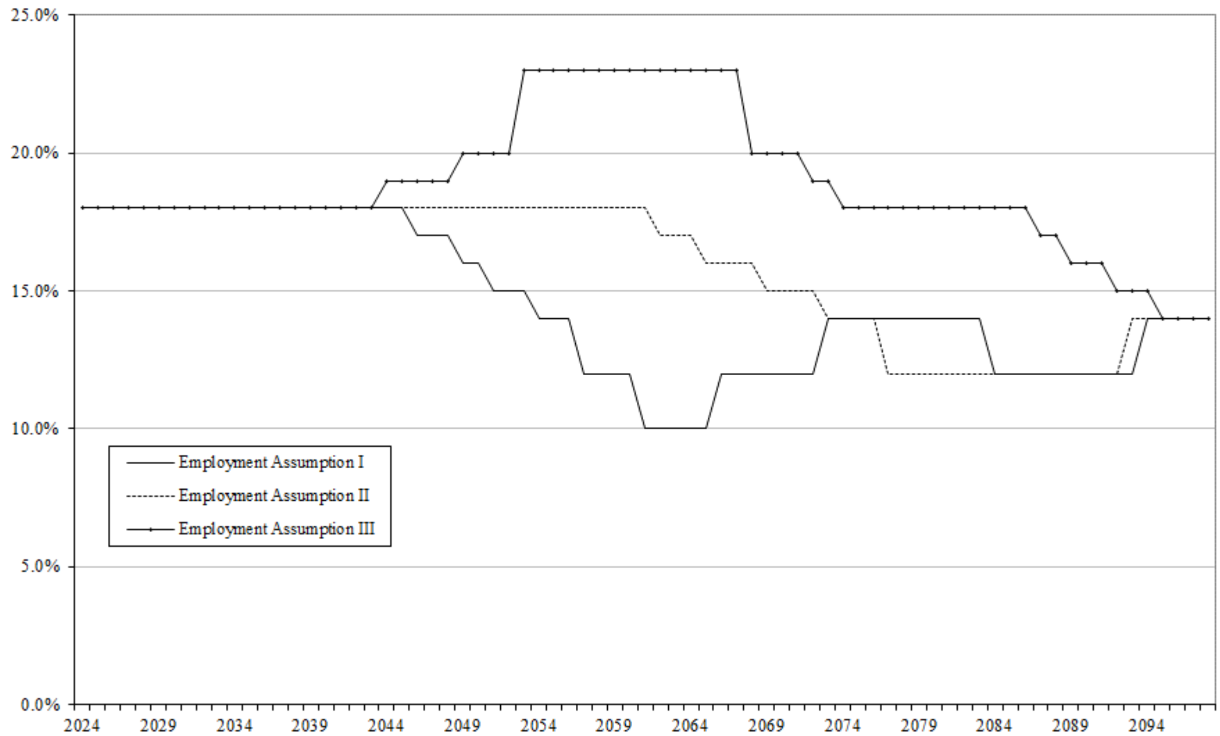


Chart 3c shows the tier II tax rate as determined by the 10-year average ABR under the three employment assumptions. Under employment assumption I, the current 18 percent tax rate decreases to 17 percent in 2046 and continues decreasing until reaching 10 percent in 2061, increases to 12 percent in 2066 and continues increasing to 14 percent in 2073, after which the tax rate varies between 12 percent and 14 percent for the remainder of the period. Under employment assumption II, the current 18 percent tax rate remains until 2061, after which it starts dropping until reaching 12 percent in 2077 and then increasing to 14 percent in 2093, where it remains for the remainder of the period. Under employment assumption III, the current 18 percent tax rate increases to 19 percent in 2044, continues increasing until reaching 23 percent in 2053, where it remains until 2067 before dropping steadily until reaching 14 percent in 2095, the tax rate for the remainder of the period.

Chart 3c: Tier II Tax Rate Under Three Employment Assumptions



The tier II tax rate for each year is determined by the average account benefits ratio (AABR), which is the average for the ten most recent fiscal years of the ratio of fair market value of assets in the RR Account and NRRIT to the total benefits and administrative expenses paid from the RR Account and the NRRIT. Therefore, the tier II tax rate will be affected by the employment assumption. The tier II tax rate adjustment mechanism reduces but does not eliminate the risk of insolvency. The tier I tax rate does not vary by employment assumption.

Investment return: Since investments may include non-governmental assets such as equity and debt securities as well as governmental securities, it is worthwhile to examine the effects of future rates of investment return. In addition to the investment return of 7 percent used for our projections, we show the effect on the combined accounts of an investment return of 5 percent, 6 percent, 8 percent, and 9 percent. Table 2 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the five investment return assumptions. If the tier II tax rate were fixed, the actuarial surplus would increase with increasing investment return. However, the tier II tax rate adjusts to changing account balances, resulting in the highest average tax rate under the 5 percent scenario and the lowest average tax rate under the 9 percent scenario.

Table 2

Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Five Investment Return Assumptions, 2024-2098
(in billions)

Investment Return Assumption	5.0%	6.0%	7.0%	8.0%	9.0%
Present Value	$6.3	$3.9	$2.1	$1.1	$0.9
Average Tier II tax rate [a]	18.8%	18.1%	17.2%	16.3%	15.4%

[a] Average combined employer/employee tier II tax rate is calculated by dividing the present value of tier II taxes by the present value of tier II payroll.

Chart 4a: Combined Balance of the RRA Account, NRRIT and SSEBA Account under Different Investment Return Assumptions

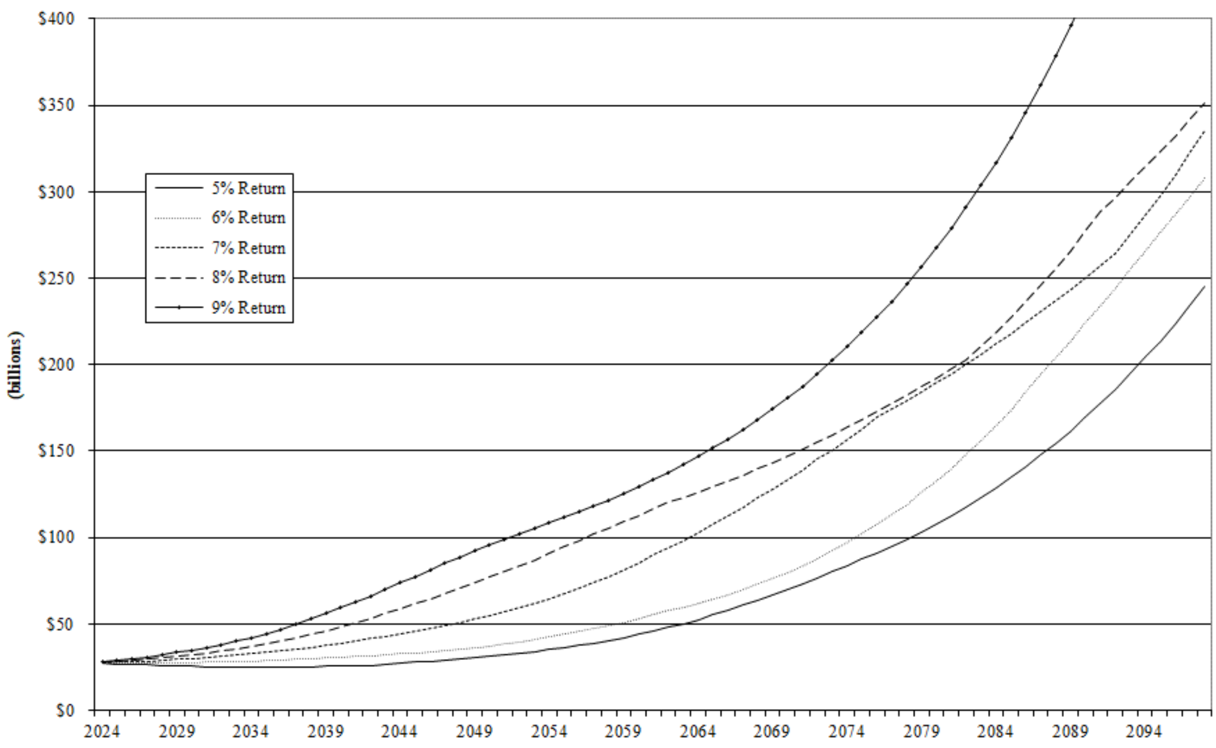


Chart 4a shows the combined account balance under the five investment return assumptions for the projection period. At a 5 percent investment return, the account balance reaches its lowest value in 2035, and then increases through the remainder of the projection period. With a 6 percent investment return, the account balance decreases slightly in 2025 and 2026 before increasing throughout the rest of the projection period. With a 7 percent return, the account balance increases throughout the entire projection period. This is also the case with an 8 percent return and a 9 percent return. Although the 5 percent scenario shows the lowest account balance at the end of the projection period, the concurrent use of a 5 percent discount rate results in the highest surplus on January 1, 2024 as shown in the table below (in $billions).

Investment Return	5%	6%	7%	8%	9%
Ending Account Balance	$ 244.9	$ 307.6	$ 335.3	$ 350.8	$ 609.0
discount factor	0.0258	0.0126	0.0063	0.0031	0.0016
PV Surplus	$ 6.3	$ 3.9	$ 2.1	$ 1.1	$ 0.9

Chart 4b shows the ABR under the same five investment return assumptions. When the return is 5 percent, the ABR decreases until 2050 and then increases through the remainder of the projection period, with the exception of a small decrease in 2057. With a 6 percent return, the ABR decreases until 2049 and then increases throughout the remainder of the period, except for a slight drop in 2057. With a 7 percent return, the ABR decreases in 2025 and 2026, increases through 2076, decreases through 2092, and then increases again through the remained of the period. With an 8 percent return, the ABR increases through 2061, drops in 2062 and 2063, increases in 2064 and 2065, decreases from 2066 through 2082, increases again from 2083 through 2091, and then decreases through the remainder of the period. With a 9 percent rate, the ABR increases throughout the entire projection period, except for slight decreases in 2056, 2057, and 2062.

Chart 4b: Account Benefit Ratio under Different Investment Return Assumptions

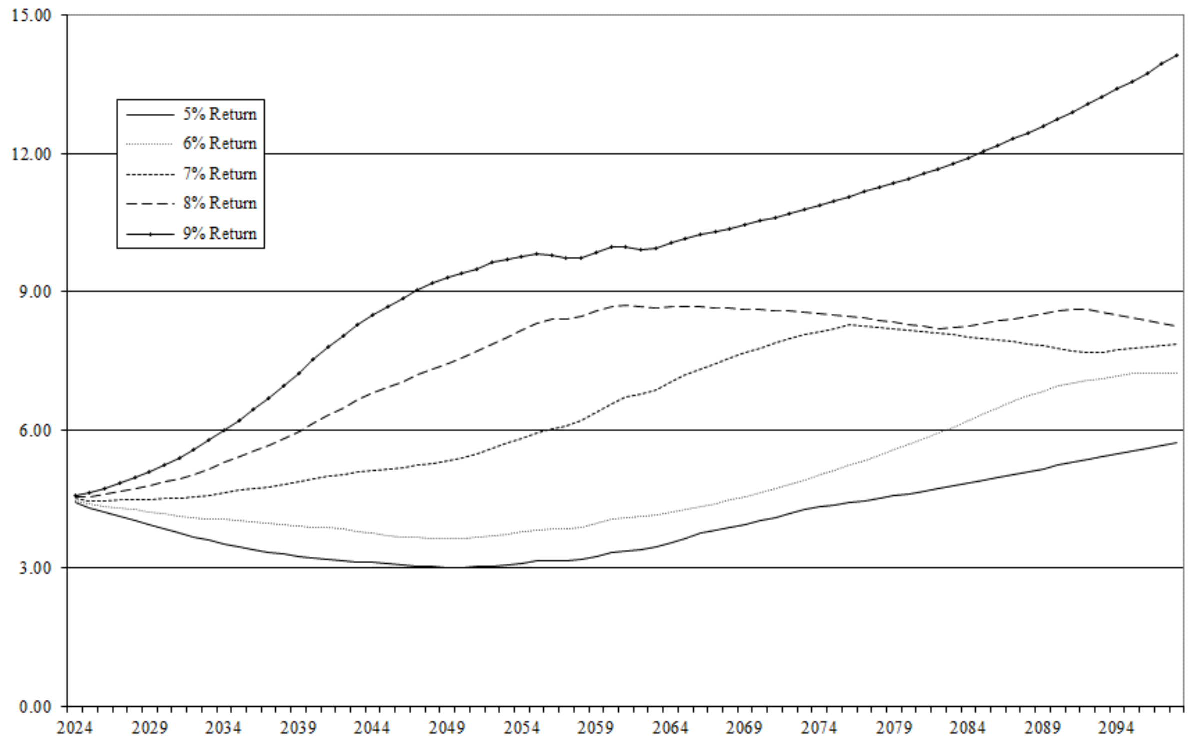
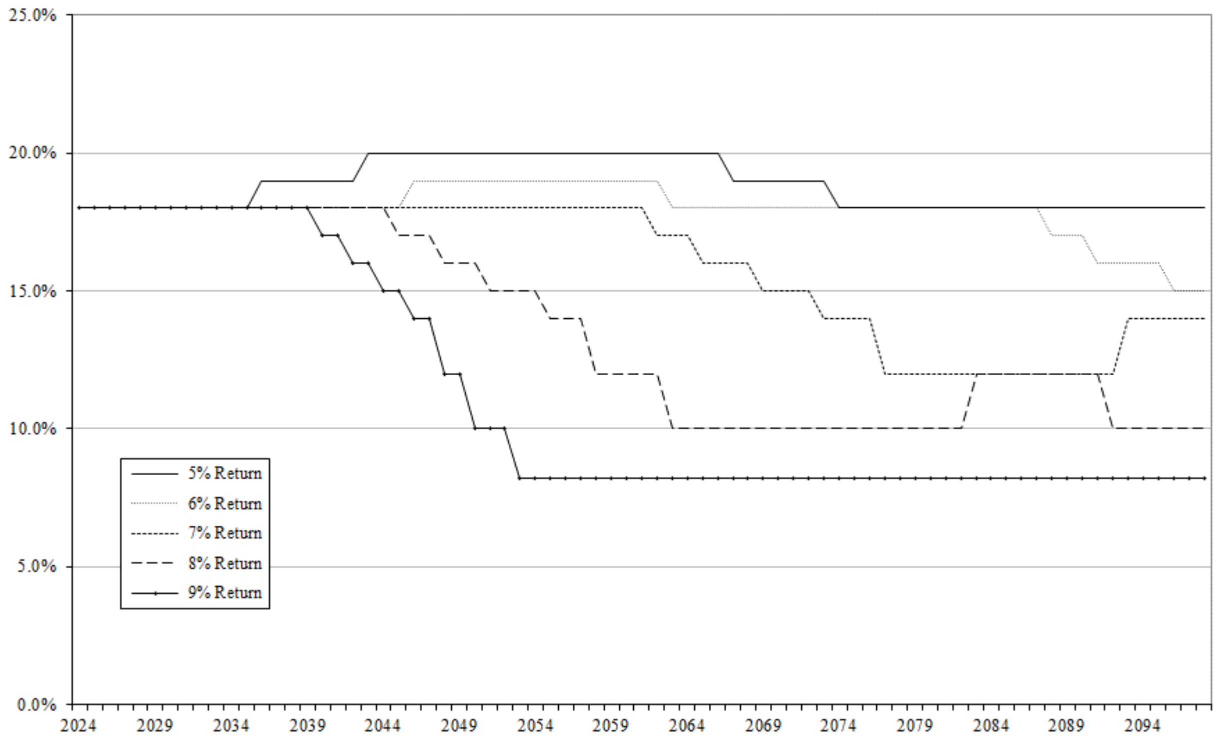


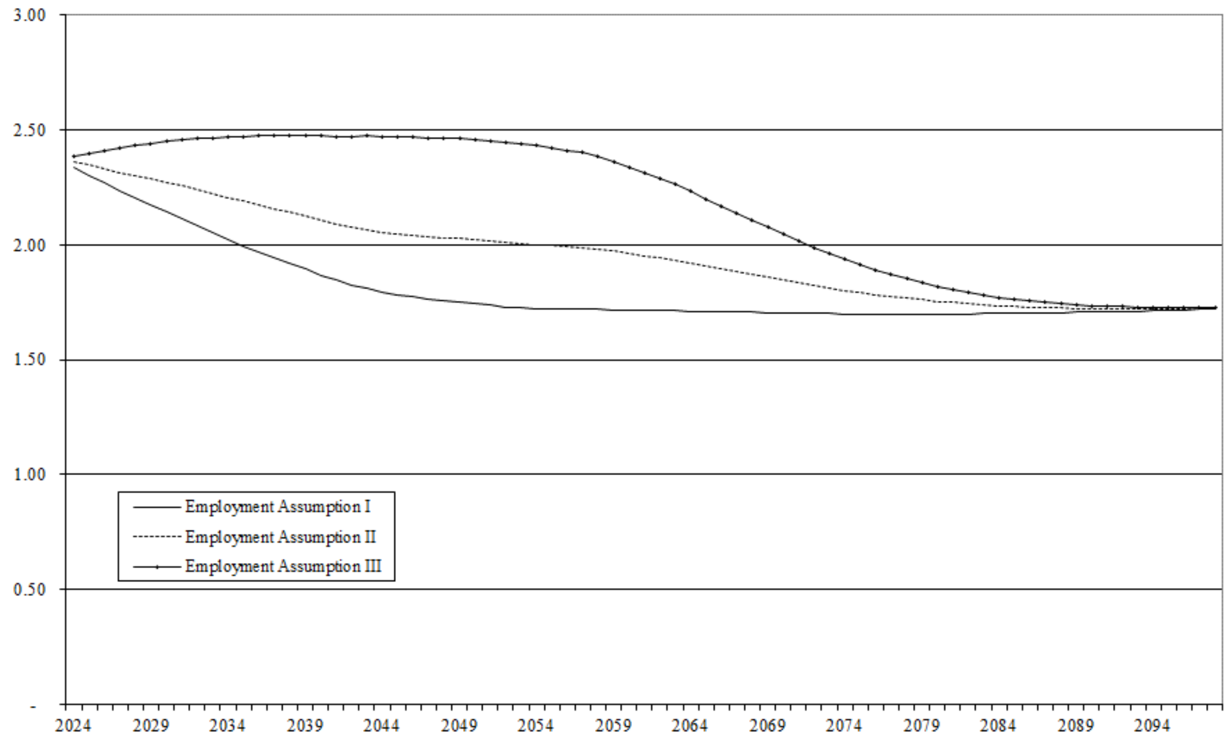
Chart 4c shows the tier II tax rate as determined by the 10-year average ABR under the same five investment return assumptions. With a 5 percent investment return, the tax rate is 18 percent through 2035, increases until reaching 20 percent in 2043 through 2066 before dropping until it reaches 18 percent again in 2074, where it remains throughout the rest of the projection period. With a 6 percent investment return, the tax rate is 18 percent through 2045, increases to 19 percent from 2046 through 2062, and drops back to 18 percent through 2087 before decreasing to 15 percent in 2096. With a 7 percent return, the tax rate is 18 percent through 2061, drops until reaching 12 percent in 2077, and then increases to 14 percent in 2093. With an 8 percent increase, the tax rate is 18 percent until 2044, decreases until reaching 10 percent in 2063, and then increases to 12 percent from 2083 through 2091 before dropping back to 10 percent for the remainder of the period. With a 9 percent return, the tax rate is 18 percent through 2039 before decreasing until it reaches 8.2 percent in 2053, where it remains throughout the rest of the period. As mentioned above, because the tier II tax rate is determined based on the ratios of asset values to benefits and administrative expenses, it will be affected by investment return, but the tier I tax rate will not.

Chart 4c: Tier II Tax Rate Under Different Investment Return Assumptions



Ratio of Beneficiaries to Workers: Chart 5 shows the estimated number of annuitants per full-time employee under all three employment assumptions. The average number of annuitants per employee for employment assumptions I and II is highest in 2024. For assumption III, the ratio increases until it is highest in 2038 before decreasing for the remainder of the period, except for a slight increase in 2043. For all three employment assumptions, the average number of annuitants per employee declines to between 1.72 and 1.73 at the end of the projection period. The convergence in number of annuitants per employee at the end of the projection period results primarily from level employment projected in the latter years under all three employment assumptions.

Chart 5: Average Number of Annuitants per Full-Time Employee



Combining Statements of Budgetary Resources (Unaudited)

RAILROAD RETIREMENT BOARD
COMBINING STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2024
(in thousands)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 26)	51,069	279,099	4,136	334,304
Appropriations (discretionary and mandatory)	10,509,811	83,185	0	10,592,996
Borrowing authority (discretionary and mandatory) (Note 19)	5,059,900	0	0	5,059,900
Spending authority from offsetting collections (discretionary and mandatory)	159,768	315	15,500	175,583
Total budgetary resources	**$15,780,548**	**$362,599**	**$19,636**	**$16,162,783**
Status of budgetary resources				
New obligations and upward adjustments (total)	15,745,044	101,927	14,491	15,861,462
Unobligated balance, end of year	0	0	0	
Apportioned, unexpired accounts	10,840	223,487	0	234,327
Unapportioned, unexpired accounts	510	156	2,107	2,773
Unexpired unobligated balance, end of year	11,350	223,643	2,107	237,100
Expired unobligated balance, end of year	24,154	37,029	3,038	64,221
Unobligated balance, end of year (total)	35,504	260,672	5,145	301,321
Total budgetary resources	**$15,780,548**	**$362,599**	**$19,636**	**$16,162,783**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	15,566,982	82,097	(3,373)	15,645,706
Distributed offsetting receipts (-)	(6,247,078)	0	0	(6,247,078)
Agency outlays, net (discretionary and mandatory)	**$9,319,904**	**$82,097**	**(3,373)**	**$9,398,628**

RAILROAD RETIREMENT BOARD
COMBINING STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(in thousands)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 26)	$53,565	$357,139	$5,063	$415,767
Appropriations (discretionary and mandatory)	10,153,865	(13,373)	-	10,140,492
Borrowing authority (discretionary and mandatory) (Note 19)	5,074,300	-	-	5,074,300
Spending authority from offsetting collections (discretionary and mandatory)	175,828	15,885	15,745	207,458
Total budgetary resources	**$15,457,558**	**$359,651**	**$20,808**	**$15,838,017**
Status of budgetary resources				
New obligations and upward adjustments (total)	$15,421,723	$99,190	$15,659	$15,536,572
Unobligated balance, end of year				
Apportioned, unexpired accounts	23,430	223,405	-	246,835
Unapportioned, unexpired accounts	2	38	997	1,037
Unexpired unobligated balance, end of year	23,432	223,443	997	247,872
Expired unobligated balance, end of year	12,403	37,018	4,152	53,573
Unobligated balance, end of year (total)	35,835	260,461	5,149	301,445
Total budgetary resources	**$15,457,558**	**$359,651**	**$20,808**	**$15,838,017**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$15,108,363	$80,570	($1,821)	$15,187,112
Distributed offsetting receipts (-)	(5,991,471)	-	-	(5,991,471)
Agency outlays, net (discretionary and mandatory)	**$9,116,892**	**$80,570**	**($1,821)**	**$9,195,641**

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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

November 15, 2024

To the Board Members,

We contracted with the independent public accounting (IPA) firm of RMA Associates, LLC (RMA) to audit the financial statements of the Railroad Retirement Board (RRB), which included the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended, statements of social insurance as of October 1, 2023, October 1, 2022, October 1, 2021, October 1, 2020, and October 1, 2019, statement of changes in social insurance for the two year period ended September 30, 2023, and related notes to the consolidated financial statements (collectively referred to herein as the consolidated financial statements). We also contracted with RMA to audit RRB's internal control over financial reporting as of September 30, 2024, based on criteria established in the *Standards for Internal Control in the Federal Government* issued by the Comptroller General of the United States.

The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards (GAGAS), the Office of Management and Budget audit requirements, the U.S. Government Accountability Office (GAO) and the Council of the Inspectors General on Integrity and Efficiency's (CIGIE) *Financial Audit Manual*, applicable American Institute of Certified Public Accountants professional standards, and other applicable OMB guidance.

In its audit of the RRB, RMA reported:

- a disclaimer of opinion on the consolidated financial statements because the RRB could not provide sufficient appropriate evidential matter for complete and accurate consolidated financial statements;
- a disclaimer of opinion on internal control over financial reporting because the RRB could not provide sufficient appropriate evidential matter to support its internal control over financial reporting due to inadequate processes, controls, and records; and
- two instances of significant deficiencies and one instance of noncompliance or other matters that were required to be reported.

RMA also identified material weaknesses which are described in Exhibit I of the attached auditor's report. To address the material weaknesses identified in the report, RMA made 3 new recommendations. In addition, RMA identified instances of significant deficiencies and noncompliance with laws and regulations which are described in Exhibit II and Exhibit III of the attached auditor's report. To address two instances of significant deficiencies identified in the report, RMA made one new recommendation. To address one instance of noncompliance or other matters identified in the report, RMA did not make any new recommendations as the finding was part of a prior recommendation. In response to RMA's findings and recommendations, RRB did express concurrence with all 4 new recommendations. RRB provided a response to the entirety of the auditor's report agreeing with the disclaimers of opinions and categorization of all findings and recommendations. RRB expressed their commitment to continue collaborating with RMA and the Office of Inspector General to maintain open communication as they strive to resolve audit recommendations, improve internal controls, and improve financial reporting.

As required by GAGAS, RMA evaluated RRB's response. Based on the evaluation, RMA's findings and recommendations remain unchanged and RMA noted that the RRB concurred with the recommendations.

RMA is responsible for the attached auditor's report dated November 15, 2024 and the conclusions expressed therein. We do not express opinions on RRB's financial statements, internal control over financial reporting, or conclusions on compliance and other matters.

We appreciate the assistance provided to our staff and the IPA firm's employees during the engagement. We look forward to the continued collaboration efforts by all parties.

Sincerely,

SHANON HOLMAN

Digitally signed by SHANON HOLMAN
Date: 2024.11.15 14:03:44 -06'00'

Shanon E. Holman
Principal Deputy Performing the Duties of the Inspector General
Assistant Inspector General for Audit

RMA | Associates
Auditors. Consultants. Advisors.

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Independent Auditor's Report

To the Board Members and Inspector General Railroad Retirement Board:

Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Disclaimer of Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We were engaged to audit the consolidated financial statements of the Railroad Retirement Board (RRB), which comprise the consolidated balance sheets as of September 30, 2024 and 2023, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended, statements of social insurance as of October 1, 2023, October 1, 2022, October 1, 2021, October 1, 2020, and October 1, 2019, statement of changes in social insurance for the two year period ended September 30, 2023, and related notes to the consolidated financial statements (collectively referred to herein as the consolidated financial statements).

We do not express an opinion on the accompanying consolidated financial statements of the RRB. Because of the significance of the matters described in the Basis for Disclaimer of Opinion on the Consolidated Financial Statements section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the consolidated financial statements.

We were also engaged to audit RRB's internal control over financial reporting as of September 30, 2024, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

Because of the significance of the material weaknesses described in the Basis for Disclaimer of Opinion on Internal Control Over Financial Reporting section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the effectiveness of RRB's internal control over financial reporting.

Basis for Disclaimer of Opinion on the Consolidated Financial Statements

RRB continues to have unresolved accounting issues and material weaknesses in internal control that cause RRB to be unable to provide sufficient appropriate evidential matter for complete and accurate consolidated financial statements. As a result of these matters, we are unable to determine the effect of the lack of sufficient appropriate audit evidence, and whether any adjustments might have been found necessary in respect of recorded and unrecorded balances on RRB's consolidated financial statements as of and for the years ended September 30, 2024 and 2023.

RMA | Associates
Auditors. Consultants. Advisors.

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Also, RMA could not perform the audit procedures required by the American Institute of Certified Public Accountants (AICPA) AU-C Section 600, *Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)*, which requires the establishment of ongoing communication between group management (RMA) responsible for conducting the audit and other auditors (component auditors) who perform work on the financial information that will be used as audit evidence for the group audit. Specifically, the National Railroad Retirement Investment Trust (NRRIT), a component entity of RRB, is not a Federal agency and was enacted by Congress as an independent entity, thus, our audit scope has been limited.

Basis for Disclaimer of Opinion on Internal Control Over Financial Reporting

RRB could not provide sufficient appropriate evidential matter to support its internal control over financial reporting due to inadequate processes, controls, and records. As a result, we could not determine the effect of the lack of sufficient appropriate audit evidence on RRB's internal control over financial reporting as of September 30, 2024.

Emphasis Matter

Sustainability Financial Statements

As discussed in Note 15 to the consolidated financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements show the actuarial present value of RRB's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and meet obligations as they come due. The Statements of Social Insurance and Changes in Social Insurance Amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The statements of long-term fiscal projections are based on the continuation of current policy. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion or unsustainable debt levels. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if the current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material.

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Related Party

RRB discloses transactions with related parties in Note 2 to the consolidated financial statements. RRB, Social Security Administration, and Centers for Medicare & Medicaid Services are parties to a financing arrangement described as a financial interchange (FI). Under this arrangement, transfers from the Social Security Administration's Old Age and Survivors Insurance and Disability Insurance trust funds and transfers to the Federal Hospital Insurance trust fund represented approximately $5.3 billion (net), or about 33 percent of the financing sources reported on RRB's consolidated statement of changes in net position for fiscal year (FY) 2024 before considering the change in the reported value of the NRRIT net assets. For FY 2023, FI transfers of approximately $5.1 billion (net) represented about 34 percent of the financing sources reported before considering the reduction in the reported value of NRRIT assets.

Reporting Entity

RRB discloses its reporting entity in Note 1.A, *Reporting Entity*, to the consolidated financial statements. The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001. The sole purpose of the NRRIT is to manage and invest railroad retirement assets. The NRRIT is a tax-exempt entity, independent from the Federal Government and not subject to Title 31, United States Code. The NRRIT is domiciled in and subject to the laws of the District of Columbia. The NRRIT's net assets as of September 30, 2024 and 2023 are $27.6 billion and $24.2 billion and compose roughly 76 percent and 73 percent, respectively, of total RRB reported assets. RRB could not provide sufficient appropriate evidential matter to support NRRIT balances.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Our responsibility is to conduct an audit of RRB's consolidated financial statements in accordance with generally accepted auditing standards in the United States of America (GAAS), *Government Auditing Standards* (GAGAS), Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*, and to issue an auditor's report. However, because of the matters described in the Basis for Disclaimer of Opinion on the Consolidated Financial Statements and Basis for Disclaimer of Opinion on the Internal Control Over Financial Reporting sections of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

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Our responsibility also includes conducting an audit of RRB's internal control over financial reporting as of September 30, 2024, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the U.S. However, because of the matter described in the Basis for Disclaimer of Opinion on Internal Control Over Financial Reporting section, we were not able to obtain sufficient appropriate audit evidence in a timely manner to provide a basis for an audit opinion.

We did not test all internal controls relevant to operating objectives as broadly defined by the Federal Managers' Financial Integrity Act of 1982 (FMFIA).

We are required to be independent of RRB and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with the U.S. GAAP. An entity's internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the U.S. GAAP and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and

(3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

Accounting principles generally accepted in the United States require that supplementary information, such as management's discussion and analysis be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

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We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting on Internal Control

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We identified the following material weaknesses described in Exhibit I.

I. Scope Limitation
   A. Lack of Access to NRRIT Audit Results (Repeat)

II. Internal Control Environment
   A. Ineffective Internal Control Program (Modified Repeat)
   B. Ineffective Information Technology (IT) Control Over Financial Reporting (Repeat)

III. Financial Reporting
   A. Preparing and Reviewing Financial Reports (Modified Repeat)
   B. Non-Compliance with Treasury United States Standard General Ledger (USSGL) (Repeat)

We identified two significant deficiencies described in Exhibit II.

A. Outdated Accounting Procedure Guides
B. Improved Support for Journal Entries is Needed

Material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RRB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance, required to be reported under *Government Auditing Standards* which is described in Exhibit III.

Additionally, if the scope of our work had been sufficient to enable us to express an opinion on the consolidated financial statements and the internal controls over financial reporting, other instances of noncompliance or other matters may have been identified and reported herein.

RRB's Response to Audit Findings and Recommendations

RRB's comments can be found in Exhibit IV. RRB's response was not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it. We have evaluated RRB's response and noted that they concurred with our recommendations.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting on Internal Control and the Report on Compliance and Other Matters sections is solely to describe the deficiencies we consider to be material weaknesses and the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 15, 2024

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Exhibit I – Material Weaknesses

I. Scope Limitations

A. Lack of Access to NRRIT Audit Results (Repeat)

As required, BFO reported $27.6 billion of net assets attributable to the NRRIT in the RRB's fiscal year 2024 consolidated financial statements. However, neither BFO or NRRIT's auditors provided RRB financial statement auditors, RMA, with sufficient and appropriate audit evidence or audited support for the $27.6 billion. The $27.6 billion represented approximately 76 percent of RRB's total assets on September 30, 2024.

Neither BFO or the NRRIT's auditors provided the RRB's financial statement auditors, RMA, with sufficient and appropriate audit evidence or audited support for the $27.6 billion because of an assortment of circumstances, such as:

- According to the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act), NRRIT is not a department, agency, or instrumentality of the Federal Government, and is not subject to Title 31 of the U.S. Code. The Act states that the Trust shall annually engage an independent qualified public accountant [component auditor] to audit the financial statements of the Trust, and shall transmit the audited financial statements, together with an Annual Management Report, to Congress and the Executive branch. The RRB explained that it lacks the authority to grant the RRB financial statement auditors access to the NRRIT's independent auditors or their work. The RRB also explained that there is no legal basis or requirement for NRRIT to provide financial information to another party outside of that which is specified in the Act.

- There is a lack of additional authoritative guidance and conflicting criteria. In November 2022, the RRB's CFO agreed that, "[u]ntil additional guidance is issued this reported material weakness will exist due to an inability for the [RRB financial statement] auditors to perform the audit procedures required by AICPA…."

- Due to the statutory parameters set by Congress via the Act, RRB management declines to establish an independent committee to identify a functional solution to achieve compliance with AICPA standards. RRB management believes the actions of an independent committee cannot supersede or negate the Act, therefore, would not resolve the issue that exists.

- There was not the establishment of ongoing communication between RMA and the NRRIT's auditors.

The impact of the inability to provide RRB financial statement auditors, RMA, with sufficient and appropriate audit evidence or audited support for the $27.6 billion (76 percent of RRB's assets) is

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extensive and a contributing factor leading to a "Disclaimer of Opinion" on RRB's consolidated financial statements.

RMA was not able to perform the necessary AICPA and GAGAS audit procedures required to validate the $27.6 billion reported by BFO, leaving RMA's scope over the fiscal year 2024 audit of RRB's consolidated financial statements materially limited. This means that RMA cannot reasonably state that RRB's financial statements were presented fairly, consistently, or free from material misstatement.

NRRIT's $27.6 billion of Net Assets comprising roughly 76 percent of RRB's 9/30/2024 assets, as reported on the RRB's Consolidated Balance Sheet, could not be audited by the RRB's independent financial statement auditor. Therefore, RMA must disclaim an opinion on RRB's consolidated financial statements as of and for the year ending September 30, 2024.

Since 2012, RRB has not received an unmodified (clean) opinion on its annual agency-wide financial statement because of this ongoing condition.

Recommendation

1. We recommend that the Board initiate discussions with the Department of Treasury to pursue changes to RRB's reporting requirements to provide for a different reporting structure for the assets held by NRRIT.

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II. Internal Control Environment

A. Ineffective Internal Control Program (Modified Repeat)

An effective system of internal control is vital to provide reasonable assurance a federal entity conducts its programmatic activities successfully and efficiently, has a reliable financial reporting system, and complies with applicable laws and regulations.

RRB is unable to assert to the internal controls in place over financial reporting for NRRIT, therefore there may not be sufficient internal controls in place to prevent a material misstatement of RRB's financial statements. Furthermore, establishing internal controls that meet Federal standards is a core responsibility of RRB management, as required by the FMFIA, OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, (OMB A-123), and GAO's *Standards for Internal Control in the Federal Government* (GAO Green Book).

The GAO *Standards of Internal Control for Federal Government* assert an "effective internal control system requires each of its five components, including control environment; risk assessment; control activities; information and communications; and monitoring to be effectively designed, implemented, and operating together in an integrated manner." Therefore, RRB needs to continue to address deficiencies in its entity-wide control environment components of Risk Assessment and Monitoring. As we reported in FY 2023, we continued to observe entity-wide internal control system conditions, which contributed to the weakness noted above, as follows:

- As part of RRB's agency-wide internal controls, RRB provided a draft version of Management's Assurances for FY 2024. Within the draft, RRB reported a modified statement of assurance with one material weakness related to the net asset value of NRRIT reported on RRB's Consolidated Balance Sheet. The RRB is unable to adequately support the modified statement of assurance due to the concentration of assets reported under NRRIT. RRB's total asset balance as of September 30, 2024, was $36.1 billion and NRRIT made up $27.6 billion of that balance. NRRIT represents 76 percent of total assets.
- The NRRIT internal control environment is beyond RRB's authority per the Memorandum of Understanding between RRB, NRRIT, the United States Department of Treasury (Treasury), and OMB entered in 2002. Thus, RRB could not assess that the internal control environment was designed, implemented, and operating effectively, for almost 76 percent of the assets reported in the Balance Sheet.

Furthermore, as part of our testing of financial reporting, we requested the RRB's Corrective Action Plans related to the FY 2023 financial statement audit material weaknesses and noncompliance findings. While RRB has implemented and documented a process for creating corrective action plans for internally identified internal control weaknesses, RRB has a less formal process for tracking external findings and has stated that it will begin documenting corrective action plans for externally identified internal control weaknesses as resources become available. RRB has begun to document Corrective Action Plans for selected findings identified in previous

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external audits. However, Corrective Action Plans have not been developed for all outstanding externally identified findings in a well-documented and systematic way. However, according to OMB A-123*, Management's Responsibility for Enterprise Risk Management and Internal Control*, Section V. Part B, Corrective Action Plan Requirements, "[a] summary of the corrective action plans for material weaknesses that have not been fully mitigated at the time of reporting must be included in the Agency's Agency Financial Report (AFR), Performance and Accountability Report (PAR), or other management report…The summary discussion must include a description of the material weakness, status of corrective actions, and timeline for resolution…Management must maintain more thoroughly detailed corrective action plans internally, which must be made available for OMB and audit review."

Because RRB's Bureau of Fiscal Operations (BFO) has not completed their corrective actions, this material weakness and the related prior year recommendations remain open and unimplemented.

Recommendation

We are not making any new recommendations, as the following recommendation was already made in RRB's OIG Report 23-01.

In that report, dated November 2022, we recommended the BFO "…report a statement of no assurance given the materiality of the NRRIT balances reported in the Balance Sheet" (RRB OIG Report 23-01, Recommendation #5) and establish a process to maintain detailed corrective action plans for all internal control deficiencies to comply with the requirements of the OMB A-123. Specifically, we recommended the RRB's Bureau of Fiscal Operations (RRB OIG Report 23-01, Recommendation #10):

- Communicate corrective actions to the appropriate level of the Agency and delegate authority for completing corrective actions to appropriate personnel.
- Determine the resources required to correct a control deficiency. The corrective action plan must indicate the types of resources needed (e.g., additional personnel, contract support, training, etc.), including non-financial resources, such as Senior Leadership support for correcting the control deficiency.
- Include critical path milestones that affect the overall schedule and performance of the corrective actions needed to resolve the control deficiency. Critical path milestones must lead to a date certain of the correction of the control deficiency.
- Require prompt resolution and internal control testing to validate the correction of the control deficiency.
- Ensure that accurate records of the status of the identified control deficiency are maintained and updated throughout the entire process.
- Ensure that the corrective action plans are consistent with laws, regulations, and Agency policy.

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- Ensure that performance appraisals of appropriate officials reflect effectiveness in resolving or implementing corrective action for identified material weaknesses.
- Fully disclose uncorrected internal control weaknesses and highlight those that are material.

B. Ineffective IT Control Over Financial Reporting (Repeat)

RRB's IT internal controls are not effective for its information security program based on the FY 2024 Federal Information Security Modernization Act of 2014 (FISMA) audit. Therefore its IT controls over financial reporting are not effective. The FY 2024 FISMA audit assessed the maturity of RRB's information security program using the FY 2024 FISMA Reporting Metrics. Results of the audit concluded that RRB's information security program achieved a maturity rating below *Managed and Measurable* (Level 4). Within the context of the maturity model, OMB believes that achieving a Level 4 or above represents an effective level of security.

RRB relies extensively on IT systems to initiate, authorize, record, process, summarize, and report financial transactions in the preparation of its financial statements. Internal controls over these financial reporting systems are essential to ensure the integrity, confidentiality, and reliability of critical data while reducing the risk of errors, fraud, and other illegal acts. RRB's IT controls were ineffective in the following areas:

- Security Management;
- Access Controls;
- Configuration Management;
- Segregation of Duties; and
- Contingency Planning.

In accordance with the GAO Federal Information System Controls Audit Manual, Chapter 3, *Evaluating and Testing General Controls*, "The evaluation of general controls includes the following five general control categories:

- security management, which provides a framework and continuing cycle of activity for managing risk, developing security policies, assigning responsibilities, and monitoring the adequacy of the entity's computer-related controls;
- access controls, which limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting them against unauthorized modification, loss, and disclosure;
- configuration management, which prevents unauthorized changes to information system resources (for example, software programs and hardware configurations) and provides reasonable assurance that systems are configured and operating securely and as intended;

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- segregation of duties, which includes policies, procedures, and an organizational structure to manage who can control key aspects of computer-related operations; and
- contingency planning, so that when unexpected events occur, critical operations continue without disruption or are promptly resumed, and critical and sensitive data are protected."

Because RRB was issued recommendations to address the FISMA audit, we are not issuing additional recommendations. RMA recommends submitting a closure package to address this material weakness and the related prior year recommendation once RRB has taken and/or completed the corrective actions.

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III. Financial Reporting

A. Preparing and Reviewing Financial Reports (Modified Repeat)

The financial reporting compilation function is central to an entity's internal control environment and ability to support a financial statement audit. BFO's financial reporting process lacked sufficient processes and internal controls to ensure complete, reliable, and accurate financial statements and the accompanying notes are prepared timely due to BFO's lack of capabilities/capacity for personnel to perform detailed reviews and approvals to provide reliable reporting in a timely manner. RRB's consolidated financial statements and the accompanying note disclosures may be inconsistent, incomplete, and unreliable for the current year consolidated financial statements. Without being able to support reliable financial reporting, RRB may not be able report accurately.

While BFO has continued to make progress in improving its financial reporting, several areas have not been resolved during fiscal year 2024. Overall, the RRB's financial statements and accompanying notes still had issues with completeness and accuracy.

During our procedures over RRB's financial statements, we observed the following:

- Balances that did not agree with provided evidential matter;
- Note disclosures that were incomplete or inaccurate;
- Mathematical errors; and
- Formatting inconsistencies and/or errors.

Recommendation

2. We recommend the RRB's Bureau of Fiscal Operations implement a note disclosure checklist for quality assurance and review to better incorporate the annual federal financial requirements into RRB's quality assurance process to ensure its financial reporting is complete and accurate.

B. Non-Compliance with Treasury USSGL (Repeat)

RRB's BFO did not record required budgetary entries for its Financial Interchange (FI) accrual in accordance with OMB and Treasury requirements.

RRB's BFO did not record contributions receivable in accordance with OMB and Treasury requirements.

Specifically, we observed:

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- For recording the RRB's FI accrual information, BFO used proprietary entries for two USSGL accounts.[1] When we requested the required corresponding budgetary entries, BFO explained that the FI accrual does not require a budgetary entry until the actual settlement occurs in the following year. We determined that BFO's explanation was not supported by USSGL transaction codes or guidance from Treasury or OMB.

We requested a White Paper from RRB to explain their budgetary process. We were presented with the Financial Interchange Cycle Synopsis. Per the Synopsis, "RRB records for budgetary purposes the estimated final settlement amounts for the preceding year in the current year." BFO could not provide sufficient adequate evidential matter that supported its rationale related to recording financial interchange accruals and contributions receivables. The FI accrual balance as of September 30, 2023 was $5.6 billion.

BFO did not record transactions in accordance with USSGL transaction codes which may result in (1) RRB not recording its FI and contribution receivables in accordance with the USSGL, (2) a material misstatement in RRB's Combined Statement of Budgetary Resources, and (3) differences between budgetary and proprietary accounts when performing tie point reconciliations.

In accordance with OMB A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, Section VII, Part E, "Transactions are posted to the financial system in accordance with the standard general ledger accounting requirements of the Treasury published in the USSGL supplement to the Treasury Financial Manual (TFM)."

Recommendation

We recommend the RRB's Bureau of Fiscal Operations:

3. Initiate discussions with the Department of Treasury to determine the proper accounting treatment for unusual or RRB specific transactions.

[1] Account 5750, Expenditure Financing Sources – Transfers-In, and account 5760, Expenditure Financing Sources – Transfers-Out.

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Exhibit II – Significant Deficiencies

A. Outdated Accounting Procedure Guides

In 2023, RMA reported a material weakness in internal controls related to RRB's Accounting Procedures Guides (APGs) over financial management practices (i.e., accounting and financial reporting processes). During that time, the RRB provided no evidence of the APGs being updated, reviewed, and/or approved. Most of RRB's APGs had not been updated for more than three years.

In 2024, BFO has prioritized updating its APGs for its accounting and financial reporting processes. The Bureau of Fiscal Operations has updated and approved 35 percent of the out-of-date APGs. Therefore, this finding is no longer considered a material weakness and now should be characterized as a significant deficiency.

In accordance with GAO's Green Book, Principle 12 – Implement Control Activities, "[m]anagement periodically reviews policies, procedures, and related control activities for continued relevance and effectiveness in achieving the entity's objectives or addressing related risks." BFO also stated, "With the appointment of a permanent Accounting Officer, Lead Accountant, and on-boarding of three accountants throughout fiscal year 2023 and on-boarding of two accountants in fiscal year 2024, management was focused on training new employees and maintaining financial operations rather than focused on updating the APGs. Even so, management was able to begin the APG periodic review process in fiscal year 2024 as evidenced by the fact that RRB updated and approved 22 APGs while continuing to accomplish monthly/quarterly financial reporting requirements."

Outdated and obsolete APGs may lead to inaccurate procedures, resulting in accounting and financial reporting processes that are not (1) in accordance with U.S. GAAP, (2) in compliance with the OMB Circular No. A-136, Financial Reporting Requirements (OMB A-136). Additionally, BFO personnel responsible for these critical and/or sensitive areas are unable to ensure they are performing their work in accordance with RRB's required procedures, which may result in material misstatements, missing, incomplete, inaccurate, and/or misleading reporting and disclosures in RRB's consolidated financial statements.

Recommendations

RMA is not making any new recommendations, as the following recommendations were already made in RRB OIG Report 24-01, Recommendations 5, 6, and 8.

We recommend the RRB's Bureau of Fiscal Operations:

- Implement a process to ensure both accounting and financial reporting processes Accounting Procedures Guides are reviewed and updated periodically to support its accounting and financial reporting processes.

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- Implement a process to ensure the review and approval of Accounting Procedures Guides are properly documented with a date stamp of when the Audit Program Guides were approved along with an authorizing official's signature indicating the approval.
- Withdraw and archive outdated Accounting Procedures Guides that are no longer followed or needed.

B. Improved Support for Journal Entries is Needed

RRB's BFO did not support journal vouchers with sufficient and appropriate documentation. More specifically, of the nine judgmentally selected samples, we identified five transactions totaling approximately $187 million that could not be adequately supported.

Without having the appropriate documentation before journal vouchers are posted, financial statements may be materially misstated.

In accordance with GAO Standards for Internal Control in the Federal Government, Principle 10 – *Design Control Activities, Design of Appropriate Types of Control Activities Attribute*, "Appropriate documentation of transactions and internal control, Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained. An entity's internal control is flexible to allow management to tailor control activities to meet the entity's special needs. The specific control activities used by a given entity may be different from those used by others based on a number of factors. These factors could include specific threats the entity faces and risks it incurs; differences in objectives; managerial judgment; size and complexity of the entity; operational environment; sensitivity and value of data; and requirements for system reliability, availability, and performance."

Because RRB has closed one recommendation from our FY 2023 audit report and, in conjunction with the flexibility allowed in the GAO Standards for Internal Control, the material weakness from our FY 2023 audit report is being reported as a significant deficiency. In addition to one of the related prior year recommendations which remains open, we are issuing a new recommendation.

Prior Year Recommendation

- Improve its internal controls so that supporting documentation for journal entries is available for external review (RRB OIG Report 23-01, Recommendation #12).

Current Year Recommendation

4. We recommend the RRB's Bureau of Fiscal Operations improve journal entry supporting documentation to fully explain why journal entries are being made in a consistent manner.

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Exhibit III – Compliance with Laws and Regulations

I. Contract Closeout Process (Repeat)

On October 31, 2023, RRB's CFO notified RMA that the agency continued receiving and paying for services even though the binding contracts had expired months earlier. Per the CFO, "In August of 2023, members of management became aware that the agency continued receiving and paying for services on an expired contract. Management further explained that the Office of Administration's Acquisition Management Division (AM) was not aware that the contract had expired. To remedy the situation, RRB senior management had conversations with the responsible parties and management officials within and over AM to put in place an additional tracking mechanism to guard against such an error in the future. Unfortunately, RRB management became aware in October 2023 that another contract had expired at the beginning of August 2023 for which RRB has been receiving and paying for services.

During FY 2024, management stated that there have been no changes to the contract close out process, but the agency is planning to make changes in the next fiscal year. Management will be reorganizing the Office of Administration into two different divisions with one being dedicated to policies and procedures while the other would focus on contracting. Once this reorganization occurs, RRB will create a contract close-out handbook. Management has also taken short-term corrective actions pending the issuance of formal procedures to develop a spreadsheet that tracks all contract actions conducted by all AM staff to track the life of every contract awarded. The spreadsheet has relevant data points that track critical activities during the performance of the contract through to contract completion and closeout. The spreadsheet also addresses FAR mandated notification timelines to exercise options that may be on the contracts.

In accordance with GAO Standards for Internal Control in the Federal Government, Principle 10 – Design Control Activities, Design of Appropriate Types of Control Activities, "Transactions are promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from its initiation and authorization through its final classification in summary records. In addition, management designs control activities so that all transactions are completely and accurately recorded."

AM lacks up-to-date acquisition and procurement management policies and procedures, including defined end-to-end acquisition and procurement business processes, and defined roles and responsibilities at all levels used to track contracts, specifically closeouts. Therefore, the AM may be disbursing funds in violation of contract clauses, which may lead to non-compliance issues.

Recommendations

We are not making any new recommendations, as the following recommendations were already made in the RRB OIG Report 19-14, Recommendations #11 and #12, RRB OIG recommended the Office of Administration/Division of Acquisition Management:

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- Establish standard procedures for identifying and tracking contracts that have been physically completed (RRB OIG Report 19-14, Recommendation #11); and
- Take steps to ensure the remaining balances are de-obligated in the Financial Management Integrated System (FMIS) in a timely manner (RRB OIG Report 19-14, Recommendation #12).

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Exhibit IV – Management's Response to Audit Report

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-1275

OFFICE OF THE CHIEF FINANCIAL OFFICER

November 14, 2024

Jonathan DeBoer,
Audit Partner
RMA Associates
4121 Wilson Blvd., Ste 1100
Arlington, VA 22201

Thank you for the opportunity to review the Independent Auditor's Report (Report) concerning the fiscal year 2024 financial statements of the Railroad Retirement Board (RRB).

For fiscal year 2024, we acknowledge that RMA will issue disclaimer of opinions on both the RRB's consolidated financial statements and its internal control over financial reporting. We acknowledge that the RRB's inability to receive an unmodified opinion is largely due to the statutory parameters set by Congress via the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act). The Act does not provide the RRB authority to grant RMA access to the National Railroad Retirement Investment Trust's financial statement auditor or their work. Due to the statutory parameters, we acknowledge that RMA cannot perform their audit procedures in accordance with applicable auditing standards leading to disclaimer of opinions and contributing to two of the five material weaknesses RMA identified for fiscal year 2024.

Further, we acknowledge that RMA identified two significant deficiencies and disclosed one instance of noncompliance. To address these reportable matters outlined in the Report, RMA issued four new recommendations with which we concur. Additionally, the RRB will continue efforts to resolve prior year financial statement audit recommendations to the extent possible within our authority and as resources allow.

The RRB's fiscal year 2024 audit results demonstrate our continued commitment to strengthening internal controls and improving financial reporting. While more improvement is needed, during fiscal year 2024, we reduced the severity of 7 material weaknesses, a decrease of 58%, from the 12 identified for fiscal year 2023. Similarly, we reduced the number of reportable instances of noncompliance by 2, a decrease of 66%, from the 3 reported for fiscal year 2023.

The RRB was able to make significant strides improving internal controls, processes, procedures and financial reporting due to the increased appropriations received in fiscal year 2023 that allowed the RRB to address critical staffing needs. The $2 million cut to the RRB's fiscal year 2024 appropriation, an unfunded cost of living adjustment of 5.2%, and the threat of substantial funding cuts for fiscal year 2025 has forced the RRB to severely restrict hiring efforts, which prevented resolution of some audit recommendations and slowed information technology (IT) modernization efforts. Insufficient budgetary resources to maintain critical staffing levels, skillsets, and to support further IT modernization efforts impedes the RRB's ability to continue its improvement efforts.

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In the spirit of partnership, we appreciate both RMA's efforts and the efforts of the Office of Inspector General (OIG) during this audit cycle. We will continue collaborating with RMA and the OIG to maintain open communication as we strive to resolve audit recommendations and improve internal controls and financial reporting to the extent possible within our authority and in consideration of budgetary constraints.

Sincerely,

SHAWNA WEEKLEY Digitally signed by SHAWNA WEEKLEY Date: 2024.11.14 15:14:01 -06'00'

Shawna R. Weekley
Chair of the Executive Committee
Chief Financial Officer

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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Management and Performance Challenges Facing the Railroad Retirement Board

Introduction

The Reports Consolidation Act of 2000 and the Office of Management and Budget (OMB) Circular A-136 require the Inspectors General to identify what they consider the most serious management challenges facing their respective agency and briefly assess the agency's progress in addressing these challenges.[1]

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). As part of the retirement program, the RRB also has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage.[2]

The RRB administers the following benefits:

- Retirement – Under the RRA, railroad workers with at least 10 years of service can receive retirement and disability annuities. Such annuities are also payable to workers with 5 years of service if performed after 1995.
- Disability – Under the RRA, disability annuities can be paid on the basis of total or occupational disability.
- Sickness benefits – Under RUIA, sickness benefits are paid to railroad workers unable to work because of illness or injury.
- Unemployment benefits – Under RUIA, unemployment insurance benefits are paid to railroad workers who are unemployed but ready, willing, and able to work.
- Railroad Medicare – The Medicare program covers railroad workers just like workers covered under social security.

In fiscal year 2023, the RRB paid retirement-survivor benefits of nearly $13.9 billion to about 493,000 beneficiaries and paid unemployment-sickness insurance benefits of approximately $54.7 million to about 15,000 claimants. In fiscal year 2023, the RRB also paid benefits on behalf of the Social Security Administration (for which the RRB was

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[1] Office of Management and Budget, *Financial Reporting Requirements*, Circular No. A-136 Revised (Washington, D.C.: May 30, 2024).
[2] Social Security Act (42 United States Code § 1842(g)).

reimbursed) amounting to $2.4 billion to about 127,000 beneficiaries. This year's management challenges are:

- Improve Agency Disability Program Integrity
- Improve Information Technology Security
- Complete Information Technology Systems Modernization
- Improve Transparency and Management of Railroad Medicare
- Ensure Reliable Financial Statements and Internal Controls over Financial Reporting
- Improve Human Capital Management

The challenges this year include items relating to prior Office of Inspector General (OIG) concerns or those identified in prior audits, the President's Management Agenda, and areas related to the RRB's core mission.[3] Many of this year's challenges have been included in prior statements.

Challenge 1 - Improve Agency Disability Program Integrity

RRB must ensure: (1) accurate and timely determinations of eligibility of an applicant for a disability annuity, early Medicare coverage, and a disability freeze, and (2) annuitants remain eligible to continue benefits by careful and cost-effective monitoring.[4]

Why is this a challenge?

The consequences of untimely processing of disability applications could immediately impact railroad workers and their families who are unable to work and might struggle to pay essential living expenses (e.g., food, clothing, housing, and medical care). As of October 2023, the cost of the RRB's disability program is approaching $709 million per year in benefit payments. The potential for fraud and abuse in the RRB's disability program remains high due to challenges in: (1) disability workloads and staffing levels, (2) timeliness of initial disability decisions, and (3) effective continuing disability reviews (CDR).

Disability Workloads and Staffing Levels

In the RRB's fiscal year 2025 Justification of Budget Estimates, RRB management indicated that sustained low staffing levels during fiscal years 2017-2022, and significant staff losses over the last several years, forced the Office of Programs to focus most of its resources on the timely adjudication of new ("initial") applications, claims, and related

[3] The President's Management Agenda, *The Biden-Harris Management Agenda Vision*, https://www.performance.gov/pma/.

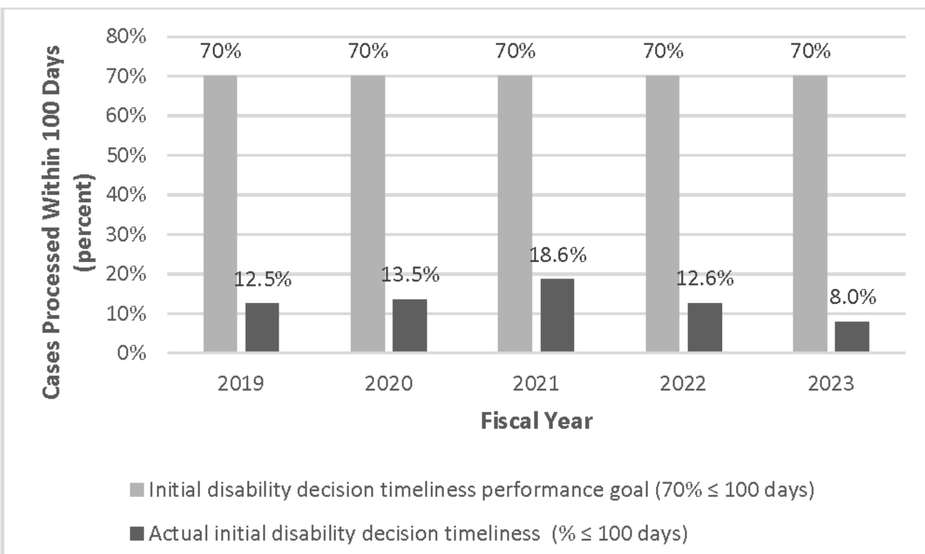
[4] The freeze provision of the Social Security Act protects disabled workers and their families against the loss of, or the reduction in benefits because of the worker's disability. An application for a disability annuity is legally considered to be an application for a disability freeze, and the claimant has the right to be notified of the Railroad Retirement Board's (RRB) decision. Lastly, the RRB only completes disability freeze decisions for career railroad employees.

benefit payments. RRB management also indicated that they successfully prioritized initial age and service retirement benefit awards, but as of March 2024, the RRB had 2,524 cases pending an initial disability decision and 3,075 early Medicare (Disability Freeze) cases pending a decision. In addition, the prioritization of initial payment awards led to backlogs in cases requiring “post” (after the initial award) award adjustment (i.e., a revision or modification to a current benefit payment because of income changes that did not fully process through RRB’s automated systems during the initial award). Specifically, the RRB indicated that as of February 16, 2024, the RRB had a total of 107,630 pending retirement post award actions.

Timeliness of Initial Disability Decisions

The RRB did not accomplish one of the agency’s strategic performance goals for initial disability decision timeliness.[5] As shown in Figure 1, in fiscal year 2023, the RRB made 8 percent of initial disablity decsions within 100 days of the application filed date, which was substantially lower than the 70 percent performance goal. This was the lowest in the last five years.

Figure 1. Timeliness of Initial Disability Decisions



Source: RRB’s fiscal year 2022 and fiscal year 2023 Performance and Accountability Report (PAR) and Justification of Budget Estimates for fiscal year 2024 and fiscal year 2025.

Continuing Disability Reviews

The completion of CDRs has impacted the performance of the RRB’s disability program. Total and occupational disability awards, valued at approximately $709 million in fiscal year 2023, ($458 million for occupational disability and $251 million for total

[5] Per the RRB’s fiscal year 2023 Performance and Accountability Report (PAR), the timeliness performance goal II-A-7 is the following: RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application filed (Measure: % ≤ 100 days).

disability) can be abused by railroad employees.[6] For fiscal year 2023, 7,100 total disabled annuitants received an average monthly total disability annuity of $2,668 and 8,700 occupationally disabled annuitants received an average monthly occupational disability annuity of $3,906. The RRB is statutorily required to periodically review a disability annuitant's impairment(s) and work activity to determine if the annuitant continues to be entitled to disability benefits.[7] The RRB calls this evaluation a CDR. In general, the CDR process includes the RRB obtaining recent medical evidence and other documents from awardees and determining if recovery from a disability has occurred. In addition, conducting a CDR may include assessing vocational factors, which may or may not result in cessation of disability benefits. At the start of fiscal year 2023, there were 1,107 pending CDR actions. During fiscal year 2023, the Disability Benefits Division developed and completed 600 pending items. Of the 600 actions completed, 104 required detailed reviews because of a potential impact to entitlement or payment. Improvements in the RRB's oversight of CDRs will help minimize disability overpayments and improve disability program integrity.

Assessment of the Progress the Railroad Retirement Board Has Made

In the RRB's fiscal year 2023 PAR, RRB management discussed what they have done to improve disability program integrity. Specifically, RRB management stated that:

- RRB completes a second review of all initial decisions, requires additional forms and documentation for disability decisions, and proactively obtains earnings queries (e.g., information from Social Security Administration records and The Work Number, a third-party vendor) in all cases prior to adjudication.
- RRB management increased staffing in fiscal year 2023 to address the fiscal year 2022 pending disability cases. After the post examiners team was reduced due to promotions and attrition, RRB tripled the post examining staff responsible for CDRs.[8] The additional examiners were expected to complete training and assist in the quality review of continued eligibility by the third quarter of fiscal year 2024.

[6] A railroad employee is considered occupationally disabled if the physical or mental condition is such that the employee is permanently disabled for work in his or her regular railroad occupation, even though the employee may be able to perform other kinds of work.
[7] RRB regulations in 20 Code of Federal Regulations § 220.185 through 187 and 220.15 through 20 describe the broad categories of circumstances when the RRB will conduct a continuing disability review and the frequency of review of disability determinations under the Railroad Retirement Act.
[8] The claims examiners are assigned to one of two Disability Benefits Division sections: Initial Section or Post Section. The claims examiners in the Initial Section are responsible for making the first decision regarding whether to award a disability annuity to the claimant. The claims examiners in the Post Section are responsible for reviewing the initial examiner's decision and coordinating with Social Security for disability freeze determinations.

- RRB increased the number of initial examiners who make initial annuity and early Medicare decisions. By increasing the number of examiners to complete early Medicare decisions, the RRB increased the time available for post examiners to focus on earnings related CDRs as recommended by a prior Government Accountability Office (GAO) audit.[9]

- RRB focuses on earnings reviews and nearly 90 percent of the CDR reviews that resulted in changes in entitlement were earnings related.

What the Railroad Retirement Board Needs to Do

- The RRB needs to work on reducing and eliminating the pending disability cases.
- The RRB needs to continue increasing the staffing levels to improve the timeliness of initial disability decisions and the effectiveness of the CDR program.
- The RRB needs to continue implementing corrective action plans.

Challenge 2 – Improve Information Technology Security

RRB must ensure the information technology (IT) systems are secure and sensitive data are protected.

Why is this a challenge?

Secure IT systems are vital in supporting the ability to meet the RRB's core mission and to transform its core business processes and services while safeguarding information. Managing cybersecurity risks is critical to the security posture of federal networks and infrastructure. The President's Management Agenda requires a priority of delivering excellent, equitable, and secure federal services and customer experience. Disruptions to the integrity or availability of RRB's information systems would dramatically affect its ability to serve the public and meet its mission. RRB systems contain personally identifiable information, such as social security numbers, which, if not protected, could be subject to inappropriate disclosures.

Assessment of the Progress the Railroad Retirement Board Has Made

In the RRB OIG's audit of the RRB's compliance with the Federal Information Security Modernization Act of 2014 (FISMA) for fiscal year 2023, the auditors determined that the RRB sustained, or continued to improve, the Core FISMA Inspector General metrics reviewed in the audit.[10] Although the RRB continued to improve its information security program (ISP), the majority of cybersecurity framework functions were rated below the

[9] Government Accountability Office (GAO), *Railroad Retirement Board: Actions Needed to Improve the Effectiveness and Oversight of Continuing Disability Reviews*, GAO-18-287, (Washington, D.C.: February 21, 2018).
[10] RRB OIG, *Audit of the Railroad Retirement Board's Compliance with the FISMA of 2014 for Fiscal Year 2023*, Report No. 24-05 (Chicago, IL: April 10, 2024).

level of “Managed and Measurable” (Level 4), which is how OMB, the Department of Homeland Security (DHS), and Council of the Inspectors General on Integrity and Efficiency define an effective ISP. As a result, the auditors concluded that the RRB’s ISP was not effective.

The RRB continues to emphasize the need for improving cybersecurity and modernizing the RRB’s systems through key reporting. In its fiscal year 2025 Justification of Budget Estimates, RRB management maintained Strategic Goal I, Modernize Information Technology Operations to Sustain Mission Essential Services with the Strategic Objective, RRB's Transformation. In support of their Strategic Goal I, RRB management continued with its Information Resources Management (IRM) Strategic Plan for Modernization. The plan outlines four strategic goals which are to: (1) Improve the User Experience, (2) Secure the Enterprise, (3) Upskill the IT Team, and (4) Optimize the Infrastructure. In efforts to achieve its four strategic goals, RRB management identified three priorities, which are:

- Priority 1 – Expansion of Online Self-Services to include additional Forms and Benefits Streams
- Priority 2 – Data Modernization
- Priority 3 – Software Development Platform Expansion

In addition, regarding IT security, the RRB addressed its ISP as a component of its Strategic Goal III, to serve as responsible stewards for customers’ trust funds and agency resources, through its strategic objective, ensure effectiveness, efficiency, and security of operations.

Within its Justification of Budget Estimates Performance Plan, the RRB consolidated its performance indicators to assess its progress toward its strategic objective with reference to its IRM Strategic Plan for Modernization. The five performance indicators are:

- Indicator 1 – Complete the development of business rules strategy and data layer components of the modernization
- Indicator 2 – Deliver citizen-centric services and applications to railroad employees through mobile and web-ready interfaces
- Indicator 3 – Complete the streamlining of core business processes and modernize key applications, which support these processes
- Indicator 4 – Refine critical management processes in the following areas within the IT organization: change, project, program, and configuration
- Indicator 5 – Evaluate the re-engineering assessment deliverables to determine a cost-effective path forward to application rationalization and streamline business processes

In their fiscal year 2025 Justification of Budget Estimates, RRB management indicated that it continues to make progress towards a compliant ISP and make efforts towards improving its security posture to ensure compliance with emerging executive orders and emergency operational directives. RRB partnered with DHS and participates in the Continuous Diagnostic and Mitigation (CDM) program and the CDM Dynamic and Evolving Federal Enterprise Network Defense program. This partnership with DHS is expected to strengthen its information security, continuous monitoring compliance, vulnerability assessment, hardware and software management, configuration management, and privileged account management.

RRB management also stated that they understand and take very seriously the mandate of FISMA. RRB management also explained that it partnered with DHS and the Department of Justice to ensure compliance and depth of security across the RRB enterprise. The RRB hired application security expertise to ensure its modernization of legacy applications was secure and reliable. Lastly, the RRB continues to consume federal cybersecurity shared services to secure its enterprise and manage its Risk Management Framework.

In their fiscal year 2023 PAR response for this challenge, RRB management also stated that they continue to work to maximize its performance against the measured controls as it continues to modernize its enterprise, and continues to make incremental steps to reach the overall maturity goal of Managed and Measurable (Level 4).

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue improving IT security by reaching the overall maturity goal of Managed and Measurable (Level 4).
- The RRB needs to continue implementing corrective action plans.

Refer to Appendix A for the relevant report for this challenge.

Challenge 3 – Complete Information Technology Systems Modernization

RRB must complete current initiatives to modernize IT systems to accomplish its mission, despite budget and resource constraints.

Why is this a challenge?

In the RRB’s Fiscal Year 2025 Justification of Budget Estimates, the RRB indicated that since 2018, it received incremental funding from Congress through annual and pandemic-related appropriations to modernize its enterprise to provide secure, more convenient benefits administrative services to its customers. Specifically, the RRB indicated that it received $65 million in IT modernization and related supplemental funds. The RRB also indicated that much of their focus to-date was on the modernization of their enterprise infrastructure, and the RRB expected to complete this modernization by the third quarter of fiscal year 2024. However, two recent audits identified issues with the RRB's IT modernization efforts.

- A recent audit report issued by GAO examined the extent to which the RRB had addressed one of its key operational challenges by modernizing its IT infrastructure.[11] GAO reported that the RRB assessed its IT needs and laid out a broad strategy for improvements that align with its strategic goals. However, the RRB's IT modernization plans did not incorporate some key information management practices. For example, the RRB had not developed plans that clearly state when its IT modernization efforts will be complete or the extent to which it will update its IT systems. In addition, the RRB had not developed performance metrics and goals for measuring progress of its modernization efforts. In the absence of plans with clear metrics and goals, the RRB may be unable to measure the success of its efforts and adjust approaches as needed. GAO made two recommendations, and one of the recommendations was to address the RRB's IT modernization weaknesses discussed in this section.

- A recent RRB OIG follow-up audit reviewed the RRB's utilization of $28.6 million in IT funding that was identified as questioned costs in a prior RRB OIG audit.[12] For the $28.6 million, the auditors determined that the RRB could not provide detailed project plans to expend approximately $26.5 million of IT modernization funding, and the RRB provided conflicting and incomplete information regarding the status of available funds for IT projects. From the $26.5 million in funds, $6.6 million in obligated funds were potentially spent on non-IT modernization projects, leaving the RRB at risk for failing to secure and modernize IT.

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue working on their IT modernization efforts.
- The RRB needs to continue implementing corrective action plans.

Refer to Appendix A for a list of relevant reports for this challenge.

[11] GAO, *Railroad Retirement Board: Agency Could Strengthen Plans to Address Key Management Challenges*, GAO-24-105545, (Washington, D.C.: December 2023).
[12] RRB OIG, *Audit of the Utilization of Information Technology Modernization Funds at the Railroad Retirement Board as of Fiscal Year 2023*, Report No. 24-04 (Chicago, IL: March 6, 2024); and RRB OIG, *The RRB Did Not Have Detailed Project Plans to Expend Information Technology Modernization Funds*, Report No. 22-10 (Chicago, IL: June 29, 2022).

Challenge 4 – Improve Transparency and Management of Railroad Medicare

According to the Social Security Act (42 United States Code § 1842(g)), the RRB has the authority to administer certain aspects of the Medicare program for qualified railroad beneficiaries. Some of these provisions include eligibility determination, enrollment or disenrollment, premium collection, processing state buy-ins, and selection of a contractor to process Medicare Part B claims.

Why is this a challenge?

Transparency and the management of Railroad Medicare continues to be a challenge for the RRB. The Railroad Medicare topic fits the President's Management Agenda priority of delivering excellent and equitable federal services. Additionally, Congress and the American public require access to what the federal government spends every year and how it spends the money, including appropriations to federal agencies and down to local communities and businesses.

The RRB administers the Railroad Medicare program for railroad workers and, since 2000, the same contractor has acted as the RRB's Specialty Medicare Administrative Contractor (SMAC), processing Medicare Part B claims on behalf of railroad beneficiaries.[13] Within the RRB, the Office of Programs is responsible for the day-to-day Railroad Medicare contract oversight, while RRB's Acquisition Management Division is responsible for successfully awarding the contract. The RRB is fully responsible for the Railroad Medicare contract.

At the end of fiscal year 2023, more than 437,496 qualified railroad beneficiaries were enrolled in the RRB's administered portion of Medicare Part B. During fiscal year 2023 and on behalf of the RRB, the SMAC processed more than 7.9 million Railroad Medicare claims and paid approximately $938 million in benefit payments to providers for Part B services. The Department of Health and Human Services (HHS), Centers for Medicare and Medicaid Services (CMS) transferred/reimbursed RRB for total expenses of $33.3 million in Railroad Medicare program costs during fiscal year 2023, a total decrease of 13 percent from the prior fiscal year. Of that amount, approximately $18.8 million, a 19 percent decrease from the prior fiscal year, was transferred to fund the RRB's SMAC, and $14.6 million, a 3 percent decrease, was sent to the RRB for reimbursable expenses incurred for administering the program. CMS paid the RRB for these administrative services through an existing and ongoing cost reimbursement agreement, interagency agreement, and memorandums of understanding. This total expense covered both direct and indirect costs for the RRB, the RRB OIG, and the cost of the SMAC.

[13] The contractor has been the Railroad Specialty Medicare Administrative Contractor (SMAC) that processes Medicare Part B claims for Railroad Retirement beneficiaries nationwide. As the SMAC, the contractor had administrative responsibility for processing Railroad Retirement beneficiary claims only.

Lastly, there has been no public transparency regarding the improper payment rate of the Railroad Medicare program for five consecutive years.[14] The public and Congress have not been allowed access to RRB's SMAC's performance over the years, including the SMAC's performance in processing over 7.9 million claims to pay various providers over $938 million.

Assessment of the Progress the Railroad Retirement Board Has Made

In their fiscal year 2023 PAR, RRB management indicated that the RRB is not responsible for reporting improper payments related to the Railroad Medicare program. RRB management also stated that it continues to work with CMS to provide interested parties with programmatic costs of the Medicare program in its entirety, and takes necessary action in accordance with the August 31, 2022 Memorandum of Understanding (MOU), to protect and properly administer Railroad Medicare funding. Specifically, RRB management provided actions taken to address the management of Railroad Medicare, such as (1) continue to prepare an annual risk assessment to determine SMAC vulnerabilities, (2) continue to use the Comprehensive Error Rate Testing (CERT) improper payment information to prepare annual medical review strategies, (3) continue to require the SMAC to submit a CERT Improper Payment Activities Report after the final improper payment data is received from CMS, (4) continue to ensure that the SMAC submits regular updates to the RRB if the improper payment rate is above the accepted tolerance levels, and (5) continue providing performance data and other data to CMS, when requested, in order to assist CMS with reporting requirements.

On August 31, 2022, the RRB, HHS, and CMS entered into an MOU, and CMS formally accepted the responsibility for Railroad Medicare's Payment Integrity Information Act of 2019 reporting. According to the MOU, CMS is responsible for calculating and reporting the improper payment rate and improper payment reporting for the RRB's SMAC. However, in our last payment integrity report, the auditors found that the Railroad Medicare improper payment rate and estimated amount of improper payments were not transparent in HHS' Fiscal Year 2023 Agency Financial Report (AFR) or on PaymentAccuracy.gov.[15] In addition, Railroad Medicare improper payment information was not reported in HHS' 2023 Medicare Fee-for-Service Supplemental Improper Payment Data supplement to the HHS AFR.

On June 14, 2024, the RRB awarded a new 10-year SMAC services contract (base year and nine option years) to the same contractor that they have used since 2000. The performance start date for the contract was August 19, 2024, and the total award amount was $127.7 million.

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[14] The RRB did not report Railroad Medicare payment integrity in its PAR for fiscal years 2019, 2020, 2021, 2022, and 2023.
[15] RRB OIG, *The Railroad Retirement Board Complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2023*, Report No. 24-07 (Chicago, IL: May 20, 2024).

What the Railroad Retirement Board Needs to Do

- RRB management needs to continue working with CMS and regularly review and update the August 31, 2022 MOU to ensure that they are protecting and properly administering Railroad Medicare funding, and that spending related to Railroad Medicare is reported appropriately and is transparent to the public.

See Appendix A for the relevant report for this challenge.

Challenge 5 – Ensure Reliable Financial Statements and Internal Controls over Financial Reporting

RRB must ensure a reliable financial reporting system and provide financial statements that presents fairly the financial condition of the RRB.

Why is this a challenge?

RRB has not received an unmodified (clean) opinion on its annual agency wide financial statements since 2012.[16] For its fiscal year 2023 financial statements, the RRB received a disclaimer of opinion and separately received an additional disclaimer of opinion on its internal controls over financial reporting.[17] Disclaimers are issued when the independent financial statement auditor cannot express an opinion. The primary reasons for the fiscal year 2023 disclaimers were due to the RRB's inability to provide sufficient appropriate evidential matter to the auditors. Overall, the RRB's fiscal year 2023 financial statements audit included 12 material weaknesses and 3 instances of noncompliance.

RRB's financial management issues are prominent and may adversely affect the economy, efficiency, and effectiveness of its operations. Sound financial management practices, and reliable, useful, timely financial and performance information, would help to improve RRB's accountability over its extensive resources, would support more efficient management of these resources, and would help to ensure the railroad community continues to have access to its earned benefits.[18] As of September 30, 2023, the RRB's assets were approximately $33 billion. As of the same day, the RRB's obligations were reported at almost $17 billion according to USAspending.gov, ranking it 28th highest, in spending, of 109 listed agencies.[19]

[16] In an unmodified opinion on the financial statements, the auditor concludes that the financial statements are presented fairly, in all material respects, as of the specified date in accordance with the United States (U.S.) Generally Accepted Accounting Principles.
[17] The independent financial statement auditor issued its report on November 15, 2023.
[18] During fiscal year 2023, the RRB paid benefits to about 493,000 beneficiaries.
[19] USAspending.gov is the official source for spending data for the U.S. Government. Its mission is to show the American public what the federal government spends every year and how it spends the money. You can follow the money from the Congressional appropriations to the federal agencies and down to local communities and businesses.

Twelve Material Weaknesses

On November 15, 2023, a total of 14 new recommendations were made to address 12 material weaknesses regarding scope limitations, internal control environment, and financial reporting.

Scope Limitations

The financial statement auditor faced scope limitations due to a lack of access to National Railroad Retirement Investment Trust (NRRIT) audit results (repeat finding), insufficient and untimely evidential matter (repeat finding), and unsupported RRA annuity payments (new finding). The financial statement auditor made three recommendations for the new material weakness.

Internal Control Environment

The financial statement auditor identified three material weaknesses in the internal control environment, including ineffective internal control program (modified repeat finding), ineffective IT control over financial reporting (repeat finding), and outdated accounting procedures guides (new finding). The financial statement auditor made five recommendations for the new material weakness.

Financial Reporting

The financial statement auditor determined that six material weaknesses existed regarding the RRB's financial reporting, including issues with preparing and reviewing financial reports (modified repeat finding), untimely reviews of open obligations (repeat finding), unsupported undelivered orders (new finding), unsupported journal entries (repeat finding), lack of detailed financial statement analysis (repeat finding), and noncompliance with Treasury United States Standard General Ledger (new finding). The financial statement auditor made six recommendations.

Compliance with Laws and Regulations

In connection with the audit of the financial statements, tests were performed of RRB's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. The results of the financial statement auditor's tests disclosed three instances of noncompliance with laws and regulations, including inadequate controls over railroad service and compensation (modified repeat finding), inability to ascertain RRB's compliance with the Antideficiency Act (new finding), and an ineffective contract closeout process (new finding). The financial statement auditor made two recommendations.

Assessment of the Progress the Railroad Retirement Board Has Made

RRB management acknowledged that there is room for internal control improvements, and stated that they planned to review the final report in detail, and determine whether the financial statement auditor's recommendations were appropriate, cost effective, and reasonable.

What the Railroad Retirement Board Needs to Do

- RRB management needs to work closely with the financial statement auditors to ensure that RRB management provides supporting documentation and audit deliverables to the auditors in a timely manner.
- RRB management needs to work with the financial statement auditors to identify the minimal NRRIT audit evidence needed to complete the audit, and determine whether GAO can provide this audit evidence.
- RRB management needs to continue implementing corrective action plans.

Refer to Appendix A for the relevant report for this challenge.

Challenge 6 - Improve Human Capital Management

In order to accomplish its mission, handle the persistent administrative workload, and provide outstanding customer service, the RRB has an ongoing need to effectively manage their human capital resources to hire, develop, and retain employees.

Why is this a challenge?

Over the last several years, the RRB's significant staff losses and inadequate staffing levels created backlogs of initial disability decisions and post adjudicative actions, which impacted the accuracy of retirement/survivor, disability, and unemployment/sickness benefit payments.[20] In addition, the increased aged backlogs and extended processing delays resulted in reduced customer satisfaction and an increase in phone inquiries, which exceeded the capacity of the RRB's field office employees. Lastly, the insufficient staffing and lack of job duty redundancy across the enterprise led the RRB to allocate resources to satisfy federal mandates or short-term agency priorities, rather than activities with long-term benefit or satisfying a strategic goal.

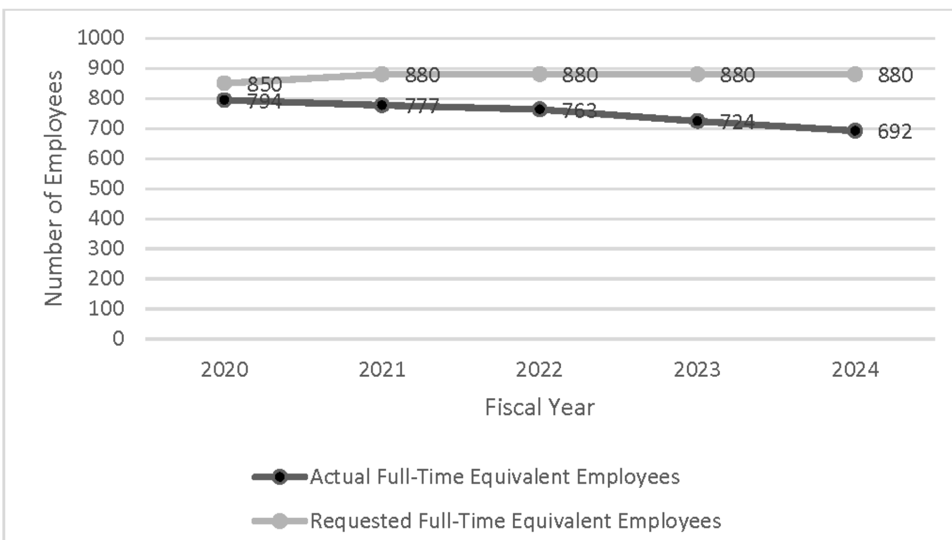
[20] In the fiscal year 2025 Justification of Budget Estimates, the RRB indicated that (as of March 2024) there are 2,524 cases pending and initial disability decision and 3,075 early Medicare (Disability Freeze) cases pending decisions. The freeze provision of the Social Security Act protects disabled workers and their families against the loss of, or the reduction in benefits because of the worker's disability. Moreover, an application for a disability annuity is legally considered to be an application for a disability freeze, and the claimant has the right to be notified of the RRB's decision. Lastly, as of February 16, 2024, the RRB had 107,630 pending retirement post award actions. The pending workload items represent thousands of railroad retirement beneficiaries who have either been paid too much or too little, creating a backlog in post award adjustments.

Hiring, Retention, and Human Capital Planning Challenges

In the fiscal year 2025 Justification of Budget Estimates, RRB management indicated that the RRB has been unable to create job duty redundancies or replace positions timely, due to rising personnel and operational costs and a relatively flat annual budget in prior fiscal years. Additionally, in fiscal year 2025, the RRB projected that it would be operating at 21 percent below its 880 minimum staffing level, with a quarter of employees being retirement eligible within the next year. This percentage climbs to nearly one-third (32 percent) over the next three years.

In the fiscal year 2025 Justification of Budget Estimates, RRB management indicated that stagnant budgets and attrition limited the RRB's ability to backfill positions in a timely manner, provide on-the-job training for new employees, and retain institutional knowledge. The budget levels and attrition also hindered succession planning. RRB management reported that in fiscal year 2023, the RRB received additional funding and increased their hiring efforts, but as shown in Figure 2, the full-time equivalent (FTE) employees continued to decline.[21] Moreover, in fiscal year 2024, Congress decreased the RRB's funding by $2 million to $126 million, and the RRB implemented a hiring freeze. To sustain critical benefit administration operations, the RRB determined it needs a minimum of 880 FTEs, and the RRB's historical trends indicated that 86 percent and 14 percent of workload pertains to RRA and RUIA, respectively.

Figure 2. Railroad Retirement Board Full-Time Equivalent Employees (Actual and Requested)



Source: RRB's Justification of Budget Estimates for fiscal years 2020 through 2025. The FTEs excludes staffing for the OIG, and the fiscal year 2024 actual FTEs reflects the RRB's adjusted projection as of January 2024.

[21] The RRB was appropriated $123.5 million in fiscal years 2020 and 2021, $124 million in fiscal year 2022, and $128 million in fiscal year 2023 (exclusive of funding for information technology modernization and reflecting successive years of unfunded cost of living adjustment increases).

In the RRB's Strategic Plan 2022-2026, RRB management indicated that the key challenges in managing human capital include an aging workforce, employee attrition, and the increasing complexity of IT needs. RRB management also indicated that they placed emphasis on filling entry level positions, focusing on front-line service employees in the field offices and claims examiners in headquarters to the extent possible, due to budgetary constraints. However, a recent OIG audit determined that the RRB's Bureau of Field Service (BFS) could not calculate or determine the optimal number of field service employees needed to support customer service phone calls for the railroad community, including optimal efficiency.[22,23] Specifically, the auditors found that BFS could not determine the optimal number of field service employees needed for its call demand because of inaccurate data. The auditors concluded that BFS's inability to determine the optimal number of field service employees needed for its call demand could directly impact the needs of the railroad community (i.e., phone calls could go unanswered, individuals could be put on hold for extended periods, or individuals could elect to walk-in to a field office unnecessarily).

A recent audit report issued by GAO outlined areas where RRB could strengthen its plans to address key management challenges.[24] In this report, GAO acknowledged that the RRB had taken some actions to improve its recruiting of staff, including using federal hiring flexibilities, such as the Pathways Programs, which offer internships to students and jobs to recent graduates. In addition, the report stated that the RRB human resources officials worked with managers to make sure they were aware of different hiring flexibilities when discussing hiring needs. GAO's report also stated that the RRB included several legislative proposals in its fiscal year 2024 budget submission to obtain additional hiring flexibilities that were not available to the RRB. Lastly, the RRB also included the legislative proposals in its fiscal year 2025 budget submission to obtain additional hiring flexibilities that were not available to the RRB.[25]

Assessment of the Progress the Railroad Retirement Board Has Made

The RRB has made some progress in hiring, retention, and human capital planning as described in the following paragraphs.

Hiring, Retention, and Human Capital Planning Progress

In RRB's Strategic Plan 2022-2026, RRB management acknowledged the ongoing need and responsibility to effectively manage their human capital resources. The RRB also stated that it worked closely with the Office of Personnel Management (OPM) and OMB

[22] RRB OIG, Report No. 24-03.
[23] The Bureau of Field Service (BFS) provides all aspects of customer relations on behalf of the RRB. BFS has 53 field offices across the United States to provide customer service in person and by telephone to railroad employees, railroad retirees, and their families.
[24] GAO-24-105545.
[25] In the RRB's fiscal year 2025 Justification of Budget Estimates, the first legislative proposal was a new request that would increase employment opportunities for people with disabilities by allowing the RRB to utilize Schedule A hiring authorities. The final two legislative proposals would allow the RRB to continue to use Office of Personnel Management hiring authorities for attorneys, students, and recent graduates.

to develop long-range plans that will position the RRB for continued success in administering RRB programs.

GAO's recent audit report also found that in 2021, the RRB developed a human capital plan (HCP) and assessment in response to challenges from anticipated attrition.[26] Specifically, GAO found that the RRB's HCPs and efforts in 2022 incorporated all key practices for effective strategic workforce planning identified by GAO's, *Human Capital: Key Principles for Effective Strategic Workforce Planning*.[27] The key practices included involving senior leadership and link to plans; involving staff in planning; analyzing succession and training needs; and using federal hiring flexibilities.

In the fiscal year 2025 Justification of Budget Estimates, RRB management indicated that in early fiscal year 2024, the RRB completed their HCP, which included hiring, succession, and training plans. Specifically, to complete their HCP, RRB conducted a workforce analysis; assessed succession risk and candidate readiness; and analyzed training by requiring an organization profile outlining training and developmental needs (e.g., soft skills, technical skills, and program specific knowledge).

What the Railroad Retirement Board Needs to Do

- The RRB needs to be aware that a wave of retirements for critical positions can increase the RRB's succession risk, which can increase the risk of noncompliance with laws, regulations, or federal mandates.[28]
- The RRB needs to continue updating the HCP annually, including their hiring, succession, and training plans. Specifically, the RRB should continue to build and maintain their succession plan to capture valuable knowledge and insights of current employees, convey captured knowledge to new and retained employees, and create and utilize a multigenerational knowledge and leadership pipeline. One way to capture institutional knowledge is to ensure that RRB management maintains and regularly updates policies and procedures.
- The RRB needs to continue pursuing Congress for additional hiring flexibilities that are not available to the RRB, and continue working closely with OMB and OPM to develop long-range plans for hiring.

Refer to Appendix A for the relevant report for this challenge.

[26] GAO-24-105545.
[27] GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39, (Washington, DC.: December 2003).
[28] Per GAO-24-105545, the RRB's human capital plan defines a critical position as one that presents an unacceptable operational risk to the agency's mission if it remains unfilled.

Through audits, investigations, and other follow-up activities, we will continue our oversight of the challenges discussed in this letter.

(Original signed by)

Ben R. Wagner
Acting Inspector General

October 16, 2024

APPENDIX A: REPORTS

Please visit https://www.rrb.gov/OurAgency/InspectorGeneral/Library for our reports.

Improve Information Technology Security

- Railroad Retirement Board (RRB) Office of Inspector General (OIG), *Audit of the Railroad Retirement Board's Compliance with the FISMA of 2014 for Fiscal Year 2023*, Report No. 24-05 (Chicago, IL: April 10, 2024).

Complete Information Technology Systems Modernization

- RRB OIG, *The RRB Did Not Have Detailed Project Plans to Expend Information Technology Modernization Funds*, Report No. 22-10 (Chicago, IL: June 29, 2022).
- RRB OIG, *Audit of the Utilization of Information Technology Modernization Funds at the Railroad Retirement Board as of Fiscal Year 2023*, Report No. 24-04 (Chicago, IL: March 6, 2024).

Improve Transparency and Management of Railroad Medicare

- RRB OIG, *The Railroad Retirement Board Complied with the Payment Integrity Information Act of 2019 for Fiscal Year 2023*, Report No. 24-07 (Chicago, IL: May 20, 2024).

Ensure Reliable Financial Statements and Internal Controls over Financial Reporting

- RRB OIG, *Report on the Railroad Retirement Board's Financial Statements Fiscal Year 2023*, Report No. 24-01 (Chicago, IL: November 15, 2023).

Improve Human Capital Management

- RRB OIG, *Audit of the Railroad Retirement Board's Organizational Structure and Field Service Operations*, Report No. 24-03 (Chicago, IL: February 8, 2024).

MANAGEMENT'S COMMENTS

These are Management's Comments on the Management and Performance Challenges identified by the Railroad Retirement Board (RRB) Office of Inspector General (OIG)

Challenge 1 - Improve Agency Disability Program Integrity

What the Railroad Retirement Board Needs to Do

- The RRB needs to work on reducing and eliminating the pending disability cases.
- The RRB needs to continue increasing the staffing levels to improve the timeliness of initial disability decisions and the effectiveness of the continuing disability review (CDR) program.
- The RRB needs to continue implementing corrective action plans.

Management's Comments to Challenge 1:

We take program integrity very seriously and appreciate the OIG's acknowledgment of our dire budget situation and staffing shortages. As they rightfully report, dwindling resources constitute a major concern potentially impacting program integrity in the form of timeliness and effectiveness. We remain committed to program improvement and will continue advocating for the resources, especially in IT modernization (see Challenge 3 discussion), that our dedicated staff and constituents deserve.

As observed by OIG, we were able to add some staff to our disability examiner units in fiscal year 2023. In fiscal year 2024, these individuals completed their training phase, and we saw commensurate improvements in our workloads. Specifically, we now have 2,425 pending initial disability cases as compared to the 2,524 that OIG noted were pending in March of 2024. Similarly, OIG observed that we had 3,075 early Medicare (disability freeze) cases pending in March of 2024 and that level has dropped to 2,954. In fiscal year 2024, we completed 10.3% of initial disability decisions in our goal timeframe of 100 days, representing a 2% improvement over fiscal year 2023. Although a 100-day processing goal is not possible with our current staffing level, it represents our desired customer service performance, and we look forward to an increase in future resourcing levels that will allow us to achieve this goal.

We agree that the agency needs to continue work on reducing pending disability cases. As acknowledged within OIG's second recommended action, our ability to issue timely decisions and work down our pending cases will not occur without increased staffing levels; we appreciate OIG's partnership in highlighting this need. Similarly, our ability to implement corrective action plans is constrained by staffing shortages.

However, we note that the OIG report discusses pending retirement post award actions in the section titled "Disability Workloads and Staffing Levels," but those post award actions are not directly pertinent to that topic. Specifically, Programs' Disability Benefits Division is not responsible for the described workload; the assessment of payment changes is instead handled by Programs' Retirement Survivor Benefits Division. The cited retirement post award actions are not exclusive to disability benefit annuitants nor are they exclusively the result of CDRs.

Challenge 2 – Improve Information Technology Security

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue improving IT security by reaching the overall maturity goal of Managed and Measurable (Level 4).
- The RRB needs to continue implementing corrective action plans.

Management's Comments to Challenge 2:

We appreciate the OIG's thorough evaluation of our IT Security environment and acknowledgment of the improvement in our fiscal year 2023 Core FISMA Inspector General metrics and efforts we've taken to sustain yearly improvements of our information security program. The RRB is fully aware and committed to working toward an overall maturity level of Managed and Measurable (level 4) and the following are a few examples of our efforts toward this goal.

First, understanding that a fully integrated enterprise-wide Risk Management Program is required for the agency to manage risk effectively, the RRB implemented an automated solution in fiscal year 2024 using the Department of Justice's Joint Cybersecurity Authorization Management Governance, Risk, and Compliance tool. This tool provides a centralized, enterprise-wide (portfolio) view of risks across the organization, including risk control and remediation activities, dependencies, risk scores/levels, risk management roles and responsibilities, an information security architecture strategy, an enterprise-wide configuration plan, and management dashboards.

Additionally, the RRB continued addressing open findings as well as implementing an information security continuous monitoring strategy through the Department of Homeland Security Cybersecurity & Infrastructure Security Agency Continuous Diagnostic and Mitigation Group F Program. These actions directly and positively impact our ability to improve the overall risk management posture for the agency. Further, through these efforts, we addressed and closed 48 Plan of Action and Milestones, which included 27 OIG findings during fiscal year 2024.

Lastly, in fiscal year 2024 the RRB developed a Zero Trust Architecture Strategy (ZTA) pursuant to Executive Order 14028, *Improving the Nation's Cybersecurity*, issued on May 12, 2021. The RRB's strategy includes a ZTA journey map that will improve the RRB's cybersecurity posture for cloud-computing environments and covers controls for multi-factor authentication, data encryption at rest and in transit, and conditional access management.

We have made strides toward improving IT security, however, the RRB's continued forward progress is hindered by funding cuts and staffing shortages. Without increased funding, the RRB will be unable to continue our efforts sustaining and improving our cybersecurity systems and overall security posture. Additionally, it will be extremely difficult, to maintain the protection, privacy, and integrity of our customer's Personally Identifiable Information and Federal Tax Information data. Without sufficient staffing levels to maintain or improve our environment, we will be unable to respond appropriately to security incidents, risking the data and confidence of the railroad community we serve. Preliminary fiscal year 2024 FISMA results highlighted our sustained efforts to maintain our cybersecurity posture but recognized we have decreased from "Level 3, Consistently Implemented" to "Level 2 - Defined" in one core metric because of our lack of critical resources needed to provide ongoing cybersecurity services for the RRB.

Challenge 3 – Complete Information Technology Systems Modernization

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue working on their IT modernization efforts.
- The RRB needs to continue implementing corrective action plans.

Management's Comments to Challenge 3:

The RRB understands and takes very seriously the mandate to create and maintain OMB Circular A-130 compliant strategic and ongoing project plans to ensure initiatives are properly managed and expenditures are tracked and controlled. To address the findings of GAO's recent management audit of the RRB and the OIG's audit of our IT Modernization expenditures, the RRB formally adopted an IRM Strategic Plan for IT Modernization in fiscal year 2023, which presents the goals and objectives of the RRB IT Modernization Program. These goals and objectives align with the RRB's focus on enabling a mobile and distributed the RRB workforce to improve the customer experience and secure and optimize IT operations to deliver a seamless digital experience. In fiscal year 2024, the RRB updated the fiscal year 2023 adopted IRM Strategic Plan that clarifies the performance measures needed to address three specific areas for this modernization program: 1) Technical Management, 2) Program Management, and 3) Agile Performance. We will continue to review this plan annually to ensure the validity and sustainability of its key elements via feedback and performance management.

To bolster technical management and agency governance, the RRB established a subcommittee focused on the IT Modernization program reporting to the Executive Committee (EC). The IT Modernization Subcommittee was established in Q2, fiscal year 2024, and is presently defining its charter, roles, and responsibilities. This subcommittee will provide recommendations to the EC and Board Offices to identify business priorities the IT Modernization program should address. It will establish processes and procedures for intake and evaluation of potential business/mission opportunities to modernize agency operations and realize cost savings and avoidance of waste. It will codify management commitments to consistently measure performance and ensure evidence-based decision-making to arrive at its recommendations.

Having hired a Director of our Project Management Office at the end of fiscal year 2023, we have begun implementing OMB Circular A-130-compliant project plans, manage resource allocations among agency-approved priorities, and periodic cost/schedule performance reporting. At the project level, the RRB will set goals and metrics to track progress of our modernization effort. The RRB will tailor technical management, program management, and agile metrics based on program needs. Additionally, the RRB established an Azure DevOps (ADO) environment to track work. The RRB uses ADO's management tools to monitor metrics such as sprint burn down, burn up, velocity, and cycle time. The RRB will research establishing feedback loops with our customers to gather insights on user experience. The feedback will then be used to further fine tune systems and applications to improve the user experience. The RRB will measure adoption of online services by monitoring website traffic analytics and submission rates of self-service forms.

While the OIG has highlighted areas the RRB must focus on, it is also necessary for the RRB to note that critical funding is needed to obtain the resources to fully execute the modernization effort and address key findings. As outlined in our Strategic Plan, the focus of our current and near future projects reaffirms our commitment to improve overall mission support to the RRB and the rail community. Improving services for our constituents, enabling an agile workforce, and securing the enterprise are critical outcomes that will continue to move the agency forward in the years to come. To realize these outcomes, adequate funding will be paramount to our success. Proposed funding levels of $100 million for fiscal year 2025, which is 21% less than our fiscal year 2024 operating budget of $126 million, severely jeopardizes the agency's ability to continue modernization efforts. The absence of future funding to the agency's IT Modernization Program will effectively stop all modernization initiatives. Insufficient financial resources will render the RRB unable to increase staffing and bring on new skillsets, such as artificial intelligence, or procure new tools and services to rapidly implement new cloud-based opportunities. While a great opportunity for the RRB exists to leverage additional opportunities such as GSA's Technology Modernization Fund (TMF), the TMF requires repayment of at least a portion of the investment, which will prove challenging for the RRB given the current funding levels. A sufficient operating budget is needed to recruit for new skillsets as well as upskill our current staff and afford the RRB with opportunities to continue our modernization efforts as outlined within this document.

While the RRB has been successful stabilizing its infrastructure, it has become increasingly difficult to maintain the pace of modernization as the agency lost much of its institutional knowledge through the separation of an overwhelming percentage of its workforce. Within the agency's information technology bureau, from 2018 to present day, staffing levels have dropped by 34%. The loss of our workforce has hindered our ability to provide daily operational support and begin application modernization as the mission of the RRB is supported by over 200+ applications running on our 30-year-old mainframe. A risk to our goals is the agency's current lack of resources. We struggle yearly to fund our operational cloud costs, as we call "hybrid costs," as the early modernized components of our enterprise continue to require sustainment. We anticipate needing to purchase new cloud tools and services to create the necessary framework and governance around a modernized, unified data model and the appropriate resources to establish open-source platforms for application modernization. We are currently not be able to improve the quality of our customer data which impacts our ability to improve program integrity and provide monitoring and reporting to make real-time agency decisions and prioritize work efforts. Having not yet realized lessons learned as part of our modernization efforts, we would unnecessarily risk expending critical agency funds to attempt full-scale application modernization given the lack of staffing and technology in place today. The appropriations the RRB received in fiscal year 2024 and potential cuts in fiscal year 2025 has necessitated a hiring freeze agency wide and has limited our ability to contract for critical skillsets or purchase the needed technology to continue our modernization efforts. The RRB will finish the stabilize phase of our approach but without understanding our future funding and the need to be fiscally responsible we are limited in what we can plan, build, and execute.

Challenge 4 – Improve Transparency and Management of Railroad Medicare

What the Railroad Retirement Board Needs to Do

- RRB management needs to continue working with CMS and regularly review and update the August 31, 2022 Memorandum of Understanding (MOU) to ensure that they are protecting and properly administering Railroad Medicare funding, and that spending related to Railroad Medicare is reported appropriately and is transparent to the public.

Management's Comments to Challenge 4:

We appreciate OIG's recognition of our multiple actions to address the management of Railroad Medicare. As articulated in OIG's report, CMS is responsible for calculating and reporting improper payment data for our SMAC. Ownership of this responsibility was memorialized in 2022 via a cross-agency memorandum of understanding. HHS does report the estimated proper and improper payments and related information for the Medicare Fee for Service program including all MACs and the SMAC. Although we do not have any role in the preparation of that HHS report or their website, we do acknowledge OIG's concern regarding transparency. To that end, we are open to discussing this issue with CMS and will suggest increased transparency surrounding Railroad Medicare's improper payment rate.

Challenge 5 – Ensure Reliable Financial Statements and Internal Controls over Financial Reporting

What the Railroad Retirement Board Needs to Do

- RRB management needs to work closely with the financial statement auditors to ensure that RRB management provides supporting documentation and audit deliverables to the auditors in a timely manner.
- RRB management needs to work with the financial statement auditors to identify the minimal NRRIT audit evidence needed to complete the audit and determine whether GAO can provide this audit evidence.
- RRB management needs to continue implementing corrective action plans.

Management's Comments to Challenge 5:

Since fiscal year 2022 the OIG has contracted with an independent public accounting (IPA) firm to conduct the RRB's annual audit of its consolidated financial statements and internal control over financial reporting. Management acknowledges that for fiscal year 2023 the OIG's contract financial statement auditors rendered a disclaimer audit opinion on the RRB's consolidated financial statements and a separate disclaimer audit opinion on the RRB's internal control over financial reporting. While we acknowledge that for fiscal year 2023 the contract financial statement auditors reported that 12 material weaknesses and 3 instances of noncompliance existed, we disagree that the matters identified met the severity of the level of material weakness.

With respect to the fiscal year 2023 audit cycle, RRB management expressed concerns to the OIG over how the contract financial statement auditors conducted the RRB's financial statement audit. Specifically, RRB Management observed that in their second year, the contract financial statement auditors lacked a fundamental understanding of the Railroad Retirement System, and its financing sources and administrative costs reflected through the RRB's consolidated financial statements. Additionally, the contract financial statement auditors lacked an understanding of the RRB's business functions and processes which resulted in a poorly organized audit process. Finally, the contract financial statement auditors could not identify or clarify audit requests and severely restricted the RRB's response time to the draft audit report. We believe these events greatly contributed to the significant number of material weaknesses and instances of noncompliance reported by the contract financial statement auditors for the fiscal year 2023 audit cycle. We appreciate that both the OIG and the IPA seriously considered our concerns and took corrective action for the fiscal year 2024 audit cycle.

RRB management earnestly accepts its responsibility to ensure a reliable financial reporting system and provide financial statements that present fairly the financial condition of the RRB. The RRB acknowledges that the RRB's inability to receive an unmodified opinion on its consolidated financial statements or its internal control over financial reporting is largely due to the statutory parameters set by Congress via the Railroad Retirement and Survivors' Improvement Act of 2001 (the Act). The Act does not provide the RRB authority to grant the RRB OIG or its contract financial statement auditors access to the financial statement auditor or their work for the National Railroad Retirement Investment Trust (NRRIT). Due to the statutory parameters, the RRB acknowledges that the OIG's contract financial statement auditors cannot perform their audit procedures in accordance with applicable auditing standards.

The Act established NRRIT and, as stated in the Act, NRRIT is not a department, agency, or instrumentality of the Federal Government, and is not subject to Title 31 of the U.S. Code. The Act states that NRRIT shall annually engage an independent qualified public accountant to audit the financial statements of NRRIT, and shall transmit the audited financial statements, together with an Annual Management Report that includes a statement on internal accounting and administrative control systems, to Congress and the Executive branch. There is no other legal basis or requirement for NRRIT to provide financial information to another party outside of that which is specified in the Act. Cognizant of the cited statutory parameters, the Board had discussions with the previous Acting Inspector General to search for a mutually acceptable resolution. The RRB will continue these efforts with the Principal Deputy Performing the Duties of the Inspector General until a new Inspector General is appointed by the President and confirmed by the Senate.

Given that the financial statement auditors are contractors of the OIG, we encourage the OIG to work with their contracted IPA to identify the minimal NRRIT audit evidence needed to complete the audit and determine whether the U.S. Government Accountability Office (GAO) can provide the required audit evidence. For context, the GAO, serving as the federal government's auditor, entered into an MOU with NRRIT that provided the GAO access to information necessary to support inclusion of NRRIT's financial information in the government-wide financial statements starting in fiscal year 2018. The RRB was not a party to this agreement and has no authority to determine if GAO can satisfy the contract financial statement auditors minimal NRRIT audit evidence requirements.

During the fiscal year 2024 audit cycle, the RRB implemented multiple corrective action plans and worked closely with the contract financial statement auditors to close 10 of the 21 notices of finding and recommendations (NFRs) that were issued during the fiscal year 2023 audit cycle. This included closing the two NFRs related to providing supporting documentation and deliverables during the audit in a timely manner. The RRB demonstrated significant improvement during the fiscal year 2024 audit cycle, by reducing material weaknesses to 5 down from 12 (a 58% reduction) and reported instances of non-compliance to 1 down from 3 (a 66% reduction). With sufficient budgetary resources, the RRB will continue to improve internal controls and implement corrective action plans to ensure a reliable financial reporting system and provide financial statements that present fairly the financial condition of the RRB.

Challenge 6 - Improve Human Capital Management

What the Railroad Retirement Board Needs to Do

- The RRB needs to be aware that a wave of retirements for critical positions can increase the RRB's succession risk, which can increase the risk of noncompliance with laws, regulations, or federal mandates.
- The RRB needs to continue updating the Human Capital Plan (HCP) annually, including their hiring, succession, and training plans. Specifically, the RRB should continue to build and maintain their succession plan to capture valuable knowledge and insights of current employees, convey captured knowledge to new and retained employees, and create and utilize a multigenerational knowledge and leadership pipeline. One way to capture institutional knowledge is to ensure that RRB management maintains and regularly updates policies and procedures.
- The RRB needs to continue pursuing Congress for additional hiring flexibilities that are not available to the RRB and continue working closely with Office of Management and Budget (OMB) and Office of Personnel Management (OPM) to develop long-range plans for hiring.

Management's Comments to Challenge 6:

The OIG states that the RRB has an ongoing need to effectively manage their human capital resources to hire, develop, and retain employees. The RRB agrees that to accomplish our mission the RRB needs to hire and retain employees. The RRB is aware that a wave of retirements for critical positions can increase the RRB's succession risk, which can increase the risk of noncompliance with laws, regulations, or federal mandates. With the budget shortfall in fiscal year 2024 the RRB had to start a hiring freeze which has continued in fiscal year 2025. The Senate Committee on Appropriations has approved a fiscal year 2025 funding level of $129 million for the RRB. This is notably higher than the House's proposed spending level. But it should be noted that Congress cut the RRB's budget for fiscal year 2024, which has severely impacted agency operations. While the Senate's proposal would reverse that cut and give the agency a small 0.78 percent increase from fiscal year 2023, the proposed appropriation of $129 million is still $5 million less than the President's request, $43.3 million less than the RRB's request, and significantly short of what the agency needs to carry out its mission.

With a $129 million budget, the RRB will be forced to continue its existing hiring freeze. The RRB did not receive a significant boost to its administrative budget until 2022, and even then, the increase was not sufficient to bring the agency back up to needed staffing levels. The insufficient funding levels over the last decade have led directly to unacceptable delays in service to the rail employees and annuitants who have paid into the railroad retirement system their entire careers. The RRB is hopeful, that the budget is increased to allow for the necessary hiring to provide the service our customers deserve.

As the RRB evaluates its current and future human capital needs, it is critical that strategies to recruit, develop, and retain a skilled and ready workforce meet the agency's need to effectively and efficiently carry out its mission and commitment to the railroad community. Strategically managing the RRB's workforce is of heightened importance as the number of employees eligible to retire remains high and the RRB has experienced higher than average governmentwide attrition rates in at least the past three years. Overall, 30 percent of our employees have 20 or more years of service and 25 percent of the current workforce is eligible to retire in fiscal year 2025.

The RRB's internal policy requires that each Executive Committee (EC) member have a HCP in place for their organization annually; each contains a Hiring Plan, Succession Plan and Training Plan. The HCPs were developed by each EC member based on various workforce analysis tools and spreadsheets created by the Bureau of Human Resources. The combined HCP analyzes Office and Bureau input and develops a plan to prioritize current and future workforce needs for the RRB. The RRB recently completed the fiscal year 2025 HCP which summarizes the workforce and succession planning data and analysis captured by each Bureau and Office.

It should be noted that the RRB's HCP projects out three (3) years in terms of succession planning and the hiring plan. Like other federal agencies, the RRB must manage through the uncertainties of the budgetary cycle where it is unclear what funds are available for the RRB to use to hire. In addition, with the transition of IT modernization efforts being rolled over into the RRB's administrative budget due to the depletion of IT Modernization funds, hiring will become interestingly difficult. All these outside factors and pressures have a direct and lasting impact on the RRB's ability to both retain and recruit employees.
At this point the only hiring authority the RRB is not allowed to take advantage of, because of statutory restrictions in the Railroad Retirement Act, are the Schedule A hiring authorities. To alleviate this restriction, in its fiscal year 2025 Budget Request, the RRB requested that its annual Limitation on Administration appropriation language be amended to allow the RRB to utilize Schedule A hiring authorities.

The RRB takes advantage of all other excepted service appointments and opportunities available and outlined in 5 CFR § 6.1. For example, Pathways is an excepted service authority (where employees are afforded the opportunity to be converted to a competitive service position without additional competition), but Pathways is a Schedule D hiring authority. We also hire any/all attorneys under Schedule A of the excepted service authority, but only have done so at the direction of the OPM. In addition, in terms of hiring, OPM provided federal agencies with latitude to implement effective hiring methodologies within the very confined realm of federal recruitment statutes and regulations. The RRB will continue working closely with OMB and OPM in helping find the be

Payment Integrity Information Act Reporting

The Improper Payments Information Act of 2002 (IPIA) (Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA) (Pub. L. 111-204), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA) (Pub. L. 112-248) required agencies to annually report information on improper payments to the President and Congress through their annual Performance and Accountability Reports.

In 2019, the Payment Integrity Information Act (PIIA) became law. PIIA revoked, reorganized, and revised several existing improper payments statutes including IPIA, IPERA, IPERIA, and the 2015 Fraud Reduction and Data Analytics Act (FRDAA) into a single subchapter in the U.S. Code. On March 5, 2021, a revised version OMB Circular No. A-123 Appendix C (M-21-19) was released to implement the PIIA requirements. This updated guidance transformed the payment integrity compliance framework and created a more comprehensive and meaningful set of requirements to allow agencies to spend less time complying with low-value activities and more time researching the underlying causes of improper payments, balancing payment integrity risks and controls, and building the capacity to help prevent future improper payments. In addition, the latest version of OMB Circular A-136 features clarified and streamlined reporting requirements. As a result, Payment Integrity information is now collected separately by OMB through their Annual Data Call. The RRB now follows OMB's Annual Data Call guidance to determine which Payment Integrity information is required to be reported, and the results of this can now be found on OMB's website: www.paymentaccuracy.gov.

The RRB has benefit paying and non-benefit paying programs. The benefit paying programs consist of railroad retirement and survivor benefit (RRA) payments and railroad unemployment and sickness insurance benefit (RUIA) payments. Non-benefit paying programs include vendor payments and employee payments (payroll, travel, and other reimbursable expenses). The RRB's benefit paying and non-benefit paying programs have consistently fallen below the statutory thresholds for "significant improper payments" as defined by the PIIA. As a result, these programs operate under Phase 1 guidance under OMB Circular A-123, Appendix C (M-21-19), which places them in a three-year risk assessment cycle unless there are major changes to the program that would require an earlier assessment.

The RRB conducted a Risk Assessment for the RUIA program during fiscal years 2021 and 2022 due to program changes implemented as a result of the Coronavirus Aid, Relief, and Economic Security Act of 2020, the Continued Assistance to Rail Workers Act of 2020, and the American Rescue Plan Act of 2021. Both Risk Assessments concluded that the RUIA program remains below the statutory thresholds, and as a result, the next RUIA Risk Assessment is scheduled for fiscal year 2025.

The RRA program conducted a Risk Assessment in fiscal year 2023 and results concluded that the program also continues to remain below the statutory thresholds for "significant improper payments" under the PIIA and remains in Phase 1. The results of this Risk Assessment are available on www.paymentaccuracy.gov. The next Risk Assessment for the RRA program is scheduled for FY 2026, unless the program experiences a significant change in legislation and/or a significant increase in funding levels, which would then warrant an earlier assessment.

The Non-Benefit Paying Programs (Vendor and Employee Payments) conducted Risk Assessments in fiscal year 2023 and results concluded that none of the programs were susceptible to making improper or unknown payments above the statutory threshold. Risk Assessments for non-benefit paying programs are on a three-year cycle and the next assessment is scheduled for fiscal year 2026 unless the program experiences a significant change in legislation and/or a significant increase in funding levels, which would then warrant an earlier assessment. All interested parties may visit www.paymentaccuracy.gov to access more comprehensive Payment Integrity information relating to RRB's non-benefit paying programs.

Summaries of Financial Statement Audit and Management Assurances

SUMMARY OF FINANCIAL STATEMENT AUDIT					
Audit Opinion	Disclaimer				
Restatement	No				
Material/Weaknesses[1]	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Lack of access to NRRIT audit results	1				1
Ineffective Internal Control Program	1				1
Ineffective Information Technology (IT) Controls over Financial Reporting	1				1
Preparing and Reviewing Financial Reports	1				1
Non-Compliance with Treasury USSGL	1				1
Insufficient and Untimely Evidential Matter	1		1		0
Open Obligations Not Timely Reviewed	1		1		0
Unsupported Undelivered Orders	1		1		0
Financial Statement Analysis	1		1		0
Outdated Accounting Procedures Guide	1		1		0
Unsupported Journal Entries	1		1		0
Unsupported Railroad Retirement Act Annuity Payments	1		1		0
Total Material Weaknesses	12	0	7		5

SUMMARY OF MANAGEMENT ASSURANCES						
Effectiveness of Internal Control over Operations (FMFIA §2)						
Statement of Assurance	Modified					
Material/Weaknesses[1]	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Lack of access to NRRIT audit results	1					1
Ineffective Internal Control Program	1					1
Ineffective Information Technology (IT) Controls over Financial Reporting	1					1
Preparing and Reviewing Financial Reports	1					1
Non-Compliance with Treasury USSGL	1					1
Insufficient and Untimely Evidential Matter	1		1			0
Open Obligations Not Timely Reviewed	1		1			0
Unsupported Undelivered Orders	1		1			0
Financial Statement Analysis	1		1			0
Outdated Accounting Procedures Guide	1		1			0
Unsupported Journal Entries	1		1			0
Unsupported Railroad Retirement Act Annuity Payments	1		1			0
Total Material Weaknesses	**12**		7			**5**
Conformance with Financial Management System Requirements (FMFIA §4)						
Statement of Assurance				Systems conform		

[1] As asserted by the Office of Inspector General (OIG); the RRB disagrees with both the material weaknesses and the disclaimer audit opinion. See the Analysis of Systems, Controls and Legal Compliance subsection within the Management's Discussion and Analysis Section.

Civil Monetary Penalty Adjustment for Inflation

The RRB published its 2024 civil monetary penalty inflation adjustment on December 27, 2023 (88 Fed. Reg. 89480). The maximum civil penalty under the Program Fraud Civil Remedies Act was increased to $13,946, and the penalty range under the False Claims Act was increased to a minimum penalty of $13,946 and a maximum penalty of $27,894.

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APPENDICES

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Appendices

Glossary of Acronyms and Abbreviations

A

APG	Accounting Procedures Guide

B

BCA	Budget Control Act of 2011
BFO	Bureau of Fiscal Operations

C

CARES	Coronavirus Aid, Relief, and Economic Security
CDM	Continuous Diagnostics and Mitigation
CERT	Comprehensive Error Rate Testing
CMS	Centers for Medicare & Medicaid Services
COLA	Cost-of-Living Adjustment
COR	Contracting Officer's Representative

D

DBD	Disability Benefits Division (RRB)
DHS	Department of Homeland Security
DNP	Do Not Pay

E

EDMA	Employment Data Maintenance
EFT	Electronic Fund Transfer
ERS	Employer Reporting System

F

FAR	Federal Acquisition Regulations
FBWT	Fund Balance With Treasury
FECA	Federal Employees' Compensation Act
FFS	Fee-for-Service (Medicare)
FMFIA	Federal Managers' Financial Integrity Act
FI	Financial Interchange
FMIS	Financial Management Integrated System
FSIO	Financial Systems Integration Office
FTR	Federal Travel Regulations
FY	Fiscal Year

G

GAO	Government Accountability Office
GSA	General Services Administration
H	
HCME	Human Capital Management Evaluation
I	
IT	Information Technology
IPERA	Improper Payments Elimination and Recovery Act
IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
L	
LIRR	Long Island Rail Road
LMS	Learning Management System
M	
MCOS	Medicare Contract Operations Specialist
MCR	Management Control Review
MCRC	Management Control Review Committee
MIRTEL	Medicare Information Recorded, Transmitted, Edited and Logged
N	
NRRIT	National Railroad Retirement Investment Trust
O	
OGC	Office of General Counsel (RRB)
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
R	
RBD	Retirement Benefits Division (RRB)
RESCUE	Recalculate for Service and Compensation Updated to EDM
ROC	Retirement On-Line Calculations
RR	Railroad Retirement
RRA	Railroad Retirement Act
RR Account	Railroad Retirement Account
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUI	Railroad Unemployment Insurance
RUIA	Railroad Unemployment Insurance Act
RUI Account	Railroad Unemployment Insurance Account

S

SFFAS	Statement of Federal Financial Accounting Standards
SI	Sickness Insurance
SMAC	Specialty Medicare Administrative Contractor
SOSI	Statement of Social Insurance
SPEED	System Processing Excess Earnings Data
SPS	Secure Payment System
SSA	Social Security Administration
SSEB	Social Security Equivalent Benefit
SSN	Social Security Number

T

Treasury	Department of the Treasury

U

UI	Unemployment Insurance
USC	United States Code

Railroad Retirement Board (RRB)
Board Members, Inspector General, and Executive Committee

Board Members

Chairman	Erhard R. Chorlé
Labor Member	John Bragg
Management Member	Thomas Jayne

Office of Inspector General

Inspector General	Vacant
Principal Deputy Performing the Duties of the Inspector General	Shanon E. Holman

Executive Committee

Chief Financial Officer/ Chair of the Executive Committee	Shawna R. Weekley
Director of Administration	Jack Schreibman
Chief Actuary	Keith T. Sartain
Chief Information Officer	Robert De Luca
Director of Field Service	Mark E. Blythe
Director of Programs	Arturo Cardenas
General Counsel	Ana M. Kocur

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