

RAILROAD RETIREMENT BOARD

Proposed Legislative Program for Fiscal Year 2005

Agency's Legislative Program Proposals

- 108-1. Amend the law to provide a permanent exemption from the obligation to pay commercially-equivalent rent for the programs that administer the railroad retirement and railroad unemployment insurance trust funds.

Since the mid-1970's, the Railroad Retirement Board's (RRB) trust funds have been exempt from the payment of commercially-equivalent rent to the General Services Administration (GSA) for the real property occupied by the RRB. Instead, the agency has been obligated to pay GSA only the cost incurred by GSA in furnishing the space to the RRB. GSA has, on several occasions, notified the RRB that it intends to charge it the commercially-equivalent rent rate. This would increase the rental costs to be funded by appropriations from the trust funds by approximately \$3.9 million, if imposed in fiscal year 2005. These additional funds would be used for construction of buildings for other Federal agencies. The RRB does not believe that this is an appropriate use of trust fund monies.

- 108-2 Amend the Railroad Retirement Act to provide that notwithstanding any other law, employees of covered employers shall be issued social security numbers.

Under Immigration and Naturalization Service rules governing when non-resident aliens may be issued a social security number, non-citizens who reside outside the United States do not qualify for social security numbers. However, employers covered under the Railroad Retirement Act are required to report employee earnings to the Railroad Retirement Board using a social security number.

Consequently, the RRB is unable to readily retrieve an individual record for approximately 300-400 employees annually, primarily railroad employees who reside in Canada and perform some of their railroad work in the United States.

Under this proposal, all railroad employees must be given social security numbers, which would facilitate the processing of earnings records of railroad employees who are not resident in the United States.

RAILROAD RETIREMENT BOARD

Proposed Legislative Program for Fiscal Year 2005

- 108-3 Amend the Social Security Act to provide access for the Railroad Retirement Board to the National Directory of New Hires.

The Social Security Act provides for a National Directory of New Hires. The Directory is used to enhance child support payments and in enforcement of the tax laws of the United States. In addition, the Commissioner of Social Security is granted access to this Directory.

The Railroad Retirement Board pays benefits under both the Railroad Retirement and Railroad Unemployment Insurance Acts which are based in part on a claimant's earnings. The RRB currently conducts wage matches with all 50 states to detect improper payments. Access to the Directory will permit the RRB to obtain information regarding wages being paid to claimants earlier than is now possible. It is not possible to accurately project savings from this proposal; however, it would improve program integrity.

- 108-4 Amend the Railroad Retirement Act to make several technical corrections in the amendments added by the Railroad Retirement and Survivors' Improvement Act of 2001.

These corrections include amendment of the Railroad Retirement Act to provide for continued payment of railroad retirement annuities by the Department of the Treasury. The Railroad Retirement and Survivors' Improvement Act of 2001 contains a provision that provides for payment of railroad retirement benefits by a non-governmental disbursement agent to be selected by the Railroad Retirement Board. The annual cost of paying railroad retirement benefits through the Department of the Treasury is about \$800,000. The estimated annual cost of paying railroad retirement benefits under contract with a non-governmental disbursement agent is almost \$3 million. The cost of contracting with a non-governmental disbursement agent would be borne by the funds provided annually to the Railroad Retirement Board for administration and would require an additional appropriation of approximately \$2.1 million. Moreover, use of a non-governmental disbursement agent would make more difficult the collection of overpaid benefits and would diminish the level of service currently provided to railroad retirement beneficiaries. Under the proposal, the RRB would be provided continued authority to issue railroad retirement benefits through the Department of the Treasury.

RAILROAD RETIREMENT BOARD

Proposed Legislative Program for Fiscal Year 2005

Another technical correction would amend the Railroad Retirement Act to adjust the computation of the Account Benefits Ratio. Under current law, when computing the Account Benefits Ratio that is used to set tax rates, the assets in the Social Security Equivalent Benefit Account (SSEB) are only included for fiscal years prior to 2002. This provision was made on the assumption that all excess SSEB assets would be transferred to the National Railroad Retirement Investment Trust after enactment of P.L. 107-90. Since enactment, the Railroad Retirement Board has decided to maintain a cash flow reserve in the SSEB to provide a cushion for the next month's payment obligations and to have funds available for the annual reconciliation process. Without this technical correction, the assets in the SSEB could not be included in the Account Benefits Ratio, thereby resulting in an understatement of the ratio.

A further technical correction would amend the Railroad Retirement Act to clarify that investment guidance may be adopted with the unanimous consent of all current trustees. Under current law, investment guidance requires the unanimous consent of the entire Board of Trustees. Since from time to time vacancies will occur on the Board of Trustees, a requirement for the consent of the entire Board of Trustees might adversely affect investment decisions by delaying modifications of the guidance until the vacancy may be filled. This proposed amendment would permit investment guidance decisions to be made by the unanimous consent of all current serving Trustees.

Another technical amendment would provide that the Railroad Retirement Board may require the National Railroad Retirement Investment Trust to make transfers to the Railroad Retirement Account for the payment of benefits and for short-term investment until benefits are paid.

Another technical correction to the Railroad Retirement Act would clarify that the National Railroad Retirement Investment Trust may make investment decisions not only on the basis of advice from outside advisors or managers but may also make such decisions on the basis of advice of the Trust's own professional staff.

A final technical correction would amend the Railroad Retirement Act to make certain clerical corrections to provisions as enacted by the Railroad Retirement and Survivors' Improvement Act of 2001.