

Future Plans/Objectives

Summary of Actuarial Forecast

The funding goal of the railroad retirement system is to receive enough funds each year to cover benefits and expenses for the year and to maintain a reasonable account balance. In terms of the participants in the system, payroll taxes collected each year from rail employers and employees are used to pay benefits to rail retirees, their spouses, and survivors.

Employers and employees pay a tax at the social security rate on earnings in a year up to the social security, or tier 1, earnings limit. In addition, employers and employees pay a tier 2 tax equal to a percentage of the employee's earnings up to the tier 2 earnings limit. The tier 2 earnings limit is what the social security limit would be if the 1977 social security amendments had not been enacted.

Under the provisions of the RRSIA, the tier 2 payroll tax rate for each year is determined by the average account benefits ratio, which is the average for the 10 most recent fiscal years of the ratio of the fair market value of assets in the RR Account and the NRRIT (and for years before 2002, the SSEB Account) to the total benefits and administrative expenses paid from the RR Account and the NRRIT. The tier 2 tax rate adjustment mechanism promotes but does not guarantee solvency. The tier 1 payroll tax rate does not vary by employment assumption.

The 22nd Actuarial Valuation has been prepared under three assumptions as to the future behavior of railroad employment. Employment assumptions I and II are based on the stability of employment in passenger service as distinguished from freight service. Employment assumption III follows the structure of assumptions I and II, except that it has declines in passenger employment and steeper declines in freight employment. Employment assumptions I, II, and III are intended to provide an optimistic, moderate, and pessimistic assumption, respectively.

Under employment assumptions I and II, the optimistic and moderate assumptions, there are no cash flow problems during the 75-year projection period. Under employment assumption III, the pessimistic assumption, cash flow problems arise in 2022 and remain through the end of the 75-year projection period.

The conclusion of the 22nd Valuation is that, barring a sudden, unanticipated, large drop in railroad employment, the railroad retirement system will experience no cash flow problems during the next 19 years. The long-term stability of the system, however, is not assured. Under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

The Required Supplementary Stewardship Information section includes the disclosures required by FASAB Statement 17, Accounting for Social Insurance.

Continued Coordination with the National Railroad Retirement Investment Trust

The NRRIT was established pursuant to Section 105 of the RRSIA that was signed into law on December 21, 2001. The RRSIA set February 1, 2002, as the date that the NRRIT was to become effective.

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's Board of Trustees is comprised of seven Trustees, three selected by railroad labor unions and three by railroad companies. The seventh Trustee is an independent Trustee selected by the other six Trustees.

In August 2002, the Trustees unanimously approved an asset-liability modeling study. The study sets the overall diversification targets for the broad asset classes: equity and fixed income, as well as targets for sub-asset classes such as domestic and international equity; private equity; and, investment grade and high yield bonds.

With the completion of the study, the Trustees were in a position to develop a specific set of investment guidelines for the NRRIT. Such guidelines were adopted by the NRRIT on August 21, 2002.

The Trust initiated investment in the stock market in September 2002, making a series of periodic equity investments over the following months. The Trust achieved its target equity investment allocation in February 2003, and is currently completing its investment allocation into fixed income securities in accordance with its investment guidelines.

In addition to the \$1.502 billion transferred to the NRRIT during fiscal year 2002, the RRB transferred \$17.750 billion from the RR Account and \$1.438 billion from the SSEB Account to the NRRIT during fiscal year 2003. On September 25, 2003, the NRRIT transferred \$300 million to the RRB to cover the payment of tier 2 benefit payments due in October 2003.

At the end of fiscal year 2003, the NRRIT had cash of \$687,501 and investments with a market value of \$23,015,811,371. For fiscal year 2003, the NRRIT reported \$2,712,027,467 in net realized and unrealized gains and \$166,738.50 in interest and dividends. Total NRRIT fiscal year 2003 administrative expenses (including investment management fees) amounted to \$4,403,353.

The NRRIT has reported that for the year ended September 30, 2003, their investment portfolio achieved a 19.9 percent rate of return. This compares favorably to its composite benchmark index which increased 18.8 percent for the year. The NRRIT's performance is partially attributable to a steady pace of investment in a generally volatile market environment in the early part of the year and a marginal overweighting in equities which performed well.

In fiscal year 2004 and future years, the RRB will continue to coordinate activities with the NRRIT. The RRB will assure that funds not needed in the short term to pay benefit payments, pay administrative expenses, and provide appropriate fund balances are made available to the NRRIT for investment purposes. The NRRIT will, in turn, provide funds to the RRB, or a properly authorized disbursement agent, when needed to pay future benefit payments.

Government-wide e-Payroll Initiative

In April 2003, the Office of Personnel Management (OPM) notified the RRB that it had determined that the RRB should be part of the Government-wide e-Payroll initiative. OPM asked that the RRB select a payroll provider from among four designated providers – the General Services Administration (GSA), the Department of Defense, the Department of the Interior, and the Department of Agriculture no later than June 30, 2003.

In June, the RRB Payroll/Human Resources Review Team submitted to the Executive Committee a detailed analysis of two potential providers of payroll/human resources services for the agency. The team recommended the selection of GSA for payroll/human resources services, the Executive Committee concurred, and the Board Members approved the recommendation on June 12. OPM and GSA were notified of the selection.

Work on the migration of RRB human resources data to GSA's human resources software, Comprehensive Human Resources Integrated System (CHRIS), has been underway since July, under the direction of the Bureau of Human Resources, in conjunction with the Bureau of Information Services (BIS). Staff from the Bureau of Fiscal Operations and BIS have begun discussions with GSA officials regarding the payroll migration. The scheduled completion date is September 2004.

Major Automation Initiatives

RRB's Business Reference Model (BRM) was completed, utilizing the Federal BRM as a guideline. Our BRM is a framework that represents the structure and operations of the RRB as simply and accurately as possible. It defines the functions and sub-functions in general and links them to work units and the application(s) that supports the function. The BRM links the functions of the agency with the offices/bureaus that provide the work elements needed to realize them. It is a tool that will be used for planning and controlling the work across the agency in a common way to ensure consistency and interoperability, internally and externally.

The RRB completed an Enterprise Architecture Strategy. The Enterprise Architecture Strategy addressed several initiatives identified by the gap analysis that will begin to lead the agency to the identified Target Architecture. We identified and outlined five strategic areas that are essential to begin modeling the agency's future technical direction to match the identified Target Architecture.

The RRB also completed an Enterprise Architecture Capital Asset Plan. This plan identifies major acquisition areas that will contribute significantly to the achievement of RRB's Target Architecture in order to meet the agency's performance goals and the President's Management Agenda reforms. It includes capital asset initiatives based on the five strategic areas in the Enterprise Architecture Strategy.

Continued Program Integrity Efforts and Results

Program integrity activities detect fraud and abuse and help to ensure that benefits continue to be paid only in the correct amount to eligible and entitled beneficiaries. They identify new information or verify existing information relevant to determining initial or continuing eligibility for, and entitlement to, benefits.

The results of the RRB's program integrity activities during fiscal year 2003 are shown in the table below.

	Number of cases	Dollar amount
Retirement program		
Recoverables established	4,028	\$9,157,837
Recoveries completed	4,450	\$8,371,310
Referrals to the OIG	56	\$770,614
Unemployment/Sickness program		
Recoverables established	2,836	\$1,936,624
Recoveries completed	8,078	\$1,982,984
Benefits saved	<u>a/</u>	\$625,462
Referrals to the OIG	72	\$429,354
Combined programs		
Recoverables established	6,864	\$11,094,461
Recoveries completed	12,528	\$10,354,294
Benefits saved	<u>a/</u>	\$625,462
Referrals to the OIG	128	\$1,199,968

a/ Benefit savings are based on the actual number of benefit days denied (14,901 days in fiscal year 2003).

Administrative costs for program integrity activities in fiscal year 2003 were reported as follows:

	<u>Staff years</u>	<u>Dollar amount</u>
Retirement program	25.07	\$1,720,691
Unemployment/Sickness	<u>2.73</u>	<u>213,335</u>
Combined programs	<u>27.80</u>	<u>\$1,934,026</u>

In the coming years, we will continue to seek information from annuitants through questionnaires and to conduct reviews to ensure correct payment of benefits. We will ensure that all annuitants continue to be entitled to benefits, through programs such as continuing disability reviews and other entitlement-monitoring initiatives.

Action on Material Weaknesses

The RRB reported one material weakness in fiscal year 2002 related to deficiencies in operational and technical controls in the Information Security Program. The critical elements attributed to the weakness are inadequate security awareness, training and education of individuals responsible for security-related activities, and logical access controls. We will complete the remaining action plan tasks and report elimination of the material weakness in our 2004 Performance and Accountability Report as originally scheduled. The complete action plan, targets, and status are included in the Statement of Assurance.

Progress in Implementing the Improper Payments Information Act of 2002

The Improper Payments Information Act of 2002 (Public Law 107-300, enacted November 26, 2002) requires Federal agencies to annually review all programs and activities that the agency administers and identify those that may be susceptible to significant improper payments. In May 2003, OMB issued Memorandum M-03-13, which provides guidance for implementing the legislation.

In accordance with the OMB guidance, the RRB's Office of Programs conducted an extensive analysis to determine the amount of improper payments in the RRB's two benefit payment programs: Retirement and Survivor Benefits and Railroad Unemployment Insurance Benefits.

The first step of the OMB guidance is to identify those programs where annual erroneous payments exceed both 2.5 percent of program payments and \$10 million. The Office of Programs' analysis, based on fiscal year 2002 payments, concluded that the RRB does not meet the threshold for improper payments in either of its benefit payment programs. And thus, it is not required to prepare any additional action plans or reports under the OMB guidance.

The Office of Programs' work during fiscal year 2003 established a methodology for identifying improper payments. Although it is not statistically based, the Office of Programs has a high degree of confidence that this approach provides a solid foundation for making the determination that the improper payments in the RRB's programs do not exceed the OMB thresholds. The RRB also now has a baseline to use in fiscal year 2004, and subsequent reviews of improper payments.

The Office of Programs also performed a detailed analysis of the various causes of improper payments. To ensure its analysis was complete, it identified:

- Known overpayments and underpayments indicated on the RRB's automated systems,
- Estimated overpayments and underpayments found by reviewing areas of work and special projects that require annuity adjustments and providing a reasonable estimate of the money involved, and
- Unquantified overpayments and underpayments defined as those cases where there is a potential improper payment, but the RRB does not know how much money is involved.

When reviewing categories of work, the Office of Programs used "worst case scenarios." For the retirement and survivor benefit program, if there was any doubt there was an improper payment, the Office of Programs assumed it was erroneous. If the amount should be attributed to several years, it assumed the amount was attributed to the 1 year it was reviewing.

Therefore, the numbers it developed in its analysis are overstated. Also, in some cases, the Office of Programs used estimating methodologies suggested by staff from the RRB's OIG. On September 17, 2003, the RRB's OIG released an evaluation report, "Evaluation of the Sufficiency of Existing Data to Estimate the Impact of Improper Payments on the Railroad Retirement Act Benefit Program." In it, the OIG states that it was "able to conclude that the RRA program does not experience improper payments in excess of the 2.5% threshold established by OMB. However, limitations on the available data restricted our ability to develop a more precise estimate of monetary impact." Since the Office of Programs developed additional estimates of improper payments in pending workloads, the numbers reported here are larger than what is included in the OIG report. However the conclusion is consistent with theirs – that the RRA program does not meet the reporting thresholds laid out in Step 1 of the OMB guidance. Note that the OIG has not reviewed the RUIA program.

The totals of improper overpayments and underpayments identified in the Office of Programs review, along with an improper payment rate, are summarized in the following charts. We are using a reporting format consistent with OMB Circular A-11, Section 57 requirements and have separate charts for each of the RRB's benefit programs. However, we do not show previous improper payment rates, since that information was not available to us at the time. (The limited data in our previous Section 57 responses were determined by a different methodology based on the Office of Programs' quality assurance sampling. Additional information is now available and presented here.) The Office of Programs has not made a determination about future improper payment rates, since the analysis under M-03-13 guidance did not indicate that they would be warranted – so they are not included here.

Section 1a.-Retirement and Survivor Benefit Program Fiscal Year 2002 Improper Payments

	Dollars	Rate
Total Payments*	\$8,699,000,000	
Known and Estimated Improper Overpayments	\$47,097,370	
Known and Estimated Improper Underpayments	\$119,930,000	
Unquantified Improper Overpayments and Underpayments	\$1,300,000	
Total Estimated Improper Payments	\$168,327,370	1.9%

*Total Payments includes gross disbursements plus amounts withheld for RRA/RUIA debt and does not match amounts listed in Footnote 17.

Notes:

1. The estimates are for improper payments identified (not necessarily created) in fiscal year 2002. Also, some of the estimated numbers are for multiple years. When these payment adjustments are made, the additional monies paid out or the debts established should be attributable to all the years involved in the adjustment, not just to fiscal year 2002.
2. Our estimates are based on projections, not as a result of statistical sampling. Therefore, we cannot establish a confidence level.
3. Estimated data was developed using OMB guidelines for implementing the Improper Payments Information Act of 2002. We used data from our automated systems, estimates from pending and potential workloads, and approaches suggested by the RRB's Office of Inspector General to complete our analysis.

Section 1b.-Status of Action Plans for Conducting Risk Assessments or Developing Estimate of Erroneous Payments

This section is not applicable since we were not requested to provide additional information in any budget passback or the Executive Branch Management Scorecard.

Section II-Status of Action Plan for Preventing/Reducing Erroneous Payments

We were not required to implement activities under our passbacks or the Executive Branch Management Scorecard. Following the OMB guidance, M-03-13, we do not need to develop or report on additional action plans.

However, the Office of Programs has developed in-house action plans to address those overpayments and underpayments which are estimated and involve pending workloads.

Section 1a.-Railroad Unemployment Insurance Benefits Program Fiscal Year 2002 Improper Payments

	Dollars	Rate
Total Payments*	\$138,000,000	
Estimated Improper Overpayments	\$1,700,000	
Estimated Improper Underpayments	\$731,000	
Unquantified Improper Overpayments and Underpayments	\$347,000	
Total Estimated Improper Payments	\$2,778,000	2.0%

*Total Payments includes gross disbursements plus amounts withheld for RRA/RUIA debt and does not match amounts listed in Footnote 17.

Notes:

1. The estimates are for improper payments identified (not necessarily created) in fiscal year 2002.
2. Our estimates are based on projections, not as a result of statistical sampling. Therefore, we cannot establish a confidence level.
3. Estimated data was developed under OMB guidelines for implementing the Improper Payments Information Act of 2002.

Section 1b.-Status of Action Plans for Conducting Risk Assessments or Developing Estimate of Erroneous Payments

This section is not applicable since we were not requested to provide additional information in our budget passbacks or the Executive Branch Management Scorecard.

Section II-Status of Action Plan for Preventing/Reducing Erroneous Payments

We were not required to implement activities under our passbacks or the Executive Branch Management Scorecard. Following the OMB guidance, M-03-13, we do not need to develop additional action plans.

Program Improvements

The RRB is planning the following program improvements:

- **Payment intercept** – The agency will work with Treasury’s Financial Management Service (FMS) to implement a payment intercept program in fiscal year 2004. Under the payment intercept program, the agency will transmit information to FMS that identifies monthly railroad retirement payments that should not be issued because of terminating events reported to the agency after the monthly payment file has been prepared. FMS will use the information to prevent the release of payments to an estimated 500 beneficiaries each month. Most of the beneficiaries are no longer entitled to benefits because of death.

- **Government Paperwork Elimination Act initiatives** –
 - *Retirement Planner*, to be available as a Mainline Service of the RRB website in early fiscal year 2004, will provide employee and spouse annuity estimates in cases where the employee has not yet retired. After establishing a PIN/PASSWORD account, employees will be able to request estimates based on service and earnings currently on record with the RRB. Employees will also be able to explore different retirement scenarios by varying the entitlement date, service and compensation.

 - *Unemployment Benefit Application* service will soon be available to the public over the Internet. When applying for benefits, employees will utilize the single PIN/PASSWORD gateway used to securely access all agency rail employee on-line services. Future service enhancements will enable employees to also file biweekly claims for unemployment and sickness insurance benefits over the internet.

- **Process reengineering** – The RRB is continuing its move to a folderless and paperless processing environment, with further enhancements to the document imaging and electronic workflow systems. To date, we have stopped creating paper folders for all but disability claims and agency staff may access claim information in an on-line electronic folder. Forms and referrals previously printed and disseminated are now automatically converted into the imaging system and handled on-line via workflow software. Reengineering so far has concentrated on paperwork handled in headquarters. Our next major step is to image documents maintained in RRB field offices and provide them with workflow processes to handle day-to-day actions.

Statement of Assurance

The Railroad Retirement Board states and assures that to the best of our knowledge:

1. The system of internal control of this agency, except as indicated under (5), is functioning and provides reasonable assurance as to the: efficiency and effectiveness of programs and operations; reliability of financial and performance information; and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act §2.
2. 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 properly recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial control at this agency satisfies the requirements of the Federal Managers' Financial Integrity Act §4.
3. The system of internal control of this agency that relates to the security of financial management systems and performance and other financial data, except as indicated under (5), provides protections commensurate with the risk and magnitude of harm resulting from loss, misuse, or unauthorized access and satisfies the requirements of the Clinger-Cohen Act of 1996 §5131 and the Federal Information Security Management Act of 2002 §3544.
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 satisfy the requirements of the Federal Financial Management Improvement Act §803(a), the Government Performance and Results Act, and OMB Circular No. A-11: Preparation and Submission of Budget Estimates.
5. We are monitoring and employing techniques that mitigate one material weakness, as follows:

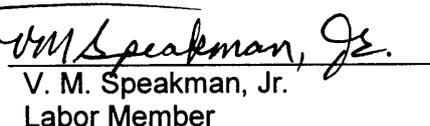
Description of Material Weakness	Deficiencies in operational and technical controls constitute a material weakness in the Information Security Program. The critical elements attributed to the weakness are inadequate security awareness, training and education of individuals responsible for security-related activities, and logical access controls.
Resolution Target Date	September 2004 Performance note: Two milestones were deferred to accommodate other priority projects. Achieving the remaining milestones and those originally set for fiscal year 2004 will depend in part on the availability of funds. With limited funding, some milestones may not be achieved until fiscal year 2005 or later.

Corrective Actions	Status
<u>Fiscal Year 2002 (Performance 100%)</u>	
1. Provided updated security awareness training to all employees.	Accomplished
2. Began developing a role-based security training program for all individuals responsible for security related activities and logical access controls.	Accomplished
3. Began resolving audit recommendations associated with logical access controls.	Accomplished
4. Established the Risk Management assessable unit.	Accomplished
<u>Fiscal Year 2003 (Performance 67%)</u>	
1. Complete development of the role-based security training program.	Accomplished
2. Provide some role-based security training. Contractor to present implementation plan.	Accomplished
3. Continue to provide updated security awareness training.	Accomplished
4. Continue to resolve audit recommendations associated with logical access controls as required.	Accomplished
5. Complete required documentation of the Risk Management assessable unit.	Deferred to FY 2004
6. Develop performance measures within individual job descriptions and performance plans.	Deferred to FY 2004
<u>Fiscal Year 2004</u>	
1. Continue to provide updated security awareness.	Planned
2. Continue to provide role-based security training.	Planned
3. Resolve audit recommendations associated with logical access controls as needed.	Planned
4. Incorporate performance measures within individual job descriptions and performance plans.	Planned
5. Complete the management control review scheduled for August 2004.	Planned
6. Certify elimination of the Information Security material weakness in the 2004 <i>Railroad Retirement Board Performance and Accountability Report</i> .	Planned

By:

Date: **JAN 23 2004**


 Michael S. Schwartz
 Chairman of the Board


 V. M. Speakman, Jr.
 Labor Member


 Jerome F. Kever
 Management Member

Program, Operations, and Financial Performance and Results

In fiscal year 2003, 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 2003 included:

- Providing payments to 666,000 retirement-survivor beneficiaries.
- Providing payments to 15,000 unemployment insurance beneficiaries.
- Providing payments to 23,000 sickness insurance beneficiaries.
- Processing 46,480¹ retirement, survivor, and disability applications for benefits and then determining eligibility.
- Processing 337,773¹ applications and claims for unemployment and sickness insurance benefits.
- Issuing 269,424 certificates of employee service and compensation.

During fiscal year 2003, the RRB used 66 specific program performance indicators to manage and track progress in meeting its long-term strategic plan goals. These measures were established in the RRB's Operating Plan for Fiscal Year 2003, and were accomplished with direct appropriations of \$99,350,000 for administration of the RRB. Agency performance with respect to these indicators is reported in the "GPRA Performance Results/Individual Performance Indicator Results" section of this report, and some are discussed in this section as "Key Performance Indicators."

The information in this section, and the section which follows, is materially complete and reliable. For 8 performance measures, actual full-year performance results for fiscal year 2003 were not available at the time this report was published. This is because they relate to accuracy rates that take longer to verify and calculate. For those measures, we reported either part-year performance information or actual results from prior years. Those results will be reported in our next performance report. One other measure (not a key performance indicator) requires obtaining procurement-related information from another Federal agency, which no longer publishes this information. We will decide on whether to drop or modify this indicator in future reports.

Summary of Achievement by Strategic Goal

Strategic Goal I.: 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 fiscal year 2003 administrative expenses in support of this goal were \$52,493,824² to maintain our high level of customer service. In fiscal year 2003, of the 21 reportable indicators we used to measure performance, we met or exceeded 19 goals and did not meet 2 goals. We had incomplete information for 8 other goals as of the time this report was prepared. The following are key customer service performance indicators that reflect our success in achieving this strategic goal.

¹ Estimated.

² Amount calculated on a budgetary basis in accordance with OMB guidance.

Key Performance Indicator 1:

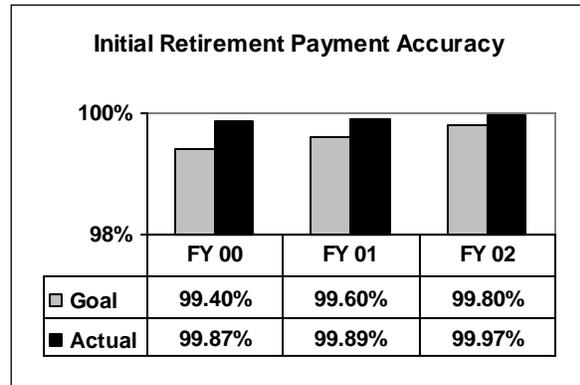
Our overall strategic goal is to achieve a railroad retirement benefit payment recurring accuracy rate of at least 99 percent. (Projected goals are based on the appropriations we receive each fiscal year.) We use two different indicators to assess our retirement benefit payment accuracy. One measures our performance on our initial processing of applications for retirement benefits; the other, post payment accuracy, measures how well we do later on when for various reasons (for example, working after retirement) we have to adjust benefit calculations.

Initial Recurring Retirement Payment Accuracy

FY 2003 Goal: 99.50%
Our FY 2003 Performance: Not available

We have only preliminary performance data for the first 6 months of fiscal year 2003, which includes several cases with pending issues that may or may not result in a material error. While useful for internal purposes, this data is not precise enough to include in this report.

FY 2002 Goal: 99.80%
Our FY 2002 Performance: 99.97%



FY 2002 Performance Discussion: We exceeded our goal. At the time we issued the Fiscal Year 2002 Annual Program Performance Report, we did not have full-year payment accuracy data available. 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 coming years.

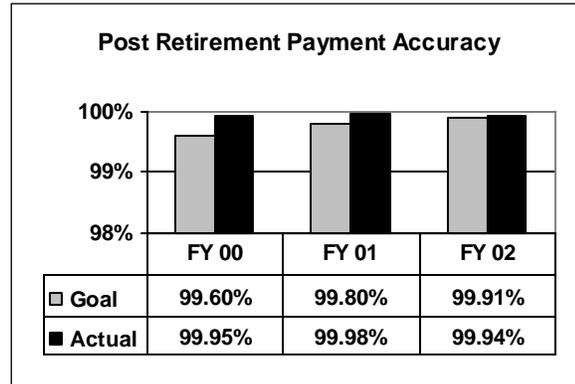
Data Definition: This is the percentage of the dollar value of initial recurring retirement benefit payments paid correctly as a result of adjudication actions performed. For fiscal year 2000, the reviews exclude the supplemental annuity component of employee annuities. For years prior to fiscal year 2003, the initial review excludes errors in temporary work deductions.

Data Source: Office of Programs, Report: *Final Case Accuracy and Recurring Payment Accuracy Rates for Initial Age and Service, Spouse and Widow(er) Applications Processed in Fiscal Year 2002; Final Case Accuracy and Recurring Payment Accuracy Rates for Post-Adjudication Actions Processed in Fiscal Year 2002*, dated April 17, 2003.

Sample Post Recurring Retirement Payment Accuracy

FY 2003 Goal: 99.50%
Our FY 2003 Performance: Not available

We have only preliminary performance data for the first 6 months of fiscal year 2003, which includes several cases with pending issues that may or may not result in a material error. While useful for internal purposes, this data is not precise enough to include in this report.



FY 2002 Goal: 99.91%
Our FY 2002 Performance: 99.94%

FY 2002 Performance Discussion: We exceeded our goal. At the time we issued the Fiscal Year 2002 Annual Program Performance Report, we did not have full-year payment accuracy data available. Automation plays a key role in assuring post benefit payment accuracy by reducing the number of erroneous payments. In the post area especially, we also rely on the high level of experience of the RRB's claims processing staff. Automation will become more critical in the post area as experienced personnel retire in coming years.

Data Definition: This is the percentage of the dollar value of post entitlement recurring retirement benefit payments paid correctly as a result of adjudication actions performed. For fiscal year 2000, the reviews exclude the supplemental annuity component of employee annuities.

Data Source: Office of Programs, Report: *Final Case Accuracy and Recurring Payment Accuracy Rates for Initial Age and Service, Spouse and Widow(er) Applications Processed in Fiscal Year 2002; Final Case Accuracy and Recurring Payment Accuracy Rates for Post-Adjudication Actions Processed in Fiscal Year 2002*, dated April 17, 2003.

Key Performance Indicator 2:

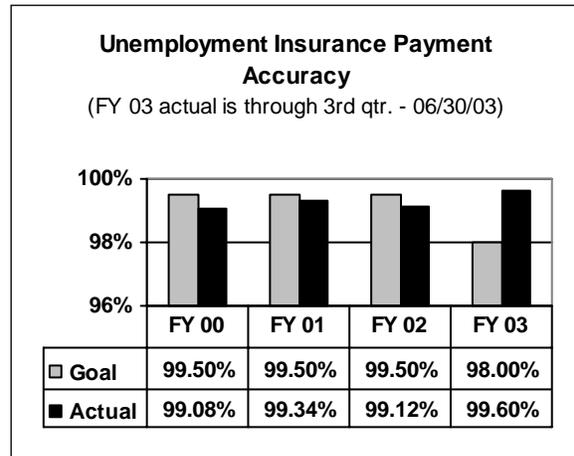
Our overall strategic goal is to achieve railroad unemployment and sickness insurance benefit payment accuracy rates of at least 99 percent. (Projected goals are based on the appropriations we receive each fiscal year.) We use two different indicators to assess our benefit payment accuracy. One measures our performance regarding unemployment insurance benefit payments; the other measures sickness insurance benefit payments.

Unemployment Insurance Payment Accuracy

FY 2003 Goal: 98.00%
Our FY 2003 Performance: 99.60%
 through the 3rd quarter

We are meeting our goal. Automation plays a key role in assuring benefit payment accuracy by reducing the number of erroneous payments. The performance data shown is through the third quarter of fiscal year 2003.

Data Definition: This is the percentage of the dollar value of unemployment insurance benefit payments paid correctly as a result of adjudication actions performed.

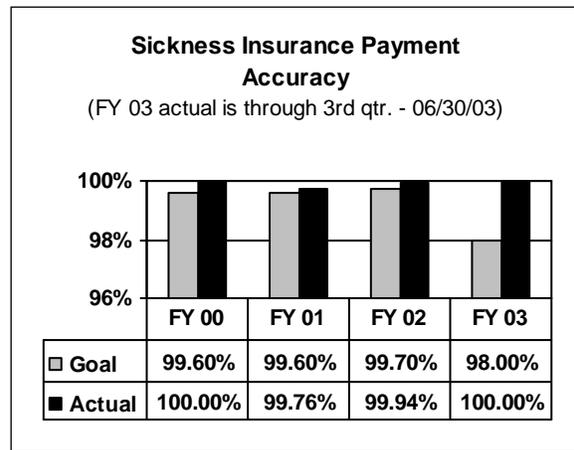


Sickness Insurance Payment Accuracy

FY 2003 Goal: 98.00%
Our FY 2003 Performance: 100%
 through the 3rd quarter

We are meeting our goal. Automation plays a key role in assuring benefit payment accuracy by reducing the number of erroneous payments. The performance data shown is through the third quarter of fiscal year 2003.

Data Definition: This is the percentage of the dollar value of sickness insurance benefit payments paid correctly as a result of adjudication actions performed.



Data Source: Office of Programs, Report: *Review of Unemployment and Sickness Claims-3rd Quarter Fiscal Year 2003*, dated October 21, 2003.

Key Performance Indicator 3:

Our overall strategic goal is to achieve a railroad retirement case accuracy rate of at least 94 percent. (Projected goals are based on the appropriations we receive each fiscal year.) We use two different indicators to assess our retirement case accuracy. One measures our performance on our initial processing of applications for retirement benefits; the other, post case accuracy, measures how well we do later on when for various reasons (for example, working after retirement) we have to adjust benefit calculations.

The case accuracy performance is closely related to key performance indicator 1, payment accuracy performance. These are two views of the same data, involving the same workload.

Initial Recurring Retirement Case Accuracy

FY 2003 Goal: 90.00%
Our FY 2003 Performance: Not available

FY 2002 Goal: New
Our FY 2002 Performance: 94.70%

This is a new performance indicator for fiscal year 2003. Although we did not establish a fiscal year 2002 goal for initial retirement case accuracy, we do have the actual results available for fiscal year 2002. We have only preliminary data available for the first 6 months of fiscal year 2003, which includes several cases with pending issues that may or may not result in a material error. For that reason, we are not publishing the preliminary fiscal year 2003 data until the case review has been completed and the statistics are finalized. Current indications are that our performance goals in this area have been met.

Automation plays a key role in assuring benefit case accuracy by reducing the number of erroneous payments. We also rely on the high level of experience of the RRB's claims processing staff. Automation will become more critical in this area as experienced personnel retire in the coming years.

Sample Post Recurring Retirement Case Accuracy

FY 2003 Goal: 90.0%
Our FY 2003 Performance: Not available

FY 2002 Goal: N/A
Our FY 2002 Performance: 98.20%

This is a new performance indicator for fiscal year 2003. Although we did not establish a fiscal year 2002 goal for post recurring retirement case accuracy, we do have the actual results available for fiscal year 2002. We have only preliminary data available for the first 6 months of fiscal year 2003, which includes several cases with pending issues that may or may not result in a material error. For that reason, we are not publishing the preliminary fiscal year 2003 data until the case review has been completed and the statistics are finalized. Current indications are that our performance goals in this area have been met.

Automation plays a key role in assuring benefit case accuracy by reducing the number of erroneous payments. In the post area especially, we also rely on the high level of experience of

the RRB's claims processing staff. Automation will become more critical in the post area as experienced personnel retire in the coming years.

Data Definition: Case accuracy rate is the percentage of cases that do not contain a material payment error. Case accuracy rates reflect only those errors that are detected as a result of reviewing award actions performed during the fiscal year being studied. A material error is (1) an incorrect payment of \$5.00 or more at the point the error is identified, (2) an incorrect payment of less than \$5.00 totaling 1 percent or more of the monthly rate, or (3) any situation in which a non-entitled benefit is paid.

Data Source: Office of Programs, Report: : *Final Case Accuracy and Recurring Payment Accuracy Rates for Initial Age and Service, Spouse and Widow(er) Applications Processed in Fiscal Year 2002; Final Case Accuracy and Recurring Payment Accuracy Rates for Post-Adjudication Actions Processed in Fiscal Year 2002*, dated April 17, 2003.

Key Performance Indicator 4:

Our overall strategic goal is to achieve a railroad unemployment/sickness insurance case accuracy rate of at least 97 percent. (Projected goals are based on the appropriations we receive each fiscal year.) We use two different indicators to assess case accuracy. One measures our performance regarding unemployment insurance benefit payments; the other measures sickness insurance benefit payments.

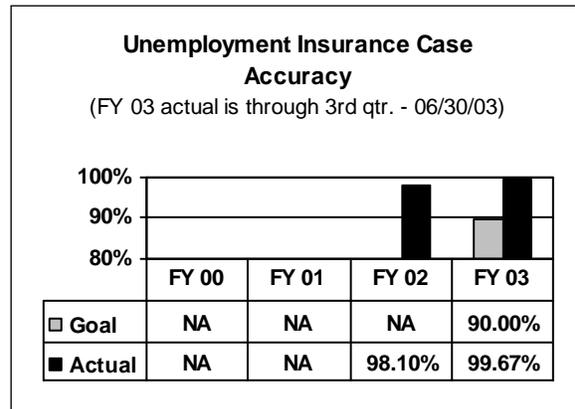
The case accuracy performance is closely related to key performance indicator 2, payment accuracy. These are two views of the same data, involving the same workload.

Unemployment Insurance Case Accuracy

FY 2003 Goal: 90.0%
Our FY 2003 Performance: 99.67%
 through the 3rd quarter

We are exceeding our goal. Automation plays a key role in assuring case accuracy. The performance data shown is through the third quarter of fiscal year 2003 and involves a sample review of cases.

This is a new performance indicator for fiscal year 2003. Although we did not establish a fiscal year 2002 goal for unemployment insurance case accuracy, we do have the actual results available for fiscal year 2002.

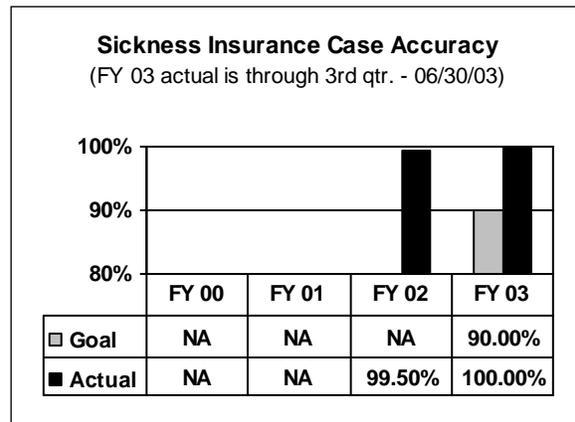


Sickness Insurance Case Accuracy

FY 2003 Goal: 90.0%
Our FY 2003 Performance: 100%
 through the 3rd quarter

We are exceeding our goal. Automation plays a key role in assuring case accuracy. The performance data shown is through the third quarter of fiscal year 2003 and involves a sample review of cases.

This is a new performance indicator for fiscal year 2003. Although we did not establish a fiscal year 2002 goal for sickness insurance case accuracy, we do have the actual results available for fiscal year 2002.



Data Definition: Case accuracy rate is the percentage of cases that do not contain payment errors.

Data Source: Office of Programs, Report: *Review of Unemployment and Sickness Claims-3rd Quarter Fiscal Year 2003*, dated October 21, 2003.

Key Performance Indicator 5:

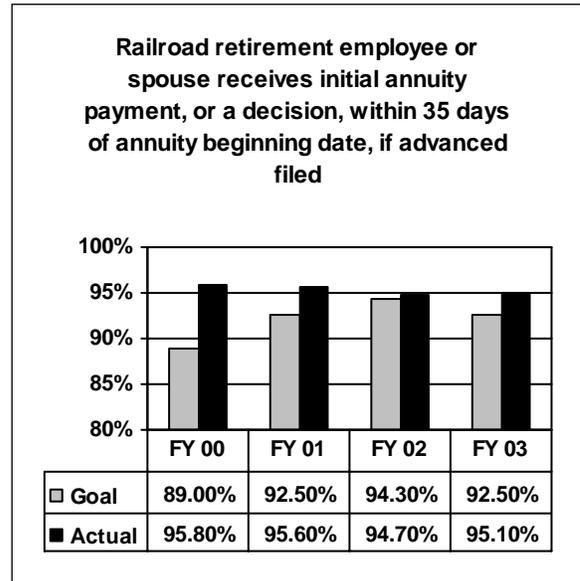
Timeliness of Annuity Decisions (if advanced filed)

FY 2003 Goal: 92.5%
Our FY 2003 Performance: 95.1%

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

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 6:

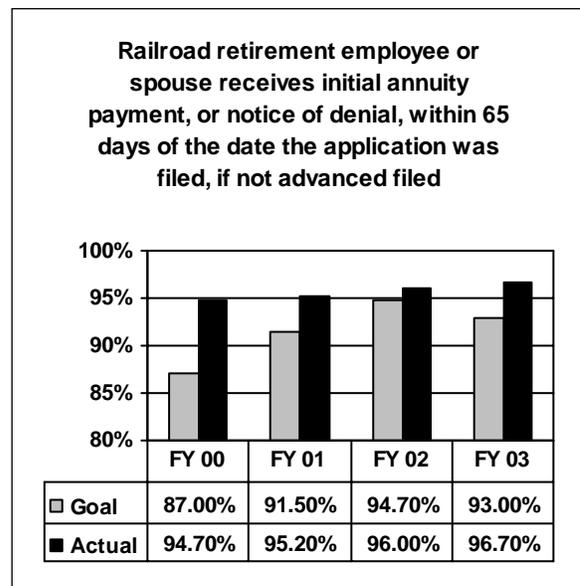
Timeliness of Annuity Initial Payment (if not advanced filed)

FY 2003 Goal: 93.0%
Our FY 2003 Performance: 96.7%

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

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 7:

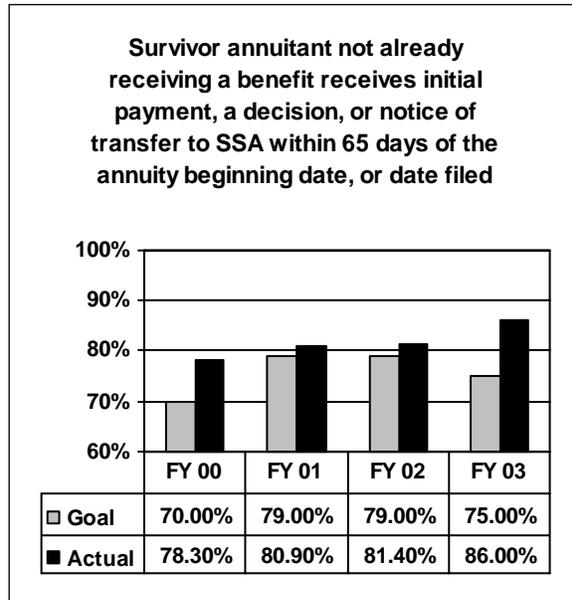
Timeliness of New Survivor Benefit Payments

FY 2003 Goal: 75.0%
Our FY 2003 Performance: 86.0%

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

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 8:

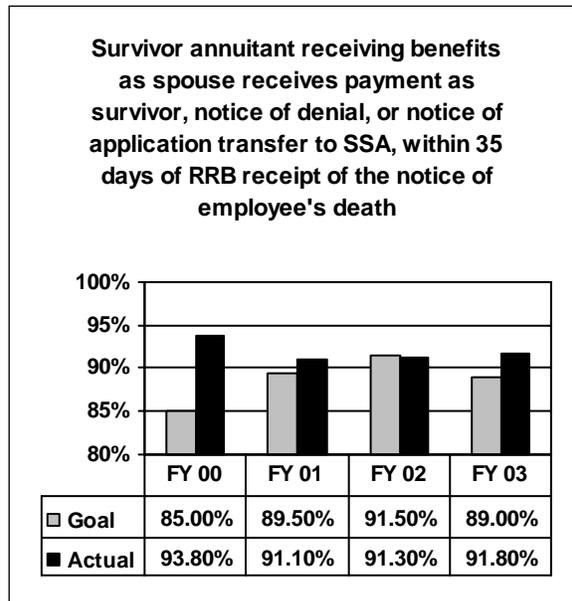
Timeliness of Spouse to Survivor Benefit Payment Conversions

FY 2003 Goal: 89.00%
Our FY 2003 Performance: 91.80%

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

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 9:

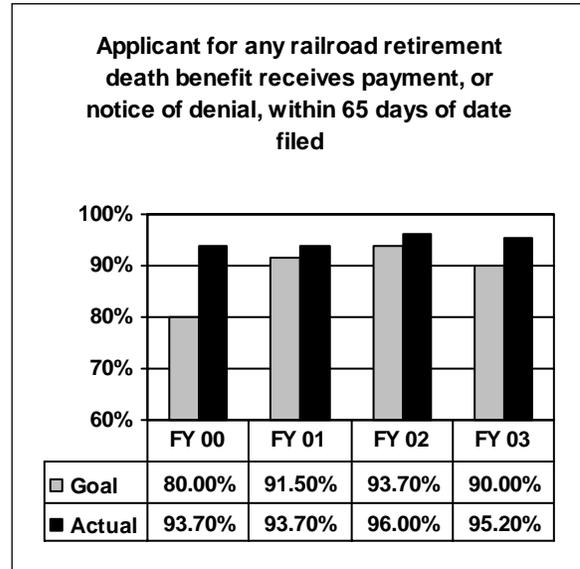
Timeliness of Death Benefit Payments

FY 2003 Goal: 90.00%
Our FY 2003 Performance: 95.20%

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

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 10:

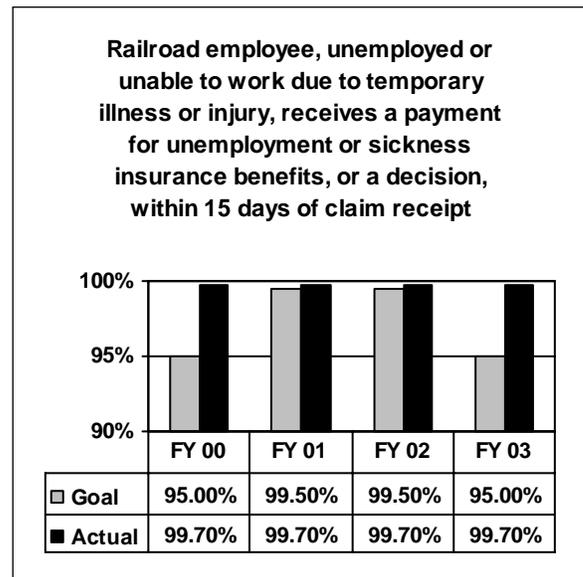
Timeliness of Unemployment or Sickness Insurance Payments

FY 2003 Goal: 95.00%
Our FY 2003 Performance: 99.70%

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

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 11:

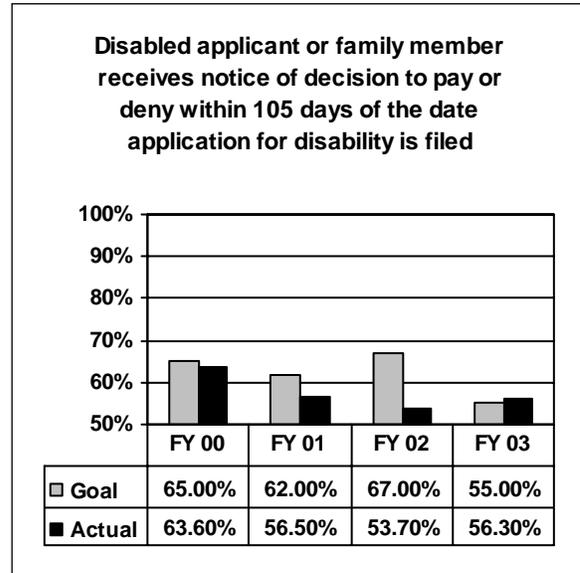
Timeliness of Disability Decisions

FY 2003 Goal: 55.0%
Our FY 2003 Performance: 56.3%

We exceeded our goal. Our disability examiners are now fully trained and experienced and are supported by a full-time trainer and overtime funding. We have also detailed former examiners, on a part-time basis, to supplement the work being done by current staff.

Data Definition: We base our calculation on the percent of applications where RRB processing is completed within the timeframe noted in the indicator. This timeframe includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Key Performance Indicator 12:

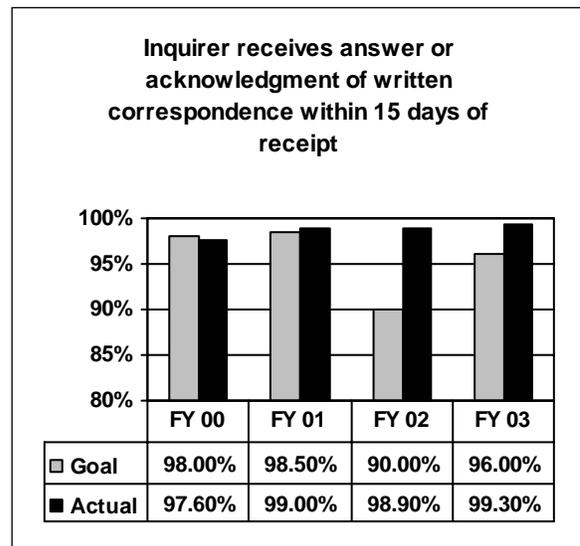
Timeliness in Answering or Acknowledging Correspondence

FY 2003 Goal: 96.00%
Our FY 2003 Performance: 99.30%

We exceeded our goal. We achieve our high level of performance by making customer correspondence a priority activity. We track performance against established customer service standards and stress the importance of using an acknowledgement letter if we cannot immediately respond to the customer's inquiry.

Data Definition: Our calculation is based on the percent of responses made within the timeframe noted in the indicator. This timeframe also includes 5 days for mail delivery.

Data Source: Office of Programs, Report: Office of Programs Quarterly Customer Service Report, dated October 28, 2003.



Strategic Goal II.: 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 fiscal year 2003 administrative expenses in support of this goal were \$20,488,138¹ to maintain our high level of stewardship. In fiscal year 2003, of the 25 reportable indicators we used to measure performance, we met or exceeded 21 goals and did not meet 4 goals. The following are key performance indicators that reflect our success in achieving this strategic goal.

Key Performance Indicator 13:

Maintain Wage Matches

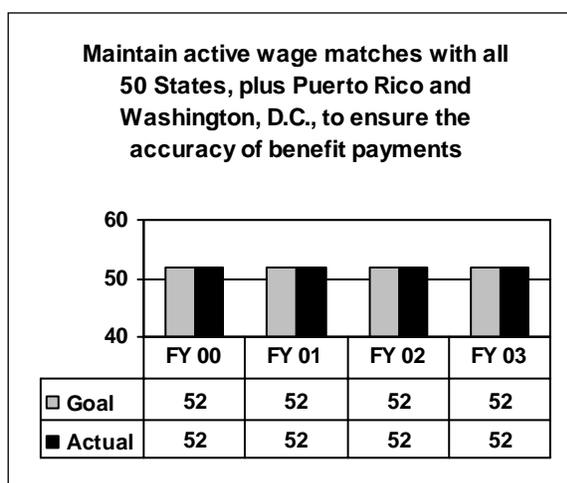
FY 2003 Goal: 50 States, plus Puerto Rico & Washington, D.C.

Our FY 2003 Performance: 50 States, plus Puerto Rico & Washington, D.C.

We met our goal. We maintained active wage matches with all 50 States plus Puerto Rico and the District of Columbia. The results of these matches are included in indicator 14.

Data Definition: This is the number of jurisdictions with which we perform matches.

Data Source: Office of Programs



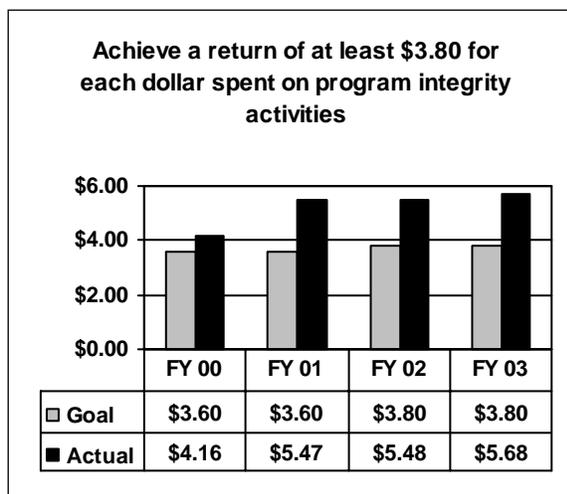
Key Performance Indicator 14:

Return on Program Integrity Activities

FY 2003 Goal: \$3.80 : \$1

Our FY 2003 Performance: \$5.68 : \$1

We exceeded our goal. Our overall strategic goal is to achieve a return of at least \$3.60 for each dollar spent on program integrity activities. Based on our actual appropriations in fiscal years 2002 and 2003, we increased this to a return of at least \$3.80 for each dollar spent.



As part of our fiduciary responsibilities to the rail community, we must ensure that the correct amount of benefits is being paid to the right people. We match our benefit payments against SSA's earnings and benefits database, CMS'

¹ Amount calculated on a budgetary basis in accordance with OMB guidance.

utilization and death records, OPM's benefit records, and State wage reports, usually via computer tapes, and administer other benefit monitoring programs to identify and prevent erroneous payments. We also refer some cases to the RRB's OIG for investigation. After investigation, the Inspector General may pursue more aggressive collection methods, which include civil and criminal prosecution.

Data Definition: This is the ratio of the sum of the dollar recoveries and savings, per labor dollar spent.

Data Source: Office of Programs, Program Integrity Report – Fiscal Year 2003, dated October 30, 2003.

Key Performance Indicator 15:

Correct Material Weaknesses

FY 2003 Goal: 100%
Our FY 2003 Performance: 67%

Take prompt action to correct any material weaknesses				
	FY 00	FY 01	FY 02	FY 03
GOAL	NA	NA	100%	100%
ACTUAL	NA	NA	100%	67%

No material weaknesses in FY 00 or FY 01

We did not meet our goal. We continue to take prompt action to correct material weaknesses. Four of six (67 percent) of the fiscal year 2003 action plan milestones were accomplished and two were carried into fiscal year 2004 to accommodate action on other priorities. We will complete the remaining action plan tasks and expect to report elimination of the material weakness in our 2004 Performance and Accountability Report as originally scheduled.

We reported one material weakness in fiscal year 2002 related to deficiencies in operational and technical controls in the Information Security Program. The critical elements attributed to the weakness are inadequate security awareness, training and education of individuals responsible for security-related activities, and logical access controls. In fiscal year 2002, we accomplished 100 percent of our goals to (1) provide updated security awareness training to all employees; (2) begin developing a role-based security training program for all individuals responsible for security-related activities and logical access controls; (3) begin resolving audit recommendations associated with logical access controls; and, (4) establish a risk management assessable unit under our management control review program.

In fiscal year 2003, we accomplished our goals to: (1) complete development of the role-based security training program; (2) provide role-based security training; (3) provide updated security awareness training; and (4) continue to resolve audit recommendations associated with logical access controls as required. We did not: (5) complete documentation of the Risk Management assessable unit, or (6) develop performance measures within individual job descriptions and performance plans. The first four tasks were accomplished, but by their nature, the training tasks are ongoing and will continue in future fiscal years. The last two tasks have been deferred to fiscal year 2004.

Data Definition: This is the percentage of action plan fiscal year 2003 milestones that were accomplished.

Data Sources: For fiscal years 2000-2002, the source is the RRB's FMFIA Report to the President. For fiscal year 2003, the source is the Statement of Assurance in this Performance and Accountability Report.

Strategic Goal III.: Use Technology and Automation to Foster Fundamental Changes That Improve the Way We Do Business. The RRB understands the value and importance of making fundamental changes in the way we operate, due to continued demands to reduce staffing levels and operating budgets, along with increasing public expectations for new types of service and new legislative requirements. Our fiscal year 2003 administrative expenses in support of this goal were \$26,360,762¹ to maintain and improve our information technology services. In fiscal year 2003, of the 11 reportable indicators we used to measure performance for this strategic goal, we met or exceeded 5 goals and did not meet 6 goals. The reason why we did not meet the 6 goals varies for each. A discussion of these unmet performance goals is presented at the end of the next section. None of the 11 indicators were considered key performance indicators.

¹ Amount calculated on a budgetary basis in accordance with OMB guidance.

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