



# U.S. RAILROAD RETIREMENT BOARD

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## *An Agency Overview*

[www.rrb.gov](http://www.rrb.gov)

*January 2017*

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 and Railroad Unemployment Insurance Acts. 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.

In fiscal year 2016, the RRB paid retirement-survivor benefits of some \$12.3 billion to about 553,000 beneficiaries. The RRB also paid net unemployment-sickness benefits of \$133 million (including recoveries of about \$200,000 in expired temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, and subsequent reauthorizing legislation) to about 33,000 claimants. At the end of fiscal year 2016, the average annuity paid to retired rail employees was \$2,640 a month, spouse benefits averaged \$990 a month, and benefits for aged widow(er)s averaged \$1,620 a month. The maximum biweekly rate for unemployment and sickness benefits was \$720 prior to sequestration. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, benefits are reduced 6.8 percent for days after September 30, 2015, and 6.9 percent for days after September 30, 2016.

## **Development of the Railroad Retirement and Unemployment Insurance Systems**

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

***Retirement program.***--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 before 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation enacted in 1934, 1935, and 1937 established a railroad retirement system separate from the social security program legislated in 1935. Such legislation, taking into account particular circumstances of the rail industry, had some precedent. Many 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, several other railroad laws have subsequently 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. A financial interchange links financing of the two systems by coordinating the portion of railroad retirement annuities that is equivalent to social security benefits 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 the social security program covered railroad service 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 compares with private pensions paid over and above social security benefits in other industries.

***Unemployment insurance program.***--The railroad unemployment insurance system was also established in the 1930s. The Great Depression demonstrated the need for unemployment compensation programs, and the Social Security Act of 1935 created State unemployment programs. While the State unemployment programs generally covered railroad workers, railroad operations which crossed State lines caused special problems. In some instances, one State denied compensation for unemployed railroad workers 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 a separate plan cover railroad workers because of complications with the State plans. Congress then enacted the Railroad Unemployment Insurance Act in June 1938. The Act established a system of benefits for unemployed railroaders, financed entirely by railroad employers and administered by the RRB. Legislation added sickness benefits in 1946.

## **Railroad Retirement Act**

Under the Railroad Retirement Act, 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.

**Provisions.**--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, widow(er)s, surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers. Qualified railroad retirement beneficiaries receive Medicare coverage just like social security beneficiaries.

As noted, the RRB pays retirement annuities to employees, as well as their spouses and/or divorced spouses, if the employee had at least 10 years of railroad service, or 5 years if performed after 1995. However, 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 the Social Security Administration, which treats them as social security credits.

**Financing.**--Payroll taxes paid by railroad employers and their 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 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 to finance railroad retirement benefit payments beyond social security levels. The ratio of certain asset balances to the sum of benefit payments and administrative expenses determines tier II tax rates.

Revenues in excess of benefit payments are invested to provide additional trust fund income. The National Railroad Retirement Investment Trust manages and invests railroad retirement assets. It invests these funds in non-governmental assets, as well as in governmental securities.

Additional trust fund income derives 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.

## **Railroad Unemployment Insurance Act**

Under the Railroad Unemployment Insurance Act, unemployment insurance benefits are paid to railroad workers who are unemployed but ready, willing, and able to work, and sickness benefits to railroad workers unable to work because of illness or injury. The RRB also operates a placement service to help unemployed railroaders secure employment.

**Benefit year.**--A new unemployment-sickness 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 or sickness benefits are payable to an individual in a benefit year. Additional extended benefits are payable to persons with 10 or more years of service.

**Financing.**--Taxes on railroad employers under an experience-rating system finance the railroad unemployment-sickness benefits program. The RRB calculates each employer's payroll tax rate annually on the basis of benefit payments to the railroad's employees.

## **Railroad Medicare**

The Medicare program covers railroad workers just like workers covered under social security. The Medicare program provides health insurance to persons ages 65 and older, as well as persons under age 65 who have been entitled to monthly benefits based on total disability for at least 24 months or who suffer from chronic kidney disease requiring hemodialysis or transplant. In addition to basic hospital insurance (Part A) financed by payroll taxes, there is an elective supplementary medical insurance (Part B) that covers many other medical services, such as doctor visits, durable medical equipment, and outpatient services that hospital insurance does not cover.

Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the RRB are automatically enrolled under both plans, but the annuitant or beneficiary can decline Medicare Part B. Eligible nonretired persons must apply in order to obtain Medicare coverage. The RRB automatically enrolled some 27,100 beneficiaries for Medicare during fiscal year 2016. As of the end of that fiscal year, about 465,300 people were enrolled in the Part A plan, and over 445,900 (96 percent) of them were also enrolled in Part B. Palmetto GBA, a subsidiary of Blue Cross and Blue Shield, processes medical insurance (Part B) claims for railroad retirement Medicare beneficiaries.

## **RRB Organization and Functions**

A three-member Board appointed by the President of the United States, with the advice and consent of the Senate, leads the RRB. The President appoints one member upon the recommendation of railroad employers, another upon the recommendation of railroad labor organizations and the third, who is the Chairman, to represent the public interest. The Board Members' terms of office are 5 years and expire in different years. The President also appoints an Inspector General for the RRB.

The primary function of the RRB is the determination and payment of benefits under the retirement-survivor and unemployment-sickness programs. To this end, the RRB employs field representatives to help 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 future income and outlays of the railroad retirement system, statisticians to analyze and provide data, and attorneys to interpret legislation and represent the RRB in litigation. The Inspector General employs auditors and investigators to detect waste, fraud, or abuse in the benefit programs.

## **The RRB and the Federal Government**

As an independent agency in the executive branch of the Federal Government, the RRB reports on its operations to the President and the Congress. RRB officials also may testify at congressional hearings on issues related to the Railroad Retirement and Railroad Unemployment Insurance Acts. Congress has jurisdiction over the amounts available to the railroad retirement system for benefit payments and administrative expenses.

The RRB works closely with other Federal agencies and with some State agencies. Its dealings with some of these agencies, such as the President's Office of Management and Budget, the Office of Personnel Management, the Government Accountability Office, and the Department of Treasury, are similar to those of other executive branch agencies. Interactions with some others – principally the Social Security Administration, the Centers for Medicare & Medicaid Services, State employment security departments and, on a smaller scale, the Department of Labor – are specifically related to the RRB's various benefit programs.

## **The RRB and the National Railroad Retirement Investment Trust**

The Railroad Retirement and Survivors' Improvement Act of 2001 established the National Railroad Retirement Investment Trust. The sole purpose of the Trust is to manage and invest railroad retirement assets. The Trust is a tax-exempt entity independent from the Federal Government.

The Act authorizes the Trust to invest the assets of the Railroad Retirement Account in a diversified investment portfolio in the same manner as those of private sector retirement plans. Before the Act, the law limited investment of Railroad Retirement Account assets to U.S. government securities.

The Trust has seven trustees, with railroad labor unions and railroad companies each selecting three. These six trustees then select a seventh, independent trustee. In turn, they hire professional staff to manage investment of the assets. While the Act does not delegate any authority to the RRB with respect to day-to-day activities of the Trust, the Act does provide that the RRB may bring a civil action to enjoin any act or practice of the Trust that violates the provisions of the Act or to enforce any provision of the Act. The Trust has no powers or authority over the administration of benefits under the Railroad Retirement Act.

## **The RRB and the Railroad Industry**

The administrative organization of the RRB fosters close relations with railroad employers, employees and their representatives. Two of the three Board Members are appointed on the recommendations of railway labor and management associations, and labor and management officials have been active in the development of the railroad retirement and unemployment insurance programs since their inception.

In addition, the RRB relies on railroad employers and labor groups for help in keeping railroad personnel informed about the benefit programs.

The RRB conducts informational programs for railroad management and labor officials to acquaint them with the details of the benefit programs. These officials, in turn, educate railroad workers as to their benefit rights and responsibilities.

Railroad employers and railway labor groups also assist the RRB with a joint placement program to find jobs for unemployed personnel. These joint placement efforts help to reduce the costs of the unemployment insurance program.

The RRB has direct contact with individual railroad employees, in person or by phone, through its national network of 53 field offices. Field personnel explain benefit rights and responsibilities, help employees apply for benefits, provide related services for annuitants, and answer any questions related to the benefit programs. The RRB maintains field offices in railroad locales across the United States. A toll-free number (1-877-772-5772) also provides RRB customers with easy access to the agency's field offices.

The RRB's headquarters is located in the William O. Lipinski Federal Building at 844 North Rush Street, Chicago, Illinois 60611-1275.

The following pages provide a list of the RRB's publications.

**Information on the RRB is also available on the Internet at [www.rrb.gov](http://www.rrb.gov).**

**Prepared by  
U.S. RAILROAD RETIREMENT BOARD  
Public Affairs  
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## Publications

The following leaflets pertaining to benefits payable by the RRB are available at any RRB field office, RRB headquarters at 844 North Rush Street, Chicago, Illinois 60611-1275, or on the RRB's website at [www.rrb.gov](http://www.rrb.gov).

- ***Railroad Retirement and Survivor Benefits***, RRB Form IB-2
- ***Guide to Railroad Retirement and Survivor Benefits*** (Spanish-language edition), RRB Form RB-4a
- ***Federal Income Tax and Railroad Retirement Benefits*** (Questions and Answers)
- ***Medicare for Railroad Workers and Their Families***, RRB Form RB-20
- ***Railroad Unemployment and Sickness Benefits***, RRB Form UB-9

The following publications about administrative, financial, statistical, legal and other aspects of the railroad retirement and unemployment insurance systems are available on the RRB's website.

- ***Annual Report*** - yearly summary of RRB's operations is distributed to officials of railway management and labor, members of Congress, officials of the Federal Government, and requesting libraries.
- ***Performance and Accountability Report*** - annual report that highlights goals and accomplishments of the RRB in the most recent fiscal year, future plans, and a summary review of the agency's financial statements.
- ***Railroad Retirement Handbook*** - a comprehensive single source of authoritative information on the development and character of the railroad retirement and railroad unemployment insurance systems.
- ***RRB News*** - periodic news releases distributed to editors of railway publications and major newspapers, railway management and labor officials, and requesting agencies and organizations.
- ***Railroad Retirement Information*** - questions and answers distributed monthly to editors of railway publications and officials of railway management and labor.

- ***Statistical Tables and Quarterly Benefit Statistics*** - distributed to officials of railway management and labor organizations and requesting libraries.
- ***RRB Strategic Plan*** - long-range planning document, updated every 4 years, that outlines agency plans to improve RRB operations and provide outstanding customer service.



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