

MANAGEMENT MEMBER'S SESSION

NRETS

AUGUST 2021



AGENDA

- RRB Operations During Pandemic and Industry Data
- RRB's Focus for FY 2022 –Staffing and IT Modernization
- Railroad Retirement System – Financial Update
- Pay for Time Lost (PFTL) Reporting Reminder

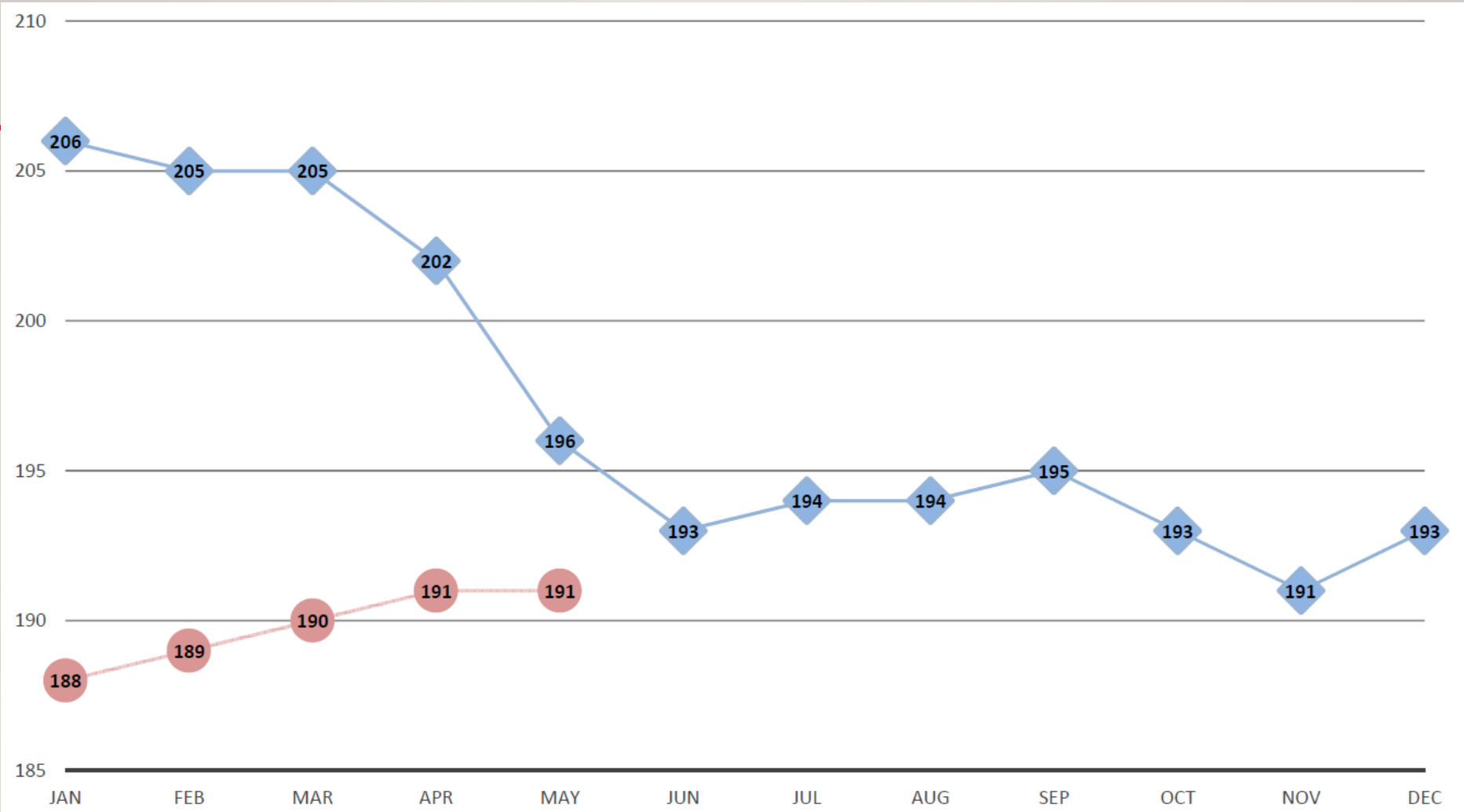
RRB OPERATIONS DURING PANDEMIC

- Approximately 95% of our employees moved to full telework
- 53 Field Offices were closed to the public and claims reps began teleworking
- Improvements to our network capabilities were needed due to increased bandwidth needs
- Skeleton work force in HQ and Field Office to handle mail and tasks requiring manual work
- RRB used work-arounds adding additional email and fax options during record number of UI/SI claims
- Transition reentry in fall and revising telework policies to be more flexible

INDUSTRY DATA AND TRENDS

- Average Railroad Employment
- New Unemployment and Sickness Claims During Pandemic
- Vocational Information from Employers

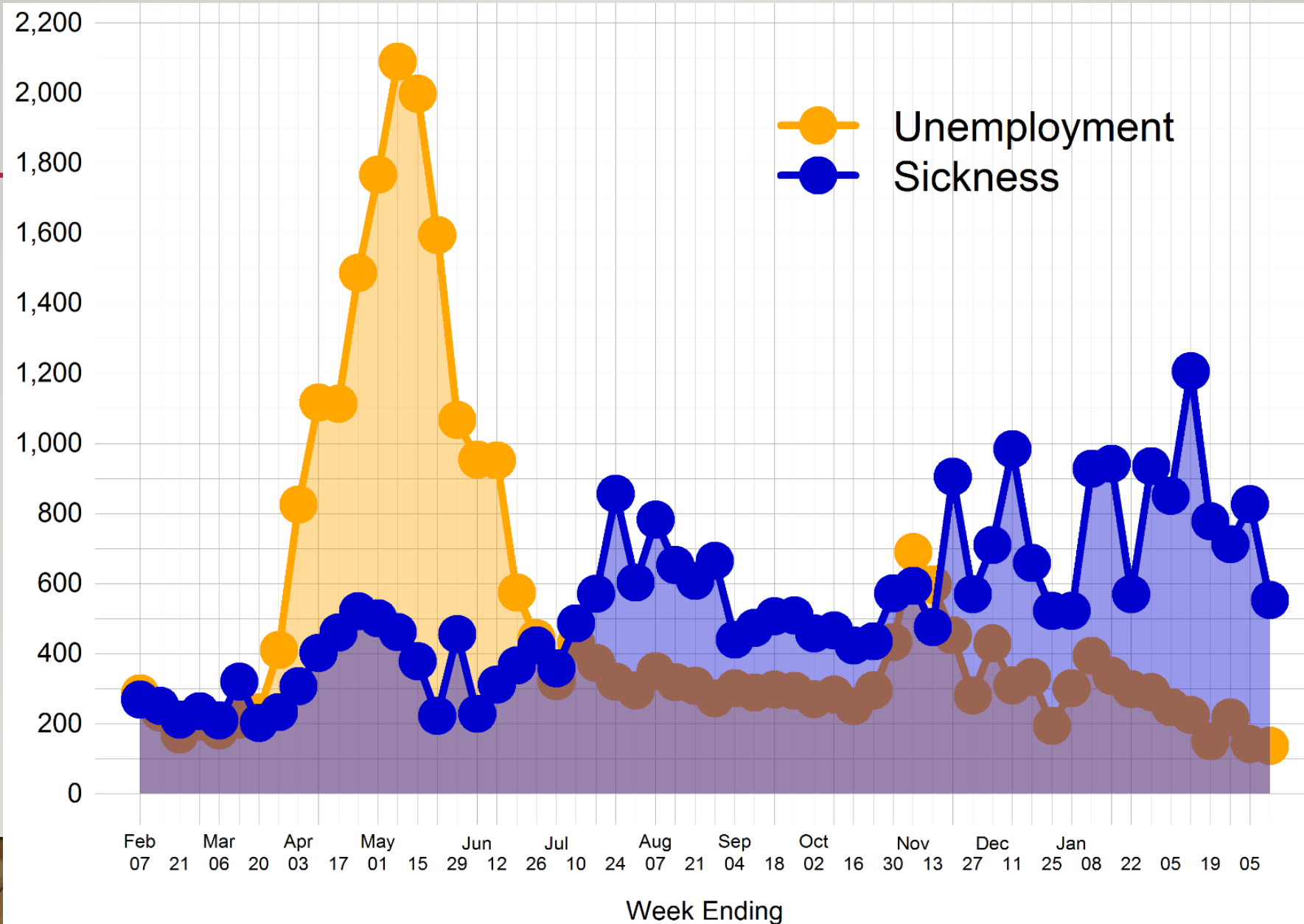
AVERAGE RAILROAD EMPLOYMENT (IN THOUSANDS) JANUARY 2020 – MAY 2021



The calendar year average was 197,000 for 2020. In December 2021, all figures will be revised when 2020 data is finalized.

◆ 2020 ● 2021

RRB – NEW UNEMPLOYMENT AND SICKNESS CLAIMS



Includes only new applications processed through March 12, 2021

VOCATIONAL INFORMATION FROM EMPLOYERS

- Vocational information received from employers associated with employee disability applications.
 - 2021 YTD only 2.7% of disability applications included the New Job Information Form (G-251A Revised).

	June 2021		2021 YTD		2020 Final	
	Totals	%	Totals	%	Totals	%
G-251A Revised	3	2.6	15	2.7	32	2.9
Other (Employer Job Description)	61	54.0	259	46.7	529	48.7
No Form	49	43.4	281	50.6	526	48.4
Totals	113	100	555	100	1087	100

RRB'S FOCUS FOR FY 2022 – STAFFING

- Staffing levels at the RRB have been decreasing significantly due to stagnant budgets and increasing personnel costs.
- 23% of RRB staff are eligible for retirement in 2021 and 31% will be eligible in 2022.
- Board was 12% below its desired staffing needs of 880.
- As part of COVID relief packages Congress appropriated \$6.2 million in general revenue funds for immediate staffing needs in Retirement and UI/SI programs.
- HHS Labor Subcommittee mark for RRB was \$130 million and \$5 million above President's budget.

RRB'S FOCUS FOR FY 2022 – IT MODERNIZATION

- Multi-year project which includes lifting the mainframe to the cloud, modernizing COBOL based applications in a cloud based environment, strengthening IT structures and security, and moving to Microsoft 365.
- RRB's antiquated systems have been a source of concern during the years, and until more recently the necessary funds were not appropriated.

RAILROAD RETIREMENT SYSTEM – FINANCIAL UPDATE

- 28th Actuarial Evaluation
- National Railroad Retirement Investment Trust (NRRIT)

28TH ACTUARIAL EVALUATION

- The conclusion is 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 34 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.

Employment Data

<u>Year</u>	<u>Average employment for year</u>	<u>Annual rate of decline from previous year</u>
2016	231,000	6.5%
2017	225,000	2.6
2018	224,000	0.4
2019	214,000	4.5
2020	197,000	7.9

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST (NRRIT)

- Rail employers and Labor appoint three trustees each and a neutral is selected by the 6 trustees.
- NRRIT created by Congress in 2002.
- NRRIT invests trust funds similarly to other private pensions with ERISA like provisions.
- While NRRIT is an independent non-federal entity, it still has reporting requirements with both Congress and the President.
- RRB Board regularly meet with Trustees and receive reports and review operational oversight audits.

**Investment Performance – Net of Fees
for the Quarter ended March 31, 2021**

Trust-Managed Assets:	5.31%
Strategic Policy Benchmark:	4.47%

**Market Value of Assets
(Asset values are in billions of dollars)**

Trust-managed assets

As of December 31, 2020	\$ 26.3
As of March 31, 2021	\$ 27.3
Change for quarter ended March 31, 2021	\$ 1.0

Change in Trust-managed assets since inception

Total transfers from Treasury since inception	\$ 21.3
Total transfers to Treasury since inception	\$-28.6
Total change in assets since inception	\$ 34.6
As of March 31, 2021	\$ 27.3

Trust-managed assets and RRB assets held in reserve

As of December 31, 2020	\$ 27.9
As of March 31, 2021	\$ 29.1
Change for quarter ended March 31, 2021	\$ 1.2

PROPER REPORTING OF PAY FOR TIME LOST (PFTL)

- Employers are responsible for properly reporting PFTL that results from voluntary settlements or court awards relating to payments for an employee's injury on the job, including past and/or future wage loss as a result of injury or a personnel action that resulted in lost wages.
- The Supreme Court decision in *Loos v. BNSF* in 2019 confirmed that employers must pay RRTA taxes associated with the judgments/voluntary settlements awarding lost wages; the RRB has always required reporting of creditable compensation stemming from PFTL.
- Additional information can be found on RRB's website RRB.GOV with RRB publication IB-4.

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Questions?

