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U.S. Railroad Retirement Board

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RRB Financial Reports

As required by law, the Railroad Retirement Board (RRB) submits annual financial reports to Congress on the financial condition of the railroad retirement and railroad unemployment insurance systems. These reports must include recommendations for any financing changes that may be advisable to ensure the solvency of the systems. In June, the RRB submitted its financial reports on the railroad retirement and railroad unemployment insurance systems.

The following questions and answers summarize the findings of these reports.

1. What were the assets of the railroad retirement and railroad unemployment insurance systems last year?

As of September 30, 2022, total railroad retirement system assets, comprising assets managed by the National Railroad Retirement Investment Trust (NRRIT) and the railroad retirement system accounts at the Treasury, equaled \$24.9 billion. The Railroad Retirement and Survivors' Improvement Act of 2001 established the NRRIT to manage and invest railroad retirement assets. The cash balance of the railroad unemployment insurance system was \$107.6 million at the end of fiscal year 2022, after paying off loans from the railroad retirement system totaling \$107.4 million in principal plus interest.

2. What methods did the RRB use in forecasting the financial condition of the railroad retirement system?

In the report, the RRB projected the various components of income and outgo of the railroad retirement system under optimistic, moderate, and pessimistic employment assumptions for the 25 calendar years 2023-2047 (projection period). The RRB combined the projections of these components and calculated anticipated investment income to project balances in the railroad retirement accounts at the end of each year of the projection period.

3. What did the RRB conclude in the 2023 report of the financial condition of the railroad retirement system?

The RRB concluded in the report that, barring a sudden, unanticipated, large decrease in railroad employment or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the next 25 years under any employment assumption.

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Under the current financing structure, actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary.

4. How do the results of the 2023 report of the financial condition of the railroad retirement system compare with the 2022 report?

The 2022 annual report addressed railroad retirement financing for the 25 calendar years 2022-2046 and indicated that no cash-flow problems occur throughout the 25-year projection period under any employment assumption.

According to the 2023 report, the actual investment return in 2022 was much lower than expected, but actual and projected railroad employment were higher than expected under all three employment assumptions. Actual wage increases for 2022 and projected wage increases for 2023 are also higher than assumed last year. Higher projected employment and higher taxable wages result in generally higher projected payroll tax income, which is partially offset by higher projected benefit payments for future annuitants.

The 2023 report also shows that the first-year combined account balance begins about \$4.5 billion lower than last year's report because of the lower than expected investment return during 2022. The projected combined account balances gradually improve over the projection period because of higher projected payroll tax income.

In addition, the projected tier II tax rates increase sooner and are generally higher when compared to last year's report. (Railroad retirement payroll taxes, like railroad retirement benefits, are calculated on a two-tier basis.)

5. Did the RRB recommend any railroad retirement payroll tax rate changes in the 2023 report of the railroad retirement system?

The RRB did not recommend any change in the rate of tax imposed by current law on employers and employees in the report.

6. What methods did the RRB use to evaluate the financial condition of the railroad unemployment insurance system?

The economic and employment assumptions that the RRB used in the unemployment insurance report correspond to those used in the 2023 report of the retirement system. The RRB made projections for various components of income and outgo under optimistic, moderate, and pessimistic employment assumptions for the period 2023-2033.

7. What were the RRB's findings in the 2023 report on the financial condition of the railroad unemployment insurance system?

The RRB's 2023 railroad unemployment insurance financial report was also generally favorable. Even as maximum benefit rates increase 54 percent (from \$85 to \$131) from 2022 to 2033, the RRB projected that the unemployment insurance system's experience-based contribution rates will respond to fluctuating employment and unemployment levels and, with short-term borrowing, maintain fund

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solvency. (Under experience-rating provisions, the RRB determines each employer's contribution rate based on changing benefit levels.)

Unemployment levels are the single most significant factor affecting the financial status of the railroad unemployment insurance system. However, the system's experience-rating provisions and its surcharge trigger for maintaining a minimum balance help ensure financial stability during periods of adverse economic conditions.

A surcharge of 1.5 percent has been imposed in calendar year 2023, with no surcharge expected in calendar year 2024. The report also predicts no surcharge for 2025 or 2026 under all assumptions. Surcharges of 1.5 percent will occur intermittently thereafter.

8. Did the RRB recommend any financing changes in the 2023 report on the railroad unemployment insurance system?

The RRB did not recommend any financing changes in the report.

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The RRB's 2023 financial reports on the retirement and unemployment insurance systems are available in their entirety at **RRB.gov** under the **Financial and Reporting** tab (**Financial, Actuarial and Statistical**), as is information on the National Railroad Retirement Investment Trust, including its quarterly and annual reports.