# Railroad Unemployment Insurance System

## Annual Report Required by Section 7105 of the Technical and Miscellaneous Revenue Act of 1988

U.S. Railroad Retirement Board
Bureau of the Actuary and Research

June 2024

ANNUAL REPORT REQUIRED BY THE TECHNICAL
AND MISCELLANEOUS REVENUE ACT OF 1988

## I. Introduction

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 (Public Law 100-647) requires the Railroad Retirement Board to submit an annual report to the Congress on the financial status of the railroad unemployment insurance system. The report must contain recommendations for financing changes that might be advisable, specifically regarding rates of employer contributions. This report meets the requirements of Section 7105 for 2024.

## II. Recent Developments

The maximum daily benefit of $87 for the benefit year beginning July 1, 2023 will increase to $94 for the benefit year beginning July 1, 2024. Beginning July 1, 2025, the maximum daily benefit rate will increase to $99. The monthly tax base was $1,755 in 2022, $1,895 in 2023, and increased to $1,985 in 2024, based on changes in the railroad retirement tier I creditable base.

There were short-term cash flow problems from September 2020 through April 2021 that required loans from the Railroad Retirement Account. These loans were fully repaid in August 2022.

There is currently no surcharge in effect for calendar year 2024. In the calendar years 2021-2023, contribution rates have included surcharges of 2.5, 3.5 and 1.5 percent, respectively, following the cash flow issues caused by the COVID-19 pandemic. The increased contributions came as employment recovered and benefit claims fell, yielding a surplus in the account balance. This year's report projects a June 30, 2024 accrual balance that is above the indexed $250 million threshold which triggers a pooled credit for calendar year 2025, refunding the excess balance to employers. Employers with tax rates above the minimum 0.65 percent before the pooled credit is applied will see a reduction in their 2025 tax rate but not below the administrative tax rate minimum. Since the basic employer tax rate plus any pooled credit cannot be less than zero, 0.65 percent is the minimum rate which any employer can pay. No surcharges or pooled credits are predicted in 2026 or 2027 under all assumptions.

Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. The employer contributions that include a 1.5 percent surcharge for calendar year 2023 were due April 2023 through March 2024. This timing causes higher contribution balances in fiscal year 2024 despite the lower contribution rates in calendar year 2024.

Benefits payable under the Railroad Unemployment Insurance Act are subject to sequestration under Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by Public Law 112–25, the Budget Control Act of 2011, which originally required reductions only through 2021. The mandatory sequestration provisions have been extended several times: through 2023 by the Bipartisan Budget Act (BBA) of 2013 (Public Law 113-67); through 2024 by the Military Retired Pay Restoration Act (Public Law 113-82); through 2025 by the BBA of 2015 (Public Law 114-74); through 2027 by the BBA of 2018 (Public Law 115-123); through 2029 by the BBA of 2019 (Public Law 116-37); through 2030 by the CARES Act (Public Law 116-136); and through 2031 by the Infrastructure Investment and Jobs Act (Public Law 117-58). The Continued Assistance to Rail Workers Act of 2020 (Public Law 116-260) temporarily suspended sequestration from January 3, 2021 through May 9, 2023, 30 days after the Presidential declaration of the national emergency related to COVID-19 was terminated, with benefits currently sequestered at 5.7 percent through fiscal year 2031.

## III. Economic and Employment Assumptions

The economic and employment assumptions used in this report correspond to those used in the report required by Section 502 of the Railroad Retirement Solvency Act of 1983. Unemployment levels are the single most significant factor affecting the financial status of the railroad unemployment insurance system. Rapidly declining employment coupled with high unemployment and/or sickness levels, as occurred in the late 2000s and as observed in 2020 and 2021 due to the COVID-19 pandemic, can put the system into debt. Conversely, cash balances can temporarily accumulate if unemployment and/or sickness usage moves lower than average after a high usage period. The experience-rating system is designed to tie individual employer contribution rates to their level of benefit claims, thereby adjusting the overall account balance to an appropriate level.

The three railroad employment assumptions used, denoted A, B, and C, are shown in Table 1 at the end of the report. The projected tier I creditable limits, which determine both the railroad unemployment monthly wage base and the maximum daily benefit rate, are from the Social Security Administration's May 2024 Trustees Report, intermediate set of assumptions. Table 2 shows the tier I creditable limit, unemployment monthly earnings base, and maximum daily benefit rate assumptions.

## IV. Results

Projections were made for the various components of income and outgo under each set of assumptions for the 11 fiscal years 2024-2034. The results are summarized in Table 3. Average employer contribution rates under the experience-rated contribution system are weighted averages based on the relative size of each railroad's payroll.

Table 3 consists of three tables A, B, and C, one for each assumption projection: (A) optimistic, (B) intermediate, and (C) pessimistic. The tables show (1) contributions, excluding the portion allocated to the Railroad Unemployment Insurance Administration Fund (Fund), (2) net benefit payments, (3) other income and outgo, (4) the cash balance in the Railroad Unemployment Insurance Account (Account) at the end of each fiscal year, (5) the loan balance, if any, including accrued interest, (6) the Account balance at the end of each fiscal year, less loans due, and (7) the average employer contribution rate for each calendar year.

The experience-rating formula is designed to keep the accrual balance of the Account, as of June 30, between $100 million and $250 million, indexed for changes in the system compensation base. The contribution rate structure is shown below:

| **June 30 Accrual Balance (thresholds are indexed)** | **Surcharge Rate** | **Contribution Rate** | |
|---|---|---|---|
| | | Minimum | Maximum |
| **Less than zero** | 3.50% | 4.15% | 12.5% |
| **Above zero but below $50 million** | 2.50% | 3.15% | 12.0% |
| **Above $50 million but below $100 million** | 1.50% | 2.15% | 12.0% |
| **Above $100 million but below $250 million** | 0% | 0.65% | 12.0% |
| **Above $250 million** | Pooled Credit (variable) | 0.65% | 12.0% |

The experience-based tax rates have a 12 percent maximum, or a 12.5 percent maximum if a 3.5 percent surcharge is in effect. Included in the rate is the basic rate, an administration tax rate of 0.65 percent, and, if either is applicable, the surcharge rate or the rate of the pooled credit. Since the basic employer tax rate plus any pooled credit cannot be less than zero, 0.65 percent is the minimum rate which any employer can pay.

The June 30, 2022 balance[1] of $112.7 million, which was below the indexed $100 million threshold, resulted in a 1.5 percent surcharge. By June 30, 2023, the balance had risen to $363.1 million, which is above the indexed $100 million threshold; as a result, no surcharge is in effect for calendar year 2024.

Under each assumption, the Account balance is expected to be above the indexed $250 million surcharge thresholds in June 2024, resulting in a pooled credit for calendar year 2025, which will be the first since 1994. For calendar years 2026 and 2027, no surcharge or pooled credit is predicted under all assumptions. Surcharges of 1.5 percent will occur intermittently thereafter. The highest average contribution rate in the 11-year projection period is under the pessimistic assumption, where it rises to 6.58 percent for calendar year 2029. This high is below the 12 percent maximum rate allowable. The pessimistic assumption shows the possibility of small loans in fiscal years 2028 and 2029 that will be repaid in fiscal year 2029.

Administrative expenses are assumed to be above current levels in every fiscal year. The 0.65 percent of taxable payroll allocated to the Fund is sufficient to finance administrative expenses during the projection period. When the accrual balance in the Fund exceeds $6 million at the end of a fiscal year, excess funds are transferred to the Account early in the next fiscal year. Under all employment assumptions, the accrual balance in the Fund exceeds $6 million at the end of each year in the 11-year projection period.

## V. Recommendation

As stated in the introduction, the Congress directed the Railroad Retirement Board to make recommendations for financing changes that might be advisable, specifically with regard to rates of employer contributions.

No financing changes are recommended at this time. Projections under three different assumptions indicate that experience-based contribution rates will respond to fluctuating employment and unemployment levels, and with short-term borrowing, will maintain fund solvency.

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[1] The balance referred to here and in the following paragraph is the accrual balance of the Account as of June 30, on which calculations of pooled credits and surcharges are based. Cash balances shown on Tables 3A-C are not used in these calculations. June 30 accrual balances are shown in Table 4. The pooled credit thresholds are shown in Table 5.

**Table 1: Employment Assumptions Used in 2024 Report**

| Calendar Year | Average Employment (thousands) A | B | C |
|---|---|---|---|
| 2023 | 198.2 | 198.2 | 198.2 |
| 2024 | 200.0 | 198.2 | 195.9 |
| 2025 | 199.7 | 196.1 | 191.7 |
| 2026 | 199.4 | 194.1 | 187.7 |
| 2027 | 199.1 | 192.2 | 183.9 |
| 2028 | 198.9 | 190.3 | 180.2 |
| 2029 | 198.6 | 188.6 | 176.7 |
| 2030 | 198.3 | 186.9 | 173.3 |
| 2031 | 198.1 | 185.2 | 170.2 |
| 2032 | 197.8 | 183.7 | 167.1 |
| 2033 | 197.6 | 182.2 | 164.2 |
| 2034 | 197.4 | 180.8 | 161.4 |

Assumptions A and B reflect the stability of employment in passenger service (Amtrak and commuter service) as distinguished from freight service. Assumption A has the most optimistic employment of the three assumptions. Assumption B is intended to provide a "moderate" assumption. Assumption C, the most pessimistic, has declines in both passenger and freight employment.

Passenger employment is assumed to remain level at 46,000 under assumptions A and B, and to decline by 400 each year under assumption C.

Non-passenger employment in 2024 is projected to increase by 1.2 percent under Assumption A, remain steady under Assumption B, and decrease by 1.2 percent under Assumption C. In 2025, non-passenger employment is projected to decline by 0.2 percent, 1.4 percent, and 2.6 percent under Assumptions A, B, and C, respectively. These rates of decline will then decrease linearly thereafter.

**Table 2: Annual Tier I Creditable Limit, Monthly RUI Taxable Limit, and Maximum Daily Benefit Rate**

| Calendar Year | Annual Tier I Limit | Monthly RUI Limit | Maximum Daily Benefit Rate [1] |
|---|---|---|---|
| 2023 | $160,200 | $1,895 | $87 |
| 2024 | 168,600 | 1,985 | 94 |
| 2025 | 174,900 | 2,050 | 99 |
| 2026 | 181,800 | 2,125 | 102 |
| 2027 | 188,100 | 2,190 | 106 |
| 2028 | 195,900 | 2,275 | 109 |
| 2029 | 204,000 | 2,360 | 113 |
| 2030 | 213,600 | 2,460 | 118 |
| 2031 | 222,900 | 2,560 | 123 |
| 2032 | 232,500 | 2,660 | 128 |
| 2033 | 242,700 | 2,770 | 133 |
| 2034 | 253,500 | 2,885 | 138 |

[1] Effective for registration periods beginning after June 30 in the calendar year.

Table 3A. Progress of the Railroad Unemployment Insurance Account Under Assumption A
(Dollar Amounts in Millions)

| Fiscal Year | Account Contri-butions [1] | Net Benefit Payments [2] | Other Income and Outgo [3] | Account Cash Balance Year End | Loan Balance Year End [4] | Account Cash Balance Less Loans Due Year End | Calendar Year | Average Employer Contribution Rate (Percent) |
|---|---|---|---|---|---|---|---|---|
| 2024 | $126.6 | $69.7 | $21.6 | $432.5 | $0.0 | $432.5 | 2024 | 0.71 |
| 2025 | 1.7 | 85.9 | 22.1 | 370.4 | 0.0 | 370.4 | 2025 | 0.66 |
| 2026 | 2.8 | 105.5 | 20.9 | 288.5 | 0.0 | 288.5 | 2026 | 0.75 |
| 2027 | 12.4 | 117.4 | 20.1 | 203.6 | 0.0 | 203.6 | 2027 | 1.03 |
| 2028 | 36.2 | 127.4 | 18.1 | 130.5 | 0.0 | 130.5 | 2028 | 1.63 |
| 2029 | 107.7 | 129.9 | 18.0 | 126.3 | 0.0 | 126.3 | 2029 | 3.57 |
| 2030 | 175.8 | 134.8 | 20.5 | 187.8 | 0.0 | 187.8 | 2030 | 3.90 |
| 2031 | 148.5 | 140.5 | 24.3 | 220.0 | 0.0 | 220.0 | 2031 | 2.44 |
| 2032 | 93.5 | 155.0 | 25.3 | 183.8 | 0.0 | 183.8 | 2032 | 1.91 |
| 2033 | 105.8 | 161.1 | 25.4 | 153.9 | 0.0 | 153.9 | 2033 | 2.69 |
| 2034 | 163.0 | 167.0 | 26.9 | 176.8 | 0.0 | 176.8 | 2034 | 3.50 |

[1] Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. Excludes 0.65 percent of taxable payroll allocated to the Administration Fund.

[2] In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, benefit amounts reflect a reduction of 5.7% under sequestration for days of unemployment and sickness after May 9, 2023 through September 30, 2031.

[3] Income includes interest on investments and transfers from the Administration Fund of amounts in excess of $6 million at the end of the previous fiscal year. Outgo includes funding for the Office of Inspector General.

[4] Includes accrued interest.

NOTE: Detail may not add to totals due to rounding.

Table 3B. Progress of the Railroad Unemployment Insurance Account Under Assumption B
(Dollar Amounts in Millions)

| Fiscal Year | Account Contri-butions [1] | Net Benefit Payments [2] | Other Income and Outgo [3] | Account Cash Balance Year End | Loan Balance Year End [4] | Account Cash Balance Less Loans Due Year End | Calendar Year | Average Employer Contribution Rate (Percent) |
|---|---|---|---|---|---|---|---|---|
| 2024 | $126.6 | $69.7 | $21.6 | $432.5 | $0.0 | $432.5 | 2024 | 0.71 |
| 2025 | 1.6 | 98.7 | 21.7 | 357.1 | 0.0 | 357.1 | 2025 | 0.66 |
| 2026 | 3.4 | 119.4 | 19.7 | 260.7 | 0.0 | 260.7 | 2026 | 0.78 |
| 2027 | 16.9 | 131.7 | 18.0 | 163.9 | 0.0 | 163.9 | 2027 | 1.20 |
| 2028 | 50.8 | 141.1 | 15.7 | 89.3 | 0.0 | 89.3 | 2028 | 2.09 |
| 2029 | 138.9 | 142.8 | 15.2 | 100.6 | 0.0 | 100.6 | 2029 | 4.50 |
| 2030 | 208.4 | 146.9 | 18.4 | 180.5 | 0.0 | 180.5 | 2030 | 4.54 |
| 2031 | 164.7 | 152.0 | 22.1 | 215.2 | 0.0 | 215.2 | 2031 | 2.71 |
| 2032 | 98.6 | 166.4 | 22.6 | 170.0 | 0.0 | 170.0 | 2032 | 2.04 |
| 2033 | 110.3 | 171.5 | 21.8 | 130.6 | 0.0 | 130.6 | 2033 | 2.98 |
| 2034 | 176.4 | 176.7 | 22.7 | 153.0 | 0.0 | 153.0 | 2034 | 4.08 |

[1] Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. Excludes 0.65 percent of taxable payroll allocated to the Administration Fund.

[2] In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, benefit amounts reflect a reduction of 5.7% under sequestration for days of unemployment and sickness after May 9, 2023 through September 30, 2031.

[3] Income includes interest on investments and transfers from the Administration Fund of amounts in excess of $6 million at the end of the previous fiscal year. Outgo includes funding for the Office of Inspector General.

[4] Includes accrued interest.

NOTE: Detail may not add to totals due to rounding.

Table 3C. Progress of the Railroad Unemployment Insurance Account Under Assumption C
(Dollar Amounts in Millions)

| Fiscal Year | Account Contri-butions [1] | Net Benefit Payments [2] | Other Income and Outgo [3] | Account Cash Balance Year End | Loan Balance Year End [4] | Account Cash Balance Less Loans Due Year End | Calendar Year | Average Employer Contribution Rate (Percent) |
|---|---|---|---|---|---|---|---|---|
| 2024 | $126.4 | $69.7 | $21.6 | $432.3 | $0.0 | $432.3 | 2024 | 0.71 |
| 2025 | 1.7 | 114.1 | 21.1 | 341.0 | 0.0 | 341.0 | 2025 | 0.66 |
| 2026 | 4.3 | 154.4 | 17.9 | 208.7 | 0.0 | 208.7 | 2026 | 0.82 |
| 2027 | 27.3 | 177.1 | 14.5 | 73.4 | 0.0 | 73.4 | 2027 | 1.62 |
| 2028 | 124.6 | 181.6 | 14.1 | 30.5 | 2.9 | 27.6 | 2028 | 4.81 |
| 2029 | 248.5 | 182.3 | 10.1 | 106.8 | 0.0 | 106.8 | 2029 | 6.58 |
| 2030 | 262.0 | 185.5 | 17.1 | 200.4 | 0.0 | 200.4 | 2030 | 5.17 |
| 2031 | 173.7 | 189.9 | 19.8 | 203.9 | 0.0 | 203.9 | 2031 | 2.92 |
| 2032 | 114.1 | 205.8 | 18.7 | 130.9 | 0.0 | 130.9 | 2032 | 2.74 |
| 2033 | 153.2 | 210.2 | 17.0 | 90.9 | 0.0 | 90.9 | 2033 | 4.27 |
| 2034 | 226.6 | 214.4 | 17.8 | 120.9 | 0.0 | 120.9 | 2034 | 5.29 |

[1] Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. Excludes 0.65 percent of taxable payroll allocated to the Administration Fund.

[2] In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended, benefit amounts reflect a reduction of 5.7% under sequestration for days of unemployment and sickness after May 9, 2023 through September 30, 2031.

[3] Income includes interest on investments and transfers from the Administration Fund of amounts in excess of $6 million at the end of the previous fiscal year, and loans from the Railroad Retirement Account. Outgo includes funding for the Office of Inspector General and repayment of loans, including interest.

[4] Includes accrued interest.

NOTE: Detail may not add to totals due to rounding.

**Table 4. June 30 Accrual Balance of the Railroad Unemployment Insurance Account**
**(Dollar Amounts in Millions)**

| | Assumption A | | | Assumption B | | | Assumption C | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Account Balance | 1.5 Percent Surcharge Threshold | 2.5 Percent Surcharge Threshold | Account Balance | 1.5 Percent Surcharge Threshold | 2.5 Percent Surcharge Threshold | Account Balance | 1.5 Percent Surcharge Threshold | 2.5 Percent Surcharge Threshold |
| 2024 | $457.4 | $164.4 | $82.2 | $457.1 | $164.0 | $82.0 | $456.9 | $163.5 | $81.8 |
| 2025 | 397.1 | 172.4 | 86.2 | 385.4 | 170.4 | 85.2 | 371.5 | 168.0 | 84.0 |
| 2026 | 320.1 | 177.9 | 88.9 | 294.0 | 174.3 | 87.2 | 247.0 | 169.9 | 85.0 |
| 2027 | 238.5 | 183.9 | 91.9 | 200.6 | 178.6 | 89.3 | 116.7 | 172.2 * | 86.1 |
| 2028 | 168.1 | 189.6 * | 94.8 | 128.4 | 182.6 * | 91.3 | 72.0 | 174.3 | 87.1 * |
| 2029 | 165.3 | 196.7 * | 98.3 | 141.0 | 187.8 * | 93.9 | 151.2 | 177.4 * | 88.7 |
| 2030 | 228.1 | 204.0 | 102.0 | 221.8 | 193.3 | 96.6 | 245.1 | 180.6 | 90.3 |
| 2031 | 261.7 | 212.2 | 106.1 | 257.4 | 199.6 | 99.8 | 249.5 | 184.7 | 92.3 |
| 2032 | 229.0 | 220.5 | 110.2 | 215.1 | 205.8 | 102.9 | 179.9 | 188.6 * | 94.3 |
| 2033 | 201.1 | 228.9 * | 114.5 | 177.5 | 212.2 * | 106.1 | 141.3 | 192.6 * | 96.3 |
| 2034 | 225.5 | 238.1 * | 119.1 | 201.4 | 219.2 * | 109.6 | 172.2 | 197.1 * | 98.5 |

The June 30, 2023 accrual balance was $363,050,002.39 which resulted in no surcharge in calendar year 2024. The indexed 1.5 percent surcharge threshold was $150,268,027.00 and the indexed 2.5 percent surcharge threshold was $75,134,013.50.

The experience rating system provides for a surcharge in the employer contribution rate when the Railroad Unemployment Insurance Account balance falls below certain thresholds. The 1.5 percent surcharge threshold is the greater of $100 million or the amount that bears the same ratio to $100 million as the system compensation base as of that June 30 bears to the system compensation base as of June 30, 1991. The 2.5 percent surcharge threshold is indexed from a $50 million base. The maximum surcharge of 3.5 percent applies if the Railroad Unemployment Insurance Account balance is less than zero.

* *Account balance below surcharge threshold*

**Table 5. June 30 Accrual Balance of the Railroad Unemployment Insurance Account and Estimated Pooled Credit Percents (Dollar Amounts in Millions)**

| | Assumption A | | | Assumption B | | | Assumption C | | |
|---|---|---|---|---|---|---|---|---|---|
| Year | Account Balance | Pooled Credit Threshold | Pooled Credit Percent | Account Balance | Pooled Credit Threshold | Pooled Credit Percent | Account Balance | Pooled Credit Threshold | Pooled Credit Percent |
| 2024 | $457.4 | $410.9 | 1.02% | $457.1 | $410.0 | 1.04% | $456.9 | $408.8 | 1.07% |
| 2025 | 397.1 | 430.9 | 0.00% | 385.4 | 426.1 | 0.00% | 371.5 | 419.9 | 0.00% |
| 2026 | 320.1 | 444.7 | 0.00% | 294.0 | 435.8 | 0.00% | 247.0 | 424.8 | 0.00% |
| 2027 | 238.5 | 459.6 | 0.00% | 200.6 | 446.5 | 0.00% | 116.7 | 430.6 | 0.00% |
| 2028 | 168.1 | 474.0 | 0.00% | 128.4 | 456.6 | 0.00% | 72.0 | 435.7 | 0.00% |
| 2029 | 165.3 | 491.7 | 0.00% | 141.0 | 469.5 | 0.00% | 151.2 | 443.4 | 0.00% |
| 2030 | 228.1 | 509.9 | 0.00% | 221.8 | 483.2 | 0.00% | 245.1 | 451.6 | 0.00% |
| 2031 | 261.7 | 530.5 | 0.00% | 257.4 | 499.0 | 0.00% | 249.5 | 461.6 | 0.00% |
| 2032 | 229.0 | 551.2 | 0.00% | 215.1 | 514.5 | 0.00% | 179.9 | 471.6 | 0.00% |
| 2033 | 201.1 | 572.3 | 0.00% | 177.5 | 530.6 | 0.00% | 141.3 | 481.4 | 0.00% |
| 2034 | 225.5 | 595.4 | 0.00% | 201.4 | 548.1 | 0.00% | 172.2 | 492.7 | 0.00% |

The experience-rating formula is designed to keep the accrual balance of the Account, as of June 30, between $100 million and $250 million, indexed for changes in the system compensation base. If the balance exceeds an indexed $250 million threshold, the excess is refunded to employers by reducing contribution rates through a pooled credit.

The pooled credit percent is calculated using the difference between the June 30 accrual balance and the indexed $250 million threshold, divided by the system compensation base as of June 30. As a result, they can vary in size depending on the actual excess balance above the indexed $250 million, but pooled credits cannot lower the individual employer contribution rate below the minimum of 0.65%.

The June 30, 2023 accrual balance was $363,050,002.39 which resulted in no pooled credit in calendar year 2024. The indexed pooled credit threshold was $375,670,067.50. The 2025 pooled credit percent will be determined when 2025 employer contribution rates are calculated in October 2024.