



FROM THE DESK OF

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RRB Financial Reports

As required by law, the Railroad Retirement Board (RRB) submits annual financial reports and triennial actuarial valuations to Congress on the financial condition of the railroad retirement system, as well as annual financial reports on the railroad unemployment insurance system. 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 29th Actuarial Valuation of the railroad retirement system's assets and liabilities and its financial report on the railroad unemployment insurance system.

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

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

As of September 30, 2023, 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 \$26.5 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 \$362.8 million at the end of fiscal year 2023.

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

In the valuation, the RRB projected the various components of income and outgo of the railroad retirement system under optimistic, moderate and pessimistic employment assumptions for the 75 calendar years 2023-2097 (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 29th Actuarial Valuation 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 throughout the 75-year projection period under any employment assumption.

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.

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4. How do the results of the 29th Actuarial Valuation compare with the results of the 28th Actuarial Valuation?

As noted previously, the 29th Actuarial Valuation concluded no cash-flow problems occur through the 75-year projection period under any employment assumption, barring a sudden, unanticipated, large decrease in railroad employment or substantial investment losses. The 28th Actuarial Valuation, issued in 2021, addressed railroad retirement financing for the 75 calendar years 2020-2094 and concluded that cash-flow problems arose only under the pessimistic assumption, and then not until 2055.

5. Did the RRB recommend any railroad retirement payroll tax rate changes in the 29th Actuarial Valuation of the railroad retirement system?

No. 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 29th Actuarial Valuation 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 2024-2034.

7. What were the RRB's findings in the 2024 report on the financial condition of the railroad unemployment insurance system?

The RRB's 2024 railroad unemployment insurance financial report was also generally favorable. Even as maximum benefit rates increase 59 percent (from \$87 to \$138) from 2023 to 2034, the RRB projected that the unemployment insurance system's experience-based contribution rates will respond to fluctuating employment and unemployment levels and maintain fund solvency. (Under experience-rating provisions, the RRB determines each employer's contribution rate based on changing benefit levels.) However, under the pessimistic employment assumption, there exists the possibility of small loans in fiscal years 2028 and 2029 that will be repaid in fiscal year 2029.

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.

There is no surcharge in effect for calendar year 2024. A pooled credit is expected in 2025, due to the current excess cash balance accumulated after recent surcharges and declining claims. For calendar years 2026 and 2027, no surcharges or pooled credits are predicted under all employment assumptions. Surcharges of 1.5 percent will occur intermittently thereafter.

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Did the RRB recommend any financing changes in the 2024 report on the railroad unemployment insurance system?

No. The RRB did not recommend any financing changes in the report.

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The RRB's 2024 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.