
RAILROAD RETIREMENT BOARD JUSTIFICATION OF BUDGET ESTIMATES



FISCAL YEAR 2026

RAILROAD RETIREMENT BOARD

SUMMARY OF APPROPRIATION ESTIMATES

FOR FISCAL YEARS 2025 and 2026

Account	Fiscal Year 2025 Enacted			Fiscal Year 2026 President's Budget		
	FTEs	Amount		FTEs	Amount	
Limitation on Administration	723	\$126,000,000	<u>a/</u>	703	\$126,000,000	<u>b/</u>
Dual Benefits Payments Account	—	\$8,000,000	<u>a/</u>	—	\$5,000,000	<u>c/</u>
Federal Payments to the Railroad Retirement Accounts	—	\$150,000	<u>a/</u>	—	\$150,000	<u>d/</u>
Limitation on the Office of Inspector General	44	\$14,000,000	<u>a/</u>	62	\$14,000,000	<u>e/</u>

- a/ This account is operating under the Full-Year Continuing Appropriations and Extensions Act, 2025 (division A of Public Law 119–4). Specifically, the Limitation on Administration account is estimated to support 723 FTEs as of pay period 09 ending April 19, 2025.
- b/ This amount reflects the FY 2026 President's proposed budget for RRB's Limitation on Administration, which would support 703 FTEs. Per Section 7(f) of the Railroad Retirement Act, the RRB will include an Agency Request Level when the technical supplement to the President's Budget is released. The RRB's budget request at both the President's proposed amount and the Agency Request Level includes an estimated \$29,758,831 for reimbursable and transfer funding.
- c/ The proposed appropriation language provides for \$5,000,000 to fund vested dual benefits from general revenues of which \$0 million is expected from income taxes on vested dual benefits. An additional 2 percent reserve will become available only if the product of recipients and the average benefit received exceeds the amount available to pay vested dual benefits.
- d/ This amount reflects our latest estimate for interest related to uncashed railroad retirement checks and will remain available through September 30, 2027.
- e/ This limitation is for the Railroad Retirement Board's Office of Inspector General, which submits a separate budget justification document and annual performance plan.

AGENCY OVERVIEW

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 insurance benefit programs for the nation's railroad workers and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage. It also assists in the administration of the Internal Revenue Code.

The RRB is headed by three Board Members appointed by the President of the United States with the advice and consent of the Senate. By law, one member is appointed upon recommendations made by railroad labor organizations and one upon recommendations of railroad employers. The third member, the Chairman, represents the public interest. The Board Members' terms of office are 5 years and expire in different years. The President also appoints an independent statutory Inspector General for the RRB (who functions outside the control of the Board Members, but who reports directly to the Chairman for administrative purposes) who is to prevent and detect waste, fraud, and abuse in RRB programs and operations.

During fiscal year 2024, the benefit payments totaled \$14.4 billion, net of recoveries and offsetting collections. Of this amount, payments for the retirement and survivor benefits program totaled \$14.3 billion to about 483,000 beneficiaries. The RRB also paid benefits on behalf of the Social Security Administration (for which the RRB is reimbursed) amounting to \$2.6 billion to about 128,000 beneficiaries. The RRB also paid unemployment-sickness benefits totaling \$62.4 million, Coronavirus Aid, Relief, and Economic Security Act benefits totaling \$0.1 million, and vested dual benefits totaling \$6.2 million, net of recoveries and offsetting collections. About 4,800 railroad workers received unemployment insurance benefits, approximately 11,200 received sickness insurance benefits, and over 2,900 beneficiaries received vested dual benefits.^{a/}

^{a/} Reflects updated data not available for use in the 2024 Performance and Accountability Report.

Programs Administered by the RRB

Railroad Retirement Act

Under the Railroad Retirement Act, the RRB makes monthly benefit payments to qualified railroad employees who retire because of age or disability, to eligible spouses of such employees, and to survivors of deceased employees. Total and permanent disability annuities are payable to employees unable to work at any job, and occupational disability annuities are payable to career railroad employees unable to work at their regular railroad jobs. Supplemental annuities are payable to career railroad employees with service prior to October 1981. There are also provisions for lump-sum payments.

The Railroad Retirement and Survivors' Improvement Act of 2001 (P.L. 107-90), enacted on December 21, 2001, made a number of major changes to the Railroad Retirement Act. The legislation provided for full early retirement eligibility at age 60 for railroad employees with 30 or more years of service; eliminated the provision that had previously capped some employee and spouse railroad retirement benefits; reduced the basic eligibility requirement for an employee annuity from 10 to 5 years if performed after 1995; and provided increased benefits for some widow(er)s. The Act also authorized the National Railroad Retirement Investment Trust to manage and invest the assets of the railroad retirement system in the same array of investment alternatives available to private sector pension plans.

The RRB also administers certain vested dual benefits financed by annual appropriations from general funds. As of September 30, 2024, over 2,900 beneficiaries received vested dual benefits.

Railroad Unemployment Insurance Act

Under the Railroad Unemployment Insurance Act, the RRB pays unemployment insurance benefits to railroad workers who are unemployed but ready, willing, and able to work, and sickness insurance benefits to railroad workers who are unable to work because of illness, injury, or pregnancy. The RRB also assists unemployed railroad workers in securing employment.

Financing of Railroad Retirement Benefits

The primary source of income for the railroad retirement/survivor benefit program is payroll taxes paid by covered employers and their employees. By law, railroad retirement taxes are coordinated with social security taxes. 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, which are used to finance railroad retirement benefit payments over and above social security benefit levels.

Other sources of income currently include Federal income taxes on railroad retirement annuities, appropriations from general funds of the Department of the Treasury (Treasury) provided to phase-out vested dual benefits, interest on investments, and the financial interchange with the social security trust funds. The financial interchange places the social security trust funds in the same position they would be in if railroad service were covered by the Social Security program instead of the Railroad Retirement program. In effect, through the financial interchange, the portion of

railroad retirement annuities that is equivalent to social security benefits is reinsured through the social security system, thereby extending social security protection to railroad workers. The Social Security Equivalent Benefit Account is charged with railroad retirement benefit payments equivalent to social security benefits, and credited with taxes and transfers associated with those benefits.

Vested dual benefits are funded by annual appropriations from general funds of the Treasury and paid from a separate account, the Dual Benefits Payments Account. Since October 1, 1988, revenue from income taxes on these benefits has also been credited to the Dual Benefits Payments Account. If the appropriation in a fiscal year does not cover total benefits, individual payments must be reduced by proration.

Amounts needed to administer these programs are authorized by the Congress in annual appropriation acts. In addition, the Centers for Medicare and Medicaid Services and others transfer and reimburse the RRB for certain activities. Beginning in fiscal year 2013, a contractor provides Specialty Medicare Administrative Contractor (SMAC) Services to the RRB and Railroad Medicare beneficiaries and their medical services providers, nationwide, for Part B Medical Services. In fiscal year 2026, it is estimated the RRB will be transferred and reimbursed about \$29.759 million for such costs. The estimate includes \$16.750 million for SMAC.

Financing Provisions of the Railroad Retirement and Survivors' Improvement Act of 2001

Investment changes. The Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) provides for the transfer of railroad retirement funds from the Railroad Retirement Accounts to the National Railroad Retirement Investment Trust, whose Board of Trustees is empowered to invest Trust assets in nongovernmental assets, such as equities and debt, as well as in governmental securities. The RRB also receives transfers from the Trust, as needed, to pay railroad retirement and survivor benefits.

The Trust is not an agency or instrumentality of the Federal Government. Its Board of Trustees is comprised of seven members: three members selected by rail labor to represent the interests of labor; three members selected by rail management to represent management interests; and one independent member selected by a majority of the other six members. The Trustees are appointed only from persons who have experience and expertise in the management of financial investments and pension plans. The Trustees are subject to reporting and fiduciary standards similar to those under the Employee Retirement Income Security Act.

The RRB transferred \$1.502 billion, \$19.188 billion, and \$586 million to the Trust in fiscal years 2002, 2003, and 2004, respectively. The Trust has invested the transferred funds and the results of these investments are reported to the RRB and posted periodically on the RRB's website. The net asset value of Trust-managed assets on September 30, 2024, was approximately \$27.6 billion. From its inception through September 30, 2024, the Trust transferred approximately \$34.3 billion to the RRB to pay railroad benefits, including approximately \$1.2 billion in fiscal year 2024.

Payroll taxes. Under the RRSIA, Tier II taxes on both employers and employees are based on the ratio of certain asset balances to the sum of benefits and administrative expenses (the average account benefits ratio). Depending on the average account benefits ratio, Tier II taxes for employers

can range between 0 percent and 4.9 percent, while the Tier II tax rate for employees can be between 8.2 percent and 22.1 percent. The calendar year 2025 Tier II tax rates are 4.9 percent and 13.1 percent for rail employers and employees, respectively. The maximum amount of earnings subject to Tier II taxes is \$130,800 in 2025.

The RRSIA does not affect Tier I social security equivalent tax rates, which are the same as for social security covered employers and employees. The Tier I payroll tax rate for the year 2025 on covered rail employees and employers is 7.65 percent.

For withholding and reporting purposes, the employer tax rate is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of an employee's earnings subject to the 6.20 percent rate is \$176,100 in 2025, but there is no maximum on earnings subject to the Medicare tax rate.

Supplemental annuities. The RRSIA also repealed the railroad retirement supplemental annuity tax paid by covered employers, and eliminated the separate Railroad Retirement Supplemental Account. While supplemental railroad retirement annuities provided by the Railroad Retirement Act continue to be due and payable, they are now funded from the Railroad Retirement Account.

Financing of Unemployment and Sickness Insurance Benefits

The railroad unemployment and sickness insurance program is financed by payroll taxes paid by covered employers. The Railroad Unemployment Insurance and Retirement Improvement Act of 1988 (Public Law 100-647) amended the Railroad Unemployment Insurance Act to provide for an experience-rated employer contribution system responsive to fluctuations in railroad employment and benefit usage.

For calendar year 2025, the minimum employer contribution rate is 0.65 percent. New employers in 2025 will pay a tax of 6.45 percent, which represents the average rate paid by all employers in the period 2021 - 2023. For 91 percent of covered employers, the unemployment insurance rate assessed will be 0.65 percent in 2025, while 3 percent of employers will pay the maximum of 12.0 percent.

The 2025 rate is applied to the first \$2,065 earned monthly by each employee. In accordance with Public Law 100-647, the wage base is indexed each year to approximately two-thirds of the cumulative growth in average national wages since 1984. An employer's overall rate under the system cannot exceed 12 percent, or 12.5 percent if the maximum surcharge described below is in effect. These rates include a component to cover costs shared by all employers and 0.65 percent of the employers' taxable payroll is permanently appropriated to the RRB for administrative expenses. In addition, a surcharge is added to employers' unemployment contributions for any calendar year when the balance in the Railroad Unemployment Insurance Account on the previous June 30 is less than a certain amount. Depending on the account balance, the surcharge rate may be 1.5, 2.5, or 3.5 percent of the wage base. Alternately, if the account balance on the preceding June 30 is above a certain amount, the excess will be refunded to the employers in the form of a rate reduction for the year through a pooled credit. Each employer's tax rate (prior to application of individual maximum

and minimum limitations) will be reduced by the ratio of the excess amount to the taxable payroll of all employers, though the pooled credit cannot reduce a rate below the 0.65 percent minimum.

Description of Appropriation Requests

Limitation on Administration

This is the single administrative account for the RRB, which provides funding for the administration of both the railroad retirement/survivor and the unemployment/sickness insurance benefit programs. Amounts needed for this limitation are derived from the Railroad Retirement Account, the Social Security Equivalent Benefit Account, and the Railroad Unemployment Insurance Administration Fund.

Dual Benefits Payments Account

Section 15(d) of the Railroad Retirement Act provides for a Dual Benefits Payments Account which is separate from other railroad retirement accounts. The vested dual benefit portion of railroad retirement annuities is paid from this account and is funded by appropriations from general revenues.

Federal Payments to the Railroad Retirement Accounts

This account was established in conjunction with the implementation of the Railroad Retirement Solvency Act of 1983. Section 417 of the act amended the Railroad Retirement Act to provide for the reimbursement of unnegotiated benefit checks to the extent that such reimbursements are provided for, in advance, in appropriations acts. This account is the vehicle through which such appropriations are made.

Under provisions of the Competitive Equality Banking Act of 1987, funds for the principal amount of uncashed checks are appropriated to the Treasury and then transferred directly to the appropriate RRB accounts. As a result, in fiscal year 1991, the RRB began receiving credits to this account for only the interest portion of the uncashed check transfers. This account also acts as a conduit for transferring income taxes on benefits to the other railroad retirement accounts.

Limitation on the Office of the Inspector General

This appropriation request, which is described in a separate justification document, is for the Office of the Inspector General. The 1988 amendments to the Inspector General Act of 1978 (Public Law 100-504) included the RRB as an "establishment" covered by the Inspector General Act and specified the Chairman of the RRB as the head of the establishment for purposes of the act. Previously, the Railroad Retirement Solvency Act of 1983 had amended the Railroad Retirement Act of 1974 to provide for an Office of Inspector General at the RRB.

The Board Members

<u>Incumbent's name (Title)</u>	<u>Term expiration Date</u>	<u>Compensation</u>
Erhard R. Chorlé (Chairman)	08-28-22	\$168,400
John Bragg (Labor Member)	08-28-24	\$158,500
Thomas Jayne (Management Member)	08-28-23	\$158,500



**OFFICE OF
INSPECTOR
GENERAL**

*Shanon Holman

THE BOARD

Chairman, Erhard R. Chorlé
Labor Member, John Bragg
Management Member, Tom Jayne

**OFFICE OF
EQUAL
OPPORTUNITY**

Shiri Ntang

EXECUTIVE COMMITTEE

**BUREAU OF
FISCAL
OPERATIONS
CHIEF
FINANCIAL
OFFICER**
Shawna R. Weekley
(*Chair of EC*)
DEPUTY
Mario Moreno, Jr.

**OFFICE OF
GENERAL COUNSEL
GENERAL COUNSEL**
Ana M. Kocur
(*Member of EC*)

**OFFICE OF
ADMINISTRATION
DIRECTOR**
Jack Schreibman
(*Member of EC*)
DEPUTY
Daniel Bartnicki

**OFFICE OF
PROGRAMS
DIRECTOR**
Arturo Cardenas
(*Member of EC*)
DEPUTY
Jebby Rasputnis

**BUREAU OF
FIELD SERVICE
DIRECTOR**
Mark E. Blythe
(*Member of EC*)

**BUREAU OF
INFORMATION
SERVICES
CHIEF
INFORMATION
OFFICER**
Robert DeLuca
(*Member of EC*)
DEPUTY
Rich Kramer

**BUREAU OF THE
ACTUARY AND
RESEARCH
CHIEF ACTUARY**
Keith T. Sartain
(*Member of EC*)

**Accounting,
Financial
Operations and
Systems
Division**
Mario Moreno Jr.

**Bureau of Law
Assistant General
Counsel**
Kelli Johnson
Annie Mentkowski
Natalie West

**Acquisition
Management**
Stephen M. Schenk

**Policy and
Systems**
Randolph Hayden

**Field Office
Operations**
Brandi Splitter

Business Operations
Vacant

**Financial
Interchange**
Carl May

**Audit Affairs and
Compliance Division**
Danielle Clark.

**Office of Legislative
Affairs**
Beverly Britton Fraser

**Building and Support
Operations**
Scott Rush

**Program Evaluation
and
Management
Services**
Janet M. Hallman

Operations Support
Charles Trucco

**Data Integrity and
Governance**
Dr. Kathleen McGuire

**Benefits &
Employment
Analysis**
Sheryl Enders

Budget Division
Erin Dorritie

**Bureau of Hearings
and Appeals**
Spiridoula Mavrothalasitis

**Bureau of Human
Resources**
Nancy L. Bitzer

**Retirement/Survivor
Benefits**
Letitia Carthans

**Enterprise
Applications**
Faheem Naushad

Secretary to the Board
Stephanie Hillyard

Public Affairs
Vacant

Disability Benefits
April Bass

Risk Management
Jerry Gilbert

**Unemployment and
Programs Support**
Jebby Rasputnis

Infrastructure Services
Tony Nguyen

Members of the Executive Committee (EC)

Shawna R. Weekley (Chair)	Mark E. Blythe
Arturo Cardenas	Robert DeLuca
Ana M. Kocur	Keith T. Sartain
Jack Schreibman	

The Inspector General reports administratively to the Chairman

*Principal Deputy Performing the Duties of the Inspector General

February 2025