Actuarial Advisory Committee Virtual Meeting

May 5, 2026, 1:00 p.m. (Central)

Present: Actuarial Advisory Committee (AAC) members Sherry Chan, Tonya Manning, and Scott Steadman (chairman); Chief Actuary Keith Sartain; Bureau of the Actuary and Research staff Vincent Lui, Pat Pruitt, and Brett Schwab; OMB examiner Anna Setzer; and NRRIT General Counsel and Chief Compliance Officer Kevin O'Connell, Barry Kaplan, and Justin Wood

Before beginning the discussion of the select economic and employment assumptions to be used for the 2026 Section 502 Report, Chief Actuary Keith Sartain mentioned that he had sent the draft minutes from the last AAC meeting on March 5 to the members of the AAC for their review.

The Section 502 Report is an interim report between triennial valuations, using updated employment data and select economic assumptions that phase into the ultimate assumptions chosen for the 29th Actuarial Valuation. For the 30th Actuarial Valuation next year, the employment and ultimate economic assumptions will be reviewed and may be changed, depending on recent experience.

Brett Schwab discussed the select economic assumptions, beginning with the COLA. Last year, the COLA for 2026 was assumed to be 3.2%, although the actual COLA was only 2.8%. The COLA for 2027 will be based on the ratio of the CPI-W for the third quarter of 2026 to the CPI-W for the third quarter of 2025. The CPI-W increase from the third quarter of 2025 to the first quarter of 2026 was only 1.0%, but most of that increase came in the last month. The CPI-W for March 2026 was a 1.3% increase over the prior month, mostly driven by energy prices, and a 1.7% increase over the prior September. We extended this 1.7% increase to project the next six months (April through September 2026), resulting in a 3.4% COLA to be applied to December 2026 benefits to be paid in January 2027. This estimation approach has been used for past valuations. We proposed then phasing into the ultimate COLA, using 3.1% for 2028, 2.8% for 2029, and reaching the ultimate COLA of 2.5% in 2030. AAC Chairman Scott Steadman mentioned the lack of a CPI-W value for October 2025, due to the government shutdown, but this did not affect our calculations.

The Actuarial Advisory Committee approved the select COLA assumptions.

Typically, the first-year wage increase assumption is based on preliminary compensation reports available by April. We estimated a 2025 base wage increase of 3.4%, close to last year's assumption of 3.5%. Railroads are providing aggregate increases of about 18% over five years or about 3.5% - 4.0% per year. We proposed using the ultimate wage increase of 3.5% for 2026 and subsequent years.

The Actuarial Advisory Committee approved the select wage increase assumptions.

Brett described the three investment funds for the Railroad Retirement program--the National Railroad Retirement Investment Trust (NRRIT), the Railroad Retirement Account (RRA), and the Social Security Equivalent Benefit Account (SSEBA). The NRRIT represents about 90% of the total funds. The investment return for the combined funds was 13.4% in calendar year 2025, which exceeded the assumed return of 7%. Although the investment returns were negative for the first three months of this year, returns were back up for April. We proposed using the ultimate investment return of 7% for all years, which has been our typical practice. Brett commented that we had looked at the returns of public plans when determining the ultimate investment return assumption for the 29th Valuation. Keith added that we looked at capital market assumptions, as well.

The Actuarial Advisory Committee approved the use of the 7% investment return assumption.

Keith then discussed the employment assumptions. Employment decreased in 2019, due to actions taken by the railroads to reduce costs, such as the adoption of Precision Scheduled Railroading. Because of COVID, employment dropped even lower in 2020 and stayed low in 2021. Employment increased in 2022 and 2023 before flattening out in 2024 and decreasing in 2025. Most commuter railroads, including Amtrak, have maintained their services and grown. Brett stated that Amtrak has approximately 22,000 employees. We will not have complete commuter data until the end of the year.

Preliminary average employment for 2025 was 198,000, subject to revision at the end of 2026. This was slightly higher than the moderate assumption of 197,200 for the year in the 2025 Section 502 Report, which projected 2025 employment to be between 199,000 (optimistic) and 194,900 (pessimistic). Employment has been fairly steady but gradually decreasing to about 194,000 in the first quarter of 2026.

For the Section 502 Report, passenger employment was assumed to start at 48,000, as compared to 46,000 for the 29th Valuation. We assumed no reduction in passenger employment for scenarios I and II, but passenger employment for scenario III was assumed to decline by 400 each year until it reached 38,000.

We proposed a -1.0% downward adjustment to the initial projected 2025 non-passenger employment numbers to bring the projected employment for 2025 under scenario II (moderate) down to better match the preliminary employment estimate for the first quarter of 2026.

The Actuarial Advisory Committee approved the employment assumptions.

Keith told the committee that there will be a meeting at the end of May or the beginning of June to review the draft Section 502 Report. A notice of the meeting will be posted in the Federal Register.

The meeting ended at 1:43 p.m.