Actuarial Advisory Committee Virtual Meeting

May 28, 2026, 1:00 p.m. (Central)

Present: Actuarial Advisory Committee (AAC) members Sherry Chan, Tonya Manning, and Scott Steadman (chairman); Chief Actuary Keith Sartain; and Bureau of the Actuary and Research staff Vincent Lui, Pat Pruitt, and Brett Schwab.

Chief Actuary Keith Sartain told the members of the AAC that the 2026 Section 502 Report was very similar to the 2025 report. The introduction states the legal requirements and purposes of the report. The report must discuss any financial issues of the railroad retirement system and recommendations for any financial change which might be advisable. The Railroad Retirement and Survivors Improvement Act, however, included an automatic adjustment to the tier 2 tax rate that self-adjusts for most problems with the financing. The system does not build up a huge surplus, either. Because the tax rate mechanism uses a ten-year average, it takes a while for the tax rate to change.

The report is sent to the President, the Speaker of the House, and the Senate. A similar report for the Railroad Unemployment Insurance program, the Section 7105 Report, is only sent to the House and the Senate, according to law. The Railroad Retirement Board consists of representatives of rail labor, rail management, and the public interest, appointed by the President, who must deal with recommendations regarding financing changes.

The longest section of the report discusses what has been happening with railroad employment. There are three employment assumption scenarios that serve as the basis for the Section 502 Report. The select employment assumptions were reviewed and approved at the May 5 meeting of the AAC. The ultimate employment assumptions were adopted for the 29th Actuarial Valuation and continued to be used for last year's report as well as this year's report.

Table 1 of the report shows the employment and economic assumptions for 25 years. The triennial valuations have 75-year projections, in which employment starts leveling off after about 40 years. The 2025 and 2026 COLAs used in the report are actual. The COLA had been a little lower, but now it is increasing, and we projected 3.4% for next year. New census data for active employees and annuitants were used for the projections, and we used updated starting salaries for new entrants.

Last year, we had to include the Social Security Fairness Act (SSFA) in our projections. The current census data now fully reflects the effects of the SSFA. Last year we thought that the impact of the SSFA would be about a 1.5% benefit increase, but the actual effect was about a 1.0% increase.

The One Big Beautiful Bill Act (OBBBA) had an effect on income taxes. The tax reduction mainly affected the Social Security Equivalent Benefit Account (SSEBA) but also had some effect on the Railroad Retirement Account (RRA), resulting in a 0.3% increase in payroll taxes, an added cost to the program.

The results of the 25-year projections under the three employment assumptions are shown in Table 2, including the Account Benefits Ratios (ABR) and the Average Account Benefits

Ratios (AABR) used to determine the tier 2 payroll tax rates. Keith pointed out the graph that shows historical ABRs, starting in 2016, as well as projected ABRs. It was in 2003 that the National Railroad Retirement Investment Trust (NRRIT) began investing funds of the Railroad Retirement program in assets other than government bonds. At present, the combined employer/employee tier 2 tax rate is 18%. It will remain the same as long as the AABR is at least 4.0 but less than 6.1. If the AABR drops below 4.0, the tax rate will increase. The projected tax rates in this year's Section 502 Report are very similar to those in last year's report. The NRRIT had good results in 2025. In all three employment projections, the tier 2 tax rate is not going higher than 18%.

The AAC members were told that there are a couple of small differences between the types of benefits paid by the RRB and the benefits paid by SSA, as mentioned in the Report. As Vincent Lui, Chief of the Financial Interchange Division, remarked, the differences are not material. The AAC suggested providing a measurement in the Report.

Keith pointed out that the tier 2 tax rates are the same or lower than in last year's report, so there is no need to recommend any change in financing. Also, there is no need to make any loans to the Railroad Unemployment Insurance Account (RUIA). During COVID, money was loaned to the RUIA, but it has been paid back.

The AAC suggested clarifying the comments about the uncertainty of the projections in section C. Analysis of Results.

Keith observed that the NRRIT has a diversified portfolio of assets. We keep some reserves in the RRA and the SSEBA, which are invested in special issue government bonds, so that we have sufficient funds available to pay benefits.

The meeting ended at 2:20 p.m.