

United States Railroad Retirement Board



2012 Annual Report

U.S. Railroad Retirement Board

Mission Statement

The Railroad Retirement Board's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The Railroad Retirement Board also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

In carrying out its mission, the Railroad Retirement Board will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The Railroad Retirement Board will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

*If you have any comments or suggestions regarding the presentation of information in this publication, please let us know. You can fax us at 312-751-7154, e-mail us at opa@rrb.gov or write us at the following address:
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www.rrb.gov

UNITED STATES
RAILROAD RETIREMENT BOARD

2012 Annual Report

For Fiscal Year Ended September 30, 2011

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THE REPORT IN BRIEF

Railroad retirement and unemployment insurance benefits totaling over \$11.0 billion were paid by the Railroad Retirement Board (RRB) to approximately 603,000 beneficiaries in fiscal year 2011. Financial reports issued in 2012 on the solvency of the railroad retirement and railroad unemployment insurance systems were both favorable. Total railroad retirement system assets equaled \$23.6 billion as of September 30, 2011.

Benefits and Beneficiaries

Benefits paid under the Railroad Retirement and Railroad Unemployment Insurance Acts totaled over \$11.0 billion in the fiscal year ending September 30, 2011. Retirement and survivor benefits were paid by the RRB to about 578,000 beneficiaries during the fiscal year, of whom 543,000 were on the RRB's annuity rolls at the end of the year. Approximately 28,000 railroad employees were paid unemployment and/or sickness insurance benefits. Nearly 3,000 beneficiaries received payments under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act.

Retirement and survivor benefit payments of \$10.9 billion during the 2011 fiscal year were \$166.3 million more than payments in the prior year. Employee and spouse annuitants were paid approximately \$8.8 billion, accounting for 80 percent of the total payments. Employees received almost \$5.1 billion in age annuities, \$2.3 billion in disability annuities and \$60.8 million in supplemental annuities, while spouses and divorced spouses received nearly \$1.4 billion. Survivors were paid \$2.2 billion in annuities and more than \$3.6 million in lump-sum benefits. The total number of beneficiaries who received retirement and survivor benefits declined by about 4,000 from fiscal year 2010.

Statistics are presented on the cash basis of accounting instead of the accrual basis of accounting for much of the Report. However, with the exception of the first paragraph on page 2, the Federal Income Tax Transfers section on page 10 and the accompanying table on page 11, which are also presented as cash, the information on pages 2, 7-15 and 27-29 is presented on the accrual basis of accounting. The primary difference between the two bases of accounting is that the cash basis recognizes revenue and expenditures only when cash is received and paid. The accrual basis, on the other hand, recognizes revenue when it is earned and expenses when they are incurred.

Gross unemployment and sickness benefits paid in fiscal year 2011 totaled about \$129.0 million. Net benefits totaled almost \$100.7 million after adjustment for recoveries of benefit payments, including injury settlements, some of which were made in prior years. Total gross benefit payments decreased by approximately \$62.0 million while net benefit payments decreased by about \$58.9 million from the preceding year. Gross unemployment benefits decreased by over 54 percent as compared to the previous year, reflecting recovery from the prior year's recessionary levels. However, unemployment benefits were still above pre-recessionary levels. Gross unemployment benefits totaling \$52.1 million (\$48.3 million net), including \$9.1 million (\$8.7 million net) in temporary extended benefits under the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, were paid to 10,800 claimants, while gross sickness benefits of \$76.9 million (\$52.3 million net) were paid to 17,700 claimants.

Financial Reports

The RRB's 25th triennial actuarial valuation, submitted to the Congress in June 2012, was generally favorable, concluding that, barring a sudden, unanticipated, large decrease in railroad employment, or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the next 23 years. Cash-flow problems arise only under the RRB's most pessimistic employment assumption, and then not until 2035. The long-term stability of the system, however, is not assured. 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.

The RRB's 2012 railroad unemployment insurance financial report was also generally favorable. Even as projected maximum benefit rates increase 44 percent (from \$66 to \$95) from 2011 to 2022, experience-based contribution rates maintain solvency. The report also predicted average employer contribution rates well below the maximum throughout the projection period. A 1.5 percent surcharge was imposed in calendar year 2012 in order to maintain a minimum account balance. Under all three employment assumptions, the report projects no surcharge in 2013 or 2014, with a periodic surcharge of at least 1.5 percent likely in subsequent years.

The National Railroad Retirement Investment Trust's annual management report for fiscal year 2011 stated that, as of September 30, 2011, the net asset value of the Trust-managed assets was \$22.1 billion. This represented a decline from \$23.8 billion in the previous year, almost all of which is attributable to a transfer of \$1.7 billion to the U.S. Treasury for the payment of railroad retirement benefits. Total railroad retirement system assets, including those maintained at the Treasury, equaled \$23.6 billion.

The 2012 railroad retirement and railroad unemployment insurance financial reports and the National Railroad Retirement Investment Trust's 2011 annual management report are available at www.rrb.gov.

Service Delivery

Customer Satisfaction

During fiscal year 2011, the RRB completed a year-long survey of visitors to the agency website. The survey provided specific suggestions for improvements, particularly with regard to the design of the site and navigation from the home page. Many of these, including a login for online services from the home page, were implemented in May 2011.

Customer Service Plan

In fiscal year 2011, customers received benefit services within the timeframes promised in the RRB's Customer Service Plan 99.2 percent of the time.

Service Enhancements

The RRB completed enhancements to its Employer Reporting System which allows employers to complete several new forms in an online, web-based format. The agency also completed a cost-of-living adjustment, with beneficiaries seeing a 3.6 percent benefit increase due to inflation, for the first time in 2 years. In addition, the RRB expanded its range of Internet services to include online filing of claims for sickness benefits.

Economic Recovery Activities

The Temporary Payroll Tax Cut Continuation Act of 2011 and the Middle Class Tax Relief and Job Creation Act of 2012 extended two provisions relating to railroad employees. Both laws provided for continued access to temporary extended unemployment benefits and a reduction in payroll taxes paid by employees. The 2011 law extended these provisions for the first 2 months of calendar year 2012, while the subsequent law covered the balance of the year.

New Board Member

Walter A. Barrows was sworn in as the Labor Member of the Board on October 7, 2011. At the time of his appointment, he was the Secretary-Treasurer of the Brotherhood of Railroad Signalmen, and had also served as a Trustee of the National Railroad Retirement Investment Trust. Mr. Barrows replaced V. M. Speakman, Jr., who retired.

Office of Inspector General

During fiscal year 2011, the Office of Inspector General continued its independent oversight of agency operations and its efforts to combat fraud, waste, and abuse. This included the issuance of 12 audit reports and 2 special reports that identified operational weaknesses and recommended improvements to agency management.

Investigative activities resulted in 62 convictions, 67 indictments and/or informations, 21 civil judgments and more than \$106 million in recoveries, restitutions, fines, civil damages and penalties. This reflects fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs, such as Medicare or social security, which were included in the disposition resulting from the investigation.

Selected Data on Benefit Operations

Retirement-Survivor	Fiscal Year 2011	Fiscal Year 2010
Employee age annuities		
Number awarded	10,500	10,700
Number being paid at end of period	190,100	190,200
Average being paid at end of period	\$2,244	\$2,186
Employee disability annuities		
Number of total disability annuities awarded	1,200	1,100
Number of occupational disability annuities awarded	1,900	2,000
Number of total disability annuities being paid at end of period	20,600	20,400
Number of occupational disability annuities being paid at end of period	62,500	63,100
Average total disability annuity being paid at end of period	\$1,525	\$1,508
Average occupational disability annuity being paid at end of period	\$2,482	\$2,452
Supplemental employee annuities¹		
Number awarded	7,100	7,300
Number being paid at end of period	121,400	121,200
Average being paid at end of period	\$42	\$42
Spouse and divorced spouse annuities		
Number awarded, total	11,300	11,300
Number being paid to divorced spouses at end of period	4,000	3,900
Number being paid at end of period, total	138,300	137,100
Average being paid to divorced spouses at end of period	\$518	\$504
Average being paid at end of period, total	\$839	\$817
Survivor annuities		
Number awarded to aged widow(er)s	6,100	6,200
Number awarded, total	7,600	7,700
Number being paid to aged widow(er)s at end of period	110,400	114,900
Number being paid at end of period, total	138,800	143,900
Average being paid at end of period to		
Aged widow(er)s	\$1,366	\$1,329
Disabled widow(er)s	\$1,133	\$1,108
Widowed mothers (fathers)	\$1,663	\$1,643
Remarried widow(er)s	\$907	\$896
Divorced widow(er)s	\$892	\$880
Children	\$941	\$937
Partition payments²		
Number being paid at end of period	800	700
Average being paid at end of period	\$292	\$287
Lump-sum survivor benefits awarded		
Number of lump-sum death benefits	3,600	3,700
Average lump-sum death benefit	\$916	\$915
Number of residual payments	3/	3/
Average residual payment	\$2,519	\$2,133

Selected Data on Benefit Operations (Continued)

Employees and Earnings ⁴	Fiscal Year 2011	Fiscal Year 2010
Average employment	228,000	220,000
Creditable earnings, Railroad Retirement Act (billions):		
Tier I	\$16.27	\$15.21
Tier II	\$15.18	\$14.20
Creditable earnings, Railroad Unemployment Insurance Act (billions)	\$3.66	\$3.53
Unemployment-Sickness	Benefit Year 2010-2011	Benefit Year 2009-2010
Qualified employees	239,100	252,300
Unemployment benefits		
Net amount paid (millions)	⁵ \$51.4 ⁶ (\$48.3)	⁷ \$138.2
Beneficiaries	11,600 ⁶ (10,800)	24,800
Number of payments	89,300	241,200
Normal benefit accounts exhausted	2,800	7,500
Average payment per 2-week registration period	\$566	\$553
Sickness benefits		
Net amount paid (millions)	\$51.2 ⁶ (\$52.3)	\$52.4
Beneficiaries	17,400 ⁶ (17,700)	17,800
Number of payments	117,100	120,000
Normal benefit accounts exhausted	3,100	3,200
Average payment per 2-week registration period	\$585	\$565

¹ Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions. Fiscal year 2011 average includes 50 supplemental annuities, averaging \$65, awarded under the 1937 Act.

² Limited to partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Partition payments from employees on the rolls are included with the employees' annuities.

³ Fewer than 50.

⁴ Except for fiscal year 2010 employment, all figures in this section are preliminary.

⁵ Includes \$9.4 million in temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

⁶ Data in parentheses are for fiscal year (October 1, 2010 - September 30, 2011). Unemployment benefits include \$8.7 million in temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

⁷ Includes \$26.8 million in temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009.

A REVIEW OF OPERATIONS

At the end of fiscal year 2011, total railroad retirement system assets equaled \$23.6 billion. During fiscal year 2011, benefits totaling approximately \$11.1 billion were paid under the Railroad Retirement and Railroad Unemployment Insurance Acts.

Retirement and survivor benefits accounted for almost all of this amount.

Net unemployment and sickness benefits totaled \$96.4 million.

RAILROAD RETIREMENT AND SURVIVOR PROGRAM

As of September 30, 2011, total railroad retirement system assets, including those maintained in U.S. Treasury accounts and those maintained by the National Railroad Retirement Investment Trust (the “Trust” or “NRRIT”), equaled \$23.6 billion, a decrease of \$1.5 billion during the fiscal year. Amounts in the Railroad Retirement (RR) Account not needed to pay current administrative expenses and amounts in the Social Security Equivalent Benefit (SSEB) Account not needed to pay current benefits and administrative expenses are transferred to the NRRIT whose Board of seven trustees is empowered to invest Trust assets in non-governmental assets, such as equities and debt, as well as in governmental securities.

FINANCIAL OPERATIONS - U.S. TREASURY ACCOUNTS

During fiscal year 2011, railroad retirement and survivor benefit payments were financed through four U.S. Treasury accounts.

The SSEB Account, established in fiscal year 1985, pays the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. The RR Account funds retirement, survivor and disability benefits, in excess of social security equivalent benefits, from payroll taxes on employers and employees and other income sources. Supplemental benefit payments are also paid from the RR Account. The Dual Benefits Payments (DBP) Account and Federal Payments (FP) Account, funded by congressional appropriations from general revenues, finance the phase-out costs of certain vested dual benefits and interest on unnegotiated checks, respectively. The four accounts together incurred \$11.0 billion in benefit obligations (excluding \$1.4 billion in social security benefits which were reimbursed by the Social Security Administration) during fiscal year 2011.

Financing Sources

Payroll Taxes

The primary source of income to the railroad retirement and survivor program is payroll taxes levied on covered employers and their employees. Payroll taxes amounted to \$4.7 billion, 42.1 percent of total financing sources (which excludes a decrease of \$1,664.3 million, mostly due to a change in NRRIT net assets) and \$43.1 million more than in fiscal year 2010.

Railroad employees and employers pay tier I taxes which, by law, are the same as social security taxes. The 2010 rate of 7.65 percent was split between 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of earnings subject to the 6.20 percent rate in calendar year 2010 was \$106,800, and all earnings were subject to the 1.45 percent Medicare tax.

Legislation enacted in December 2010 temporarily lowered the social security payroll tax rate on employees, and the corresponding tier I payroll tax rate on railroad employees, by 2 percentage points for calendar year 2011. This temporary rate reduction was subsequently extended for calendar year 2012 under legislation enacted in February 2012. The tier I tax rate on employees in 2011 was divided into 4.20% for railroad retirement and 1.45% for Medicare hospital insurance. The tier I tax rate on employers remained divided into 6.20% for railroad retirement and 1.45% for Medicare hospital insurance. The 2011 maximum earnings base for railroad retirement was \$106,800 and the Medicare tax was applied to all earnings.

Both employees and employers also pay a tier II tax to finance railroad retirement benefit payments over and above social security levels. This tax, on earnings up to \$79,200 in 2011 and 2010, was 3.9 percent on employees and 12.1 percent on employers in both 2011 and 2010.

Tier I and tier II taxes for fiscal year 2011 amounted to \$2.3 billion and \$2.4 billion, respectively.

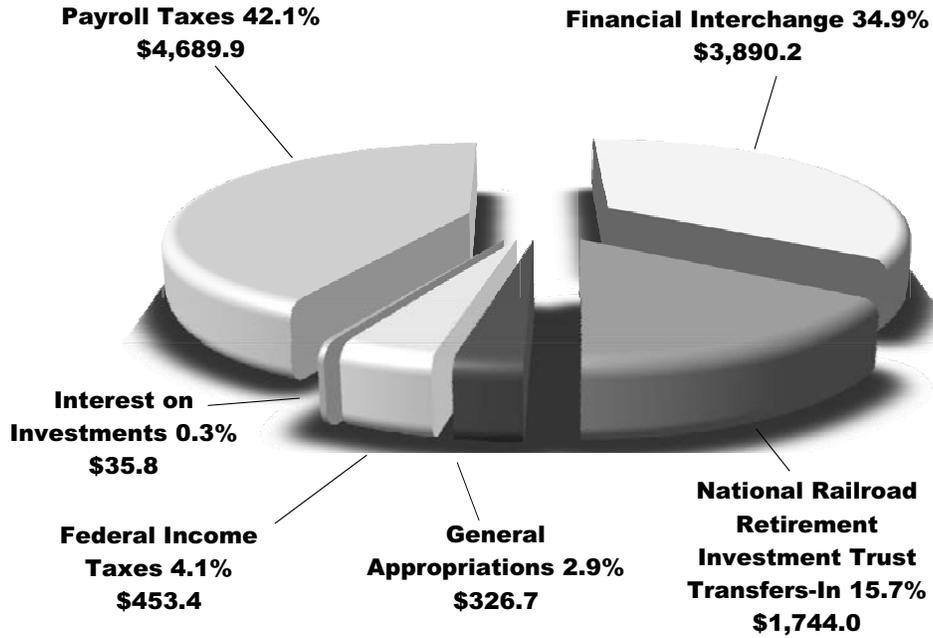
Financial Interchange Transfers

The second major source of income to the railroad retirement and survivor program consists of transfers from the social security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the Social Security Old-Age, Survivors and Disability Insurance and Hospital Insurance Trust Funds in the same position in which they would have been had railroad employment been covered by the Social Security and Federal Insurance Contributions Acts. This involves computing the amount of social security taxes that would have been collected on railroad employment, and computing the amount of additional benefits which social security would have paid to railroad retirement beneficiaries during the same fiscal year.

(text continued on page 10)

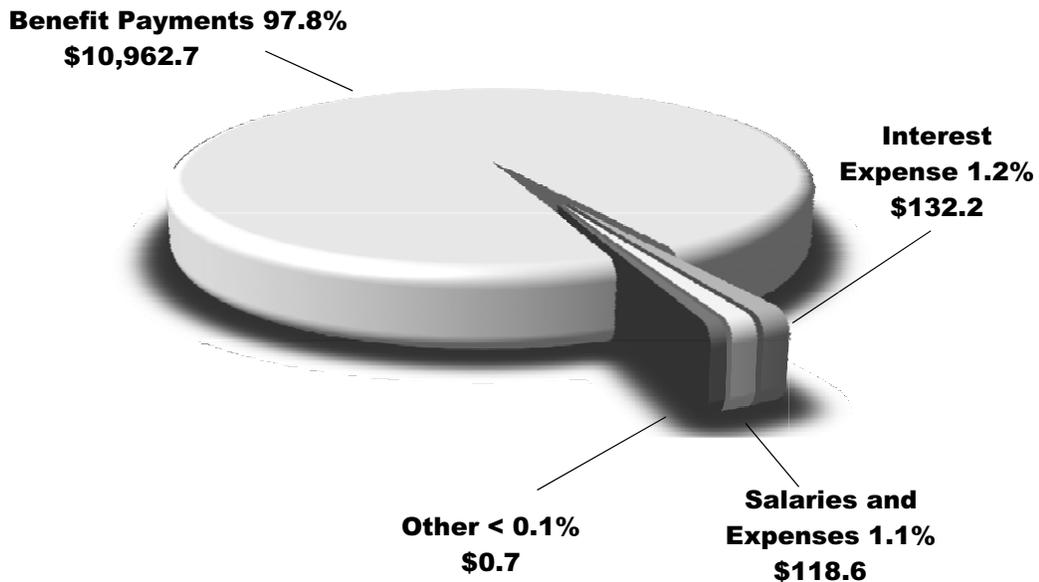
RETIREMENT AND SURVIVOR PROGRAM

Financing Sources - Fiscal Year 2011 (In Millions)
GROSS TOTAL: \$11,140.0¹



¹Excludes -\$1,664.3 million as shown under Other Financing Sources on page 12.

Costs - Fiscal Year 2011 (In Millions)
TOTAL: \$11,214.2



Note.--Percentages may not add to 100 due to rounding.

In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the Social Security Trust Funds to the SSEB Account. If taxes exceed benefit reimbursements (this has not happened since 1951), a transfer would be made in favor of the Social Security Trust Funds. The net financial interchange transfer to the SSEB Account during fiscal year 2011 amounted to \$3.9 billion.

Interest on Investments and Other Revenue

Interest revenue decreased from \$36.5 million in fiscal year 2010 to \$35.8 million in fiscal year 2011. Interest revenue was also earned from financial interchange advances.

Federal Income Tax Transfers

Legislation enacted in 1983 subjecting social security and railroad retirement benefits to Federal income taxes also provided for a transfer of the tax revenues to the social security and railroad retirement systems for the payment of benefits. Most of the revenue from income taxes on social security equivalent railroad retirement benefits is transferred to the SSEB Account, although a portion attributable to higher-income taxpayers is transferred to the Federal Hospital Insurance Trust Fund. Revenue derived from taxing regular railroad retirement benefits in excess of social security equivalent benefits is transferred to the RR Account. Revenue from taxing the vested dual benefits funded by the general revenue appropriations previously described is transferred to the DBP Account.

At the beginning of each quarter, income tax transfers are made from Treasury general funds to the SSEB, RR and DBP Accounts. These transfers are estimates of expected tax revenues for the quarter. Adjustments are made later to reconcile the estimates for a taxable year with actual tax revenues for the year. On a cash basis, original tax transfers for fiscal year 2011 amounted to \$452.0 million during the year. Original transfers for fiscal year 2010 totaled \$470.0 million. There were no reconciliation adjustments in either fiscal years 2010 or 2011.

The information in the preceding paragraph is on a fiscal year basis, while the table on the next page shows income tax transfers to the Accounts for taxable (calendar) years 2002 through 2011, including reconciliation adjustments through 2005.

General Appropriations

General revenue appropriations were provided by the Railroad Retirement Act of 1974 to fund the phase-out costs of certain dual railroad retirement/social security benefits considered vested prior to 1975, and by the Railroad Retirement Solvency Act of 1983 to fund interest on unnegotiated checks. The total amounts appropriated

(text continued on page 14)

**Federal Income Tax Transfers by Recipient Account and
Benefit Component, Taxable Years 2002-2011 (Millions)**

<u>Taxable year</u>	<u>Revenue from taxes on</u>		
	<u>RRA benefits treated as SSA benefits</u>	<u>RRA benefits treated as private or public pensions</u>	
	<u>SSEB tier I benefits</u>	<u>Tier II and non-SSEB tier I benefits¹</u>	<u>Vested dual benefits</u>
	<u>SSEB Account²</u>	<u>RR Account</u>	<u>DBP Account³</u>
Original transfers during the year			
2002	\$97	\$252	\$9
2003	97	283	9
2004	109	294	8
2005	117	301	7
2006	125	312	7
2007	135	334	6
2008	144	325	5
2009	144	304	3
2010	159	315	3
2011	160	300	3
Reconciliation adjustments⁴			
2002 (2008)	-4	-20	-1
2003 (2008)	-12	-70	-3
2004 (2008)	-18	-63	-2
2005 (2009, 2011 ⁵)	8	-56	-1

¹ Includes non-SSEB portion of tier I.

² Receives taxes on social security equivalent benefit (SSEB) portion of tier I.

³ Receives taxes on vested dual benefit component beginning October 1, 1988.

⁴ The year in parentheses is the year the adjustments were made.

⁵ October 2011 adjustment to initial reconciliation made in March 2009.

Railroad Retirement and Survivor Program
**Consolidated Financing Sources,
 Costs and Net Position (Millions)**¹

For the Fiscal Year Ended September 30	2011	2010
Financing Sources:		
Payroll Taxes	\$4,689.9	\$4,646.8
Financial Interchange	3,890.2	3,964.1
Interest on Investments and Other Revenue ²	35.8	36.5
Federal Income Taxes	453.4	467.0
General Appropriations ³	326.7	64.1
Other	(1,664.3)	457.1
Transfers to the National Railroad Retirement Investment Trust	0.0	0.0
Transfers from the National Railroad Retirement Investment Trust	1,744.0	1,989.0
Total Financing Sources	9,475.7	11,624.6
Costs:		
Benefit Payments	10,962.7	10,796.9
Interest Expense	132.2	141.1
Salaries and Expenses ⁴	118.6	120.1
Other	0.7	(2.2)
Total Costs	11,214.2	11,055.9
Financing Sources over Costs	(1,738.5)	568.7
Net Position - Beginning of Period	24,564.2	23,995.5
Net Position - End of Period	<u>\$22,825.7</u>	<u>\$24,564.2</u>

¹ Prepared on an accrual basis of accounting.

² Includes accrued interest revenue in fiscal year 2010 from loan to the Railroad Unemployment Insurance Account. The loan was paid off in fiscal year 2011.

³ Includes payroll tax holiday amount in fiscal year 2011.

⁴ Includes unemployment and sickness insurance salaries and expenses of approximately \$15.1 million and \$15.8 million for fiscal years 2011 and 2010, respectively.

National Railroad Retirement Investment Trust (NRRIT) **Fiscal Year 2011 Summary**

Market value of assets managed by NRRIT on September 30, 2011	\$22.1 billion
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Rate of return of investment portfolio managed by NRRIT for full year ended September 30, 2011	-0.10%
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Source: *NRRIT*

All NRRIT annual management reports and quarterly updates are available on the Railroad Retirement Board's website at www.rrb.gov.

by the Congress for vested dual benefits were \$57.0 million for fiscal year 2011 and \$64.0 million for fiscal year 2010. These amounts include Federal income tax transfers for 2011 and 2010. The amount appropriated for fiscal year 2011 was 10.9 percent less than fiscal year 2010, reflecting the continuing decrease in eligibility for these benefits, which are not increased for the cost of living. The total amounts appropriated by the Congress for interest on unnegotiated checks were \$150,000 for fiscal years 2011/2012 and also \$150,000 for fiscal years 2010/2011.

Other Financing Sources

Other financing sources consisted of \$10.6 million to be provided by the Office of Personnel Management to pay future retirement benefits to RRB employees and \$13.3 million from the railroad unemployment trust funds in transfers-in for current budget fiscal year salaries and expenses. These financing sources were offset by a decrease in NRRIT net assets of \$1,641.0 million, transfers-out of \$7.1 million for salaries and expenses of the Board's Office of Inspector General, a loss on contingency liability of \$37.9 million, and a \$1.2 million decrease in unexpended appropriations.

Costs

The RRB pays all salaries and expenses under a single administrative fund (Limitation on Administration) for both the railroad retirement and survivor program and the unemployment and sickness insurance program. Consequently, of the \$118.6 million and \$120.1 million shown on page 12 for salaries and expenses in fiscal years 2011 and 2010, respectively, about \$15.1 million for fiscal year 2011 and \$15.8 million for fiscal year 2010 were for the unemployment and sickness insurance program. About \$1.4 million in other costs for fiscal year 2011 and \$1.1 million for fiscal year 2010 were for the unemployment and sickness insurance program.

Excluding \$16.5 million from total costs of \$11.2 billion for fiscal year 2011 and \$16.9 million from total costs of \$11.1 billion for fiscal year 2010, total costs for the railroad retirement and survivor program for fiscal year 2011 increased \$158.8 million or 1.4 percent.

Benefit Payments

In fiscal year 2011, railroad retirement benefit payments increased \$165.8 million or almost 1.5 percent to about \$11.0 billion on an accrual basis, including \$55.2 million in vested dual benefits and \$60.8 million in supplemental annuities.

Interest Expense

Interest expense of \$132.2 million represents interest on the financial interchange advances made by the U.S. Treasury during the fiscal year.

Salaries and Expenses

Excluding unemployment and sickness insurance salaries and expenses of \$15.1 million for fiscal year 2011 and \$15.8 million for fiscal year 2010, salaries and expenses for the railroad retirement and survivor program were about \$103.5 million for fiscal year 2011 and about \$104.3 million for fiscal year 2010, a \$0.8 million or 0.7 percent decrease. Adjusted by the \$15.1 million in salaries and expenses and \$1.4 million in other costs for the unemployment and sickness insurance program, fiscal year 2011 administrative expenses for the railroad retirement and survivor program were about 0.91 percent of total costs.

Other Costs

Other costs consisted primarily of post-retirement benefits (pensions, health and life insurance) for RRB employees of \$9.3 million for the railroad retirement and survivor program and \$1.3 million for the unemployment and sickness insurance program. In addition, carrier refunds of \$0.3 million were incurred. These costs were offset by approximately \$9.7 million in reimbursements from the Centers for Medicare & Medicaid Services for Part B Medicare costs, as well as a reimbursement of approximately \$0.4 million from the RRB's Office of Inspector General for RRB-incurred expenses, and various other revenues of approximately \$30,000.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST OPERATIONS

Funds not needed immediately for benefit payments or administrative expenses are invested through the National Railroad Retirement Investment Trust. The Trust was established pursuant to section 105 of the Railroad Retirement and Survivors' Improvement Act of 2001 for the sole purpose of investing railroad retirement assets. The Act authorizes the Trust to invest the assets of the Railroad Retirement Account in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the Act, investment of Railroad Retirement Account assets was limited to U.S. Government securities. Although the Trust was created by Congress to hold and invest Federal assets, it is not an agency or instrumentality of the Federal government. It is a tax-exempt entity governed by a seven-member Board, three selected by rail management, three selected by rail labor and one independent trustee selected by the six rail trustees.

During fiscal year 2011, the net asset value of Trust-managed assets decreased from \$23.8 billion on October 1, 2010, to \$22.1 billion on September 30, 2011. This includes \$1.7 billion that the Trust transferred to the U.S. Treasury for the payment of railroad retirement benefits during the year. The rate of return on Trust-managed assets for the year (net of fees) was -0.10 percent.

Total railroad retirement system assets (Trust-managed assets and reserves held in Treasury accounts) grew from \$20.7 billion in 2002 to \$23.6 billion as of the end of fiscal year 2011, after net transfers for benefit payments of approximately \$11.6 billion over the same time frame.

Trust operations are described in detail in the National Railroad Retirement Investment Trust Annual Management Report for fiscal year 2011, which is available on the RRB's website at www.rrb.gov.

BENEFIT OPERATIONS

Retirement and survivor benefits paid, including vested dual benefits and supplemental employee annuities, totaled \$10.9 billion in fiscal year 2011, \$166 million more than in fiscal year 2010. Benefits were paid to over 577,800 beneficiaries in fiscal year 2011. Some 542,800 beneficiaries were being paid at the end of the year. The table shown below presents retirement and survivor benefit payments for fiscal years 2011 and 2010, by type of benefit, and the percent changes in payments between the 2 years.

Under the two-tier railroad retirement formulas, the tier I annuity portion approximates a social security benefit

and increases by the cost-of-living percentage applied to social security benefits. The tier II portion, which is comparable to retirement benefits paid over and above social security benefits to workers in other industries, increases by 32.5 percent of the social security percentage.

Monthly retirement and survivor benefits being paid numbered nearly 672,500 at the end of the 2011 fiscal year, about 4,200 less than at the end of the prior year. Monthly beneficiaries on the rolls declined by more than 4,600 over the year, from 547,400 to 542,800. The number of monthly benefits paid is always greater than the number of beneficiaries on the rolls, since many annuitants receive more than one type of benefit. Although the second benefit is usually a supplemental employee annuity, some employees also receive a spouse or widow(er)'s annuity.

Regular employee annuities in payment status at the end of fiscal year 2011 numbered 273,200, about 500 less than at the end of the previous fiscal year. The number of age annuities being paid dropped slightly from 190,200 to 190,100 over the year, while

Type of benefit	Amount (in millions)		Percent change
	Fiscal year 2011	Fiscal year 2010	
Retirement benefits			
Employee annuities			
Age	\$5,063.7	\$4,928.9	+2.7
Disability	2,274.9	2,260.9	+0.6
Supplemental ¹	60.8	60.3	+0.8
Spouse and divorced spouse annuities	1,379.2	1,338.4	+3.0
Total	8,778.5	8,588.6	+2.2
Survivor benefits			
Annuities	2,161.6	2,183.5	-1.0
Lump-sum benefits	3.6	3.6	+1.1
Total	2,165.3	2,187.1	-1.0
Partition payments²	2.8	4.5	-38.5
Grand total	\$10,946.5	\$10,780.2	+1.5

¹ Excludes partitioned payments to spouses and divorced spouses where the employee is deceased.

² Limited to partitioned payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Partitioned payments from employees on the rolls are included with the employees' annuities.

Note.--Detail may not add to total due to rounding.

disability annuities decreased some 400 to 83,100. Supplemental annuities being paid to employees rose approximately 300, numbering 121,400 at the end of the year. The number of divorced spouse annuities being paid rose about 100 to 4,000. Spouse and divorced spouse annuities together increased by more than 1,100, totaling 138,300 at year-end. Nearly 138,800 monthly survivor benefits were being paid at the end of fiscal year 2011, a decrease of 5,100 from the previous year. More than 800 partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity were being paid at the end of fiscal year 2011, an increase of over 100 from the prior year.

Retirement

Regular employee annuities

Awards of regular employee annuities numbered 13,600 in fiscal year 2011, some 200 less than in fiscal year 2010. Data by type of annuity awarded during the year are given in the table on this page.

Railroad employees with 10 to 29 years of creditable service, or 5 to 9 years of service if at least 5 years were after 1995, are eligible for regular annuities based on age and service at age 62.

Early retirement annuity reductions are applied to annuities awarded before full retirement age--the age at which an employee can receive full benefits with no reduction for early retirement. This ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as under social security. If an

Employee annuities awarded in fiscal year 2011	Number	Percent	Average		
			Monthly amount	Years of service	Age at retirement
Age					
Beginning at full retirement age or over	1,000	7	\$2,214	22.0	67.6
Unreduced, beginning at age 60 to under full retirement age	6,800	50	3,445	36.4	60.7
Reduced, beginning at age 62 to under full retirement age	2,800	20	1,491	16.4	62.8
Disability	<u>3,100</u>	<u>23</u>	2,524	24.0	55.6
Total	13,600	100	\$2,748	28.5	60.5
Note. --Detail may not add to total due to rounding.					

employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65. The reduction for early retirement is 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins and 1/240 for each additional month.

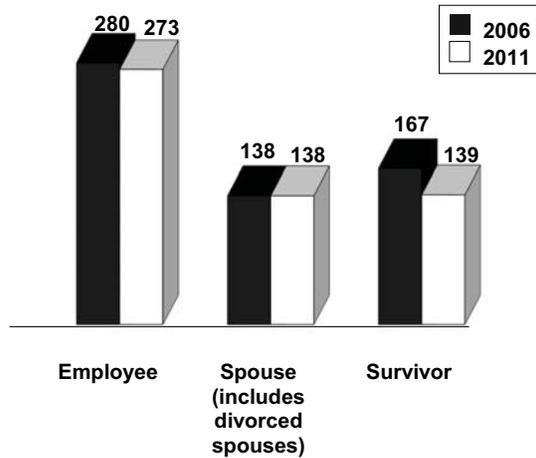
Rail employees with 30 or more years of service are eligible for regular annuities based on age and service at age 60. Certain early retirement reductions are applied if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 *before 2002*. Employees who retire at 60 or older with at least 30 years of railroad service are referred to as 60/30 retirees.

Disability awards are based either on total disability or on occupational disability. A *total disability* annuity is based on disability for all employment and is payable at any age to employees with at least 10 years of railroad service. Employees with 5-9 years of service, if at least 5 years were after 1995, may qualify for tier I only before retirement age on the basis of total disability if they also meet certain social security earnings requirements. An employee is considered totally disabled if medical evidence shows that a permanent physical or mental condition exists which prevents the performance of any regular work. A condition is considered to be permanent if it has lasted or may be expected to last for at least 12 months.

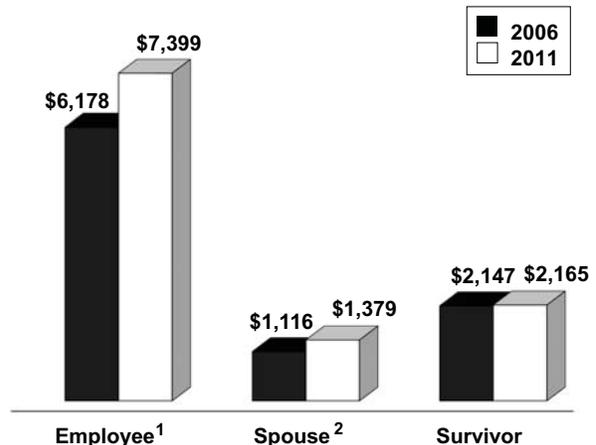
An *occupational disability* annuity is based on disability for the employee's regular railroad occupation and is payable to employees with a current connection with the rail industry at age 60 if the employee has 10 years of service, or at any age if the employee has at least 20 years of service. An employee is considered occupationally disabled if the physical or mental condition is such that the employee is permanently disabled for work in his or her regular railroad occupation, even though the employee may be able to perform other kinds of work.

Of the year's 3,100 disability awards, 1,200 averaging \$1,673 per month were for total disability and 1,900 averaging \$3,046 were for occupational disability. Many employees who are disabled for all employment but are otherwise qualified for an occupational disability annuity are initially awarded occupational disability annuities in order to expedite payment.

Number of monthly beneficiaries, September 30, 2006, and 2011 (thousands)

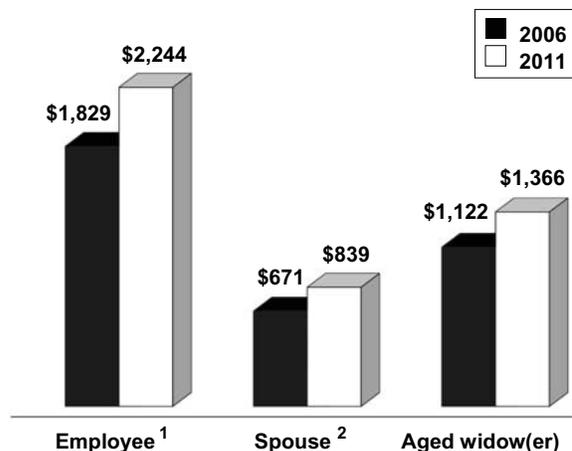


Amount of benefits paid, fiscal years 2006 and 2011 (millions)



¹Includes \$61.4 million in fiscal year 2006 and \$60.8 million in fiscal year 2011 for supplemental annuities. ²Includes divorced spouses.

Average monthly amount, September 30, 2006, and 2011



¹Without supplemental annuity. ²Includes divorced spouses.

An estimated four-fifths of all employees recently awarded disability annuities will meet the medical criteria for a disability freeze determination. The standards for freeze determinations follow social security law and are comparable to the criteria for granting total disability. Also, an employee granted a disability freeze may qualify for early Medicare coverage and lower Federal income taxes on his or her annuity.

Of the employees who were awarded regular annuities in fiscal year 2011, nearly 9,500, or 70 percent, last worked for a railroad either in the calendar year their annuity began or in the preceding year. Such retirements are termed “immediate,” while those that occur 2 or more calendar years after the year of last railroad employment are called “deferred.” As a group, immediate retirees represent career railroad employees who worked in the industry until retirement. Awards based on immediate retirement averaged \$3,234 per month, compared to \$1,640 for the 4,200 awards based on deferred retirement. Immediate retirees averaged 33 years of railroad service, considerably more than the average of 18 years for deferred retirees. Of the year’s awards, 51 percent of normal age retirements were immediate. While 94 percent of all 60/30 retirements were immediate, only 15 percent of the reduced age awards to employees with less than 30 years of service were immediate. Immediate retirements accounted for 71 percent of the year’s disability awards.

The 273,200 retired employees on the rolls as of September 30, 2011, were being paid regular monthly annuities averaging \$2,244. The table on this page presents data by type of annuity for these benefits.

Of the 83,100 disability annuities being paid, 20,600 were for total disability and 62,500 for occupational disability. The two types of disability annuities averaged \$1,525 and \$2,482, respectively. In fiscal year 2011, over \$380 million was paid in total disability annuities and \$1,895 million in occupational disability annuities.

About 190,500 employees on the rolls at the end of fiscal year 2011 were immediate retirees and their regu-

Employee annuities in current-payment status on September 30, 2011	Number	Per- cent	Average monthly amount	Percent immediate retirements
Age				
Beginning at full retirement age or over	21,300	8	\$1,668	45
Unreduced, beginning at age 60 to under full retirement age	97,500	36	2,933	92
Reduced, beginning at age 60 to under full retirement age	71,400	26	1,476	34
Disability	83,100	30	2,244	81
Total	273,200	100	\$2,244	70
Note.--Detail may not add to total due to rounding.				

lar annuities averaged \$2,613 per month. Annuities of the 82,800 deferred retirees averaged \$1,395. Although their average railroad retirement annuity was much lower, a greater proportion of the deferred annuitants also received social security benefits--28 percent compared to 4 percent for the immediate retirees. Moreover, the average social security benefit paid to deferred retirees was higher than that paid to immediate retirees. Combined railroad retirement and social security benefits to deferred retirees

who were dual beneficiaries averaged \$1,579, while combined benefits to immediate retirees averaged \$2,312. The table below presents numbers of beneficiaries and average benefit amounts for employees on the rolls who were receiving social security benefits, and for those who were not, by type of retirement.

Regular employee annuities consist of as many as three components: tier I, tier II, and a vested dual benefit. Reductions for early age retirement are made in all components in cases where the employee retired before full retirement age with less than 30 years of railroad

service. The tier I component is based on the employee's combined railroad and social security covered earnings, and is reduced by the amount of any social security benefit that the employee receives. The gross tier I amounts

Dual benefit status	Total	Type of retirement	
		Immediate	Deferred
Receiving social security benefit			
Number	31,000	8,000	22,900
Average monthly amount:			
Railroad retirement (regular)	\$674	\$1,410	\$416
Social security	1,095	902	1,163
Combined benefit	<u>1,769</u>	<u>2,312</u>	<u>1,579</u>
Not receiving social security benefit			
Number	242,200	182,400	59,800
Average monthly amount	\$2,445	\$2,666	\$1,770
Note. --Detail may not add to total due to rounding.			

of employees on the rolls at the end of fiscal year 2011 averaged \$1,732 per month. Tier I amounts of nearly 7,500 employees were completely offset by social security benefits. Tier I amounts being paid averaged \$1,588.

The employee tier II component is based solely on railroad earnings. Tier II amounts being paid at the end of fiscal year 2011 averaged \$704. Employees are eligible for vested dual benefits if, based on their own earnings, they met certain vesting requirements and qualified for both railroad retirement and social security benefits at the end of 1974, or, in some cases, at the end of an earlier year of last railroad service. About 25,700 retirees were receiving vested dual benefits averaging \$162 at the end of the fiscal year.

Supplemental employee annuities

A supplemental annuity is payable to employees with a current connection with the rail industry at age 60 if the employee has at least 30 years of service, or at age 65 if the employee has 25-29 years of service. The employee must also have had some rail service before October 1981.

Nearly 7,100 supplemental annuities were awarded in fiscal year 2011, about 200 less than in fiscal year 2010. Approximately 5,400 of the awards (75 percent) began concurrently with the employee's regular annuity, while the remaining 1,700 were to employees already receiving a regular annuity. Supplemental annuity awards averaged over \$41 per month after court-ordered partitions; 86 percent were at the current maximum rate of \$43. Supplemental annuities are reduced for any part of a private railroad pension attributable to employer contributions. During the fiscal year,

2,100 supplemental annuities were not awarded because they were entirely offset by private pensions. In a few cases, the supplemental annuity was partially offset by the pension, or the supplemental annuity was not offset because the pension was reduced.

Supplemental annuities were being paid to some 121,400, or 44 percent, of the retired employees on the rolls at the end of the 2011 fiscal year. These annuities averaged \$42 after court-ordered partitions; fewer than 50 of them were paid under 1937 Act amendments, which stipulated a maximum rate of \$70.

Spouse and divorced spouse annuities

Annuity awards to spouses and divorced spouses of retired employees numbered 11,300 in

fiscal year 2011, slightly more than in the previous year. The table on this page presents numbers and average amounts of spouse and divorced spouse annuities awarded during the

Monthly spouse benefits	Awarded in fiscal year 2011		In current-payment status on September 30, 2011	
	Number	Average amount	Number	Average amount
Beginning at full retirement age or over	1,300	\$534	16,700	\$462
With minor or disabled child in care	400	1,114	1,900	1,137
Unreduced, beginning at age 60 to under full retirement age	6,000	1,336	64,400	1,205
Reduced rate	<u>3,100</u>	446	<u>51,300</u>	515
Total	<u>10,700</u>	979	<u>134,300</u>	848
Divorced spouse annuities	<u>600</u>	567	<u>4,000</u>	518
Grand total	11,300	\$958	138,300	\$839

Note.--Detail may not add to total due to rounding.

year and being paid at the end of the year, by type of annuity and whether subject to age reduction.

If an employee is at least age 62 and retires with 10-29 years of railroad service, or has 5-9 years of service and at least 5 years were after 1995, the employee's spouse is eligible for an annuity at age 62. Full retirement age for a spouse is gradually rising from 65 to 67, depending on the year of birth. Early retirement reductions are applied to the spouse annuity if the spouse retires before full retirement age. The reduction for early retirement is 1/144 for each of the first 36 months the spouse is under full retirement age when her or his annuity begins and 1/240 for each month (if any) over 36.

If an employee retires with at least 30 years of service and is at least age 60, the employee's spouse is eligible for an annuity at age 60. Prior to 2002, certain early retirement reductions were applied to the tier I component of such a spouse annuity if the employee retired before age 62, unless the employee attained age 60 and completed 30 years of service prior to July 1, 1984. If a 30-year employee retired at age 62, no age reduction applied to the spouse annuity. December 2001 legislation liberalized early retirement benefits for 30-year employees retiring at ages 60 or 61 after 2001 and their

spouses. A spouse of an employee qualified for an age and service annuity is eligible for a spouse annuity at any age if caring for the employee's unmarried child, and the child is under age 18 or the child became disabled before age 22.

Of the 3,100 reduced spouse annuities awarded in fiscal year 2011, fewer than 100 averaging \$694 per month were to spouses of 30-year employees and some 3,000 averaging \$442 were to spouses of employees with less than 30 years of service.

At the end of fiscal year 2011, almost 134,300 spouse annuities averaging \$848 per month were being paid. Nearly 4,000 divorced spouse annuities averaging \$518 per month were also being paid. These included some 50 averaging \$613, where the employee was not yet entitled to an annuity. Families with an employee and spouse on the rolls were paid combined railroad retirement benefits averaging \$3,238. This included \$2,390 in regular and supplemental employee annuities and \$848 in spouse annuities.

Approximately 52,600, or 38 percent, of the spouses and divorced spouses on the rolls were also receiving social security benefits. Combined railroad retirement and social security benefits to these annuitants averaged \$1,267 per month, including \$327 in railroad retirement benefits and \$940 in social security benefits. Railroad retirement annuities to the 83,300 spouses not receiving social security benefits averaged \$1,166, while railroad retirement annuities to the 2,300 divorced spouses not receiving social security benefits averaged \$699.

Like regular employee annuities, spouse annuities consist of up to three components. The tier I component equals one-half of the employee's tier I amount before any reduction for the employee's social security benefit. The spouse tier I amount is reduced for the spouse's receipt of a social security benefit and may be reduced for a spouse's public service pension. The tier I portion may also be reduced if the spouse receives a railroad retirement employee annuity, but this reduction is usually restored through an addition to the spouse tier II amount. Divorced spouses receive only a tier I benefit.

The spouse tier II component equals 45 percent of the employee's tier II amount. Railroad retirement amendments in 1981 precluded further awards of vested dual benefits to spouses.

Of the 134,300 spouses on the rolls at the end of fiscal year 2011, 91,800 were being paid tier I amounts averaging \$743 per month. The tier I amounts of 42,400 spouses were completely offset by other benefits also due. Spouse tier II amounts averaged \$370. Vested dual benefits averaging \$145 were being paid to 200 spouses. The 4,000 divorced spouses on the rolls at the end of fiscal year 2011 were being paid tier I amounts averaging \$537 per month, not reflecting all annuity adjustments.

Lump-sum retirement benefits

A lump-sum benefit may be payable at retirement to employees who received separation or severance payments after 1984. This benefit approximates the tier II payroll taxes deducted from separation or severance payments that did not yield additional service credits for retirement. Some \$0.5 million was paid in separation/severance lump-sum benefits during fiscal year 2011.

Employees who have at least 10 years of railroad service and are not entitled to a vested dual benefit may be eligible for a dual retirement tax refund if they had concurrent railroad retirement and social security earnings within the period 1951-74. The refund is equal to the social security taxes that the employee paid on the combined railroad and social security earnings in excess of the annual railroad retirement creditable earnings maximum. During the 2011 fiscal year, the RRB paid over 900 dual retirement tax refunds averaging \$68. Most of the payments were to employees retiring during the year. Fewer than 100 refunds were to survivors, mostly widows, of employees who died before receiving the refund. Employees entitled to dual retirement tax refunds for years after 1974 may claim them on their Federal income tax returns.

Survivor

Monthly benefits

Annuity awards to survivors of deceased railroad employees numbered 7,600 during fiscal year 2011, 100 less than the previous year. About 138,800 survivor annuities were being paid at the end of the fiscal year, including 200 temporarily paid at spouse or divorced spouse annuity rates pending recomputation to widow(er)s' rates. Almost 110,400, or 80 percent, of the survivor annuities were to aged widows and widowers.

The table on this page presents numbers and average monthly amounts of survivor annuities, by type, for those awarded in the year and those being paid at the end of the year.

Survivor annuities, like regular employee and spouse annuities, consist of as many as three components: tier I, tier II and, for widows and

Monthly survivor benefits	Awarded in fiscal year 2011		In current-payment status on September 30, 2011	
	Number	Average amount	Number	Average amount
Aged widow(er)s'	6,100	\$1,789	110,400	\$1,366
Disabled widow(er)s'	200	1,531	4,100	1,133
Widowed mothers' (fathers')	100	1,779	700	1,663
Remarried widow(er)s'	200	1,077	4,000	907
Divorced widow(er)s'	700	991	9,600	892
Children's:				
Under age 18	300	1,249	1,800	1,264
Student	*	1,412	100	1,404
Disabled	100	1,054	8,000	865
Parents'	*	\$1,006	*	\$945
Total	7,600	...	138,800	...

* Fewer than 50.
Note.--Detail may not add to total due to rounding.

widowers only, a vested dual benefit. As with spouses, legislation in 1981 precluded new awards of vested dual benefits to widow(er)s. The tier I component is computed according to social security formulas and is based on the deceased employee's combined railroad and social security earnings. A reduction is made for the survivor's receipt of a social security benefit. There may also be a tier I reduction if the survivor receives a railroad retirement employee annuity or public pension. Remarried and divorced widow(er)s receive a tier I

benefit only. A dependent parent receives only a tier I amount if another family member is also receiving benefits or if the parent has remarried.

Survivor tier II amounts are figured as a percentage of an employee tier II benefit. Prior to 2002, the percentages were 50 percent for a widow(er), 15 percent for a child, and 35 percent for a parent. The total tier II amount for a survivor family was subject to a minimum of 35 percent and a maximum of 80 percent of the employee tier II benefit, and all survivor tier II amounts were proportionately adjusted when either limit applied. December 2001 legislation established an "initial minimum amount" for widow(er)s which provides a tier II benefit equal to 100 percent of the tier II amount of the deceased employee. The maximum tier II amount payable to a family rose to 130 percent of the employee's tier II amount. Widows and widowers are guaranteed a total tier I and tier II amount not less than what they were paid as a spouse, any necessary increase being added to tier II.

Aged widow(er)s, who are eligible for benefits at age 60, have their tier I and tier II amounts reduced if the annuity begins before full retirement age. The eligibility age for unreduced annuities is gradually rising from age 65 to age 67. The maximum age reductions range from 17.1 percent to 20.36 percent, depending on the widow(er)'s date of birth. Excluding some 200 annuities temporarily paid at spouse or divorced spouse rates, aged widow(er)s' annuities being paid at the end of the 2011 fiscal year included 52,900 which were reduced for age. Aged widow(er)s' tier I amounts being paid averaged \$1,134 per month. In almost 7,400 cases, the tier I amount was wholly offset by reductions for other benefits. Nearly 35,900 aged widow(er)s were also receiving social security benefits, and these averaged \$869. Tier II amounts averaged \$310. More than 900 vested dual benefits averaging \$70 were being paid to aged widow(er)s.

The tier I and tier II amounts of disabled widow(er)s' annuities, which begin at ages 50-59, are reduced 28.5 percent for age. Tier I amounts being paid to disabled widow(er)s on the rolls at the end of fiscal year 2011 averaged \$943 (in about 200 cases, the tier I amount was wholly offset by reductions). Social security benefits being paid to more than 1,400 disabled widow(er)s averaged \$825. Tier II amounts averaged \$234, while the 100 vested dual benefits being paid averaged \$88.

Tier I amounts paid to widowed mothers and fathers (widows and widowers caring for children) generally equal 75 percent of the full amount payable to an aged widow(er) before any reductions, similar to a social security mother's or father's benefit. Eligible children and grandchildren are paid this same tier I amount. However, if the sum of the tier I amounts of all members of a survivor family exceeds the social security family maximum, then tier I amounts are proportionately reduced so that the total equals the maximum. Reductions for the family maximum usually occur when the family includes three or more beneficiaries. Tier I amounts being paid as of the end of fiscal year 2011 averaged \$1,205 for widowed mothers and fathers and \$869 for children. Fewer than 50 mothers (fathers) and some 2,300 children received social security benefits averaging \$967 and \$571, respectively. Tier II amounts paid mothers (fathers) and children averaged, respectively, \$488 and \$100.

Lump-sum survivor benefits

A lump-sum death benefit can be payable at the time of an employee's death only if there are no survivors immediately eligible for monthly benefits. For survivors of employees who had at least 10 years of railroad service before 1975, the lump-sum death benefit is based on the employee's earnings through 1974, with a maximum amount of approximately \$1,200. If the employee completed the 10th year of service after 1974, the lump-sum death benefit is limited to \$255, the maximum benefit payable under social security law, and only the widow or widower living in the same household is eligible for the benefit. Lump-sum benefits may also be payable to survivors of employees with less than 10 years of service, but at least 5 years after 1995, if the employee met the social security insured status retirements. About 3,600 lump-sum death benefits averaging \$916 were awarded during fiscal year 2011. Approximately 500 benefits were to widow(er)s, while 3,100 were to other individuals who paid the funeral expenses.

Another lump-sum survivor benefit, the residual payment, can be made if no other benefits based at least in part on an employee's railroad service will be payable in the future, and the total of prior benefit payments is less than what the employee paid in pre-1975 railroad retirement taxes. Fewer than 50 residual payments were awarded in the 2011 fiscal year; they averaged \$2,519.

Partition Payments

The Pension Protection Act of 2006, as amended, continues the court-ordered partitioned portion of the tier II, vested dual and supplemental benefit payments to former spouses after the death of the employee. It also allows for payment of court-ordered partitioned payments where the employee is not entitled to an annuity if (1) the employee has 120 months of railroad service or 60 months of service after 1995, and (2) both the employee and spouse or divorced spouse are 62 for a full month, or, if the employee is deceased, the employee would be 62 for a full month.

At the end of fiscal year 2011, there were some 800 spouses and divorced spouses receiving payments averaging \$292 where the employee was deceased or not otherwise entitled to an annuity. While all but one received a partitioned tier II benefit, only 8 percent received a partitioned vested dual benefit and 34 percent received a partitioned supplemental benefit.

Medicare Enrollments

The Medicare program provides health insurance to persons ages 65 and older, as well as persons under age 65 who have been entitled to monthly benefits based on total disability for at least 24 months or who suffer from chronic kidney disease requiring hemodialysis or transplant. In addition to the basic hospital insurance, or Part A, plan, which is financed through payroll taxes, there is an elective supplementary medical insurance, or Part B, plan for which monthly premiums are charged.

Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the RRB are automatically enrolled under both plans, but Part B may be declined by the annuitant or beneficiary. Eligible nonretired persons must apply in order to obtain Medicare coverage. The RRB automatically enrolled almost 27,300 beneficiaries for Medicare during fiscal year 2011. As of the end of the fiscal year, more than 471,000 persons were enrolled in the Part A plan, and some 453,000 (96 percent) of them were also enrolled in Part B.

Except for benefits for services in Canada, which are paid from the Railroad Retirement Account, railroad enrollees are paid Part A benefits from the Federal Hospital Insurance Trust Fund, the same as persons covered under the social security system. Part B benefits are paid from the Federal Supplementary Medical Insurance (SMI) Trust Funds. The carrier for Part B claims of railroad Medicare enrollees made payments totaling \$868 million in the 2011 fiscal year.

The regular monthly premium for medical insurance during fiscal year 2011 was \$110.50 for coverage through December 2010 and \$115.40 thereafter. Beneficiaries with modified adjusted gross incomes above certain thresholds pay higher Part B premiums. The RRB generally withholds Medicare premiums for annuitants from their benefit payments, and at the end of the fiscal year almost 429,900 annuitants were having their premiums withheld. Of the remaining Part B enrollees, approximately 2,500 were paying premiums to the RRB, either directly or through an intermediary, and 20,700 had their premiums paid by State agencies. The RRB periodically transfers premiums to the SMI Trust Funds.

RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

FINANCIAL OPERATIONS

Financing sources for the railroad unemployment and sickness insurance program during fiscal year 2011 exceeded costs by \$61.9 million and the net position increased by \$61.9 million from \$147.5 million at the end of fiscal year 2010 to \$209.4 million at the end of fiscal year 2011. For fiscal year 2011 as compared to fiscal year 2010, total financing sources for the railroad unemployment and sickness insurance program decreased by \$97.8 million (37.7 percent) to \$161.6 million.

(text continued on p. 29)

Unemployment and Sickness Insurance Program

Consolidated Financing Sources, Costs and Net Position (Millions)¹

For the Fiscal Year Ended September 30	2011	2010
Financing Sources:		
Employer Payroll Taxes	\$172.8	\$98.4
Interest Income	1.7	1.5
General Appropriations	0	175.8 ²
Other	(12.9)	(16.3)
	<hr/>	<hr/>
Total Financing Sources	161.6	259.4
	<hr/>	<hr/>
Costs:		
Benefit Payments:		
Unemployment	42.0	104.5
Sickness	54.4	52.1
Other ³	3.3	1.7
	<hr/>	<hr/>
Total Costs	99.7	158.3
	<hr/>	<hr/>
Financing Sources over Costs	61.9	101.1
Net Position - Beginning of Period	147.5	46.4
	<hr/>	<hr/>
Net Position - End of Period	\$209.4	\$147.5
	<hr/> <hr/>	<hr/> <hr/>

¹ Prepared on an accrual basis of accounting.

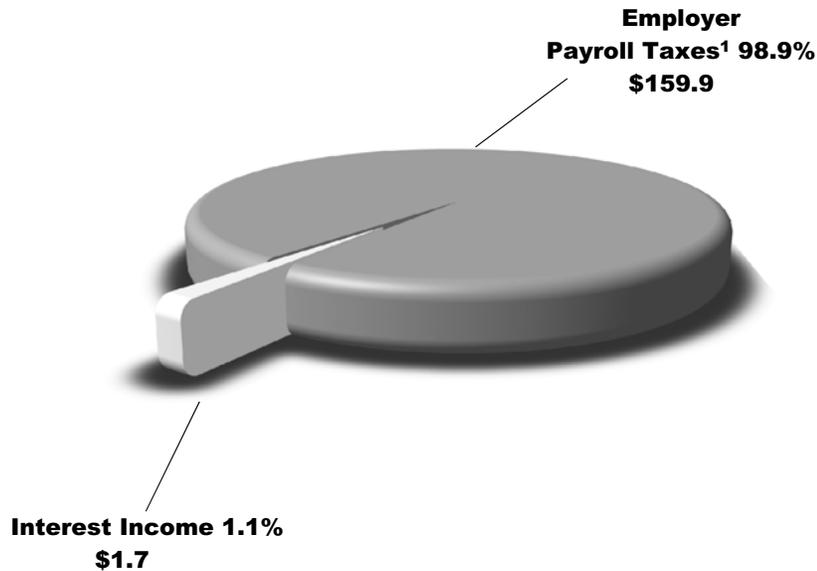
² For payment of temporary extended unemployment benefits and administrative costs authorized under the Worker, Homeownership, and Business Assistance Act of 2009.

³ Includes accrued interest expense for loan in fiscal year 2010 from the Railroad Retirement Account and program costs for Railroad Unemployment Insurance - Extended Benefit Payments (Worker, Homeownership, and Business Assistance Act of 2009). The loan was paid off in fiscal year 2011.

**UNEMPLOYMENT AND SICKNESS
INSURANCE PROGRAM**

Financing Sources - Fiscal Year 2011 (In Millions)

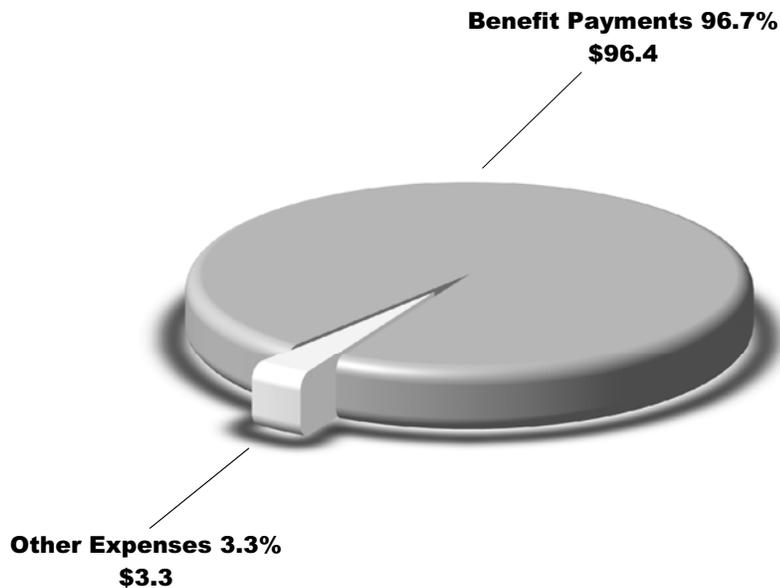
GROSS TOTAL \$161.6



¹Less Transfers-Out and carriers' refunds of \$12.9 million.

Costs - Fiscal Year 2011 (In Millions)

TOTAL \$99.7



Financing Sources

The primary ongoing financing source of the railroad unemployment and sickness insurance program is a payroll tax on railroad employers, based on the taxable earnings of their employees. The employees themselves are not taxed.

Each employer pays taxes at a rate which takes into consideration its employees' actual incidence of benefit usage. Under experience rating, employers whose employees have low incidences of unemployment and sickness pay taxes at a lower rate than those with higher levels of benefit usage. Each employer's rate also has a component for administrative expenses and a component to cover costs shared by all employers. The rate applies to monthly earnings up to an indexed maximum. In calendar year 2011, the taxable earnings base was the first \$1,330 of each employee's monthly earnings. The earnings base is indexed each year by a rate which is equal to approximately two-thirds of the annual rate of increase in the maximum base for railroad retirement tier I taxes.

In 2011, the basic tax rates on railroad employers, including covered commuter railroads, ranged from a minimum of 3.15 percent (which included a surcharge of 2.5 percent) to a maximum of 12.0 percent. Most employers were assessed the minimum rate in 2011. New employers in 2011 paid an initial rate of 2.50 percent.

Employer Payroll Taxes

Payroll taxes by employers totaled \$172.8 million during fiscal year 2011. This was an increase of 75.6 percent or \$74.4 million more than the previous year.

Interest

Cash not needed immediately for unemployment and sickness insurance benefits or operating expenses is held in the Federal Unemployment Insurance Trust Fund and invested by the Secretary of the Treasury. The fund earned an average rate of return of 3.9 percent in fiscal year 2011, of which the RRB earned \$1.7 million as its pro rata share.

Costs

Total costs for the railroad unemployment and sickness insurance program decreased by \$58.6 million (37.0 percent) to \$99.7 million.

Benefit Payments

During fiscal year 2011, unemployment insurance benefit payments decreased by \$62.5 million (59.8 percent) to \$42.0 million. Sickness insurance benefit payments increased \$2.3 million (4.4 percent) to \$54.4 million.

BENEFIT OPERATIONS

Net unemployment and sickness benefits totaling \$102.6 million were paid in the 2010-2011 benefit year, \$87.9 million less than in the prior year. Beneficiaries numbered 28,100, in comparison to the previous year's total of some 41,200. About 900 employees received both unemployment and sickness benefits during the 2010-2011 benefit year. The number of unemployment benefit claimants decreased by more than 53 percent, while sickness benefit claimants decreased approximately 2 percent. Total net unemployment benefit payments decreased by about 63 percent, while net sickness benefits decreased by more than 2 percent. The substantial decreases in unemployment benefits and beneficiaries can be attributed to an ending of a national economic recession. The number of employees qualified for benefits under the Railroad Unemployment Insurance Act fell more than 5 percent to 239,100.

Benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year. During benefit year 2010-2011, there were 8,300 and 13,900 unemployment and sickness benefit waiting period claims, respectively.

Unemployment

Improvement in the national economy was evidenced by the large decreases in unemployment benefits and beneficiaries in the railroad industry. Some 11,600 railroad workers were paid \$51.4 million in unemployment benefits during the 2010-2011 benefit year, including \$9.4 million in temporary extended benefits under the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Reauthorization, and Job Creation Act of 2010. The number of benefit claimants decreased by 13,200 from the prior year total of 24,800, while the benefit amount fell \$86.8 million from the year-earlier total of \$138.2 million. The claimant count decreased for the first time in five years. The average number of compensable days per unemployment benefit claimant was 73 in benefit year 2010-2011 as compared to 90 in the previous benefit year.

The mid-month unemployment count in the 2010-2011 benefit year began with a July count of 3,800 claimants. The count sporadically dropped and rose in the following months until it peaked at 4,900 in January 2011 due to extended benefit claims. After January 2011, the count dropped during the following months until reaching a benefit year low of 2,300 in June 2011. For the 2010-2011 benefit year as a whole, the weekly number of claimants averaged 3,500 in comparison to an average of 9,000 in the previous benefit year. The overall unemployment benefit claimant rate, measured

NOTE.—Railroad unemployment and sickness benefits are paid on the basis of benefit years beginning July 1 and ending June 30 of the following year. Consequently, operational data in this “Benefit Operations” section are generally presented for this time span, rather than fiscal years beginning October 1 and ending September 30.

**Major unemployment and sickness benefit operations,
benefit years 2010-2011 and 2009-2010**

Item	Benefit year 2010-2011			Benefit year 2009-2010		
	Total	Unemploy- ment ¹	Sickness	Total	Unemploy- ment ¹	Sickness
Applications	35,700	14,500	21,200	45,900	24,500	21,500
Claims	238,400	101,100	137,300	406,300	265,900	140,400
Claimants	² 28,100	11,600	17,400	² 41,200	24,800	17,800
Net amount of benefits	\$102,584,900	\$51,423,800	\$51,161,100	\$190,533,200	\$138,175,100	\$52,358,100
Number of payments						
Normal	170,500	64,800	105,700	293,500	184,800	108,600
Extended	35,900	24,500	11,400	67,700	56,300	11,400
Total	206,400	89,300	117,100	361,200	241,200	120,000
Average amount per 2-week registration period						
Normal	\$581	\$569	\$589	\$560	\$554	\$568
Extended	554	557	549	544	547	529
Total	577	566	585	557	553	565

¹ Starting in June 2009, includes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009. Beginning in November 2009, temporary extended unemployment benefits are also being paid under the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. The benefit year 2009-2010 amount totaled \$26.8 million and the benefit year 2010-2011 amount totaled \$9.4 million.

² Benefits for both unemployment and sickness were paid to approximately 1,400 employees in benefit year 2009-2010 and 900 employees in benefit year 2010-2011. Those claimants who had only a non-compensable waiting period are not included in the beneficiary counts since no benefits were paid.

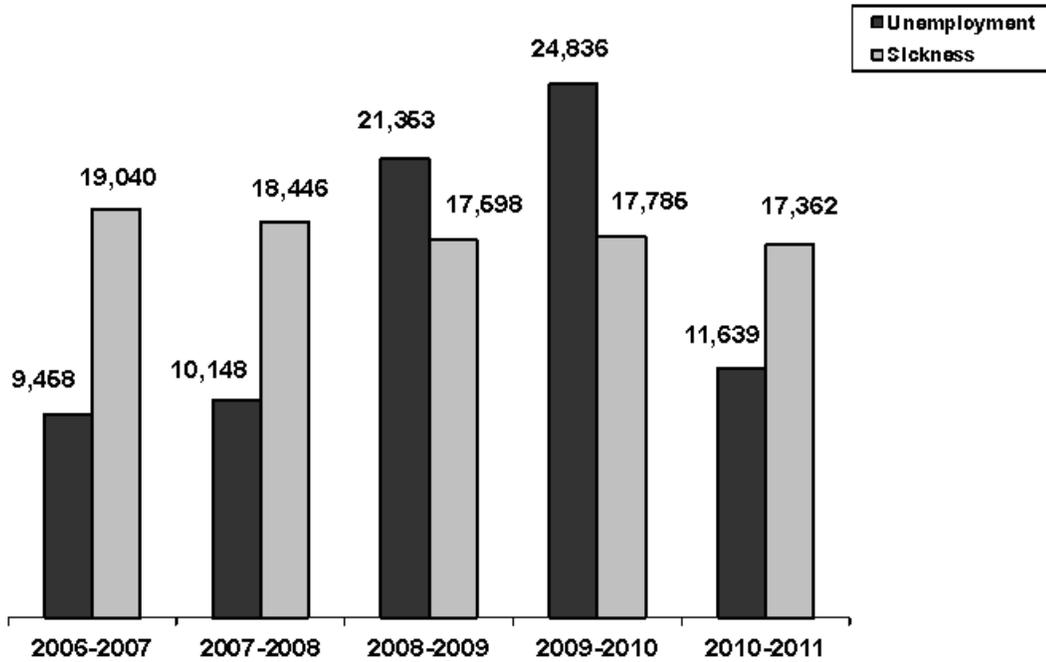
in relation to numbers of employees qualified to receive benefits under the Railroad Unemployment Insurance Act during a particular time period, decreased to 5 per 100 qualified from the previous year's level of 10 per 100 qualified, reflecting the end of the national economic recession. The median age for all unemployment benefit claimants was 42 years, as compared to 38 in the previous benefit year.

Sickness

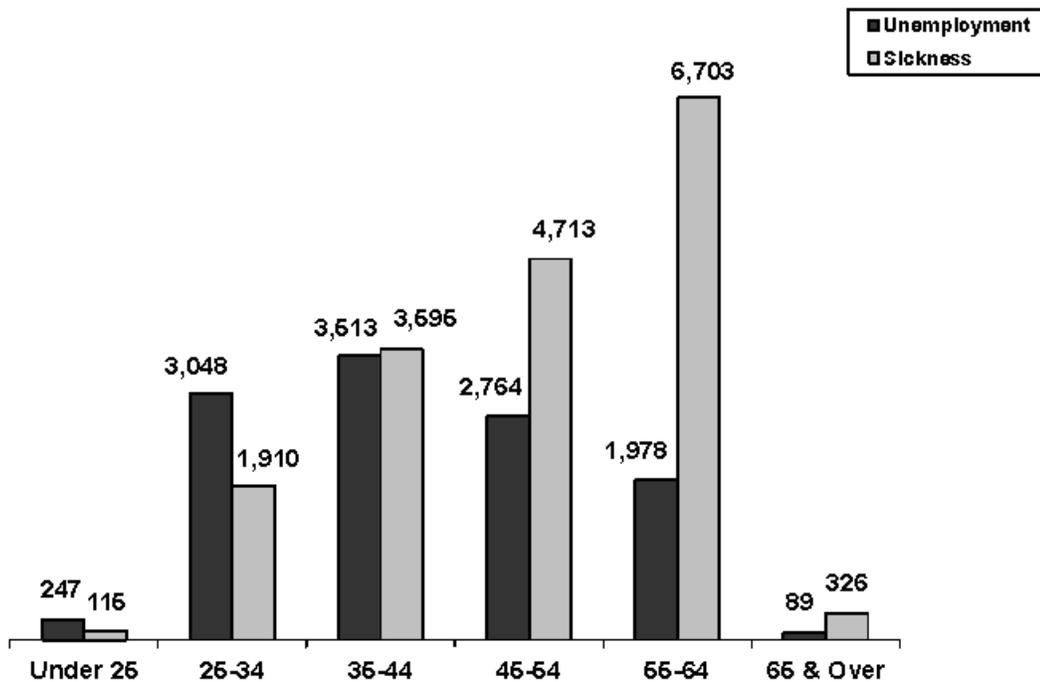
The number of sickness benefit claimants during the 2010-2011 benefit year was 17,400, over 400 lower than in the previous year. The benefit year claimant count was the lowest since sickness benefits began in benefit year 1947-1948. Gross sickness

(text continued on p. 33)

**Claimants under the Railroad Unemployment Insurance Act,
Benefit Years 2006-2007 through 2010-2011**



**Unemployment and Sickness Benefit Claimants by Age,
Benefit Year 2010-2011**



benefits of \$77.6 million were paid, \$0.6 million more than in the prior benefit year. Net sickness benefits totaled \$51.2 million, reflecting repayment of a large amount of benefits following settlements of suits for injuries. Benefits payable for an injury are recoverable if the claimant is awarded damages or receives a settlement for the injury. Net benefits decreased by \$1.2 million in comparison with the previous year.

The utilization rate for sickness benefits was 7.3% as compared to 7.0% in the previous benefit year. The average duration of sickness was 68 days, the same as the previous benefit year.

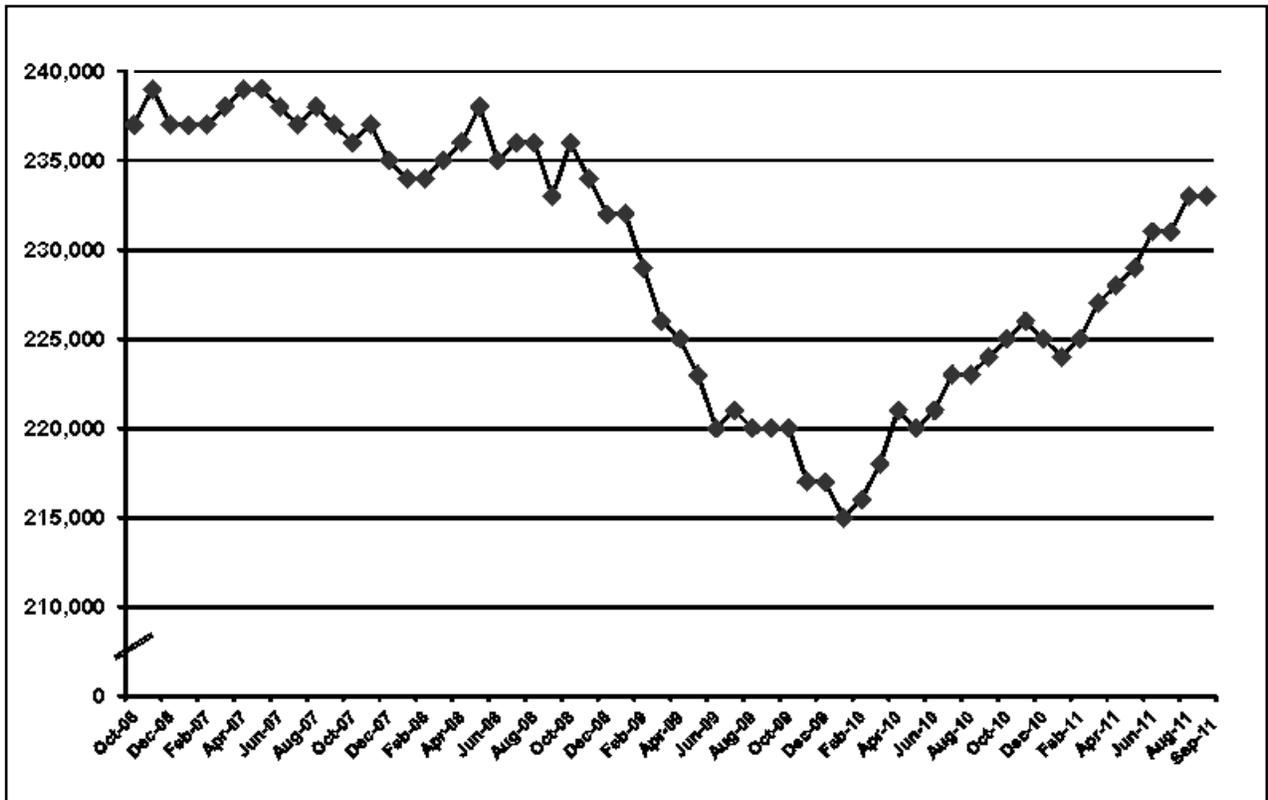
Among the most common causes of sickness were injuries that included fractures or wounds (affecting 26 percent of beneficiaries), arthritis and disk disorders (23 percent), circulatory and heart disease (8 percent), and mental disorders, including drug and alcohol addictions (11 percent). The median age of all sickness benefit claimants was 52 years; the same as in the previous benefit year.

RAILROAD EMPLOYMENT

Average monthly railroad employment in fiscal year 2011 rose about 4 percent to 228,000 from the 220,000 average of the previous year. After experiencing an all-time low of 215,000 in January 2010, railroad employment began to rebound in 2010 and continued that recovery in 2011. Fiscal year 2011 average railroad employment began at 225,000 and stayed the same or increased in all but two months during the year. By September 2011 railroad employment had risen to 233,000.

Employment in the railroad industry was affected by an increase in rail traffic, which can be attributed to increases in industrial production. Freight-ton-miles in fiscal year 2011 increased in all quarters as compared to the previous year. Overall, fiscal year 2011 railroad freight-ton-miles were 5 percent higher than the previous year with the largest year to year increase coming in the January-March 2011 quarter.

Average Railroad Employment Fiscal Years 2007 through 2011



Note.--Numbers for 2011 are preliminary.

ADMINISTRATIVE DEVELOPMENTS

The following describes some major issues addressed in 2011 and 2012 as the RRB continued efforts to improve agency operations and service to its customers.

Performance Management

Customer Satisfaction Survey

In fiscal year 2011, the RRB completed a year-long survey of visitors to the agency website (www.rrb.gov). The survey followed the American Customer Satisfaction Index model designed by the University of Michigan and coordinated with the company Foresee Results. During the survey period, the agency received ongoing customer feedback and quarterly summary reports, as well as two special reports on specific areas of concern identified by visitors to the website. The reports provided specific suggestions for improvements, particularly with regard to navigation from the home page and within the site. As a result of the survey and reports, the RRB updated its website with an optimized layout to make better use of available space and improve navigation through use of cascading menus. In addition, a login area for online services was added to the home page. These changes went online in May 2011, and work continues to expand these enhancements and make improvements to other areas of the website.

Customer Service Plan

The RRB's Customer Service Plan promotes the principles and objectives of customer-driven quality service agency-wide. The RRB's plan was revised in fiscal year 2011 in response to Executive Order 13571, *Streamlining Service Delivery and Improving Customer Service*. The plan now provides an increased emphasis on agency accountability and includes a new section which describes how the agency seeks input from customers and determines their satisfaction. The plan is reviewed and updated periodically based on agency experience, customer feedback and comparison with similar best-in-business models.

An important part of the plan is to keep customers informed of how well the RRB is meeting timeliness standards. The RRB publicizes the Customer Service Plan and performance results on the agency website and posts them in all of its field offices. The agency has developed an index to measure the overall timeliness of customer service in four benefit areas: retirement applications; survivor applications; disability applications and payments; and railroad unemployment and sickness benefit applications and

claims. This index, based on a weighted average, allows for a more concise and meaningful presentation of its customer service efforts. During fiscal year 2011, the overall benefit timeliness index was 99.2 percent. This means that the RRB provided benefit services within the timeframes promised in the Customer Service Plan 99.2 percent of the time.

Reducing Improper Payments

The RRB reviewed benefit payments made under the Railroad Retirement Act for fiscal year 2010 as required by the Improper Payments Information Act of 2002 and the Improper Payments Elimination and Reduction Act of 2010. The RRB's *Performance and Accountability Report* for fiscal year 2011 includes the results of that analysis along with a description of the actions taken to address and prevent improper payments and projections of future improper payment levels. The analysis shows that the RRB does not have significant improper payments, as defined by Office of Management and Budget guidelines. In addition, the RRB's Office of Inspector General recently completed an audit in this area and determined that the agency is in compliance with statutory requirements. The RRB continues to review its benefit payment programs to ensure that the level of improper payments remains below significant thresholds, and to look for operational improvements to minimize improper payments in the future.

Economic Recovery Activities

Two laws enacted to foster growth in the economy contained similar provisions relating to railroad employees. Both laws provided for continued access to extended unemployment benefits for rail workers, as well as a reduction in payroll taxes paid by employees. The Temporary Payroll Tax Cut Continuation Act of 2011 extended these provisions for the first two months of calendar year 2012, while the Middle Class Tax Relief and Job Creation Act of 2012 continued them for the balance of the year. The extended unemployment benefits were first authorized by legislation enacted in 2009.

The laws provide for up to 13 weeks of additional temporary extended unemployment benefits to certain railroad workers who received normal unemployment benefits for days between July 1, 2010, and June 30, 2011, and exhausted eligibility for these benefits. The latest date that an extended benefit period may begin is December 31, 2012. In addition, \$175 million was provided for payment of extended benefits, with benefits stopping at the end of a claimant's extended unemployment benefit period or when the total funding has been spent, whichever comes first.

The new laws also continued a reduction of 2 percentage points in the employee portion of the social security payroll tax, and the tier I tax on railroad employees, throughout calendar year 2012. Enacted in 2010, this reduction was originally scheduled to expire at the end of 2011. Previously, the overall tax rate was 7.65 percent, which included 6.2 percent for tier I and 1.45 percent for Medicare. The reduced rate is 5.65 percent, with 4.2 percent for tier I – a reduction of 2 percentage points – while the Medicare rate remains 1.45 percent. The reduced tax rate also applies to sickness benefit

payments processed by the RRB. This increases the net amount received by railroad employees suffering from extended illness, except for claimants injured on the job. Payroll tax rates for employers remained the same.

Service Enhancements

Employer Reporting System

In fiscal year 2011, the RRB completed conversion of its original Employer Reporting System – which supported Forms BA-4 (*Report of Creditable Compensation Adjustments*), BA-6 (*Certificate of Service Months and Compensation*) and GL-129a (*Record of Employer Determination on Employee Protest of Service and Compensation*) – from SAS to ASP.Net programming software. The new Employer Reporting System (ERSNet), which processes prepayment and post-payment verification Forms ID-4K and ID-4E, was developed in the ASP.Net software, so this conversion combined the two separate systems into one.

The agency also completed Phase 3 of the ERSNet project to implement an Internet-based version of Forms BA-3 (*Annual Report of Service and Compensation*) and BA-11 (*Report of Gross Earnings*). This particular project significantly enhanced the RRB's ability to reduce paper and enable its customers to conduct business with the agency through the Internet.

Cost-of-Living Adjustment

For the first time in two years, a cost-of-living adjustment based on inflation was applied to most railroad retirement beneficiaries. The increase was 3.6 percent, and was included in tier I and tier II payments for 540,940 annuitants. In addition, 114,281 beneficiaries whose social security benefits are paid by the RRB received an increase. The total amount of the cost-of-living adjustment was \$23.6 million in railroad retirement annuities and \$4.0 million in social security benefits. For most participants, Medicare Part B premiums had stayed the same the past 2 years due to a “hold harmless” provision that freezes the premium in years without a cost-of-living adjustment to retirement benefits. As a result, monthly Medicare Part B premiums increased by \$3.50, to \$99.90, for most participants. For those who first enrolled in Medicare Part B in 2010 or 2011, the monthly premium declined by \$10.60 or \$15.50, respectively.

Online Filing of Sickness Claims

The RRB expanded its range of Internet services to include online filing of biweekly claims for sickness benefits in October 2010. To further speed processing of those claims, the agency implemented an automated review of “clean” claims – those that do not require manual adjudication – in calendar year 2011. This system proved to be extremely successful, with 30,000 sickness claims filed online during the year and 80 percent of them processed as “clean.”

Officials

Walter A. Barrows was sworn in as the Board's Labor Member on October 7, 2011. At the time of his appointment by President Obama, Mr. Barrows was the Secretary-Treasurer of the Brotherhood of Railroad Signalmen. Since 2004, he had also been a Trustee of the National Railroad Retirement Investment Trust. Mr. Barrows replaced V. M. Speakman, Jr., who retired.

Michael S. Schwartz continues to serve as Chairman of the Railroad Retirement Board, along with Jerome F. Kever as Management Member. Mr. Schwartz was first appointed to the Board in 2003, while Mr. Kever was appointed in 1992.

The RRB also saw some changes in its senior executive ranks. The agency's Senior Executive Officer and Director of Administration, Henry M. Valiulis, retired in April 2012, following the retirement of Steven A. Bartholow as General Counsel in December 2011. Both retired with 38 years of service at the RRB. Dorothy A. Isherwood, the RRB's Director of Programs since June 2003, was named by the Board as the new Senior Executive Officer. In that capacity, she will chair the agency's Executive Committee, coordinating development and implementation of agency policy. Keith B. Earley was named by the Board as the new Director of Administration. Mr. Earley had previously served as the RRB's Director of Human Resources since October 2001. The Board also named Karl T. Blank as the new General Counsel. Since February 2009, he had served as Assistant General Counsel and Director of Hearings and Appeals. Upon Mr. Blank's promotion, Rachel L. Simmons assumed his previous position.

In addition, the Board approved a change in the agency's organizational structure related to its nationwide network of field services. Rather than being part of the Office of Programs, the Field Service component now reports directly to the three-member Board. This change took effect in May 2012. As a result, Martha M. Barringer, who has been Director of Field Service since July 2000, became a member of the agency's Executive Committee.

Headquarters Building

On June 29, 2011, the General Services Administration (GSA) hosted a ceremony at which the RRB's headquarters facility was formally named as the William O. Lipinski Federal Building. Mr. Lipinski was a long-time Congressman from the Chicago area with extensive involvement in railroad and transportation issues. This was in accordance with a resolution passed by the Congress and signed by the President in 2009. In addition to Mr. Lipinski, his wife and two children attended the ceremony, including his son Daniel, who currently represents his old district in Congress. Speakers included former Speaker of the House Dennis Hastert and former Congressman James Oberstar of Minnesota, both of whom served with Mr. Lipinski in the House, and former Northwestern University President Henry Bienen. Also making remarks at the event were Michael J. Madigan, Speaker of the Illinois House of Representatives;

Jeffrey Moreland, a member of the Amtrak Board of Directors; GSA Regional Public Building Commissioner J. David Hood; and RRB Chairman Michael S. Schwartz.

Workforce Management

Staffing/Training

Like many agencies, the RRB has an aging workforce, with about 70 percent of its employees having 20 or more years of service. In addition, about half of the agency's employees will be eligible for retirement in the next 5 years. As a result, the RRB has focused on continued implementation of its Human Capital Management Plan, and related activities in the area of hiring reform and succession planning. While attrition remains an ongoing concern, it has also presented an opportunity for the RRB to increase hiring of entry-level positions, particularly those engaged in direct customer service. In 2011, the agency conducted two training classes for claims examiners involved in post-adjudication processing under the Railroad Retirement Act, with one in the area of retirement benefits and the other in survivor benefits. In addition, a training class of Medicare examiners was concluded, while a new training class of examiners for unemployment and sickness benefits will be completed in 2012. Lastly, the agency completed training programs for new claims representatives assigned to the various RRB field offices around the country. All of this training prepares RRB employees to meet the goals outlined in the agency's Customer Service Plan, and additional training classes are planned in 2012.

Employee Survey

The Office of Personnel Management conducts the Federal Employee Viewpoint Survey to identify the extent to which employees identify the characteristics of successful organizations within their own agencies. The results for RRB employees surveyed in 2011 showed very positive results (greater than 65 percent favorable) on the majority of questions about personal work experiences. In particular, 94 percent of RRB respondents think the work they do is important, and 86 percent know how their work relates to agency goals and priorities. Over 80 percent like the kind of work they do, with more than 86 percent feeling that they are held accountable for achieving results, and almost 79 percent feel supported by their supervisors in terms of balancing work and life issues. At the same time, the survey results showed room for improvement in elements of performance culture, such as in the area of dealing with poor performers. As a result, the RRB has developed expanded training for managers and supervisors on this particular issue, and has also incorporated it into a curriculum for new supervisors.

Employee Recognition

The RRB administers an Awards for Excellence program to recognize outstanding agency employees, and also participates in the Chicago Federal Executive Board's Federal Employee of the Year awards program that recognizes outstanding Federal

employees from throughout the metropolitan area. The RRB had two employees selected as finalists for the 2011 Federal Employee of the Year awards. Rachel Shoulders, a secretary in the Accounting, Treasury and Financial Systems Division of the agency's Bureau of Fiscal Operations, was a finalist in the Outstanding Administrative/Clerical Employee category. Keith Earley, the agency's then Director of Human Resources, was a finalist in the category of Outstanding Community Service Employee.

Information Technology

RRB*Vision*

The RRB uses a system called *RRBVision* that allows users to view video presentations with accompanying training materials, such as PowerPoint presentations or online screens. Presentations can be viewed in real-time or saved for later viewing. In 2011, the agency developed 43 presentations for viewing by employees on the RRB intranet. Topics included technical training for claims examiners/representatives, non-technical training sessions and presentations from the RRB's Office of Equal Opportunity. The benefits of *RRBVision* include consistency in training, a greater number of training programs available to offsite staff, availability of training on-demand, and savings in travel costs. The system also offers programs for rail employers, rail workers, beneficiaries and claimants through the RRB website.

Information Security

The RRB is committed to protecting its annuitants' information from unauthorized use or disclosure, and continues to work on improving security capabilities in this regard. In 2011, the agency started to encrypt mainframe backup tapes that are sent to an offsite storage location, which helps ensure that personal information and files are less likely to be compromised. The RRB also implemented an Office of Management and Budget initiative on trusted Internet connections. As a result, a contracted service provider delivers encrypted traffic, supports adjustments based on identified threats, and performs forensic analysis as required by the agency. Staff also developed a policy directive on information security that prescribes various internal policies and assigns responsibility for protecting information from unauthorized access, use, disclosure, disruption and modification, reflecting various Federal directives, regulations and best practices.

Cost Savings

As part of a continuing effort to maximize efficiency while reducing staffing costs, the agency increased use of automation in its processing routines and consolidated certain tasks among two operations shifts in its data center, allowing it to eliminate a third shift consisting of two staff members. RRB staff, working with counterparts at other agencies, also evaluated the utility of software used by the agency. This resulted in four software products being eliminated or replaced with an annual savings of more than \$37,000.

Office of Equal Opportunity

Diversity Program

Throughout the year, the agency's Office of Equal Opportunity sponsored many programs designed to foster an inclusive work environment and enhance the understanding of disability issues. These included several cultural enrichment events sponsored by the RRB's Workplace Diversity Committee to commemorate African American History Month, Women's History Month, Asian Pacific American Heritage Month, Hispanic Heritage Month, and Native American Heritage Month. The agency's Employees with Disabilities Advisory Council also presented informational sessions on various topics that affect individuals with disabilities.

Equal Opportunity Policies

The agency's equal employment opportunity (EEO) complaint program meets all of the elements necessary to achieve a discrimination-free work environment. All employees received training on their rights and remedies under the No FEAR Act, Title VII and other antidiscrimination laws. The agency has policies and procedures to address all forms of EEO complaints, including harassment, as well as procedures to respond to requests for reasonable accommodation. Much of this information is contained in an EEO Handbook, and the agency also maintains several pages on its intranet and public website with information on EEO programs and procedures. The RRB's Office of Equal Opportunity also updated the agency's *Strategic Plan for Achieving and Maintaining a Model Equal Employment Opportunity Program* to cover the years 2012 through 2015. The plan captures the vital elements of the EEO program and reflects the activities necessary to achieve positive results for the agency. Lastly, Executive Order 13548, issued in July 2010, provides that the Federal government, as the nation's largest employer, must become a model for the employment of individuals with disabilities. In response, the Office of Equal Opportunity, in collaboration with the Bureau of Human Resources, developed a 5-year plan for promoting employment of individuals with disabilities.

Recruitment

As part of the RRB's commitment to a diverse workforce, the Office of Equal Opportunity worked with the Bureau of Human Resources to create a diverse pool of external job applicants by identifying sources for the recruitment of individuals with disabilities, various underrepresented groups, and disabled veterans.

Public Information Activities

The RRB maintains direct contact with railroad retirement beneficiaries through its field offices located across the country. Field personnel explain benefit rights and responsibilities on an individual basis, assist railroad employees in applying for

benefits and answer any questions related to the benefit programs. The RRB also relies on railroad labor groups and employers for assistance in keeping railroad personnel informed about its benefit programs.

At informational conferences sponsored by the Labor Member of the Board for railroad labor union officials, RRB representatives describe and discuss the benefits available under the railroad retirement-survivor, unemployment-sickness and Medicare programs, and the attendees are provided with comprehensive informational materials. Now in its 55th year, in 2011 a total of 1,482 railroad labor union officials attended 35 informational conferences held in cities throughout the United States. In addition, railroad labor unions frequently request that RRB representatives speak before their meetings, seminars and conventions. In 2011, the Labor Member's Office was represented at 16 union gatherings attended by 3,539 railroad labor officials. Field personnel addressed 69 local union meetings with 2,528 members in attendance.

At seminars for railroad executives and managers, RRB representatives review programs, financing, and administration, with special emphasis on those areas which require cooperation between railroads and RRB offices. During 2011, the Management Member's Office conducted three seminars for 135 railroad officials, as well as pre-retirement counseling seminars attended by railroad employees and their spouses, and benefit update presentations.

Office of Inspector General

The Office of Inspector General for the RRB focuses its audit and investigative efforts on protecting the integrity of the agency's trust funds by providing comprehensive program and operational oversight. Reports issued by the Office of Inspector General, and other documents referenced in this section, can be accessed at www.rrb.gov/oig.

Office of Audit

During fiscal year 2011, auditors published 12 reports and issued findings and recommendations to agency management, including their opinion and related reports on the RRB's financial statements for fiscal years 2009 and 2010. Pursuant to the Reports Consolidation Act of 2000 and the requirements of Office of Management and Budget Circular A-136, the Inspector General issued a document that identified the most serious management challenges facing the RRB and progress in addressing them. The Inspector General identified the following as the most serious challenges facing the agency: providing oversight of invested program assets, disability program integrity, Railroad Medicare program integrity, information technology security, internal control over non-integrated subsystems, and preventing and detecting improper payments.

Additionally, auditors completed their annual evaluation of the agency's information security program, including progress in implementing the Federal Information Security Management Act of 2002 requirements. They also reviewed the RRB's Audit

and Compliance Division, audited controls over Railroad Medicare contract costs, and audited Railroad Retirement Act benefit overpayments and internal control.

Office of Investigations

The Office of Investigations focuses on identifying, investigating, and presenting RRB fraud cases for prosecution or monetary recovery action. It also seeks to prevent and deter program fraud by reporting systemic weaknesses in agency operations and processes identified through investigative work. In order to maximize the impact of its resources, the office pursues cooperative investigative activities with other inspectors general and law enforcement agencies, such as the Federal Bureau of Investigation, the U.S. Secret Service, and the Postal Inspection Service.

As of September 30, 2011, the Office of Investigations' caseload totaled 547 matters, representing more than \$40 million¹ in potential fraud. During fiscal year 2011, the unit secured 15 arrests, 67 indictments and/or informations, 62 convictions, 21 civil judgments, 111 referrals to the Department of Justice, and more than \$106 million² in financial accomplishments.

Special Reports

During fiscal year 2011, the Office of Inspector General conducted a limited-scope railroad Medicare fraud detection project and subsequently published a special report titled *Railroad Medicare Fraud Detection Contracts: Lessons Learned*. Additionally, it conducted a special review to identify the RRB's current weaknesses and published a report titled *Office of Inspector General's Proposal to Improve Business Efficiency at the Railroad Retirement Board* which detailed ways in which they could be addressed.

¹ This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other Federal programs such as Medicare or social security which have been identified by Office of Investigations' joint investigative work.

² The total amount of financial accomplishments reflects fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other Federal programs such as Medicare or social security which were included in the disposition resulting from the investigation.

LEGAL RULINGS

One ruling on a case involving the RRB was issued by a court of appeals during fiscal year 2011, and seven noteworthy legal opinions were issued by the RRB's Office of General Counsel.

Court Cases

Five petitions for review were filed during fiscal year 2011, with one case decided by a court of appeals. Four petitions were still pending at the end of the year.

Legal Opinions

The RRB's Office of General Counsel issued several formal Legal Opinions in fiscal year 2011, with summaries for three presented here as they are of special interest.

Legal Opinion L-2011-01 addressed the issue of whether retroactive accruals should be paid to annuitants in current-day dollars. An annuitant argued that she was not asking for interest on her accrual, but wanted payment in current-day dollars for the annuity rates she was supposed to have been paid as far back as 1998. She wanted to receive those 1998 and other distant-year rates at the 2010 annuity rate.

The opinion explained that it has been the long-standing practice of the RRB not to use current-day dollars to pay accrual amounts. The RRB, as a Federal agency, only has the authority to pay amounts in accordance with computation provisions contained within its statutes and has not been granted the authority to pay interest. Further, case law has directed that Federal statutes cannot be read to permit interest to run on a recovery against the United States unless Congress has affirmatively mandated such a result. The opinion determined that such a power has not been granted to the RRB by the Congress; therefore, the RRB may not pay accruals in current-day dollars.

Legal Opinion L-2011-05 addressed the status of the National Railroad Retirement Investment Trust (NRRIT) as a "fiduciary" and whether or not it was subject to Statement of Federal Financial Accounting Standards 31, *Accounting for Fiduciary Activities* (SFFAS #31). A "fiduciary" is defined in an appendix to SFFAS #31 to mean a Federal entity that holds assets in trust for non-Federal parties in which the non-Federal parties have an ownership interest that the Federal government must uphold.

The NRRIT was established by Public Law 107-90, which amended the Railroad Retirement Act in 2001. Section 15 of the Act now authorizes the Trust to invest the assets of the Railroad Retirement Account in a diversified portfolio of investments for the benefit of the employees and annuitants covered by the Act. The NRRIT is financed by employment taxes paid by railroad employers and employees and, like social security, individual participants do not have an ownership interest in the assets of the NRRIT. The Supreme Court has pointed out that railroad benefits, like social security benefits, are not contractual and may be altered or even eliminated at any time. Thus, there is no fiduciary status since individual non-governmental entities do not have an ownership interest in the assets.

Legal Opinion L-2011-08 addressed the hiring authority of the RRB to hire attorneys. The Merit System Audit and Compliance section of the Office of Personnel Management (OPM) alleged that the RRB was improperly using delegated authority to competitively appoint attorneys. OPM alleged that Executive Order 9830 (1947) moved all attorney positions to Schedule A of the excepted service and prevents attorneys from being hired into the competitive service.

The RRB's General Counsel pointed out several historical communications, agreements and documents that outline a continuous, recognized agreement that the agency retained the right to hire attorneys according to the provisions of the Railroad Retirement Act. In summary, Section 7(b)(9) of the Railroad Retirement Act grants the RRB authority to fill all positions through the competitive civil service except for one position in each Board Member's office. The historical record shows that the RRB was granted the authority to hire its own attorneys under the Act in 1955. Further, a congressional committee specifically addressed this issue in 1955 and stated that the RRB could continue to hire attorneys into the competitive civil service. Finally, in the mid-1980s and again in the mid-1990s, the RRB worked with OPM to hire attorneys into the competitive civil service and at neither time did OPM question or object to the process.

Appeals

Any claimant for benefits under the Railroad Retirement or Railroad Unemployment Insurance Acts may appeal a determination he or she feels is not justified. This appeal must be filed within certain time frames. Appeals are heard and decided by the RRB's Bureau of Hearings and Appeals. An appellant who is dissatisfied with the decision on his or her appeal may further appeal the case to the three-member Board within a prescribed period of time.

Railroad Retirement Act

During fiscal year 2011, 478 appeals were filed with the Bureau of Hearings and Appeals under the Railroad Retirement Act, and the Bureau rendered decisions in 489 appeals. The initial or reconsideration decision was sustained in 191 cases. In 298 appeals the decision was favorable to the claimant in whole or in part.

Eighty-four appeals were filed with the Board in fiscal year 2011, which, added to the 26 appeals carried over from the previous year, brought the total to be considered to 110. Of 94 decisions, 79 sustained previous rulings of the hearings officer, three were allowed, one was remanded to the Office of Programs, four were remanded to the Bureau of Hearings and Appeals, three were affirmed in part, one denied in part/granted in part, two were dismissed and one was remanded to the Bureau of Fiscal Operations. At the end of the year, 16 appeals were pending before the Board.

Railroad Unemployment Insurance Act

During fiscal year 2011, 54 appeals were filed with the Bureau of Hearings and Appeals under the Railroad Unemployment Insurance Act, and the Bureau rendered decisions in 35 appeals. The initial or reconsideration decision was sustained in 22 cases. In 13 appeals the decision was favorable to the claimant in whole or in part.

Four appeals were filed with the Board in fiscal year 2011. The Board rendered decisions in three cases of appeals from the decision of the referee, affirming the decision of the referee in two, and one was remanded to the Office of Programs. At the end of the year no appeals were pending before the Board.

STATISTICAL TABLES

Table 1.--Beneficiaries and benefits paid under the Railroad Retirement Act and the Railroad Unemployment Insurance Act, by fiscal year, 2002-2011, cash basis

Fiscal year	Total ¹	Retirement ²	Survivor ²	Unemployment ³	Sickness
BENEFICIARIES (in thousands)					
2002.....	719	475	219	17	24
2003.....	699	465	211	15	23
2004.....	677	456	203	12	22
2005.....	659	448	194	10	21
2006.....	643	441	187	9	20
2007.....	641	444	180	10	19
2008.....	623	433	174	11	19
2009.....	626	430	167	24	18
2010.....	617	428	161	22	18
2011.....	603	429	156	11	18
BENEFIT PAYMENTS (in millions)					
2002.....	\$8,742.1	\$6,535.9	\$2,107.5	\$49.2	\$49.4
2003.....	8,957.3	6,726.0	2,136.9	44.3	50.1
2004.....	9,091.3	6,876.9	2,131.3	37.7	45.3
2005.....	9,254.0	7,051.6	2,129.5	29.2	43.7
2006.....	9,513.7	7,294.0	2,146.9	30.8	42.1
2007.....	9,871.5	7,641.1	2,156.4	27.8	46.2
2008.....	10,115.4	7,877.0	2,158.1	35.1	44.9
2009.....	10,663.8	8,311.0	2,192.0	111.7	48.1
2010.....	10,939.8	8,588.6	2,187.1	109.6	50.0
2011.....	11,047.2	8,778.5	2,165.3	48.3	52.3

¹ Beginning in fiscal year 2008, beneficiaries and benefit payments include partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Benefit payments also include a small amount of payments for hospital insurance benefits for services in Canada.

² Retirement benefits include vested dual benefit and supplemental annuity payments. Survivor benefits include vested dual benefit payments.

³ Includes temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009, and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

NOTE.-- Number of beneficiaries represents all individuals paid benefits in year. In total number for each year, beneficiaries are counted only once, even though they may have received more than one type of benefit. In fiscal year 2011, 7,600 individuals received both retirement and survivor benefits, 900 employees received both unemployment and sickness benefits, and 2,800 employees received benefits under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These figures are partly estimated, and totals for earlier years are similarly adjusted.

Table 2.--Status of the Railroad Retirement Act accounts and trust funds, by fiscal year, 2002-2011 (In millions), cash basis

Item	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
RAILROAD RETIREMENT ACCOUNT										
Receipts										
Tax transfers ¹	\$2,743.1	\$2,651.4	\$2,611.0	\$2,606.6	\$2,674.8	\$2,637.8	\$2,636.5	\$2,501.2	\$2,599.0	\$2,712.7
Interest and profit on investments ²	1,875.8	291.8	15.1	15.8	19.6	19.3	12.9	12.0	11.0	12.3
Transfers from the National RR Investment Trust ³.....	.....	300.0	1,564.0	809.0	947.0	1,391.0	1,298.0	1,553.0	1,989.0	1,744.0
Transfers from the SSEB Account ³.....	.....	.....	223.0	149.0	38.0	181.0	147.0	.....	81.0	255.0
Loan repayments from RUI Account ⁴.....	.....	8.2	.....	.....	.....	.....	.....	.....	.....	48.4
Transfer from RR Supplemental Account ⁵	0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....
Expenditures										
Benefit payments ⁶	\$3,240.7	\$3,504.1	\$3,602.4	\$3,679.0	\$3,808.8	\$4,073.0	\$4,121.8	\$4,326.9	\$4,474.4	\$4,600.3
Financial Interchange adjustment ⁷	140.9	72.1	36.6	(137.4)	(85.9)	(45.7)	(100.0)	(104.6)	(13.1)	(88.5)
Net transfers to administration.....	64.9	64.0	65.3	73.7	69.9	64.0	58.4	63.4	68.7	73.6
Transfers to the National RR Investment Trust ³	1,431.6	17,750.0	586.0	.....	.....	.....	.....	.....	.....	.....
Loans to RUI Account.....	7.8	.....	.....	.....	.....	.....	.....	.....	46.5	.....
Balance at end of period⁸.....	\$18,640.4	\$502.2	\$625.6	\$591.1	\$479.4	\$616.9	\$632.0	\$418.2	\$519.0	\$706.5
SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT⁹										
Receipts										
Tax transfers ¹	\$2,134.7	\$2,128.0	\$2,240.8	\$2,370.8	\$2,462.5	\$2,538.0	\$2,649.3	\$2,528.9	\$2,514.9	\$2,675.3
Interest and profit on investments ²	71.6	59.1	20.0	23.3	28.0	29.0	19.9	19.0	18.9	21.9
Transfers under financial interchange ¹⁰	3,646.8	3,747.3	3,843.5	3,917.3	3,846.3	4,019.8	4,049.9	4,137.3	4,391.6	4,574.3
Advances against financial interchange ¹¹	3,153.9	3,236.1	3,245.7	3,256.0	3,241.3	3,232.3	3,385.6	3,661.1	3,819.0	3,820.4
Expenditures										
Benefit payments.....	\$5,243.8	\$5,229.5	\$5,288.7	\$5,395.8	\$5,536.1	\$5,637.9	\$5,835.8	\$6,107.6	\$6,243.7	\$6,291.1
Financial Interchange adjustment ⁷	(140.9)	(72.1)	(36.6)	137.4	85.9	45.7	100.0	104.6	13.1	88.5
Net transfers to administration.....	26.1	22.8	22.9	24.1	24.3	25.6	38.5	32.5	33.6	29.6
Transfers under financial interchange ¹⁰	424.7	426.3	418.6	444.9	471.5	483.3	525.7	524.3	535.1	477.2
Repayment of advances against financial interchange ⁴	3,385.3	3,342.4	3,409.9	3,399.6	3,419.7	3,418.7	3,410.8	3,564.8	3,837.6	3,946.6
Transfers to the National RR Investment Trust/RR Account ³..	.....	1,438.0	223.0	149.0	38.0	181.0	147.0	.....	81.0	255.0
Balance at end of period.....	\$1,890.9	\$674.6	\$698.2	\$714.8	\$717.4	\$744.2	\$791.2	\$803.8	\$804.0	\$807.9

See footnotes at end of table.

Table 2.--Status of the Railroad Retirement Act accounts and trust funds, by fiscal year, 2002-2011 (In millions), cash basis - Continued

Item	Fiscal Year									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST¹²										
Cash and investment balance at end of period ¹³	\$1,420.7	\$23,016.5	\$25,019.7	\$27,636.6	\$29,327.9	\$32,631.4	\$25,271.5	\$23,330.8	\$23,770.4	\$22,119.0
RAILROAD RETIREMENT SUPPLEMENTAL ACCOUNT⁵										
Receipts										
Tax transfers ¹	\$23.5	.....	.....	.....	.....	.....	.....	.....	.....	.....
Interest and profit on investments ²	2.9	.....	.....	.....	.....	.....	.....	.....	.....	.....
Expenditures										
Benefit payments ⁶	\$16.8	.....	.....	.....	.....	.....	.....	.....	.....	.....
Net transfers to administration	0.7	.....	.....	.....	.....	.....	.....	.....	.....	.....
Transfers to the National RR Investment Trust ³	70.4	.....	.....	.....	.....	.....	.....	.....	.....	.....
Transfer to Railroad Retirement Account	0.1	.....	.....	.....	.....	.....	.....	.....	.....	.....
Balance at end of period .....	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
DUAL BENEFITS PAYMENTS ACCOUNT¹⁴										
Dual benefit transfers ¹⁵	\$146.0	\$131.1	\$118.3	\$107.1	\$97.0	\$88.0	\$79.0	\$72.0	\$64.0	\$56.9
Benefit payments	142.2	129.4	117.3	106.3	96.0	86.5	77.7	69.5	62.1	55.2
Balance at end of period ⁸	\$3.9	\$1.8	\$1.0	\$0.8	\$1.0	\$1.5	\$1.3	\$2.5	\$1.9	\$1.7

See footnotes at end of table.

Footnotes - Table 2

¹ Net of U.S. Treasury adjustments for payroll tax refunds to certain carriers and their employees for prior periods. Includes Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended. Beginning in January 2011, Social Security Equivalent Benefit Account includes general revenue transfers under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010.

² Net of interest on U.S. Treasury adjustments for payroll tax refunds (see note 1).

³ Under the Railroad Retirement and Survivors' Improvement Act of 2001, as amended, the portion of the Railroad Retirement Account not needed to pay current administrative expenses is to be transferred to the National Railroad Retirement Investment Trust (Trust). The Trust may transfer funds back to the Railroad Retirement Account for payment of benefits. The balance of the Social Security Equivalent Benefit (SSEB) Account not needed to pay current benefits and administrative expenses is to be transferred to the Trust or to the Railroad Retirement Account. The SSEB Account transferred funds to the Trust in fiscal year 2003 and to the Railroad Retirement Account thereafter.

⁴ Includes interest.

⁵ Under the Railroad Retirement and Survivors' Improvement Act of 2001, the supplemental work-hour tax was repealed for years after 2001, and the separate Railroad Retirement Supplemental Account was eliminated. The balance remaining in the Railroad Retirement Supplemental Account was transferred to the Railroad Retirement Account.

⁶ Effective January 1, 2002, supplemental benefits are paid from the Railroad Retirement Account.

⁷ Adjustments in benefit payments charged to the Social Security Equivalent Benefit Account as compared to actual financial interchange benefits, with interest.

⁸ The Railroad Retirement Account balance reflects (a) the current net difference between Board payments of social security benefits and the receipt of reimbursements for such payments, (b) liabilities for uncashed check credits received from U.S. Treasury, and (c) credits for undistributed payment returns and recoveries. The Dual Benefits Payments Account balance does not carry over to the following year.

⁹ Established October 1, 1984, to keep track of the financing and payment of social security level portions of railroad retirement benefits.

¹⁰ Transfers to or from OASDHI Trust Funds under section 7(c)(2) of the 1974 Railroad Retirement Act.

¹¹ Advances, including interest, from U.S. Treasury to offset lag in receipt of financial interchange funds under section 7(c)(4) of the 1974 Railroad Retirement Act as amended.

¹² Established February 1, 2002, for investment of railroad retirement assets.

¹³ Source: National Railroad Retirement Investment Trust.

¹⁴ Established October 1, 1981, to keep track of the financing and payment of vested dual benefits.

¹⁵ Transfers from U.S. Treasury under section 15(d) of the Railroad Retirement Act of 1974 and Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended.

Table 3.--Status of the Railroad Unemployment Insurance Account, by fiscal year, 2007-2011 (In thousands), cash basis

Item	Fiscal year				
	2007	2008	2009	2010	2011
RECEIPTS					
Taxes.....	\$65,995	\$67,074	\$69,600	\$75,298	\$149,287
Interest.....	3,963	6,838	4,688	1,354	1,933
Transfer from Administration fund under sec. 11(d) of the RUI Act.....	8,923	8,711	9,808	8,305	7,918
Undistributed recoveries of benefit payments ¹	1,405	(34)	(169)	354	(48)
Loans from the RR Account.....	....	....	....	46,500	....
Total.....	\$80,286	\$82,589	\$83,927	\$131,812	\$159,089
EXPENDITURES					
Benefit payments ²	\$74,004	\$80,068	\$149,555	\$139,392	\$91,929
Repayment of RRA Loans.....	....	....	....	....	48,408
Funding for Office of Inspector General.....	1,572	1,550	1,536	1,274	1,077
Total.....	\$75,577	\$81,618	\$151,091	\$140,666	\$141,414
Cash balance end of period.....	\$104,316	\$105,287	\$38,123	\$29,269	\$46,944
LOANS DUE RAILROAD RETIREMENT ACCOUNT					
Loans.....	....	....	....	\$46,500	....
Interest accrued.....	....	....	....	878	\$1,030
Repayment from RUI Account.....	....	....	....	....	48,408
Due RR Account end of period.....	....	....	....	\$47,378	....

¹ Net of distributed payments.

² Excludes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. FY 2009: \$10,249,000, FY 2010: \$20,171,000, and FY 2011: \$8,736,000.

Table 4.--Status of the RUIA Administration Fund, by fiscal year, 2002-2011 (In thousands), cash basis

Fiscal year	Taxes and interest	Administrative expenditures ¹	Transfer to Railroad Unemployment Insurance Account under Sec. 11d ²	Balance at end of period
2002	\$20,032	\$13,266	\$6,734	\$8,043
2003	21,313	15,407	5,645	8,304
2004	20,787	15,846	6,608	6,637
2005	21,126	15,761	6,544	5,457
2006	21,980	10,610	6,664	10,163
2007	23,082	14,415	8,923	9,907
2008	23,945	14,713	8,711	10,427
2009	23,151	14,305	9,808	9,465
2010	22,990	15,729	8,305	8,421
2011	23,722	12,442	7,918	11,783

¹ Expenditures for each year included encumbrances as of end of year. Fiscal years 2006-2009 and 2011 reflect reallocation of prior period administrative expenses between the Railroad Retirement Act and Railroad Unemployment Insurance Act programs.

² Transfers to the Railroad Unemployment Insurance Account are based on the amount the accrual balance on the prior September 30 exceeded \$6,000,000.

Table 5.--Number and average amount of retirement and survivor annuities in current-payment status at end of year, by type of annuitant and fiscal year, 2002-2011

Fiscal year	Total ¹	Retired employees			Spouses and divorced spouses	Aged widow(er)s ³	Disabled widow(er)s	Widowed mothers (fathers) ³	Children	Remarried widow(er)s	Divorced widow(er)s ³
		Age	Disability	Supplemental ²							
NUMBER AT END OF YEAR											
2002	775,638	216,044	81,653	132,066	151,006	160,490	5,236	1,114	12,804	5,619	9,545
2003	756,176	210,363	82,572	129,201	146,740	153,673	5,105	1,035	12,472	5,421	9,541
2004	736,787	204,650	83,302	125,992	142,881	146,943	4,936	1,050	12,176	5,256	9,550
2005	721,659	199,767	84,000	123,550	141,330	140,595	4,835	999	11,795	5,078	9,657
2006	706,158	195,380	84,321	121,407	138,492	134,811	4,733	927	11,448	4,907	9,682
2007	696,472	193,282	84,319	121,188	137,371	129,350	4,596	877	11,078	4,751	9,615
2008	686,636	191,146	84,049	120,824	136,332	124,089	4,450	832	10,692	4,552	9,552
2009	680,534	190,302	83,804	120,778	136,467	119,459	4,323	814	10,417	4,361	9,520
2010	676,653	190,236	83,517	121,166	137,112	114,929	4,251	776	10,168	4,161	9,595
2011	672,484	190,100	83,109	121,422	138,253	110,372	4,136	745	9,881	4,003	9,598
AVERAGE AMOUNT											
2002 .....	.....	\$1,496	\$1,624	\$42	\$579	\$948	\$799	\$1,228	\$728	\$627	\$633
2003 .....	.....	1,554	1,683	42	598	985	831	1,279	744	647	649
2004 .....	.....	1,619	1,751	42	620	1,026	865	1,337	766	673	674
2005 .....	.....	1,693	1,825	42	638	1,069	902	1,388	789	704	703
2006 .....	.....	1,789	1,920	42	671	1,122	946	1,423	823	747	740
2007 .....	.....	1,890	2,005	42	709	1,173	989	1,471	853	781	773
2008 .....	.....	1,982	2,070	42	742	1,222	1,025	1,529	879	816	804
2009 .....	.....	2,126	2,197	42	795	1,294	1,084	1,597	935	879	867
2010 .....	.....	2,186	2,221	42	817	1,329	1,108	1,643	937	896	880
2011 .....	.....	2,244	2,244	42	839	1,366	1,133	1,663	941	907	892

¹ Includes annuities to parents and, beginning in fiscal year 2008, partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. On September 30, 2011, there were 29 parents' annuities in current-payment status averaging \$945 and 836 partition payments averaging \$292.

² Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions.

³ Numbers include annuities temporarily being paid at spouse annuity rates, pending final adjudication of survivor annuities.

NOTE.--Data exclude survivor (option) annuities, last payable in December 2005.

Table 6.--Number and average amount of retirement and survivor annuities awarded during year, by type of annuitant and fiscal year, 2002-2011

Fiscal year	Total ¹	Retired employees			Spouses and divorced spouses	Aged widow(er)s	Disabled widow(er)s	Widowed mothers (fathers)	Children	Remarried widow(er)s	Divorced widow(er)s
		Age	Disability	Supplemental ²							
NUMBER AWARDED											
2002.....	44,485	11,127	5,206	8,337	9,764	8,104	199	161	590	273	716
2003.....	37,841	8,261	4,955	6,124	8,749	7,800	244	162	645	216	684
2004.....	36,083	7,801	4,764	5,590	8,579	7,320	218	186	660	258	702
2005 ³	37,405	7,958	4,399	5,671	10,380	7,020	239	176	581	221	751
2006.....	35,137	7,919	4,128	5,717	8,830	6,820	204	107	504	197	709
2007.....	38,743	9,643	3,619	7,273	10,065	6,482	205	113	498	182	661
2008.....	38,591	9,753	3,402	7,090	10,127	6,511	166	143	515	188	693
2009.....	39,317	10,310	3,213	7,015	10,919	6,283	181	142	463	166	622
2010.....	40,191	10,712	3,161	7,319	11,256	6,163	189	99	429	157	702
2011.....	39,647	10,542	3,086	7,087	11,301	6,053	173	110	417	158	718
Cumulative 1937-2011	5,053,127	1,473,144	516,949	489,784	1,166,349	1,023,167	18,327	84,986	237,034	15,355	24,494
AVERAGE AMOUNT											
2002.....	.....	\$2,243	\$2,051	\$42	\$697	\$1,286	\$1,148	\$1,319	\$961	\$697	\$705
2003.....	.....	2,201	2,092	41	733	1,346	1,262	1,384	953	775	743
2004.....	.....	2,247	2,168	41	744	1,378	1,257	1,550	998	816	777
2005 ³.....	.....	2,285	2,210	41	655	1,416	1,288	1,397	1,023	821	796
2006.....	.....	2,389	2,308	41	794	1,493	1,334	1,492	1,056	865	822
2007.....	.....	2,562	2,397	41	890	1,557	1,373	1,585	1,099	885	854
2008.....	.....	2,650	2,441	41	911	1,629	1,385	1,721	1,153	964	901
2009.....	.....	2,685	2,558	41	931	1,708	1,443	1,709	1,233	1,030	996
2010.....	.....	2,786	2,509	41	950	1,740	1,536	1,778	1,203	1,064	963
2011.....	.....	2,814	2,524	41	958	1,789	1,531	1,779	1,194	1,077	991

¹ Excludes partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Includes annuities to parents. Fiscal year 2011 total includes 2 annuities to parents averaging \$1,006. Cumulative total includes 3,538 annuities to parents.

² Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions.

³ An unusually large number of spouse awards were made with small or no tier 1 amounts, resulting in larger than normal numbers of spouse awards and smaller than normal award amounts.

NOTE.--Cumulative figures reflect adjustments not made in yearly data, but average amounts for each year include effects of changes in rates made by the end of the year.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2011, by class and state (Amounts in thousands)

State ³	Total ¹		Retirement benefits ²		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Alabama.....	11,900	\$16,733	9,500	\$13,580	2,400	\$3,152
Alaska.....	200	284	200	222	100	61
Arizona.....	11,800	15,607	9,500	12,622	2,300	2,980
Arkansas.....	12,300	17,431	10,300	14,737	2,100	2,688
California.....	34,900	45,228	27,500	36,155	7,300	9,059
Colorado.....	9,600	13,518	7,800	11,225	1,800	2,288
Connecticut.....	3,100	4,595	2,300	3,642	700	953
Delaware.....	2,400	3,424	1,900	2,796	500	627
Washington DC.....	500	561	400	445	100	116
Florida.....	36,200	48,741	29,500	40,503	6,700	8,227
Georgia.....	20,600	28,961	16,900	24,192	3,700	4,764
Hawaii.....	200	250	200	191	(4)	58
Idaho.....	5,700	7,935	4,700	6,531	1,000	1,402
Illinois.....	42,300	55,673	33,700	44,738	8,500	10,917
Indiana.....	20,100	27,525	16,000	22,132	4,100	5,384
Iowa.....	11,200	15,065	8,900	12,024	2,300	3,037
Kansas.....	17,600	24,543	14,400	20,279	3,200	4,257
Kentucky.....	18,600	25,246	15,000	20,456	3,700	4,783
Louisiana.....	9,300	12,691	7,300	10,147	1,900	2,541
Maine.....	3,400	4,262	2,600	3,261	800	1,000
Maryland.....	10,700	14,302	8,200	11,241	2,400	3,060
Massachusetts.....	4,800	6,271	3,700	4,899	1,100	1,371
Michigan.....	17,700	23,619	14,200	19,014	3,500	4,596
Minnesota.....	18,500	24,363	14,600	19,437	3,800	4,919
Mississippi.....	7,800	10,372	6,200	8,343	1,600	2,028
Missouri.....	23,700	31,969	19,200	26,209	4,500	5,747
Montana.....	7,200	10,052	5,800	8,224	1,300	1,824
Nebraska.....	15,600	23,053	13,200	19,739	2,400	3,307
Nevada.....	4,100	5,493	3,300	4,483	800	1,008
New Hampshire.....	1,000	1,374	800	1,059	200	315
New Jersey.....	10,400	14,636	7,900	11,477	2,500	3,157
New Mexico.....	5,400	7,185	4,200	5,722	1,100	1,460
New York.....	25,500	37,017	19,800	30,008	5,700	7,004
North Carolina.....	12,600	16,723	9,900	13,392	2,700	3,328
North Dakota.....	3,900	5,332	3,000	4,173	800	1,156

See footnotes at end of table.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2011, by class and state (Amounts in thousands) - Continued

State ³	Total ¹		Retirement benefits ²		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Ohio.....	33,000	\$43,330	25,400	\$33,438	7,600	\$9,884
Oklahoma.....	6,200	8,506	4,900	6,844	1,300	1,659
Oregon.....	10,100	13,614	8,000	10,928	2,100	2,683
Pennsylvania.....	41,400	55,938	30,800	42,293	10,600	13,640
Rhode Island.....	700	888	500	699	200	190
South Carolina.....	8,300	11,419	6,600	9,339	1,700	2,077
South Dakota.....	1,800	2,469	1,500	2,036	300	432
Tennessee.....	15,300	20,995	12,200	17,058	3,100	3,933
Texas.....	41,800	58,391	33,600	47,709	8,100	10,650
Utah.....	6,500	9,126	5,200	7,302	1,300	1,822
Vermont.....	900	1,141	700	848	200	293
Virginia.....	20,800	28,402	16,300	22,668	4,500	5,729
Washington.....	14,100	19,151	11,300	15,461	2,800	3,684
West Virginia.....	10,700	14,403	8,100	10,969	2,600	3,432
Wisconsin.....	12,400	16,030	9,800	12,777	2,500	3,248
Wyoming.....	4,000	5,907	3,300	5,012	600	893
Outside United States:						
Canada.....	2,600	1,803	1,700	969	900	834
Mexico.....	300	241	100	95	200	146
Other.....	700	719	400	456	300	262
Total⁵.....	672,500	\$912,539	532,900	\$734,207	138,800	\$178,088

¹ Includes 800 partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity.

² Includes 121,400 supplemental annuities to employees receiving regular annuities. In a relatively small number of cases, employees were also receiving spouse or widow(er)'s benefits.

³ State of residence of beneficiary on September 30, 2011.

⁴ Less than 50.

⁵ Includes beneficiaries whose state of residence was unknown.

NOTE.--Retirement benefits include regular and supplemental employee annuities, spouse annuities and divorced spouse annuities. Survivor benefits include annuities to aged and disabled widow(er)s, widowed mothers and fathers, remarried and divorced widow(er)s, children, parents, and widow(er)s annuities temporarily being paid at spouse annuity rates pending final adjudication of survivor annuities. Benefit amounts exclude social security payments to dual beneficiaries.

**Table 8.-- Principal administrative data for the unemployment and sickness benefit programs,
benefit years 2006-2007 through 2010-2011, cash basis**

Item	2006-2007	2007-2008	2008-2009	2009-2010	2010-2011
Qualified employees.....	250,200	255,200	255,500	252,300	239,100
Maximum daily benefit rate.....	\$57	\$59	\$61	\$64	\$66
UNEMPLOYMENT BENEFITS					
Net amount of benefits paid (thousands)	\$29,627	\$32,212	\$77,804	\$138,175	\$51,424
Payments:¹					
Number.....	56,600	64,600	139,100	241,200	89,300
Average amount per two week claim period.....	\$499	\$519	\$520	\$553	\$566
Beneficiaries.....	9,500	10,100	21,400	24,800	11,600
Applications received.....	12,200	13,200	32,600	24,500	14,500
Claims received.....	68,800	78,000	166,900	265,900	101,100
Normal benefit accounts exhausted.....	1,800	2,000	3,100	7,500	2,800
Non-compensable waiting period only²..	(3)	(3)	(3)	(3)	(3)
SICKNESS BENEFITS					
Net amount of benefits paid (thousands)	\$43,533	\$46,115	\$45,158	\$52,358	\$51,161
Payments:¹					
Number.....	128,300	122,400	117,200	120,000	117,100
Average amount per two week claim period.....	\$503	\$520	\$538	\$565	\$585
Beneficiaries.....	19,000	18,400	17,600	17,800	17,400
Applications received.....	23,300	22,500	21,500	21,500	21,200
Claims received.....	149,700	143,000	137,400	140,400	137,300
Normal benefit accounts exhausted.....	3,500	3,300	3,100	3,200	3,100
Non-compensable waiting period only²..	100	100	100	100	100

¹ Not adjusted for recoveries or settlements of underpayments.

² Benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year.

³ Less than 50.

NOTE.--Data covered program activities during the year, regardless of when unemployment or sickness occurred. Starting in June 2009, includes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009. Beginning in November 2009, temporary extended unemployment benefits are also being paid under the Worker, Homeownership, and Business Assistance Act of 2009. The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, enacted December 17, 2010, extended the special unemployment benefit provisions for an additional year. Net benefits for these temporary payments were \$1,058,000 in benefit year 2008-2009, \$26,850,000 in 2009-2010 and \$9,388,000 in 2010-2011.

Table 9.--All employees, new entrants, employees qualified for RUIA benefits, and related data, by employer, 2010

Class or name of employer	All employees				New entrants		Creditable Compensation (thousands)		
	Total	With 12 months of service in 2010	With sufficient service for RRA annuity	Qualified for RUIA benefits	Total	Qualified for RUIA benefits	Tier I	Tier II	RUIA
CLASS OF EMPLOYER									
Class I railroads.....	193,853	152,983	149,396	185,032	9,358	4,182	\$11,990,923	\$11,333,865	\$2,791,797
Class II railroads.....	5,544	4,289	4,017	5,098	319	143	292,329	282,760	76,530
Class III railroads and switching & terminal companies.....	41,063	33,476	29,757	38,789	2,184	1,100	2,535,651	2,350,542	589,524
Car-loan companies.....	1,346	965	1,099	1,179	98	27	73,503	68,923	17,565
Miscellaneous employers ¹	5,643	3,786	3,169	5,010	1,107	779	337,907	294,279	70,792
Total.....	247,449	195,499	187,438	235,108	13,066	6,231	\$15,230,313	\$14,330,369	\$3,546,207
SELECTED EMPLOYERS									
BNSF Railway Co.....	42,750	34,235	33,777	40,726	1,375	379	\$2,829,914	\$2,638,582	\$617,410
Canadian National, U.S. Operations									
Bessemer and Lake Erie Railroad Co.....	85	63	67	80	2	2	4,495	4,469	1,164
Chicago Central and Pacific Railroad Co.....	255	217	216	253	5	4	18,043	16,194	3,825
Duluth, Missabe and Iron Range Railway Co.....	373	256	229	338	61	31	23,108	21,391	5,021
Duluth, Winnipeg and Pacific Railway Co.....	105	93	82	102	1	.....	7,952	7,452	1,557
Elgin, Joliet and Eastern Railway Co.....	224	141	157	195	34	8	12,841	12,394	2,866
Grand Trunk Western Railroad Co.....	1,015	770	889	973	39	20	69,529	63,648	14,600
Illinois Central Railroad Co.....	3,906	3,134	3,029	3,752	220	130	271,369	244,504	56,833
Pittsburgh and Conneaut Dock Co.....	33	21	32	27	.....	.....	1,115	1,115	372
Wisconsin Central LTD.....	1,332	1,064	1,132	1,295	44	21	86,735	81,253	19,616
Canadian Pacific, Soo Line Corporation									
Dakota, Minnesota & Eastern Railroad Corp.....	1,128	798	719	1,056	128	76	57,492	56,385	15,645
Delaware and Hudson Railway Co. Inc.....	520	377	406	504	7	3	28,366	27,491	7,396
Soo Line Railroad Co.....	2,918	2,208	2,180	2,753	272	154	169,732	162,242	41,350
CSX Transportation Inc.....	31,792	24,086	24,111	30,310	1,622	855	1,925,388	1,839,191	453,109
Kansas City Southern Railway Co.....	2,874	2,265	2,019	2,699	201	84	171,159	164,059	41,029
Gateway Eastern Railway Co.....	13	9	8	10	4	1	549	549	167
Texas Mexican Railway Co.....	185	139	135	176	12	6	11,923	11,201	2,650
National Railroad Passenger Corp. (Amtrak).....	21,773	17,764	15,811	21,059	1,213	768	1,328,630	1,245,498	319,280
Norfolk Southern Corp.....	31,477	24,699	23,109	29,623	2,658	1,189	1,813,444	1,749,071	448,071
Union Pacific Railroad Co.....	51,095	40,644	41,288	49,101	1,460	451	3,159,138	2,987,175	739,836

¹ Includes labor organizations, lessor companies, employer associations and miscellaneous carrier affiliates.

NOTE.--Tier I compensation excludes miscellaneous compensation taxable at the tier I tax rate.

**United States
Railroad Retirement Board**

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