



U.S. RAILROAD RETIREMENT BOARD

An Agency Overview

www.rrb.gov

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The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage.

During fiscal year 2011, retirement-survivor benefits of some \$10.9 billion were paid to about 578,000 beneficiaries. Net unemployment-sickness benefits of \$101 million (including almost \$9 million in 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) were paid to approximately 28,000 claimants. At the end of fiscal year 2011, the average annuity paid to retired rail employees was nearly \$2,265 a month, spouse benefits averaged \$840 a month, and benefits for aged widow(er)s averaged \$1,365 a month. The maximum biweekly rate for unemployment and sickness benefits was \$660.

Development of the Railroad Retirement and Unemployment Insurance Systems

The RRB was created in the 1930s by legislation establishing a retirement benefit program for the nation's railroad workers. Private industrial pension plans had been pioneered in the railroad industry; the first industrial pension plan in North America was established on a railroad in 1874. By the 1930s, pension plans were far more developed in the railroad industry than in most other businesses or industries, but these plans had serious defects which were magnified by the Great Depression.

Retirement program.--The economic conditions of the 1930s demonstrated the need for retirement plans on a national basis, because few of the nation's elderly were covered under any type of retirement program. While the social security system was in the planning stage, railroad workers sought a separate railroad retirement system which would continue and broaden the existing railroad programs under a uniform national plan. The proposed social security system was not scheduled to begin monthly benefit payments for several years and would not give credit for service performed prior to 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation was enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the social security program legislated in 1935. Such legislation, taking into account particular circumstances of the rail industry, was not without precedent. Numerous laws pertaining to rail operations and safety had already been enacted since the Interstate Commerce Act of 1887. Since passage of the Railroad Retirement Acts of the 1930s, numerous other railroad laws have subsequently been enacted.

While the railroad retirement system has remained separate from the social security system, the two systems are closely coordinated with regard to earnings credits, benefit payments, and taxes. The financing of the two systems is linked through a financial interchange under which, in effect, the portion of railroad retirement annuities that is equivalent to social security benefits is coordinated with the social security system. The purpose of this financial coordination is to place the social security trust funds in the same position they would be in if railroad service were covered by the social security program instead of the railroad retirement program.

Legislation enacted in 1974 restructured railroad retirement benefits into two tiers, so as to coordinate them more fully with social security benefits. The first tier is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier is based on railroad service only and is comparable to the pensions paid over and above social security benefits in other industries.

Unemployment insurance program.—The railroad unemployment insurance system was also established in the 1930s. The Great Depression demonstrated the need for unemployment compensation programs, and State unemployment programs had been established under the Social Security Act in 1935. While the State unemployment programs generally covered railroad workers, railroad operations which crossed State lines caused special problems. Unemployed railroad workers were denied compensation by one State because their employers had paid unemployment taxes in another State. Although there were cases where employees appeared to be covered in more than one State, they often did not qualify in any.

A Federal study commission, which reported on the nationwide State plans for unemployment insurance, recommended that railroad workers be covered by a separate plan because of the complications their coverage had caused the State plans. Congress subsequently enacted the Railroad Unemployment Insurance Act in June 1938. The Act established a system of benefits for unemployed railroaders, financed entirely by railroad employers and administered by the RRB. Sickness benefits were added in 1946.

Railroad Retirement Act

Under the Railroad Retirement Act, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Such annuities are also payable to workers with 5 years of service if performed after 1995.

Provisions.--Full age annuities are payable at age 60 to workers with 30 years of service. For those with less than 30 years of service, reduced annuities are payable at age 62 and unreduced annuities are payable at full retirement age, which is gradually rising from 65 to 67, depending on the year of birth. Disability annuities can be paid on the basis of total or occupational disability. Annuities are also payable to spouses and divorced spouses of retired workers and to widow(er)s, surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers. Qualified railroad retirement beneficiaries are covered by Medicare in the same way as social security beneficiaries.

As noted, the RRB pays retirement annuities to employees, as well as their spouses and/or divorced spouses, if the employee had at least 10 years of railroad service, or 5 years if performed after 1995. However, for survivor benefits, there is an additional requirement that the employee's last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee's railroad retirement credits to the Social Security Administration, where they are treated as social security credits.

Financing.--Payroll taxes paid by railroad employers and their employees are the primary source of funding for the railroad retirement-survivor benefit programs. Railroad retirement taxes, which have historically been higher than social security taxes, are calculated, like benefit payments, on a two-tier basis. Railroad retirement tier I payroll taxes are coordinated with social security taxes so that employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels. These tier II taxes are based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses.

Revenues in excess of benefit payments are invested to provide additional trust fund income. The National Railroad Retirement Investment Trust manages and invests railroad retirement assets. Railroad retirement funds are invested in non-governmental assets, as well as in governmental securities.

Additional trust fund income is derived from the financial interchange with the social security trust funds, revenues from Federal income taxes on railroad retirement benefits, and appropriations from general treasury revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

Railroad Unemployment Insurance Act

Under the Railroad Unemployment Insurance Act, unemployment insurance benefits are paid to railroad workers who are unemployed but ready, willing, and able to work and sickness

benefits to railroad workers who are unable to work because of illness or injury. The RRB also operates a placement service to assist unemployed railroaders in securing employment.

Benefit year.--A new unemployment-sickness benefit year begins every July 1, with eligibility generally based on railroad service and earnings in the preceding calendar year. Up to 26 weeks of normal unemployment or sickness benefits are payable to an individual in a benefit year. Additional extended benefits are payable to persons with 10 or more years of service.

Financing.--The railroad unemployment-sickness benefit program is financed by taxes on railroad employers under an experience-rating system. Each employer's payroll tax rate is determined annually by the RRB on the basis of benefit payments to the railroad's employees.

Railroad Medicare

Railroad workers are covered under the Medicare program just like workers covered under social security. 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 basic hospital insurance (Part A), which is financed through payroll taxes, there is an elective supplementary medical insurance (Part B) that covers many other medical services, such as doctor visits, durable medical equipment, and outpatient services that are not covered by hospital insurance.

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 that 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. Palmetto GBA, a subsidiary of Blue Cross and Blue Shield, processes medical insurance (Part B) claims for railroad retirement Medicare beneficiaries.

RRB Organization and Functions

The RRB is headed by three members appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon the recommendation of railroad employers, one is appointed upon the recommendation of railroad labor organizations and the third, who is the Chairman, is appointed to represent the public interest. The Board Members' terms of office are 5 years and expire in different years. The President also appoints an Inspector General for the RRB.

The primary function of the RRB is the determination and payment of benefits under the retirement-survivor and unemployment-sickness programs. To this end, the RRB employs field representatives to assist railroad personnel and their families in filing claims for benefits,

examiners to adjudicate the claims, and information technology staff, equipment and programs to maintain earnings records, calculate benefits, and process payments.

The RRB also employs actuaries to predict the future income and outlays of the railroad retirement system, statisticians to provide vital data, and attorneys to interpret legislation and represent the RRB in litigation. The Inspector General employs auditors and investigators to detect waste, fraud, or abuse in the benefit programs.

The RRB and the Federal Government

As an independent agency in the executive branch of the Federal Government, the RRB reports to the President on its operations and to Congress. RRB officials also may testify at congressional hearings on issues related to the Railroad Retirement and Railroad Unemployment Insurance Acts. Congress also appropriates funds to the railroad retirement system for benefit payments and administrative expenses.

The RRB works closely with other Federal agencies and with some State agencies. Its dealings with some of these agencies, such as the President's Office of Management and Budget, the Office of Personnel Management, the Government Accountability Office, and the Department of Treasury, are similar to those of other executive branch agencies. Interactions with some others – principally the Social Security Administration, the Centers for Medicare & Medicaid Services, State employment security departments and, on a smaller scale, the Department of Labor – are specifically related to the RRB's various benefit programs.

The RRB and the National Railroad Retirement Investment Trust

The National Railroad Retirement Investment Trust was established by the Railroad Retirement and Survivors' Improvement Act of 2001. The sole purpose of the Trust is to manage and invest railroad retirement assets. The Trust is a tax-exempt entity independent from the Federal Government.

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.

The Trust is comprised of seven trustees, with railroad labor unions and railroad companies each selecting three. A seventh independent trustee is selected by the other six. In turn, they hire professional staff to manage investment of the assets. The Trust has no powers or authority over the administration of benefits under the Railroad Retirement Act. While the Act does not delegate any authority to the RRB with respect to day-to-day activities of the Trust, the Act does provide that the RRB may bring a civil action to enjoin any act or practice of the Trust that violates the provisions of the Act or to enforce any provision of the Act.

The RRB and the Railroad Industry

The administrative organization of the RRB fosters close relations with railroad employers, employees and their representatives. Two of the three Board Members are appointed on the recommendations of railway labor and management associations and labor and management officials have been active in the development of the railroad retirement and unemployment insurance programs since their inception.

In addition, the RRB relies on railroad employers and labor groups for assistance in keeping railroad personnel informed about the benefit programs.

Informational programs are conducted for railroad management and labor officials to acquaint them with the details of the benefit programs, and these officials, in turn, educate railroad workers as to their benefit rights and responsibilities.

Railroad employers and railway labor groups also cooperate with the RRB in a joint placement program to find jobs for unemployed personnel. These joint placement efforts help to reduce the costs of the unemployment insurance program.

The RRB has direct contact with railroad employees through its field offices where its personnel explain benefit rights and responsibilities on an individual basis, assist employees in applying for benefits, provide related services for annuitants, and answer any questions related to the benefit programs. The RRB maintains field offices in railroad locales across the United States. A single toll-free number (1-877-772-5772) provides RRB customers with easy access to the agency's field offices.

The RRB's headquarters is located at 844 North Rush Street, Chicago, Illinois 60611-2092.

A list of the RRB's publications is provided on the following pages.

Information on the RRB is also available on the Internet at www.rrb.gov.

**Prepared by
U.S. RAILROAD RETIREMENT BOARD
Public Affairs
844 North Rush Street
Chicago, Illinois 60611-2092**

Publications

The following publications pertaining to benefits payable by the RRB are available at any RRB field office, or RRB headquarters at 844 North Rush Street, Chicago, Illinois 60611-2092. Most are also available on the agency's website at www.rrb.gov.

- ***Railroad Retirement and Survivor Benefits***, RRB Form IB-2
- ***Guide to Railroad Retirement and Survivor Benefits***
(Spanish-language edition), RRB Form RB-4a
- ***Federal Income Tax and Railroad Retirement Benefits***, (Questions and Answers)
- ***Medicare for Railroad Workers and Their Families***, RRB Form RB-20
- ***Railroad Unemployment and Sickness Benefits***, RRB Form UB-9

The following publications pertain to administrative, financial, statistical, legal and other aspects of the railroad retirement and unemployment insurance systems and are available on the RRB's website.

- ***Annual Report*** - yearly summary of RRB's operations is distributed to officials of railway management and labor, members of Congress, officials of the Federal Government, and requesting libraries.

- ***Performance and Accountability Report*** - annual report that highlights goals and accomplishments of the RRB in the most recent fiscal year, future plans, and a summary review of the agency's financial statements.

- ***Railroad Retirement Handbook*** - a comprehensive single source of authoritative information on the development and character of the railroad retirement and railroad unemployment insurance systems.

- ***RRB News*** - periodic news releases distributed to editors of railway publications and major newspapers, officials of railway management and labor, and requesting agencies and organizations in and outside of the Federal Government.

- ***Railroad Retirement Information*** - questions and answers distributed monthly to editors of railway publications and officials of railway management and labor.

- **Statistical Tables** and **Quarterly Benefit Statistics** - distributed to officials of railway management and labor organizations and requesting libraries.
 - **RRB Strategic Plan** - long-range planning document, updated on a periodic basis, that outlines agency plans to improve RRB operations and provide outstanding customer service.
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The RRB headquarters building, located at 844 North Rush Street in Chicago, Illinois, was formally renamed as the William O. Lipinski Federal Building in June 2011. Lipinski was a long-serving congressman from the Chicago area who was active in transportation issues.

