RAILROAD RETIREMENT BOARD

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2015

Railroad Retirement Board
Performance and Accountability Report
Fiscal Year 2015

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MESSAGE FROM THE BOARD MEMBERS

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Message from the Board Members

This fiscal year 2015 Performance and Accountability Report highlights the goals and accomplishments of the Railroad Retirement Board (RRB) in achieving its mission of administering the retirement, disability, and survivor benefit programs provided under the Railroad Retirement Act, and the unemployment and sickness insurance benefit programs provided under the Railroad Unemployment Insurance Act (RUIA). This report describes our continuing efforts to provide timely and useful information to RRB managers, the Office of Management and Budget (OMB), Congress, and our constituents. We are proud of the agency's dedicated employees whose achievements are reflected in this report.

Under provisions of the Budget Control Act of 2011 (BCA), across-the-board cuts in Federal spending took effect March 1, 2013. While railroad retirement, survivor and disability payments are not affected by this measure, unemployment and sickness insurance benefits payable under the RUIA are impacted. Benefits payable for days October 1, 2014 through September 30, 2015, were reduced by 7.3 percent. The reduction was required by the sequestration order issued by the President in accordance with the BCA. In the event that Congress and the Administration do not eliminate sequestration for fiscal year 2016, a sequestration reduction will be applied starting on October 1, 2015, and beyond.

We believe the performance and financial data presented in this report are complete and reliable in accordance with OMB guidance. The adequacy and effectiveness of our management controls and the compliance of our financial management systems with government-wide requirements are delineated in the Systems and Controls part of the Management's Discussion and Analysis section. That part also provides the status of the actions we are taking and progress we are making to correct a material weakness identified by the Office of Inspector General for financial reporting.

We will continue to apply information technology and innovation to provide excellent customer service to the railroad employers, railroad employees, and the beneficiaries whom we serve. We are also committed to prudent stewardship over the agency trust funds and the administrative resources entrusted to us.

Original signed by:

Walter A. Barrows, Labor Member
Steven J. Anthony, Management Member

November 4, 2015

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis

Overview of the Railroad Retirement Board

Mission

The RRB is an independent agency in the executive branch of the Federal Government. The agency's mission statement is as follows:

> *The RRB'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 RRB 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 RRB 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 RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.*

Major Program Areas

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 rail industry than in most other businesses or industries, but these plans had serious defects which were magnified by the Great Depression.

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 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 private pensions paid over and above social security benefits in other industries.

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 (RUIA) in June 1938. The RUIA established a system of benefits for unemployed railroad workers, financed entirely by railroad employers and administered by the RRB. Sickness insurance benefits were added in 1946.

Railroad Retirement Act

Under the Railroad Retirement Act (RRA), 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.

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 at age 65, or earlier if disabled, in the same way as social security beneficiaries.

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and the Social Security Administration (SSA). The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or 5 years if performed after 1995; 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 SSA, where they are treated as social security credits.

Payroll taxes paid by railroad employers and their employees are the primary source of funding for the railroad retirement and survivor benefit programs. By law, railroad retirement taxes are coordinated with social security taxes. Employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels. Tier II taxes are based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses. Historically, railroad retirement taxes have been considerably higher than social security taxes.

Revenues in excess of benefit payments are invested to provide additional trust fund income, and legislation enacted in 2001 allows for Railroad Retirement (RR) Account funds transferred to the National Railroad Retirement Investment Trust (NRRIT) to be invested in non-governmental assets, as well as in governmental securities. Funds transferred from the Social Security Equivalent Benefit (SSEB) Account to the NRRIT are allowed to be invested only in governmental securities. The legislation also established the NRRIT, whose Board of seven trustees oversees these investments. The Board of Trustees is comprised of three members selected by rail labor, three members selected by rail management, and one independent member selected by a majority of the other six members.

Another major source of income to the railroad retirement and survivor benefit 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 trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act (FICA). In fiscal year 2015, the RRB trust funds realized a net of $4 billion, representing 36 percent of RRB financing sources (excluding transfers to/from the NRRIT and the change in NRRIT net assets), through the financial interchange.

Other sources of income currently include revenue resulting from Federal income taxes on railroad retirement benefits (tier I, tier II, and vested dual benefits), and appropriations from general Department of the Treasury (Treasury) revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

Railroad Unemployment Insurance Act

Under the RUIA, unemployment insurance benefits are paid to qualified railroad workers who are unemployed but ready, willing, and able to work, and sickness insurance benefits are paid to railroad workers who are unable to work because of illness, injury, or pregnancy. The RRB also operates a placement service to assist unemployed railroad workers in securing employment.

A new unemployment and sickness insurance 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 and 26 weeks of sickness insurance benefits are payable to an individual in a benefit year. Additional extended benefits are payable for up to 13 weeks to persons with 10 or more years of service.

The railroad unemployment and sickness insurance benefit program is financed by taxes on railroad employers under an experience rating system initiated in 1991. Each employer's payroll tax rate is determined annually by the RRB on the basis of benefit payments to the railroad's employees.

Reporting Components

The RRB, as an independent agency in the executive branch of the U.S. Government, is responsible for administering the RRA and the RUIA. The financial statements include the accounts of all funds under the control of the RRB and the Office of Inspector General (OIG). These funds consist of three administrative funds, four trust funds, three general funds, six American Recovery and Reinvestment Act of 2009 (ARRA) funds, and two Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA) funds.

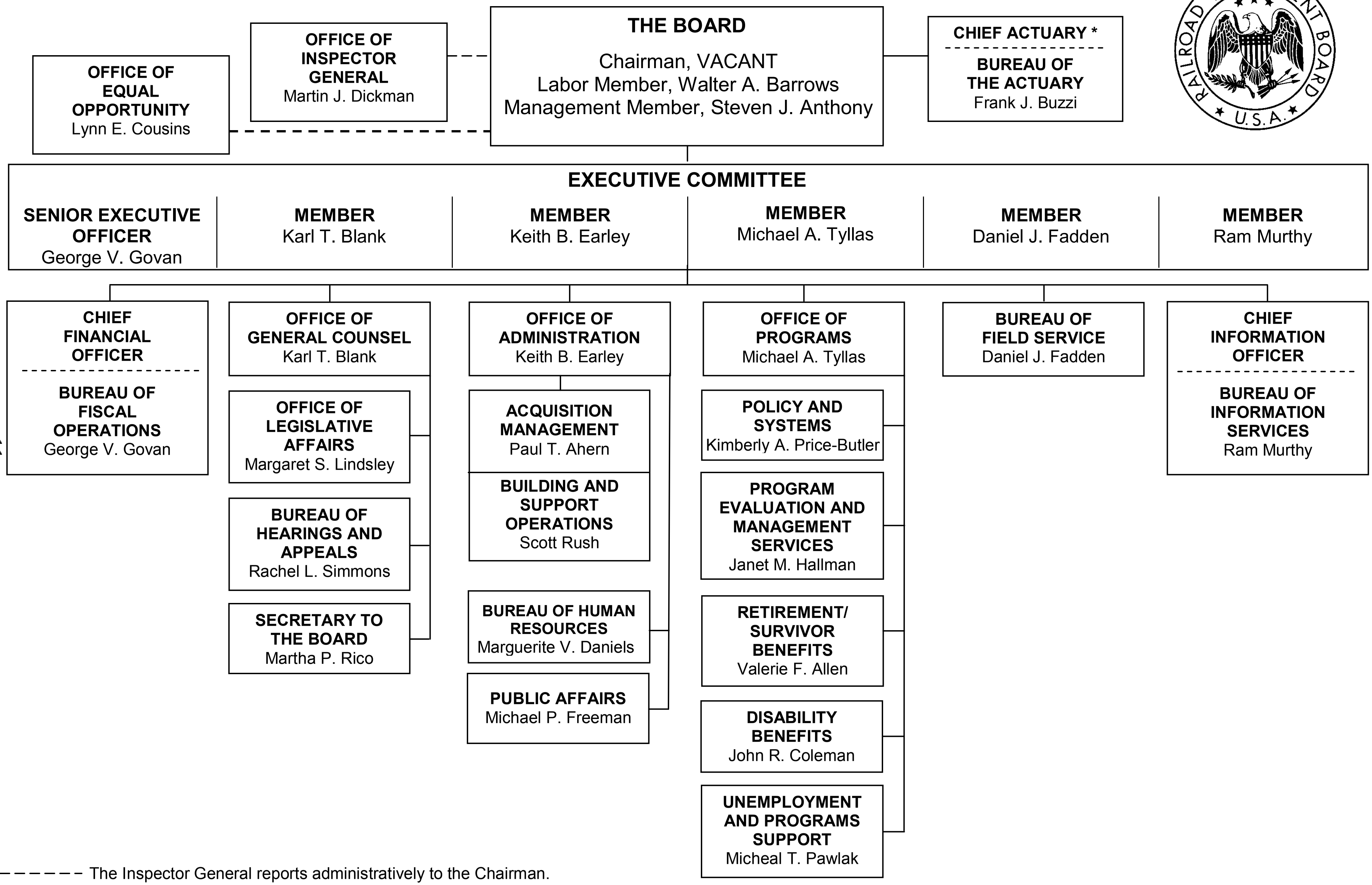
RRB Organizational Structure

The RRB is headed by three Board Members appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon recommendation of railroad employers; one is appointed upon 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 are scheduled to expire in different years. The Chairman of the Board is vacant, the Labor Member is Walter A. Barrows, and the Management Member is Steven J. Anthony. The President also appoints an Inspector General for the RRB; the Inspector General is Martin J. Dickman.

The primary function of the RRB is the determination and payment of benefits under the railroad retirement and survivor and the unemployment and sickness insurance 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 income and outlays of the agency's trust funds and accounts, statisticians and economists to provide vital data, and attorneys to interpret legislation and represent the RRB in litigation. Internal administration requires a procurement staff, a budget and accounting staff, quality assurance staff, and personnel specialists. The Inspector General employs auditors and investigators to detect waste, fraud, or abuse in the benefit programs.

The RRB's headquarters is located at 844 North Rush Street in Chicago, Illinois. The RRB field structure is comprised of 53 offices located throughout the United States as shown on page 12.

U.S. RAILROAD RETIREMENT BOARD



------ The Inspector General reports administratively to the Chairman.

- - - - - - The Director of Equal Opportunity reports administratively to the Director of Administration and programmatically to the Board.

* **Non-voting member of the Executive Committee**

October 2015

U.S. RAILROAD RETIREMENT BOARD
District Off ce Map

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Financial Highlights

Amounts in the RR Account not needed to pay current benefits and administrative expenses are transferred to the NRRIT whose Board of seven trustees is empowered to invest NRRIT assets in non-governmental assets, such as equities and debt, as well as in governmental securities. Amounts in the SSEB Account not needed to pay current benefits and administrative expenses are transferred to either the RR Account or the NRRIT.

As unemployment levels continued to decline, Congress did not authorize a subsequent extension of the payment of special extended unemployment benefits following the expiration of the American Taxpayer Relief Act of 2012. For additional information, see page 37.

Shown on the following page are snapshots of the net position, financing sources, and benefit payments (before elimination of inter-fund transactions) for the RRB accounts. All dollar amounts are in millions.

Net Position, Financing Sources, and Benefit Payments
(In millions)

	2015	2014
NET POSITION AT SEPTEMBER 30		
Social Security Equivalent Benefit Account	$118.1	$113.8
Railroad Retirement Account 1/	24,967.7	26,479.1
Railroad Retirement Administration Fund	30.7	22.3
Railroad Unemployment Insurance Trust Fund –		
Benefit Payments	86.7	112.2
Administrative Expenses	13.9	9.9
Limitation on the Office of Inspector General	.5	.5
Dual Benefits Payments Account	10.2	9.9
Federal Payments to the Railroad Retirement Accounts	15.4	16.6
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	9.6	9.6
Economic Recovery Payments – Recovery Act	5.0	5.0
Administrative Expenses – Recovery Act (no year dollars)	-	-
Administrative Expenses – Recovery Act	-	-
Limitation on Administration – Recovery Act (no year dollars)	-	-
Limitation on Administration – Recovery Act	.7	.7
Worker, Homeownership, and Business Assistance Act of 2009		
Railroad Unemployment Insurance Extended Benefits Payments (no year dollars)	133.5	133.8
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Total	$25,392.0	$26,913.4
FINANCING SOURCES FOR FISCAL YEAR		
Social Security Equivalent Benefit Account	$7,310.6	$7,116.3
Railroad Retirement Account 2/	3,451.2	5,992.0
Railroad Retirement Administration Fund	117.8	119.5
Railroad Unemployment Insurance Trust Fund –		
Benefit Payments	60.2	25.8
Administrative Expenses	4.0	(2.4)
Limitation on the Office of Inspector General	8.7	8.9
Dual Benefits Payments Account	33.8	37.2
Federal Payments to the Railroad Retirement Accounts 3/	-	-
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	-	.1
Economic Recovery Payments – Recovery Act	-	-
Administrative Expenses – Recovery Act (no year dollars)	-	-
Administrative Expenses – Recovery Act	-	-
Limitation on Administration – Recovery Act (no year dollars)	-	-
Limitation on Administration – Recovery Act	-	-
Worker, Homeownership, and Business Assistance Act of 2009		
Railroad Unemployment Insurance Extended Benefits Payments (no year dollars)	.1	.9
Administrative Expenses, Railroad Unemployment Insurance Extended Benefit Payments	-	-
Total	$10,986.4	$13,298.3

1/ NRRIT-held net assets are a financing source and are included in the Railroad Retirement Account above.
2/ Change in NRRIT-held net assets is included in the Railroad Retirement Account above.
3/ Includes funds subsequently transferred to other accounts. Such inter-fund transfers are eliminated in the preparation of the consolidated statements.

	2015	2014
BENEFIT PAYMENTS FOR FISCAL YEAR 4/		
Social Security Equivalent Benefit Account	$7,205.3	$6,873.1
Railroad Retirement Account	4,962.2	5,040.3
Railroad Unemployment Insurance Trust Fund –		
Unemployment Insurance	35.2	37.6
Sickness Insurance	49.9	48.4
Dual Benefits Payments Account	31.9	37.2
American Recovery and Reinvestment Act of 2009		
Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act (no year dollars)	-	-
Economic Recovery Payments – Recovery Act	-	-
Worker, Homeownership, and Business Assistance Act of 2009		
Railroad Unemployment Insurance Extended Benefits Payments (no year dollars)	.2	.8
Total	$12,284.7	$12,037.4

4/ Net of recoveries and offsetting collections; excludes SSA benefit payments.

The RRB's financial statements are comprised of: Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, and Social Insurance, Changes in Social Insurance Amounts, and notes which are an integral part of the statements. We also present as required supplementary information a discussion of the actuarial outlook for the railroad retirement program and the Disaggregate of Budgetary Resources.

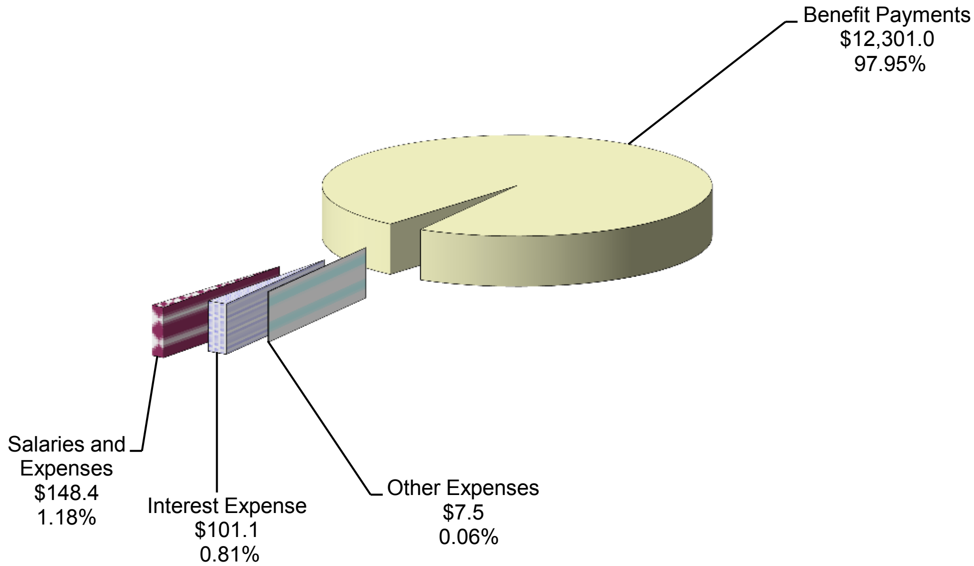
Comparison of Net Cost of Operations and Financing Sources

The net cost of operations for fiscal years 2015 and 2014 was $12,504.9 million and $12,269.0 million, respectively. The details of the net cost of operations by type, amount, increase or decrease, and percentage change from fiscal year 2014 to fiscal year 2015 are shown below. Additional information regarding the net cost of operations and financing sources for fiscal years 2015 and 2014 is shown on the following pages.

NET COST OF OPERATIONS
(In millions)

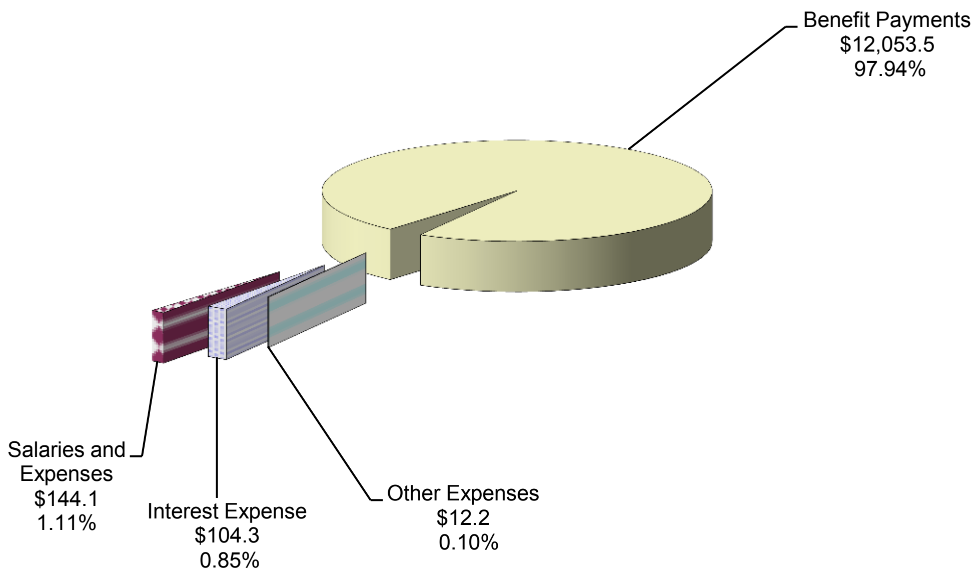
	FY 2015	FY 2014	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Interest expense – Treasury borrowing	$ 101.1	$ 104.3	($3.2)	(3.1)
Salaries and expenses	148.4	144.1	4.3	3.0
Benefit payments – RRB	12,301.0	12,053.5	247.5	2.1
Other expenses	7.5	12.2	(4.7)	(38.5)
Subtotal	12,558.0	12,314.1	243.9	2.0
Less: Earned revenues	53.1	45.1	8.0	17.7
Net cost of operations	$12,504.9	$12,269.0	$235.9	1.9

FY 2015
NET COST OF OPERATIONS
(In millions)



Totals $12,558.0 million, excluding reimbursements and earned revenues of $53.1 million.

FY 2014
NET COST OF OPERATIONS
(In millions)



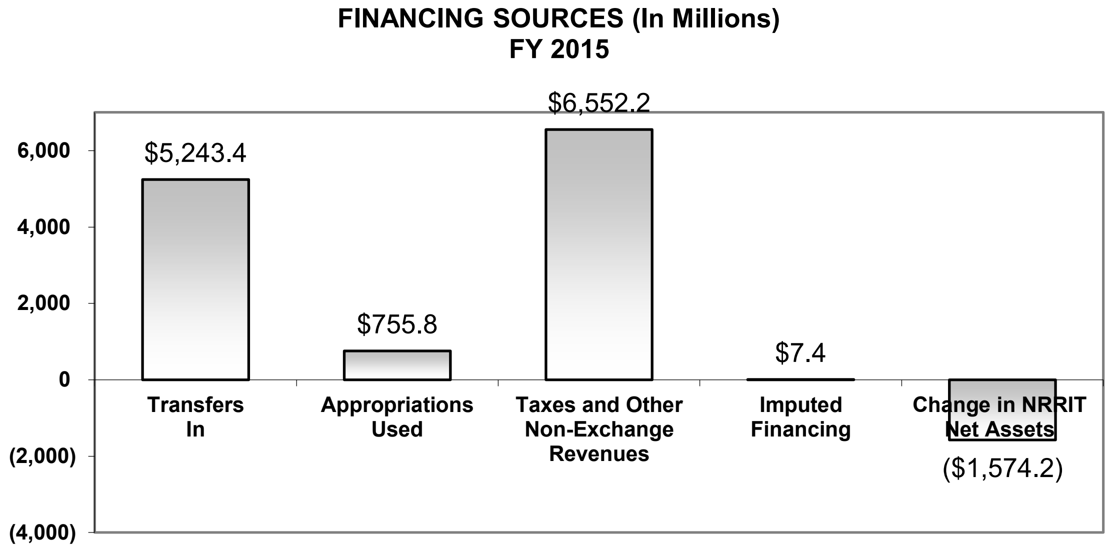
Totals $12,314.1 million, excluding reimbursements and earned revenues of $45.1 million.

The following table shows financing sources (excluding changes in unexpended appropriations) by type, amount, increase or decrease, and percentage change from fiscal year 2014 to fiscal year 2015.

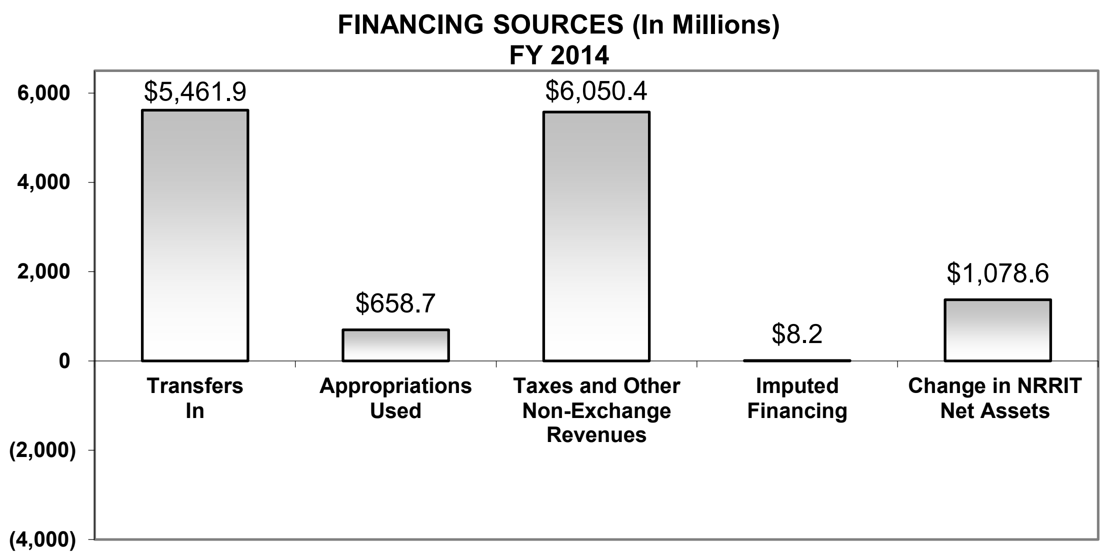
FINANCING SOURCES
(In millions)

	FY 2015	FY 2014	AMOUNT OF INCREASE (DECREASE)	PERCENT OF INCREASE (DECREASE)
Appropriations used	$ 755.8	$ 658.7	$97.1	14.7
Taxes and other non-exchange revenues:				
Payroll taxes	6,434.5	5,988.9	445.6	7.4
Interest revenue and other income	45.1	45.9	(0.8)	(1.7)
Carriers refunds – principal	(2.1)	(19.8)	17.7	(89.4)
Railroad Unemployment Insurance (RUI) Revenue	74.7	35.4	39.3	111.0
Subtotal	$ 6,552.2	$ 6,050.4	$501.8	8.3
Imputed financing (amount to be provided by the Office of Personnel Management (OPM) to pay future retirement benefits to RRB employees)	7.4	8.2	(0.8)	(9.8)
Transfers in:				
Financial Interchange, net	4,052.4	4,032.9	19.5	0.5
NRRIT	1,191.0	1,429.0	(238.0)	(16.7)
Subtotal	$ 5,243.4	$ 5,461.9	($218.5)	(4.0)
Other:				
Change in NRRIT net assets	(1,574.2)	1,078.6	(2,652.8)	(245.9)
Subtotal	$10,984.6	$13,257.8	($2,273.2)	(17.1)
Less: Transfers out to NRRIT	0.0	0.0	0.0	0.0
Add: Gain/(Loss) in Contingency	1.9	40.1	(38.2)	(95.3)
Subtotal	1.9	40.1	(38.2)	(95.3)
Total	$10,986.5	$13,297.9	($2,311.4)	(17.4)

The most significant difference between the RRB's financial statements for fiscal year 2014 and fiscal year 2015 was the change in NRRIT net assets. The decrease in NRRIT net assets of $1,574.2 million is due to market fluctuations during the past year. There is a section on page 20 that describes the NRRIT, and the NRRIT net assets balances for 2014 and 2015 are shown in the RRB's Financial Section of this publication.



Total Financing Sources $10,984.6 million, excluding $1.9 million gain contingency.



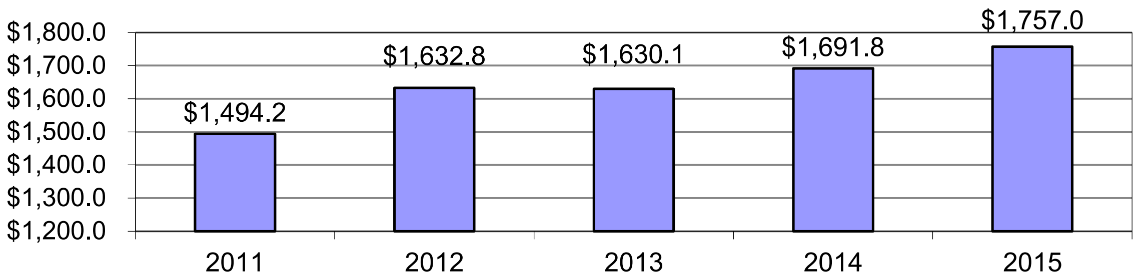
Total Financing Sources $13,257.8 million, excluding $40.1 million gain contingency.

Railroad Retirement Investments at Treasury

The book value of all railroad retirement investments, including accrued interest, increased to $1,757.0 million as of September 30, 2015, from $1,691.8 million on September 30, 2014 (excludes NRRIT net assets). The graph below reflects the book value of the railroad retirement investments from September 30, 2011, through September 30, 2015.

INVESTMENT BALANCES HELD AT TREASURY (AT BOOK VALUE)
AT SEPTEMBER 30, 2011 - 2015

(In millions, excluding NRRIT net assets)

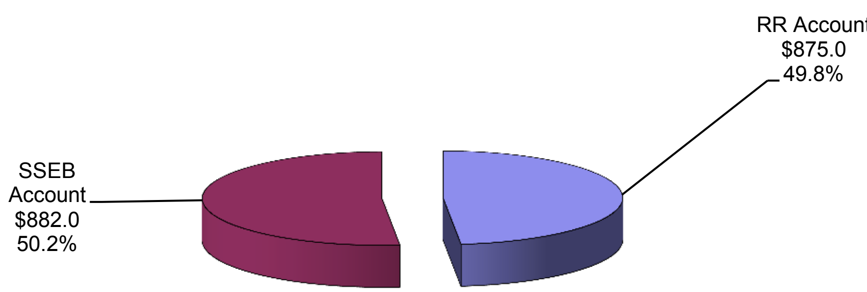


The following chart shows the portfolio of the railroad retirement investments as of September 30, 2015.

RAILROAD RETIREMENT INVESTMENTS HELD AT TREASURY
AS OF SEPTEMBER 30, 2015

AT BOOK VALUE
Total $1,757.0

(In millions, excluding NRRIT net assets)



Railroad Retirement Account

On September 30, 2015 and 2014, the book values of the RR Account investments, excluding NRRIT assets, including accrued interest, totaled $874,942,959 and $803,810,323, respectively. The balance on September 30, 2015, consisted of $873,598,000 in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2015, and $1,344,959 in accrued interest. The balance on September 30, 2014, consisted of $802,608,000 in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2014, and $1,202,323 in accrued interest. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

Social Security Equivalent Benefit Account

On September 30, 2015 and 2014, the book values of the SSEB Account investments, including accrued interest, totaled $882,048,961 and $887,957,908, respectively. The balance on September 30, 2015, consisted of $880,634,000 in 3.000 percent par value specials maturing on October 1, 2015, and $1,414,961 in accrued interest. The balance on September 30, 2014, consisted of $886,560,000 in 3.000 percent par value specials maturing on October 1, 2014, and $1,397,908 in accrued interest.

National Railroad Retirement Investment Trust

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA). The sole purpose of the NRRIT is to manage and invest railroad retirement assets. The NRRIT is a tax-exempt entity, independent from the Federal Government and not subject to Title 31, United States Code (USC). The NRRIT is domiciled in and subject to the laws of the District of Columbia.

The NRRIT is comprised of a Board of seven Trustees, three selected by railroad labor unions and three by railroad companies. The seventh Trustee is an independent Trustee selected by the other six. Members of the Board of Trustees are not considered officers or employees of the Government of the United States.

The RRSIA authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the RRSIA, investment of railroad retirement assets was limited to U.S. Government securities.

The NRRIT and the RRB are separate entities. The RRB remains a Federal agency and continues to have full responsibility for administering the railroad retirement program, including eligibility determinations and the calculation of benefit payments. The NRRIT has no powers or authority over the administration of benefits under the railroad retirement program. Under the RRSIA, the NRRIT is required to act solely in the interest of the RRB, and through it, the participants and beneficiaries of the programs funded under the RRA. The RRSIA does not delegate any authority to the RRB with respect to day-to-day activities of the NRRIT, but the RRSIA provides that the RRB may bring a civil action to enjoin any act or practice of the NRRIT that violates the provisions of the RRSIA or to enforce any provision of the RRSIA.

Under the RRSIA, the financial statements of the NRRIT are required to be audited annually by an independent public accountant. In addition, the NRRIT must submit an annual management report to the Congress on its operations, including a Statement of Financial Position, a Statement of Operations, a Statement of Cash Flows, a Statement on Internal Accounting and Administrative Control Systems, the independent auditor's report, and any other information necessary to inform the Congress about the operations and financial condition of the NRRIT. A copy of the annual report must also be submitted to the President, the RRB, and the Director of OMB.

Program, Operations, and Financial Performance and Results

During fiscal year 2015 (ended September 30, 2015), railroad retirement and survivor benefit payments totaled $12.2 billion, net of recoveries and offsetting collections. Railroad unemployment and sickness insurance benefit payments totaled $85.1 million in fiscal year 2015, net of recoveries and offsetting collections. During fiscal year 2015, the RRB also paid benefits on behalf of SSA (for which the RRB is reimbursed) amounting to $1.5 billion to about 111,000 beneficiaries.

In fiscal year 2015, the RRB continued to focus its efforts on providing excellent customer service to current and former railroad workers and their family members. Our regular workloads in fiscal year 2015 included:

- Providing payments to about 558,000 retirement and survivor beneficiaries.
- Providing payments to about 9,000 unemployment insurance beneficiaries.
- Providing payments to almost 16,000 sickness insurance beneficiaries.
- Processing 24,023 retirement, survivor, and disability applications for benefits (through April 30, 2015).
- Processing 126,421 applications and claims for unemployment and sickness insurance benefits (through April 30, 2015).
- Issuing 275,780 certificates of employee railroad service and compensation (mailed on June 16, 2015).

During fiscal year 2015, the RRB used 18 specific program performance objectives, including several with multiple indicators, to manage and track progress in meeting its long-term strategic plan goals. These objectives were accomplished with a direct appropriation of $111,225,000 for ongoing administration of the RRB. (A breakdown of administrative expenses by strategic goal is not available at the time of this report.) Agency performance with respect to the key performance indicators is covered in the following section. For most performance measures, actual full-year performance results for fiscal year 2015 were not available at the time this report was published. For those objectives, we reported part-year performance information for fiscal year 2015, if available. We also reported actual results from prior years, as applicable.

Summary of Achievement by Strategic Goal

Strategic Goal I: Provide Excellent Customer Service. For fiscal year 2015, we expect to meet or exceed most of our timeliness goals and increase Internet services available to employers.

Strategic Goal II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources. The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. For fiscal year 2015, we expect that benefit payment accuracy rates will exceed 99 percent.

Strategic Goals and Objectives

The RRB has a long and distinguished tradition of excellence in serving our customers, and we will strive to continue that tradition in the coming years. We have achieved high levels of accuracy and timeliness in processing retirement/survivor and unemployment/sickness insurance benefits, while embracing new technology, especially in areas where it can improve customer service and efficiency. We have also achieved very high scores for customer service in independent assessments of our operations related to initial railroad retirement applications, unemployment and sickness insurance benefits, survivor applications and disability applications.

The two overriding strategic issues for the upcoming planning period relate to customer service and trust fund stewardship. The **service issue** involves our ability to continue to meet our customers' expectations for personal, high quality service, and our ability to position the agency to meet rising customer expectations for new and improved services in the future. The **stewardship issue** has multiple aspects, some of which arise from legislative changes and others which relate to our ongoing ability to meet our program integrity responsibilities and to maintain effective, efficient and secure agency operations. To effectively address these issues, we have established two strategic goals on which we will focus our efforts.

Provide excellent customer service

We aim to satisfy our customers' expectations for quality service both in terms of service delivery options and levels and manner of performance. Our Annual Performance Plan for Fiscal Year 2015 reflects two strategic objectives that focus on the specifics of achieving this goal.

- Pay benefits timely.
- Provide a range of choices in service delivery methods.

Serve as responsible stewards for our customers' trust funds and agency resources

The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. Our performance budget reflects four objectives that direct our focus on this goal.

- Ensure that trust fund assets are protected, collected, recorded and reported appropriately.
- Ensure the accuracy and integrity of benefit programs.
- Ensure effectiveness, efficiency, and security of operations.
- Effectively carry out responsibilities with respect to the NRRIT.

The RRB of the future will continue to be customer-focused, quality-driven, and fiscally responsible. Our overall mission and responsibilities as a Federal agency will remain unchanged, even though our organization may be smaller in terms of staff and budget resources. We will use creativity, automation and innovation to continue to deliver best-in-class service while ensuring cost-effective and efficient operations.

Our customers will have a broad range of choices for conducting their business with the agency, including more Internet options that will allow for private, secure transactions from their homes at any time of the day. Railroad employers will be able to conduct most, if not all, of their routine transactions with the RRB through secure and efficient electronic systems. Direct customer feedback will shape our planning efforts and enhance our responsiveness. Our customer service levels will serve as a standard of excellence for the rest of the Federal community.

The agency's internal culture will reflect a strong commitment to its employees, and a drive to ensure continual learning at all levels. Given the large percentage of employees who will be eligible for retirement in the near future, senior employees will engage in knowledge transfer and sharing as a top priority.

Our ultimate measures of success will be the sustained satisfaction level of our customers and our ability to respond to their needs and concerns.

Validation of Performance Information. The RRB has implemented comprehensive administrative procedures to ensure that reported performance information is accurate and valid. Administrative Circular RRB-2 establishes standards and assigns responsibility for collecting, documenting, validating, certifying, reporting and retaining information related to the actual performance data reported for objectives in the RRB's Annual Performance Budget and Government Performance and Results Act Report.

The procedures require that reporting managers develop and maintain written procedures for:

- Collecting data related to each objective,
- Testing and validating performance data to ensure accuracy,
- Retaining source documents for future reference, and
- Attesting to the accuracy of performance information reported.

Members of the RRB's Planning Council review the certified performance data and attestations for completeness and identify any problems. The Planning Council also compiles the performance data for agency reports, and monitors compliance with the requirements of Administrative Circular RRB-2.

Members of the RRB's Executive Committee review performance issues related to their areas of responsibility and assign follow-up action, as necessary. The Executive Committee also reviews and approves performance reports before releasing the drafts for approval by the Board Members.

The following begins a discussion of our key performance indicators.

Discussion of Key Performance Indicators

The RRB has identified the following 10 key performance indicators, which represent our most important responsibilities.

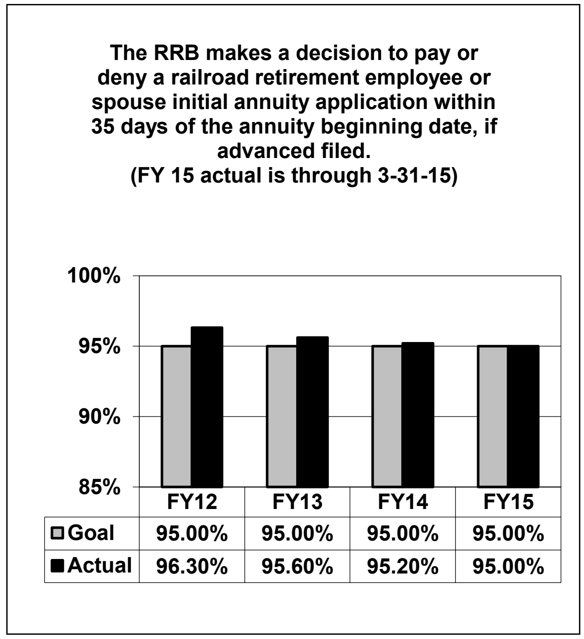
<u>Key performance indicator 1:</u> Timeliness of initial railroad retirement annuity payments, when advanced filed (Objective I-A-1)

FY 2015 goal: 95.0%
Our FY 2015 performance: 95.0% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2014 goal: 95.0%
Our FY 2014 performance: 95.2%

Data definition: This goal is included in the RRB Customer Service Plan.



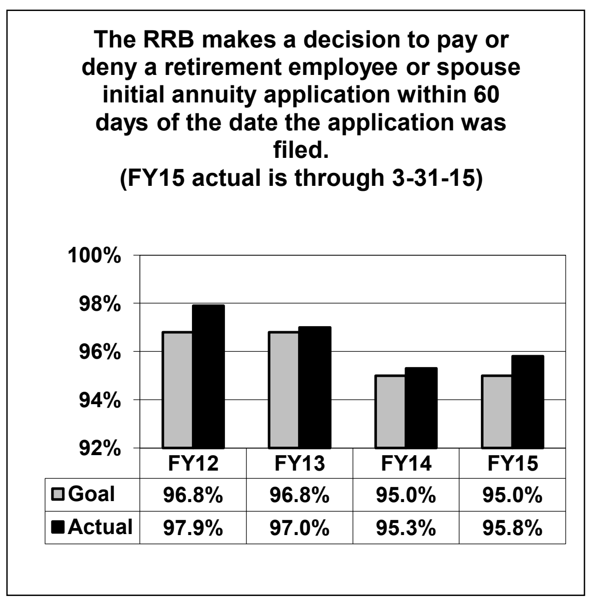
<u>Key performance indicator 2:</u> Timeliness of initial railroad retirement annuity payments, if not advanced filed (Objective I-A-2)

FY 2015 goal: 95.0%
Our FY 2015 performance: 95.8% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2014 goal: 95.0%
Our FY 2014 performance: 95.3%

Data definition: This goal is included in the RRB Customer Service Plan.



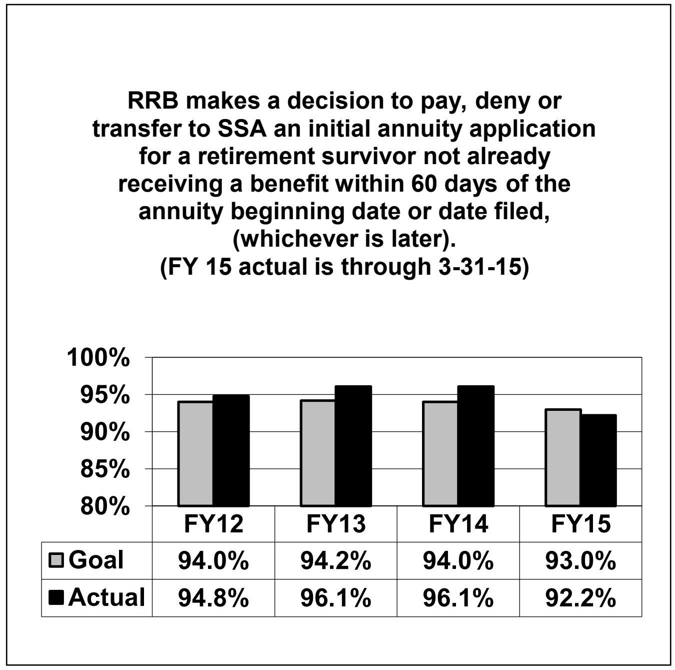
Key performance indicator 3: Timeliness of new survivor benefit payments (Objective I-A-3)

FY 2015 goal: 93.0%
Our FY 2015 performance: 92.2% through the 2nd quarter

We are not yet achieving our goal, but we expect to meet the goal by the end of fiscal year 2015. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2014 goal: 94.0%
Our FY 2014 performance: 96.1%

Data definition: This goal is included in the RRB Customer Service Plan.



	FY12	FY13	FY14	FY15
Goal	94.0%	94.2%	94.0%	93.0%
Actual	94.8%	96.1%	96.1%	92.2%

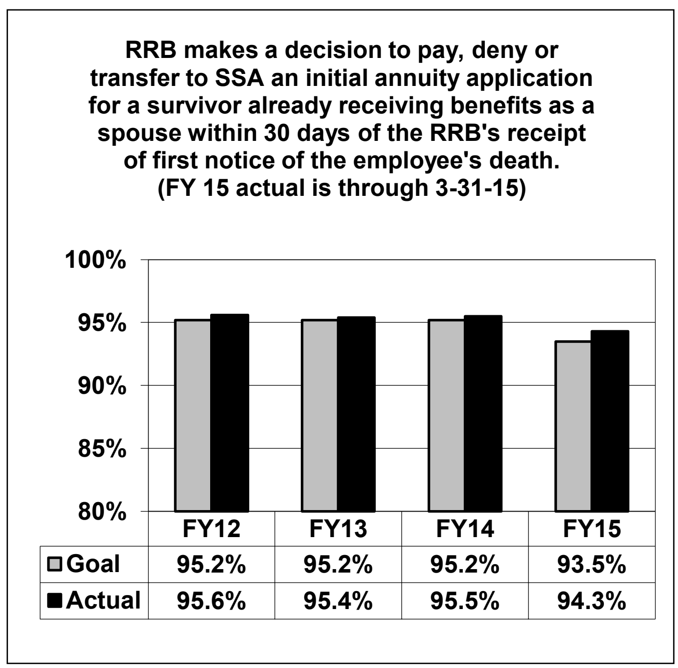
Key performance indicator 4: Timeliness of spouse to survivor benefit payment conversions (Objective I-A-4)

FY 2015 goal: 93.5%
Our FY 2015 performance: 94.3% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2014 goal: 95.2%
Our FY 2014 performance: 95.5%

Data definition: This goal is included in the RRB Customer Service Plan.



	FY12	FY13	FY14	FY15
Goal	95.2%	95.2%	95.2%	93.5%
Actual	95.6%	95.4%	95.5%	94.3%

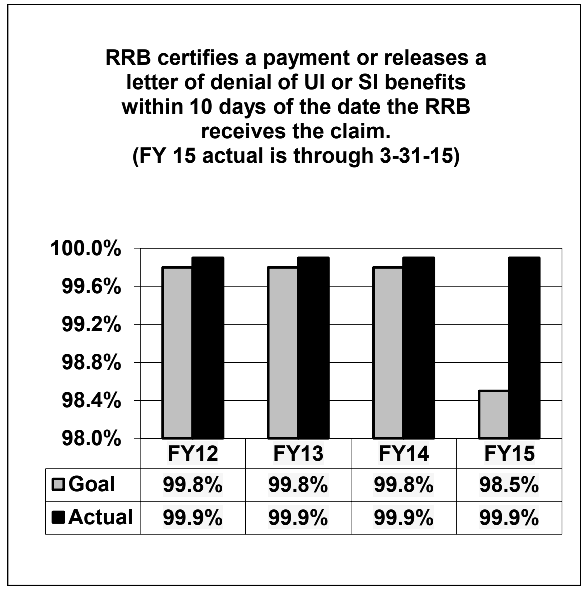
<u>Key performance indicator 5:</u> Timeliness of unemployment or sickness insurance payments (Objective I-A-6)

FY 2015 goal: 98.5%
Our FY 2015 performance: 99.9% through the 2nd quarter

We are meeting our goal. Automation plays a key role in assuring benefit payment timeliness for this performance indicator.

FY 2014 goal: 99.8%
Our FY 2014 performance: 99.9%

Data definition: This goal is included in the RRB Customer Service Plan.



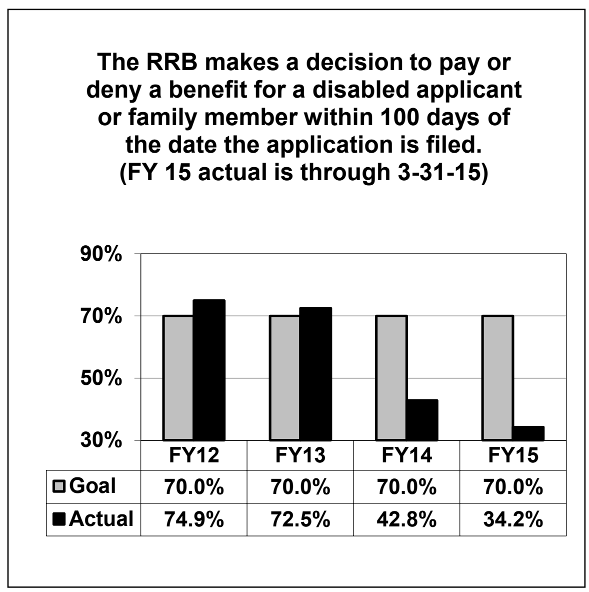
<u>Key performance indicator 6:</u> Timeliness of disability decisions (Objective I-A-7)

FY 2015 goal: 70.0%
Our FY 2015 performance: 34.2% through the 2nd quarter

We are not yet achieving our goal.

FY 2014 goal: 70.0%
Our FY 2014 performance: 42.8%

Data Definition: This goal is included in the RRB Customer Service Plan.



<u>Key performance indicator 7:</u> Initial recurring retirement payment accuracy (Objective II-B-1a)

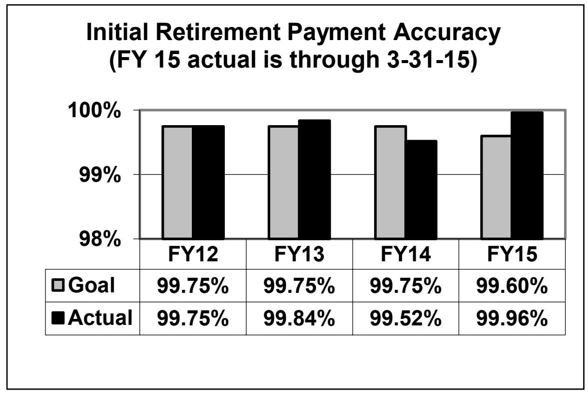
Our overall strategic goal is to achieve a railroad retirement benefit payment recurring accuracy rate of at least 99 percent on our initial processing of applications for retirement (employee, spouse and widow) benefits.

FY 2015 goal: 99.60%
Our FY 2015 performance: 99.96% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment accuracy by reducing the number of erroneous payments.

FY 2014 goal: 99.75%
Our FY 2014 performance: 99.52%

We did not meet our goal.



Automation plays a key role in assuring initial benefit payment accuracy by reducing the number of erroneous payments. Automation will become more critical in this area as experienced personnel retire in the coming years.

Data definition: This is the percentage of the dollar value of initial recurring retirement benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.

Key performance indicator 8: Unemployment insurance payment accuracy (Objective II-B-2a)

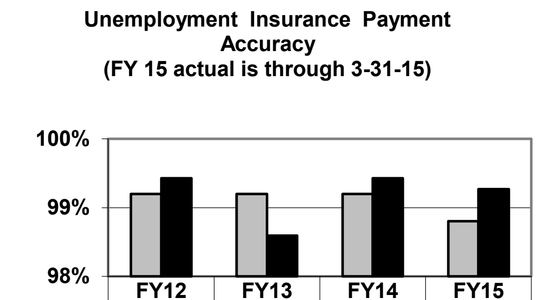
Our overall strategic goal is to achieve a railroad unemployment insurance benefit payment accuracy rate of at least 99 percent.

FY 2015 goal: 99.20%
Our FY 2015 performance: 99.67% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment accuracy by reducing the number of erroneous payments.

FY 2014 goal: 99.60%
Our FY 2014 performance: 99.83%

Data definition: This is the percentage of the dollar value of unemployment insurance benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.



	FY12	FY13	FY14	FY15
Goal	99.60%	99.60%	99.60%	99.20%
Actual	99.83%	98.99%	99.83%	99.67%

Key performance indicator 9: Sickness insurance payment accuracy (Objective II-B-2b)

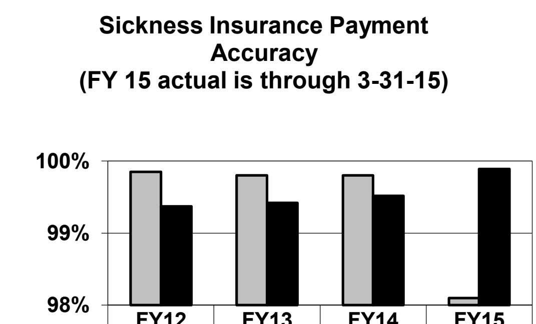
Our overall strategic goal is to achieve a railroad sickness insurance benefit payment accuracy rate of at least 99 percent.

FY 2015 goal: 98.10%
Our FY 2015 performance: 99.89% through the 2nd quarter

We are achieving our goal. Automation plays a key role in assuring benefit payment accuracy by reducing the number of erroneous payments.

FY 2014 goal: 99.80%
Our FY 2014 performance: 99.52%

Data definition: This is the percentage of the dollar value of sickness insurance benefit payments paid correctly as a result of adjudication actions performed, based on a review of a sample of cases.



	FY12	FY13	FY14	FY15
Goal	99.85%	99.80%	99.80%	98.10%
Actual	99.37%	99.42%	99.52%	99.89%

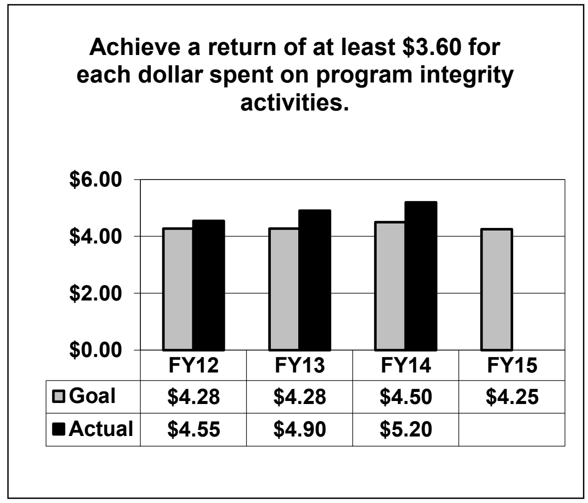
<u>Key performance indicator 10:</u> Return on investment in program integrity activities (Objective II-B-4)

FY 2015 goal: $4.25 : $1
Our FY 2015 performance: Not available

FY 2015 data will be available in FY 2016.

FY 2014 goal: $4.50 : $1
Our FY 2014 performance: $5.20 : $1

We exceeded our goal. Our fiscal year 2014 goal was to achieve a return of $4.50 for each dollar spent on program integrity activities. We achieved a rate of return of $5.20 for each dollar spent.



	FY12	FY13	FY14	FY15
Goal	$4.28	$4.28	$4.50	$4.25
Actual	$4.55	$4.90	$5.20	

As part of our fiduciary responsibilities to the rail community, we must ensure that the correct benefit amounts are being paid to the right people. We match our benefit payments against SSA's earnings and benefits database, the Centers for Medicare & Medicaid Services' utilization and death records, the Office of Personnel Management's benefit records, and State wage reports, usually via data exchange files, and administer other benefit monitoring programs to identify and prevent erroneous payments. We also refer some cases to the RRB's OIG for investigation. After investigation, the OIG may pursue more aggressive collection methods, which include civil and criminal prosecution.

Data definition: This is the ratio of the sum of the dollar recoveries and savings, to the labor dollars spent.

Future Plans/Objectives and IPIA

Program Improvements

- **Patient Protection and Affordable Care Act –** The Patient Protection and Affordable Care Act of 2010 provides for an Income-Related Monthly Adjustment Amount (IRMAA) to be added to the Medicare prescription drug plan (Part D) premiums paid by high-income beneficiaries beginning in January 2011. This provision allows for the collection of Part D IRMAA through withholding from railroad retirement benefit checks or through direct billing. We implemented Part D IRMAA collection in January 2011 through direct billing, utilizing the existing Program Accounts Receivable system as a temporary approach to effect timely compliance with the law. In January 2015, we began Part D IRMAA deductions from benefit payments for over 8,000 beneficiaries. We continue direct billing to approximately 125 beneficiaries whose monthly benefit is too small to deduct Part D IRMAA premiums.

- **Medicare Systems Modernization –** The RRB's Information Resource Management Strategic Plan has identified System Modernization as a major issue. Legacy software systems often resist evolutionary change because of their inability to adapt, and therefore, their strategic value has diminished through factors not exclusively related to the systems' functionality. The RRB has analyzed the existing application and determined that the Medicare System poses a risk to the agency and is in need of modernization. We plan to upgrade our Medicare System, replacing the existing flat file processing with a more flexible database processing system that more readily supports future program changes. We will also develop an application that will allow users to create award activities for refunding Medicare premiums and paying Medicare Part A hospital insurance benefits for services furnished in Canada. Funding for this project is through the Centers for Medicare and Medicaid Services (CMS), through the established reimbursable agreement. We obtained contractor support for the development of the requirements and project plan. Work will start on the Medicare payment system in June 2015 and is expected to be completed in April 2016. Work to eliminate flat file processing to database processing is expected to be completed in July 2017.

- **Medicare Access and CHIP Reauthorization Act of 2015 –** The Medicare Access and CHIP Reauthorization Act of 2015 includes a provision which calls for the removal of the social security number (SSN) from the Medicare card. CMS will replace the SSN with a new Medicare Beneficiary Identifier. The Act also granted the RRB $3,000,000 in FY 2015 for the project. CMS projects implementation to begin in the fourth quarter of FY 2018.

- **Employer Reporting System (ERS) – Internet Site –** In the next Phase of the ERSNet project, we plan to develop additional notifications for employers that provide information about benefit payment and eligibility with Form G-73a.1, Notice of Death and Form RL-13g, Notice of Relinquishment of Rights of Disability Annuitant Who attained Age 65. We will also add the G-251a/b, Job Information Form which requests information from employers about the duties performed by employees who file for disability annuities. This phase will add three additional services to the system.

We also want to pursue enhancements to the current system through the following processes:

- Provide on-screen instructions for the current forms and services available in ERSNet.

- Replace file transfer process (FTP) for the current forms by using DB2 stored procedure to populate mainframe tables.

In fiscal year 2017, the RRB will continue to use contractor services to develop additional notifications to employers about benefit entitlement, allow them to correct suspended cases on-line, and to make corrections to their own contact information. We will work to develop on-line processes for the AESOP (Employee retirement estimate file), Suspense and Error Tracking System (SETS), and the Form G-117a - Designation of Contact Officials.

Improper Payments Information Act (IPIA)

- **Improper Payment Related Initiatives –** To improve the accuracy of our benefit payments, we are pursuing the following initiatives:

    - development of an enhanced automated retirement payment system to replace the current legacy system that processes retirement applications, planned for fiscal year 2016,
    - development of an interface between systems to ensure accurate use of military service in the calculation of benefits, tentatively scheduled for completion in fiscal year 2016,
    - expansion of the MIRTEL Online Inquiry (MOLI) database to include Medicare Part B premium collection history. Requirements development work beginning in fiscal year 2015,
    - extend the use of the Overpayment Recovery Correspondence System (ORCS) to include RUIA overpayments and Medicare billing and overpayments and correspondence operations with development efforts beginning in fiscal year 2015,
    - continued development in fiscal year 2015 of SPEED (System Processing Excess Earnings Data), a multi-phase automation initiative designed to process annuity adjustments resulting from excess earnings and work deductions on a timely basis, and
    - continued development of enhanced electronic data processing (EDP) policing to monitor earnings information and reduce manual handlings of records.

See the IPIA reporting details for further discussion of these automation initiatives.

Systems and Controls

The RRB continually evaluates the effectiveness and efficiency of its operations using ongoing assessments and reviews of management controls, internal and external audits, quality control and assurance reviews, program integrity activities, and customer satisfaction surveys.

Under the direction of a Management Control Review Committee (MCRC) composed of senior managers from its legal, program, information services, administrative, and financial operations, the RRB has divided these operations functionally into 44 assessable units. The number of assessable units can vary from year to year as operations are restructured to accommodate changes precipitated by such factors as new and revised missions, reduced resources, and increased automation.

The mission, key performance indicators, workflow, control objectives and techniques, guidance, automated systems support, impact, and vulnerability of each assessable unit are documented. The RRB maintains and annually updates a 5-year plan for review of the assessable units. The official responsible for each assessable unit prepares an annual assessment of key indicators and open or new issues requiring management's attention. High impact and vulnerable assessable units are scheduled for more frequent, in-depth reviews as deemed necessary by the MCRC in consultation with senior management. During fiscal year 2015, responsible officials performed in-depth reviews of 12 assessable units, assessed all 44, and certified 43.

During fiscal years 2014 and 2015, the OIG identified a material weakness in Financial Reporting. The material weakness is due to communication with the National Railroad Retirement Investment Trust's (NRRIT) auditor and ineffective controls. The OIG recommended that the Accounting Procedures Guide (APG) be updated in fiscal year 2015. Although the APG was updated in July 2015, the OIG advised that the processes have not been in place long enough for them to evaluate the effect of the corrective actions.

The agency is committed to resolving this reported weakness and will closely monitor progress during the fiscal year 2016.

Management Assurances

The Railroad Retirement Board states and assures that to the best of our knowledge:

1. In accordance with OMB Circular No. A-123, Section VI (B), we are issuing a qualified statement of assurance considering the OIG-identified material weakness indicated under paragraph (4). Except as indicated under (4), the system of internal control of this agency is functioning and provides reasonable assurance as to the: efficiency and effectiveness of programs and operations; reliability of financial and performance information; and compliance with laws and regulations. These controls satisfy the requirements of the Federal Managers' Financial Integrity Act (FMFIA) §2.

2. The financial management systems of this agency maintain accountability for assets and provide reasonable assurance that obligations and costs are in compliance with applicable law, and that performance data and proprietary and budgetary accounting transactions applicable to the agency are properly recorded and accounted for to permit the timely preparation of accounts and reliable performance information. The financial management systems at this agency satisfy the requirements of the FMFIA §4.

3. The financial management systems of this agency provide the agency with reliable, timely, complete, and consistent performance and other financial information to make decisions and efficiently operate and evaluate programs and substantially satisfy the requirements of the GPRA and OMB Circular No. A-11.

4. The RRB's Inspector General, in his auditor's report, identified Financial Reporting as a material weakness.

Description of OIG-Identified Material Weaknesses

During fiscal years 2014 and 2015, the OIG identified a material weakness in Financial Reporting. Financial Reporting is classified as a material weakness due to ineffective controls and deficiency resulting from differing interpretations of NRRIT oversight legislation.

Original signed by:

Walter A. Barrows, Labor Member
Steven J. Anthony, Management Member

Financial Management Systems Strategy

The RRB has continually upgraded its financial system structure to meet evolving standards and requirements. Our strategy is, and has been, to continually upgrade and improve the financial management systems structure. The RRB is committed to an integrated and automated financial management system that focuses on the agency's mission and accountability. Our goals are to (1) achieve compliance with applicable laws, regulations, standards, and requirements; (2) identify requirements for financial systems support; (3) improve and facilitate user access to financial information; (4) reduce redundant data entry, storage, and processing; and (5) improve security, control, and disaster recovery capability for information processed and stored on remote servers, mainframe, local area network, and personal computer systems.

The RRB upgraded its financial system structure by implementing a cloud hosting service on October 1, 2013, following migration from its previous financial management system, FFS (Federal Financial System). The service is hosted by CGI, a commercial shared service provider (SSP) for financial system services. Its cloud system has achieved compliance with GSA's FedRAMP security requirements and is an authorized cloud service provider (CSP).

The new cloud service supports the RRB's budget formulation and execution, general ledger and trust fund accounting, procurement, fixed assets and administrative accounts payable and receivable requirements. The RRB currently uses a separate Program Accounts Receivable (PAR) system originally developed using the accounts receivable component of its legacy financial system which supports management of receivables arising from benefit payment programs and complies with debt collection legislation. In February 2015, the RRB contracted with CGI to migrate this component to the cloud hosting following the drafting of a statement of work based on a third party evaluation of a migration concept. Implementation is scheduled for May 2016.

The RRB currently utilizes shared service providers for several other E-Government functions. The RRB uses the employee relocation services of the Bureau of the Public Debt for change-of-station, and contracted with Carlson Wagonlit Government Travel (CWGT) in fiscal year 2005 to host its electronic travel authorization and vouchering functions under the guidance of the General Services Administration (GSA) Program Management Office (PMO) which provides oversight for E-Government travel. The RRB implemented an E-Government travel system with CWGT on September 30, 2006, in compliance with GSA's E-Travel contract and the PMO's prescribed interconnection requirements between the travel provider and the RRB financial system. The RRB also signed an Agency Participation Agreement with Treasury's Fiscal Service to interface its financial system with Treasury's Invoice Processing Platform (IPP).

Summary of Actuarial Forecast

The Statement of Social Insurance presents an actuarial analysis of the financial position of the railroad retirement system as of January 1, 2015, under our intermediate employment assumption. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Although under our intermediate assumption no cash flow problems arise over the period 2015-2089, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of 3 employment assumptions for the 11 fiscal years 2015-2025. The results indicate that the Railroad Unemployment Insurance (RUI) Account will be solvent during the 11-year projection period.

Social Insurance: Key Measures

Balance Sheet: The Balance Sheet displayed in the Financial Section presents our assets, liabilities, and net position. Total assets for fiscal year 2015 are $31.1 billion, a 5% decrease over last year. Of the total assets, $24.5 billion relates to funds held by the National Railroad Retirement Investment Trust (NRRIT). The net asset value of funds held by the NRRIT decreased from fiscal year 2014 by 6%. Our investments totaled $1.8 billion and we invest those funds not needed to pay current expenses or benefits in interest bearing Treasury securities. A chart of investment balances held at Treasury can be found on page 19. Total liabilities for fiscal year 2015 are $5.7 billion. Liabilities increased by $17.3 million or 0.3% in fiscal year 2015. Also, benefits due increased by $28.9 million. By statute, benefits due in September are not paid until October.

Statement of Net Cost: The Statement of Net Cost displayed in the Financial Section presents the annual cost of operating our two major programs: railroad retirement and railroad unemployment insurance. In fiscal year 2015, our net cost of operations was $12.5 billion, an increase over last year of $236 million, or 1.9%. A table for the net cost of operations for fiscal years 2015 and 2014 can be found on page 15.

Statement of Changes in Net Position: The Statement of Changes in Net Position displayed in the Financial Section reflects the changes that occurred within cumulative results of operations and unexpended appropriations. Total net position for 2015 is $25.4 billion. The statement shows a decrease in the net position of the agency of $1.5 billion attributable to the change in cumulative results of operations. Total financing sources for 2015 are $11.0 billion. A table for financing sources for fiscal years 2015 and 2014 can be found on page 17.

Statement of Social Insurance: Federal accounting standards require the presentation of a Statement of Social Insurance as a basic financial statement. The Statement of Social Insurance presents the present values of estimated future revenue and expenditures of the Railroad Retirement program. The Statement of Social Insurance covers a period of 75 years in the future, and the information and disclosures presented are deemed essential to the fair presentation of this statement.

The open group as of the valuation date includes current participants who have attained retirement age under the Railroad Retirement program, current participants who have not yet attained retirement age, and those expected to become participants, or new entrants. The closed group as of the valuation date includes only current participants: (1) those who have not yet retired but are active workers paying payroll taxes, (2) those who have retired and are receiving benefits, and (3) those who are not currently working but have sufficient service to be eligible for future benefits. The closed group measure represents a reasonably good estimate of the extent to which benefits of the closed group are funded by members of the closed group. The open group measure is inherently more sensitive to assumptions about the distant future than the closed group measure. The open group measure gives a more complete assessment of the long-term financial stability of the program because it includes all those who are projected to be participants in the program over the given projection period, whether paying payroll taxes or receiving benefits.

The net present value (NPV) of estimated future expenditures less estimated future revenue (net expenditures) for all participants over the next 75 years (open group) increased from $26.0 billion as of December 31, 2013 to $26.1 billion as of December 31, 2014, a net change in the open group measure of $0.1 billion.

As can be seen on the Statement of Changes in Social Insurance Amounts, a change in the open group measure of about $0.1 billion is due to changes in economic data, assumptions, and methods. Both ultimate and select assumptions for COLA and wage increase rates were updated in 2015, as described in the footnotes to the Statement of Changes in Social Insurance Amounts. The change in the valuation period (from 2014-2088 to 2015-2089) also resulted in a change of about $0.1 billion in the open group measure. There were changes in demographic assumptions, as described in the Notes to the Statement of Changes, as well as updates to demographic data. Changes in demographic data, assumptions, and methods resulted in a change of about $0.1 billion, as well. This year there were no changes in law, policy, or methodology and programmatic data.

The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

TABLE OF KEY MEASURES

Dollars in ***MILLIONS***	FY 2015	FY 2014	Increase / (Decrease) $	%
COSTS[1]				
Total Financing Sources	$10,986.5	$13,297.8	(2,311.3)	(17.4)
Less: Net Cost	$12,504.9	$12,269.0	235.9	1.9
Net Change of Cumulative Results of Operations	($1,518.4)	$1,028.8	(2,547.2)	(247.6)
NET POSITION[2]				
Assets	$31,126.2	$32,630.3	(1,504.1)	(4.6)
Liabilities	$5,734.2	$5,716.9	17.3	0.3
Net Position (Assets minus Liabilities)	$25,392.0	$26,913.4	(1,521.4)	(5.6)

Dollars in ***BILLIONS***	1/1/2015	1/1/2014	Increase / (Decrease) $	%
SOCIAL INSURANCE[3]				
Social Insurance Net Expenditures (Open Group)	$26.1	$26.0	0.1	0.4

1 Source: Consolidated Statement of Net Cost and Statement of Changes in Net Position.

2 Source: Consolidated Balance Sheet.

3 Source: Statement of Social Insurance (SOSI). Social insurance amounts cover calendar year timeframes January 1 through December 31. Amounts equal estimated present value of projected revenues and expenditures for scheduled benefits over the next 75 years. The Statement of Social Insurance shows future revenue less future expenditures while the Key Measure above shows future expenditures less future revenue. This change in presentation is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts.

From January 1, 2015, the valuation date of the Statement of Social Insurance, to September 30, 2015, the balance sheet date, there was a decline in the value of the NRRIT assets. If a change in the trust fund balance is not excessively large, then the effect of the change is expected to be offset by a corresponding change in the present value of future taxes due to the operation of the Account Benefits Ratio on future tax rates. Given the extent of the decline in the NRRIT assets from January 1 to September 30, there should be little effect on the net surplus position. The decline in the line item "Treasury securities and assets held by the program" would be expected to be largely offset by increases in the line items "Contributions and earmarked taxes," resulting in relatively little change to the final line item "Open group surplus/(unfunded obligation)."

Expiration of All Special Extended Unemployment Benefits Acts

As unemployment levels continued to decline, Congress did not authorize a subsequent extension of the payment of special extended unemployment benefits following the expiration of the American Taxpayer Relief Act of 2012. These special benefits were paid over a 6-year period that initially began in 2009 with the passage of the American Recovery and Reinvestment Act of 2009 (ARRA). Under ARRA and each subsequent extension of special extended unemployment benefits:

- Railroad workers with less than 10 years of service were eligible for up to 65 days of extended benefits within 7 consecutive 2-week registration periods, and
- Workers with 10 or more years of railroad service, who were previously eligible for up to 65 days in extended benefits, could receive benefits for up to 130 days within 13 consecutive 2-week registration periods.

Under ARRA, the agency paid approximately $11.1 million in benefits from an appropriation of $20 million, with only 6 benefit payments made since 2010. The remaining extensions beginning with the Worker, Homeownership, and Business Assistance Act of 2009 (WHBAA), were paid with funds originally appropriated under WHBAA ($175 million). To date, we have paid $44.3 million in benefits from that appropriation with the last benefit payment occurring in August 2014. Recoveries of any erroneously paid benefits under any extension are credited to those 2 special appropriations, as they occur. Because all of the special extended unemployment benefits were paid from separate appropriations, none of the benefits were charged to employers via experience rating.

Limitations of the Financial Statements

The limitations of the principal financial statements are as follows:

1. The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 USC 3515(b).
2. While the statements have been prepared from the books and records of the entity in accordance with U.S. generally accepted accounting principles for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources which are prepared from the same books and records.
3. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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PERFORMANCE SECTION –

GOVERNMENT PERFORMANCE AND RESULTS ACT (GPRA) REPORT

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Performance Section – Government Performance and Results Act (GPRA) Report

The following performance report is based on the major goals and objectives for fiscal year 2015 from the RRB's Annual Performance Plan. The indicators we developed support our mission and communicate our intentions to meet challenges and seek opportunities for greater efficiency, effectiveness and economy.

To achieve our performance goals, the RRB holds managers accountable for achieving program results and improving program effectiveness by focusing on results, service quality and customer satisfaction. In addition, the annual performance plan is used to help managers improve service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality. To provide reasonable assurance that the reported performance information is relevant and reliable, performance goals are incorporated into performance standards for managers and supervisors and monitored on an agency-wide basis.

Automation, e-Government and Customer Service Initiatives

The RRB is continuing with long-term plans to implement significant automation initiatives and other improvements. These changes have enabled the agency to operate with reduced resources in recent years and continue to streamline our operations with the assistance of information technology. We believe that significant new investments in information technology and further management improvements will help us to meet or exceed our customer service goals efficiently.

In fiscal year 2015, we are developing Form BA-9, Report of Separation Allowance or Severance Pay, which is another online, ERSNet employer reporting form. We also initiated enhancements to the current system through the following processes:

- Knowledge based authentication for ERSNet system users to allow them to reset their passwords after they have been approved through the application process;
- Multi-user accounts which allows a user with multiple accounts to use one user-ID and password to access all their companies; and
- Providing file upload capability for Forms BA-4 and BA-6 reports so users will not need to key individual records.

We completed work on Form G-88p and automation of the Forms ID-30 series for 12(o) Lien Notices; the ID-3U, 2(f) Lien Notices; the ID-3S, Request for Lien Information Report of Settlement; and the SI-5f, Tracer Notice.

Work continued on SPEED (System Processing Excess Earnings Data), an automation initiative designed to process post-entitlement annuity adjustments in both retirement and survivor cases that result from excess earnings and work deductions. SPEED allows the RRB to adjust annuity payments for earnings on a timely basis, which minimizes any underpayments or overpayments that may result from changes in earnings. SPEED is being built in a multi-phase approach. The first five phases of this initiative automated the handling of several survivor year-end actions; annuity adjustments when Last Person Earnings (LPE) work deductions are removed; and adjustments for cases that involve both retirement regular and LPE cease work reports. During fiscal year 2013 we automated the download of current survivor earnings estimates from the

Survivor Payments System to perform the necessary survivor annuity adjustments and notifications and permanent work deductions. During fiscal year 2014 we began development of a process to initiate LPE and regular temporary work deductions in response to earnings estimates from retirement beneficiaries to support our long range plan to automate permanent work deductions for both retirement and survivor beneficiaries. During fiscal year 2014 we also awarded a contract to support automation of LPE and regular permanent work deductions, the most complex phase of the SPEED project to-date.

Work continued during fiscal years 2013 and 2014 on an enhanced automated retirement payment system which will replace the current legacy system that processes retirement applications (commonly referred to as Retirement Adjudication System Initial to Application Express [RASI to APPLE] Conversion). The enhanced process will improve the accuracy and efficiency of retirement initial claims. The new system will also allow for the payment of such application types as divorced spouse annuitants, which previously could not be processed automatically. As of June 2015, the target for completion of the enhanced system is fiscal year 2016. Future enhancements include the development of a system interface to ensure the accurate use of military service in the calculation of benefits.

During fiscal year 2013 we implemented the first phase of a multi-phase initiative to redesign the Overpayment Recovery and Correspondence System (ORCS) to automatically interface with other online and mainframe applications. The redesigned system completely automated the retrieval of overpayment recovery data for benefits under the Railroad Retirement Act (RRA). The system includes a letter writing and calculation summary process. During fiscal year 2015, design development work got underway to allow ORCS to support Railroad Unemployment Insurance Act (RUIA) overpayments, and we anticipate a third phase that will extend the system's support to Medicare billing and overpayments to begin in fiscal year 2016.

During fiscal year 2015, we began the planning and analysis to replace the legacy application used to ensure the completeness, accuracy, and accountability of disability decisions with a modern comprehensive software solution with enhanced functionality for users and a database design that will better support data analysis going forward.

The Patient Protection and Affordable Care Act of 2010 provides for an Income-Related Monthly Adjustment Amount (IRMAA) to be added to the Medicare Part D premiums paid by high-income beneficiaries beginning in January 2011. This provision allows for the collection of Part D IRMAA through withholding from railroad retirement benefit checks or through direct billing. We implemented Part D IRMAA collection in January 2011 through direct billing, utilizing the existing Program Accounts Receivable system. In January 2015, we implemented Part D IRMAA premium withholding from railroad retirement benefit payments. We continue direct billing for those beneficiaries whose benefits are too small for benefit withholding.

Treasury regulations require recipients of Federal nontax payments to receive payment by electronic funds transfer (EFT). In 2011, the RRB rolled out the Direct Express® program to beneficiaries who do not have a bank account or who do not choose direct deposit of their payments to an account at a financial institution. The Direct Express® Debit Master Card® program is a prepaid card program established pursuant to terms and conditions approved by Treasury. As of May 21, 2015, there were 2,105 beneficiaries enrolled in the program. The RRB also began offering International Direct Deposit (IDD) in April 2011, to our RRA beneficiaries who reside in foreign countries. As of May 21, 2015, there were 1,676 beneficiaries enrolled in the IDD program. Additionally, the RRB worked with Treasury to complete program changes that will allow child support payments that are withheld from daily RRA benefits and paid to State agencies to be made by EFT. Work to convert the RUIA daily payments is underway and expected to be completed in fiscal year 2015.

In fiscal year 2012, work began on a project to enhance our Electronic Data Processing (EDP) policing program, which will address the internal handling and automated matching of earnings information received from our data match with the Social Security Administration. The first phase of the project, which involved the automation and capture of excess and LPE earnings information stored in the Retirement Online Calculations (ROC) system, (an online system for calculating and paying retirement annuities), has been completed. During fiscal year 2015, we began the second phase of this project which is to integrate the ROC data file into EDP Policing processing to filter out records already properly adjudicated using the SSA earnings amount. The information will be used in the EDP process to monitor earnings information, eliminate redundant information, and reduce the number of records referred to the claims adjudication units.

Sequestration of Railroad Unemployment Insurance Act (RUIA) Benefits

Under provisions of the Budget Control Act of 2011 (BCA), across-the-board cuts in Federal spending took effect March 1, 2013. While railroad retirement, survivor and disability payments are not affected by this measure, unemployment and sickness insurance benefits payable under the RUIA are impacted. Benefits payable for days October 1, 2014, through September 30, 2015, are being reduced by 7.3 percent. The reduction is required by the sequestration order issued by the President in accordance with the BCA. In the event that Congress and the Administration do not eliminate sequestration for fiscal year 2016, a sequestration reduction will be applied starting on October 1, 2015, and beyond.

Succession Planning and Training

Strategic Management of Human Capital – Like many agencies, the RRB has an aging workforce. About 57 percent of our employees have 20 or more years of service and over 29 percent of the current workforce will be eligible for retirement by fiscal year 2016. To prepare for the expected turnover, the agency is placing increased emphasis on strategic management of human capital. Each organization has completed workforce planning documents that identify the current staffing levels, projected attrition and planned hiring through fiscal year 2016, subject to available funding. Each executive also completed a gap analysis for his/her organization that identified potential areas of skills and knowledge gaps that will need to be addressed, identified areas where additional training may be necessary or where mentoring may be desirable to prepare employees for more senior positions, and identified areas of new skills that may need to be addressed through outside hires.

The agency has been able to utilize the re-employment of retirees to allow retirees under the Civil Service Retirement System and the Federal Employees Retirement System to be temporarily rehired without losing entitlement to their retirement annuities under Section 1122(a) of Public Law 111-84, which amended sections 8344 and 8468 of Title 5 of the United States Code. The agency has been able to rehire several annuitants on a temporary basis to assist in areas that have knowledge gaps due to attrition.

The RRB is also devoting more attention and resources to training and has provided meaningful training programs for our employees. We have offered courses in the areas of performance management, and managerial and supervisory development, and we recently provided negotiation training and "train the trainer" sessions and Microsoft Office training for employees. We also make use of technology in this area, utilizing our online presentation facility, RRBVision, which allows employees to view training, including a video component, in an online format. In addition, all field managers now have ready access to the latest webinar technology to facilitate the remote training of new employees, as well as the ongoing training of experienced field staff. Lastly, we continue to implement a new internet-based software package – Learning Management System (LMS), which effectively formalizes all aspects of training for all agency employees, while also providing self-assessments to the student and feedback to supervisors on their progress. These initiatives are particularly useful to employees and managers in the agency's field offices.

The Federal Employee Viewpoint Survey (FEVS) provides our employees the opportunity to influence change by submitting feedback about their work environment, leadership, and many other aspects of our organization. We were pleased that of the 874 employees invited to participate in the 2014 FEVS, 526 completed the survey, for a response rate of 60% (compared to a government-wide response rate of 46.8%). Employee engagement is a leading indicator of performance and is a key objective of the People and Culture goal of the President's Management Agenda. Overall, our Employee Engagement Index was 68% in 2014, compared to a government-wide Employee Engagement Index of 63%. The RRB ranked 12 out of 37 departments/large agencies in the area of Employee Engagement.

Systems Security

Information security is a critical consideration for government agencies where maintaining the public's trust is essential. The RRB relies extensively on computerized systems to support its mission operations and store the sensitive information that it collects. The RRB's information security program is established and maintained to reasonably protect systems data and resources against internal failures, human errors, attacks and natural catastrophes that might cause improper disclosure, modification, destruction, or denial of services. To ensure mission continuity, plans and procedures exist to maintain continuity of operations after a disruption of services for information systems that support the operations and assets of the RRB.

The RRB's Continuity of Operations plan consists of a number of components, including an Occupant Emergency Plan, a Business Continuity Plan, a Crisis Management Communication Plan, and technically specific plans for mainframe, local area network (LAN), data communications, and desktop recovery. The agency regularly conducts semi-annual off-site disaster recovery exercises. System programmers restore the systems and applications of the agency from back-ups retrieved from an alternate data storage facility. Program libraries are re-created and production databases established. Finally, business analysts verify that the systems recovered correctly.

Federal agencies are required to provide annual computer security awareness training for employees and contractors. Security awareness efforts are designed to change behavior or reinforce good security practices by focusing attention on security. We continue to develop new approaches for refreshing the awareness initiative by providing updated and innovative presentations for the agency staff. We have a full training program that combines a security awareness presentation with additional role-based training appropriate to the RRB's information technology environment. Every employee and contractor with computer network access participates in this annual event. Individuals who do not use a computer receive physical security awareness information. In addition to the awareness presentation, computer analysts, software developers and network/system engineers also receive specialized technical education necessary to maintain their skills and enhance proficiency. The formal awareness training program is supplemented by a weekly Security News feature story, prominently headlined on the Intranet's home page, reminding people to protect their computers and information throughout the year. Every year, the RRB awareness program has been able to report exemplary levels of participation.

The RRB kicked off its basic awareness training in April of 2015 using a web-based basic awareness program offered by SANS (an industry leader in security training) called "Securing the Human." Employees and contractors were required to complete 27 assigned training topics such as how to identify social engineering, how to perform safe browsing, and more. Additionally, with the increased risk of cyber-attacks impacting the RRB network, including phishing attacks, social engineering, and introduction of malware, it is imperative that all RRB employees with significant security responsibilities receive annual role based training. For 2015, the RRB has put in place a Learning Management System (LMS) that will make sure those staff with increased security responsibilities will receive the required training for their respective roles and responsibilities later in the year by completing course modules from SkillSoft designed specifically for information security role based training.

Faced with an increasingly dangerous threat environment, the RRB relies on a sophisticated hardware and software defense that utilizes carefully monitored and maintained firewall technology, anti-virus software and intrusion detection systems to prevent viruses, worms, spam and malicious content from infiltrating the network, as well as to ensure that critical data and sensitive information are not compromised. To buttress these proactive threat management resources in the event of a successful malware attack, the agency has implemented a robust incident response capability. Utilizing the capabilities of a special Security Operations Center (SOC), the RRB Computer Emergency Response Team has the ability to conduct forensic collection and analysis of electronic evidence from almost any type of digital media in use today and respond to all network threats that impact the agency. The RRB has also established an Agency Core Response Group to determine if there is a reasonable expectation that an incident may be a data breach with the potential for identity theft, and notifies the Board members who will make the final decisions regarding breach notification.

The Security Authorization process is integral to the information security programs of Federal agencies. Performing the security authorization process helps provide an understanding of the risks and other factors that could adversely affect the agency's mission for all of the agency information systems. The RRB continues to follow a Security Authorization strategy for fiscal year 2015 that is in line with the National Institute for Standards and Technology (NIST) Risk Management Framework (RMF) strategy and employs a continuous monitoring strategy to increase the effectiveness of our current information security program, performing annual risk assessments, as well as testing all security controls applicable to the information system. To further supplement the agency’s continuous monitoring strategy, we recently formed a partnership with the Department of Homeland Security (DHS) and enrolled in the Continuous Diagnostic Mitigation (CDM) program. The CDM program increases the agency’s visibility of potential threats continuously.

Program Evaluations

Program Evaluation	Results in Fiscal Year 2015
Federal Managers' Financial Integrity Act Reports	See "Systems and Controls" in the "Management's Discussion and Analysis" section.
Twenty-Fifth Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Act as of December 31, 2010	The Chief Actuary's report describes the results of three valuations, each valuation differing from the others as to the employment assumption on which it is based. Cash flow problems arise only under the most pessimistic employment assumption. Even under that assumption, the cash flow problems do not occur until the year 2035.
Railroad Unemployment Insurance System, annual report required by section 7105 of the Technical and Miscellaneous Revenue Act of 1988	The report, which was released in June 2014, addresses the 11 fiscal year period 2014 through 2024. The report indicated that even as maximum benefits are expected to increase 41 percent from 2013 to 2024, experience-based contribution rates are expected to keep the unemployment insurance system solvent. The report did not include any recommendations for financing changes at this time.
Customer service performance reports	The RRB continuously monitors the timeliness and accuracy of our performance in managing program workloads. These results are reflected in the performance objectives shown in the chart on the following pages, and published on our website at www.rrb.gov.
Program integrity report	The RRB's program integrity report for fiscal year 2014, released in December 2014, showed that program integrity activities resulted in the establishment of about $13.2 million in recoverables, recovery of $13.2 million, benefit savings of $818,000, and referral of 38 cases to the Office of Inspector General.
Quality assurance reviews and special studies	RRA adjudicative and payment accuracy is measured in regular diagnostic reviews conducted by quality assurance staff within the RRB's Program Evaluation and Management Services (PEMS) component. PEMS also evaluates policies and processes through special studies, as needed. PEMS reports to the Director of Programs.
Occupational disability reviews	Advisory doctors, representing the rail industry (labor and management), are authorized by law to review agency medical decisions. Case review audits were completed in 2000 and 2008; the agency has recently contracted with the advisory doctors in fiscal year 2015 to assess enhancements made to the documentation of impairments and the effectiveness of our medical examination and opinion contractors. In addition, consulting physicians from Consultative Examinations, Ltd. perform a quarterly quality review of disability documentation to ensure it is adequate to support medical decisions.
RRB Office of Inspector General audits	See "Inspector General's Statement on Management and Performance Challenges" and "Management's Comments" in the "Other Information" section.

Program Evaluation	Results in Fiscal Year 2015
Performance budget monitoring	Results of performance budget monitoring are shown in the chart of performance objectives on the following pages. Actual performance data are reviewed, validated and certified prior to inclusion in this report. Validation and certification processes are documented as part of the RRB's management control review process.
Computer security and privacy assessment	All of the RRB's general support systems and all major applications are fully certified and accredited in compliance with the Federal Information Security Management Act, Office of Management and Budget directives and National Institute of Standards and Technology guidance.
Electronic government (e-Gov) activities	See pages 41 through 43 of this section.
Improper payment evaluation	See "Improper Payments Information Act (IPIA)" in the "Other Information" section.

The next page begins a consolidated presentation of our actual performance in fiscal years 2012 through March 31, 2015 (except as noted), followed by a discussion of our unmet performance goals and objectives for fiscal year 2015. At the time this report was prepared, we had incomplete information on our fiscal year 2015 performance. The discussion of any unmet fiscal year 2015 performance goals and indicators will be presented in next year's report. This performance report was prepared by RRB employees.

Railroad Retirement Board Fiscal Year 2015 Performance Plan	2012 Actual (At $108.6m)	2013 Actual (At $108.7m)	2014 Actual (At $110.3m)	2015 Planned [1/] (At $111.225m)	2015 Actual [1/] (At $111.225m)
STRATEGIC GOAL I: Provide Excellent Customer Service					
Strategic Objective: Pay benefits timely. Goal leader for objectives I-A-1 through I-A-5; I-A-7 and I-A-8: Michael Tyllas, Director of Programs Goal leader for objective I-A-6: Dan Fadden, Director of Field Service Goal leader for objective I-A-9: Rachel L. Simmons, Director of Hearings and Appeals					
I-A-1. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 35 days of the annuity beginning date, if advanced filed. (Measure: % ≤ 35 days)	96.3%	95.6%	95.2%	95.0%	95.0%
1-A-2. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	97.9%	97.0%	95.3%	95.0%	95.8%
I-A-3. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor not already receiving a benefit within 60 days of the annuity beginning date, or date filed (whichever is later). (Measure: % ≤ 60 days)	94.8%	96.1%	96.1%	93.0%	92.2%

Railroad Retirement Board **Fiscal Year 2015 Performance Plan**	**2012 Actual (At $108.6m)**	**2013 Actual (At $108.7m)**	**2014 Actual (At $110.3m)**	**2015 Planned [1/] (At $111.225m)**	**2015 Actual [1/] (At $111.225m)**
I-A-4. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor already receiving the benefits as a spouse within 30 days of the RRB's receipt of first notice of the employee's death. (Measure: % ≤ 30 days)	95.6%	95.4%	95.5%	93.5%	94.3%
I-A-5. RRB makes a decision to pay or deny a lump sum death benefit within 60 days of the date the application was filed. (Measure: % ≤ 60 days)	98.4%	98.8%	98.4%	97.3%	98.2%
I-A-6. RRB certifies a payment or releases a letter of denial of UI or SI benefits within 10 days of the date RRB receives the claim. (Measure: % ≤ 10 days)	99.9%	99.9%	99.9%	98.5%	99.9%
I-A-7. RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days)	74.9%	72.5%	42.8%	70.0%	34.2%
I-A-8. RRB makes a payment to a disabled applicant within 25 days of the date of decision or earliest payment date, whichever is later. (Measure: % ≤ 25 days)	96.8%	95.1%	95.6%	94.0%	96.0%
I-A-9. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Measure: average elapsed days)	336	316	270	265	248

Railroad Retirement Board Fiscal Year 2015 Performance Plan	2012 Actual (At $108.6m)	2013 Actual (At $108.7m)	2014 Actual (At $110.3m)	2015 Planned [1/] (At $111.225m)	2015 Actual [1/] (At $111.225m)
Strategic Objective: Provide a range of choices in service delivery methods. Goal leader: Michael Tyllas, Director of Programs					
I-B-1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media)	19 services available	19 services available	19 services available	20 services available	19 services available
I-B-2. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measures: percentage of employers who use the on-line Employer Reporting System (ERS); number of services available through electronic media) a) Employers using ERS:	85.0%	87.0%	98.3%	85.0%	99.4%
b) Internet services:	19 Internet services available	21 Internet services available	26 Internet services available	27 Internet services available	26 Internet services available
STRATEGIC GOAL II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources					
Strategic Objective: Ensure that trust fund assets are protected, collected, recorded, and reported appropriately. Goal leader: George V. Govan, Chief Financial Officer					
II-A-1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs, and a variety of other collection efforts. (Measure for fiscal year 2011: funds collected vs. total debts outstanding. Measure for fiscal years 2012 and following: total overpayments recovered in the fiscal year / total overpayments established in the fiscal year.)	97.7%	97.7%	95.1%	85.0%	93.3%

Railroad Retirement Board Fiscal Year 2015 Performance Plan		2012 Actual (At $108.6m)	2013 Actual (At $108.7m)	2014 Actual (At $110.3m)	2015 Planned [1/] (At $111.225m)	2015 Actual [1/] (At $111.225m)
Strategic Objective: Ensure the accuracy and integrity of benefit programs. Goal leader II-B-1(a)(b) and II-VB-3 and 4: Michael Tyllas, Director of Programs Goal leader II-B-2(a)(b): Dan Fadden, Director of Field Service						
II-B-1. Achieve a railroad retirement benefit payment accuracy rate[2/] of at least 99%. (Measure: percent accuracy rate)	a) Initial payments:	99.75%	99.84%	99.52%	99.60%	99.96%
	b) Sample post recurring payments:	99.97%	99.70%	100%	99.60%	100%
II-B-2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate[2/] of at least 99%. (Measure: percent accuracy rate)	a) Unemployment:	99.83%	98.99%	99.83%	99.20%	99.67%
	b) Sickness:	99.37%	99.42%	99.52%	98.10%	99.89%
II-B-3. Overall Initial Disability Determination Accuracy. (Measure: % of Case Accuracy)		New indicator for FY 15	New indicator for FY 15	New indicator for FY 15	Performance will be measured in FY 15 to establish a baseline	Performance will be measured in FY 15 to establish a baseline
II-B-4. Maintain the level of Railroad Retirement Act (RRA) improper payments below the OMB threshold. (Measure: prior to fiscal year 2014, below 2.5%; beginning fiscal year 2014, below 1.5%)		0.59%	0.54%	0.70%	0.64%	FY 15 Data Not Available
II-B-5. Achieve a return of at least $3.60 for each dollar spent on program integrity activities. (Measure for fiscal year 2011: recoveries and savings per dollar spent. Measure for fiscal years 2012 and following: recoverables and savings per dollar spent)		$4.55: $1.00	$4.90: $1.00	$5.20: $1.00	$4.25: $1.00	FY 15 Data Not Available

Railroad Retirement Board Fiscal Year 2015 Performance Plan	**2012 Actual (At $108.6m)**	**2013 Actual (At $108.7m)**	**2014 Actual (At $110.3m)**	**2015 Planned [1/] (At $111.225m)**	**2015 Actual [1/] (At $111.225m)**
Strategic Objective: Ensure effectiveness, efficiency, and security of operations. Goal leader: Ram Murthy, Chief Information Officer					
II-C-1. Complete modernization of RRB processing systems in accordance with long-range planning goals. (Measure: Meet target dates for the project. Yes/No)	Yes. The RUIA conversion was completed October 2012. We began conversion work on the Employment Data Maintenance (EDM) database.	Yes. The conversion of the EDM database was completed January 2013. The design phase of the Payment Rate and Entitlement History (PREH) database was completed December 2013.	No. The target date for PREH conversion is delayed due to higher priority project (TPAM) mandated by U.S. Treasury. New target: April 30, 2015.	Yes. The new target date for the conversion of the PREH database is September 30, 2015.	September 30, 2015
II-C-2. Deliver – Deliver on Budget. Percent of IT Projects costs within 10% of budgeted costs.	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal
II-C-3. Deliver – Meet Customer Expectations. WWW.RRB.GOV Internet Services (Mainline and Employer Reporting System) Continuous availability experienced by end users.	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal

Railroad Retirement Board Fiscal Year 2015 Performance Plan	2012 Actual (At $108.6m)	2013 Actual (At $108.7m)	2014 Actual (At $110.3m)	2015 Planned [1/] (At $111.225m)	2015 Actual [1/] (At $111.225m)
II-C-4. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements.	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal
II-C-5. Innovate – Adopt New Technologies. Percentage of investments that evaluated cloud alternatives.	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal
II-C-6. Protect – Email Data Loss Prevention. Percentage of externally bound emails and their attachments automatically encrypted that contain personally identifiable or credit card information.	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal
II-C-7. Protect – Percentage of agency employees required to use a Personal Identity Verification (PIV) card to authenticate.	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal	New Performance Goal
Strategic Objective: Effectively carry out responsibilities with respect to the National Railroad Retirement Investment Trust. Goal leader: Karl T. Blank, General Counsel					
II-D-1. Timely review information reported by the National Railroad Retirement Investment Trust to carry out RRB's oversight responsibility under section 15(j)(5)(F) of the Railroad Retirement Act. Reports are to be reviewed within 30 days of receipt. (Measure: Yes/No)	New indicator for FY 12	Yes	Yes	Yes	Yes

Footnotes are on the following page.

1/ Planned amounts reflect the fiscal year 2015 performance targets shown in the RRB's Congressional Justification of Budget Estimates, released on February 2, 2015. Actual results represent status as of March 31, 2015, unless otherwise noted.

2/ The payment accuracy rate is the percentage of dollars paid correctly as a result of adjudication actions performed.

Discussion of Unmet Performance Goals and Indicators for Fiscal Year 2014

INDICATOR	DISCUSSION OF VARIANCE
Performance Indicator I-A-7. The RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days) Our fiscal year 2014 goal was 70.0%, and the actual was 42.8%.	Disability Benefits Division (DBD) did not meet the 2014 performance target due to the furlough of Disability Initial Examiners in October 2013. Also during the fiscal year, DBD was tasked with re-adjudicating Long Island Rail Road occupational disability claims under Board Orders 13-33 and 13-55. These claims were given highest priority and did not allow examiners to complete the rating within 100 days.
Performance Indicator II-B-1a. Initial benefit payment recurring accuracy rate of at least 99%. (Measure: percent accuracy rate) Our fiscal year 2014 goal was 99.75%, and the actual was 99.52%.	Our railroad retirement initial benefit payment recurring accuracy rate is determined by a sample review. The performance goal was set at an approximate target level, and the deviation of 0.23 was not statistically significant related to our projected accuracy range. There was no effect on overall program or activity performance.
Performance Indicator II-B-2b. Achieve a railroad sickness benefit payment accuracy rate of at least 99%. (Measure: percent accuracy rate) Our fiscal year 2014 goal was 99.8%, and the actual was 99.52%.	Our railroad sickness insurance benefit payment accuracy rate is determined by a sample review. The performance goal was set at an approximate target level, and the deviation of 0.28 was not statistically significant related to our projected accuracy range. There was no effect on overall program or activity performance.
Performance Indicator II-B-3. Maintain the level of Railroad Retirement Act (RRA) improper payments below the OMB threshold. (Measure: prior to fiscal year 2014 below 2.5%; beginning fiscal year 2014 below 1.5%) Our fiscal year 2014 goal was 0.59%, and the actual was 0.70%.	While we missed our target by 0.11, our improper payment rate is below 1.5%; therefore, we do not have significant improper payments as defined by law.

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FINANCIAL SECTION

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Financial Section

Message from the Chief Financial Officer

I am pleased to present the RRB's Performance and Accountability Report for fiscal year 2015. This report incorporates the annual performance report under the Government Performance and Results Act of 1993, the internal control report under the Federal Managers' Financial Integrity Act, and audited consolidated financial statements under OMB guidance.

The RRB is committed to integrated and automated financial management systems that focus on the agency's mission and accountability. We strive to maintain an environment in which program and financial managers work in partnership to ensure the integrity of financial information and use that information to make decisions, measure performance, and monitor outcomes. In this environment, we envision integrated financial management systems with appropriate internal review and controls that provide agency managers with timely, accurate, and easily accessible information. We expect managers throughout the agency to use that information to achieve program objectives in a cost-effective manner and to ensure accountability.

The RRB continued to provide high quality financial management and financial reporting during fiscal year 2015.

- We received a disclaimer audit opinion on our consolidated financial statements for fiscal year 2015. In accordance with OMB schedule for releasing quarterly financial statements, we prepared unaudited 3rd quarter financial statements.

- We implemented audit recommendations as follows:

  At the beginning of fiscal year 2015, the agency's audit follow-up tracking system reported 218 audit recommendations as being open. During the fiscal year, audit reports containing another 68 recommendations were issued. As a result, the total number of open recommendations during the year was 286. At the same time, final action was completed on 48 audit recommendations and 0 audit recommendations were rejected, resulting in a balance at the end of the fiscal year of 238 open recommendations. Additionally, the status of the OIG-identified material weaknesses and planned corrective action are presented in the Management's Discussion and Analysis' Management Assurances section.

The RRB is upgrading its Program Accounts Receivable (PAR) system from mainframe based environment by implementing into a cloud hosting service, following migration from its previous financial management system, FFS (Federal Financial System). The service will be hosted by CGI, a commercial shared service provider (SSP) for financial system services. Its cloud system has achieved compliance with GSA's FedRAMP security requirements and is an authorized cloud service provider (CSP).

The RRB will continue to provide financial information that is timely, accurate and useful in the coming years. We are committed to continuing our tradition of providing high quality financial services to agency management, the Congress, OMB, and the constituents we serve.

Original signed by:

George V. Govan
Chief Financial Officer

RAILROAD RETIREMENT BOARD
CONSOLIDATED BALANCE SHEET
AS OF SEPTEMBER 30, 2015 AND 2014
(in dollars)

	FY 2015	FY 2014
ASSETS		
Intragovernmental:		
Fund Balance with Treasury (Note 3)	$217,801,718	$186,911,873
Investments (Note 4)	1,756,991,920	1,691,768,230
Accounts Receivable (Note 6)	4,589,618,854	4,615,469,780
Total Intragovernmental	**6,564,412,492**	**6,494,149,883**
NRRIT Net Assets (Note 5)	24,516,371,538	26,090,536,029
Accounts Receivable, Net (Note 6)	40,324,780	41,781,822
General Property, Plant and Equipment, Net (Note 7)	4,535,831	3,258,257
Other	548,141	534,622
TOTAL ASSETS	**31,126,192,782**	**$32,630,260,613**
LIABILITIES (Note 8)		
Intragovernmental:		
Accounts Payable	$635,011,101	$612,801,275
Debt	3,537,120,317	3,573,457,216
Other	1,615,691	1,082,085
Total Intragovernmental	**4,173,747,109**	**4,187,340,576**
Accounts Payable	1,014,080	360,473
Benefits Due and Payable	1,062,431,455	1,033,537,665
Other	497,034,713	495,646,393
TOTAL LIABILITIES	**5,734,227,357**	**$5,716,885,107**
COMMITMENTS AND CONTINGENCIES (Note 9)		
NET POSITION		
Unexpended Appropriations - Funds from Dedicated Collections (Note 16)	15,376,925	16,634,135
Unexpended Appropriations - All Other Funds	156,606,846	158,322,189
Cumulative Results of Operations - Funds from Dedicated Collections (Note 16)	25,217,589,345	26,737,762,105
Cumulative Results of Operations - All Other Funds	2,392,309	657,077
Total Net Position - Funds from Dedicated Collections	25,232,966,270	26,754,396,240
Total Net Position - All Other Funds	158,999,155	158,979,266
TOTAL NET POSITION	**25,391,965,425**	**26,913,375,506**
TOTAL LIABILITIES AND NET POSITION	**31,126,192,782**	**$32,630,260,613**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF NET COST
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(in dollars)

	FY 2015	FY 2014
Gross Program Costs:		
Railroad Retirement Program		
Gross Costs (Note 10)	$12,436,434,196	$12,191,363,275
Less: Earned Revenue	37,775,304	29,751,063
Net Program Costs	12,398,658,892	12,161,612,212
Railroad Unemployment and Sickness Insurance Program		
Gross Costs (Note 10)	121,590,687	122,739,387
Less: Earned Revenue	15,328,849	15,328,919
Net Program Costs	106,261,838	107,410,468
Costs Not Assigned to Programs	0	0
Less: Earned Revenues Not Attributed to Programs	29,170	46,610
NET COST OF OPERATIONS	**$12,504,891,560**	**$12,268,976,070**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(in dollars)

FY 2015

	Funds from Dedicated Collections	All Other Funds	Eliminations	Consolidated Total
Cumulative Results of Operations:				
Beginning Balances	$26,737,762,106	$657,077		$26,738,419,183
Budgetary Financing Sources:				
Appropriations used	723,913,825	31,851,541		755,765,366
Non-exchange revenue	6,550,141,448	2,115,507	(23,253)	6,552,233,702
Transfers in from NRRIT (Note 11)	1,191,000,000			1,191,000,000
Transfers in/out without reimbursement	4,052,351,000			4,052,351,000
Other Financing Sources (Non-Exchange):				
Imputed financing	7,378,454			7,378,454
Change in NRRIT assets	(1,574,164,491)			(1,574,164,491)
Other gains	1,890,000			1,890,000
Total Financing Sources	10,952,510,236	33,967,048	(23,253)	10,986,454,031
Net Cost Of Operations	12,472,682,997	32,231,816	(23,253)	12,504,891,560
Net Change	**(1,520,172,761)**	**1,735,232**		**(1,518,437,529)**
Cumulative Results of Operations	**25,217,589,345**	**2,392,309**		**25,219,981,654**
Unexpended Appropriations:				
Beginning Balance	16,634,135	158,322,189		174,956,324
Budgetary Financing Sources:				
Appropriations received	722,754,523	32,000,000		754,754,523
Other adjustments	(97,908)	(1,863,802)		(1,961,710)
Appropriations used	(723,913,825)	(31,851,541)		(755,765,366)
Total Budgetary Financing Sources	(1,257,210)	(1,715,343)		(2,972,553)
Total Unexpended Appropriations	**15,376,925**	**156,606,846**		**171,983,771**
Net Position	**$25,232,966,270**	**$158,999,155**		**$25,391,965,425**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
CONSOLIDATED STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2014
(in dollars)

	FY 2014			
	Funds from Dedicated Collections	**All Other Funds**	**Eliminations**	**Consolidated Total**
Cumulative Results of Operations:				
Beginning Balances	$25,708,930,613	$657,077		$25,709,587,690
Budgetary Financing Sources:				
Appropriations Used	620,649,847	38,035,115		658,684,962
Non-Exchange Revenue	6,050,780,424	109,321	(475,683)	6,050,414,062
Transfers in from NRRIT (Note 11)	1,429,000,000			1,429,000,000
Transfers in/out Without Reimbursement	4,032,866,000			4,032,866,000
Other Financing Sources (Non-Exchange):				
Imputed Financing	8,175,216			8,175,216
Change in NRRIT Assets	1,078,593,332			1,078,593,332
Other Gains	40,073,990			40,073,990
Total Financing Sources	13,260,138,809	38,144,436	(475,683)	13,297,807,562
Net Cost Of Operations	12,231,307,317	38,144,436	(475,683)	12,268,976,070
Net Change	**1,028,831,492**			**1,028,831,492**
Cumulative Results of Operations	**26,737,762,105**	**657,077**		**26,738,419,182**
Unexpended Appropriations:				
Beginning Balances	16,609,802	159,884,959		176,494,761
Budgetary Financing Sources:				
Appropriations Received	620,770,468	39,010,000		659,780,468
Other Adjustments	(96,288)	(2,537,655)		(2,633,943)
Appropriations Used	(620,649,847)	(38,035,115)		(658,684,962)
Total Budgetary Financing Sources	24,333	(1,562,770)		(1,538,437)
Total Unexpended Appropriations	**16,634,135**	**158,322,189**		**174,956,324**
Net Position	**$26,754,396,240**	**$158,979,266**		**$26,913,375,506**

The accompanying notes are an integral part of these statements.

RAILROAD RETIREMENT BOARD
COMBINED STATEMENT OF BUDGETARY RESOURCES
FOR THE YEARS ENDED SEPTEMBER 30, 2015 AND 2014
(in dollars)

	2015	2014
Budgetary Resources		
Unobligated balance brought forward, October 1	$178,718,072	$179,037,167
Adjustment to unobligated balance brought forward, October 1 (+ or -) (Note 22)	59,840,279	0
Unobligated balance brought forward, October 1, as adjusted	238,558,351	179,037,167
Recoveries of unpaid prior year obligations	2,255,776	2,455,322
Other changes in unobligated balance (+ or -)	(1,961,710)	(2,633,943)
Unobligated balance from prior year budget authority, net	238,852,417	178,858,546
Appropriations (discretionary and mandatory)	9,320,480,705	8,998,154,950
Borrowing authority (discretionary and mandatory) (Note 18 and Note 19)	3,845,300,000	3,881,500,000
Spending authority from offsetting collections (discretionary and mandatory)	174,867,276	167,645,784
Total budgetary resources	**$13,579,500,398**	**$13,226,159,280**
Status of Budgetary Resources		
Obligations incurred (Note 17)	$13,397,595,266	$13,047,441,208
Unobligated balance, end of year:		
Apportioned	147,704,817	146,139,663
Unapportioned	34,200,315	32,578,409
Total unobligated balance, end of year	181,905,132	178,718,072
Total budgetary resources	**$13,579,500,398**	**$13,226,159,280**
Change in Obligated Balance		
Unpaid obligations:		
Unpaid obligations, brought forward, October 1	$962,824,350	$903,593,484
Obligations incurred	13,397,595,266	13,047,441,208
Outlays (gross) (-)	(13,364,253,034)	(12,985,755,020)
Recoveries of prior year unpaid obligations (-)	(2,255,776)	(2,455,322)
Unpaid obligations, end of year	993,910,806	962,824,350
Uncollected payments:		
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	(45,198)	22,144
Change in uncollected pymts, Fed Sources (+ or -)	(128,934)	(67,342)
Uncollected pymts, Fed sources, end of year (-)	(174,132)	(45,198)
Memorandum (non-add) entries		
Obligated balance, start of year (+ or -)	$962,779,150	$903,615,628
Obligated balance, end of year (+ or -)	$993,736,672	$962,779,150
Budget Authority and Outlays, Net (Note 13)		
Budget authority, gross (discretionary and mandatory)	$13,340,647,981	$13,047,300,734
Actual offsetting collections (discretionary and mandatory) (-)	(174,738,343)	(167,507,396)
Change in uncollected pymts from Fed sources (discretionary and mandatory) (+ or -)	(128,934)	(67,342)
Budget authority, net (total) (discretionary and mandatory)	**$13,165,780,704**	**$12,879,725,996**
Outlays, gross (discretionary and mandatory)	$13,364,253,034	$12,985,755,020
Actual offsetting collections (discretionary and mandatory) (-)	(174,738,343)	(167,578,442)
Outlays, net (total) (discretionary and mandatory)	13,189,514,691	12,818,176,578
Distributed offsetting receipts (-)	(4,774,955,523)	(4,648,895,280)
Agency outlays, net (discretionary and mandatory)	**$8,414,559,168**	**$8,169,281,298**

The accompanying notes are an integral part of these statements.

Railroad Retirement Board

Statement of Social Insurance (Note 14, Note 15)

Actuarial Surplus or (Deficiency)

75-year Projection as of January 1, 2015

(Present values in billions of dollars)

	1/1/2015	1/1/2014	1/1/2013	1/1/2012	1/1/2011
Current participants who have attained retirement age:					
Contributions and earmarked taxes	$85.4	$82.8	$81.1	$79.0	$73.1
Expenditures for scheduled future benefits	130.6	125.8	122.6	118.8	109.3
Present Value of estimated future revenue less estimated future expenditures	(45.1)	(43.0)	(41.5)	(39.8)	(36.2)
Current participants not yet having attained retirement age:					
Contributions and earmarked taxes	88.0	85.5	84.2	81.3	71.7
Expenditures for scheduled future benefits	97.2	96.8	96.2	94.7	86.2
Present Value of estimated future revenue less estimated future expenditures	(9.2)	(11.3)	(12.0)	(13.4)	(14.6)
Net estimated present value of future revenue less future expenditures for current participants (closed group measure)	(54.4)	(54.4)	(53.5)	(53.1)	(50.8)
Plus: Treasury securities and assets held by the program	27.6	27.6	25.5	24.2	26.3
Closed group surplus/(unfunded obligation)	($26.8)	($26.7)	($28.1)	($29.0)	($24.6)
Future participants:					
Contributions and earmarked taxes	$63.2	$62.8	$64.0	$64.0	$53.2
Expenditures for scheduled future benefits	34.9	34.5	34.3	33.5	27.6
Present Value of estimated future revenue less estimated future expenditures	28.3	28.3	29.7	30.5	25.6
Net estimated present value of future revenue less future expenditures for current and future participants (open group measure)	(26.1)	(26.0)	(23.9)	(22.7)	(25.2)
Plus: Treasury securities and assets held by the program	27.6	27.6	25.5	24.2	26.3
Open group surplus/(unfunded obligation)	$1.5	$1.6	$1.6	$1.5	$1.0

Detail may not add to totals due to rounding.
The accompanying notes are an integral part of these financial statements.

Railroad Retirement Board

Statement of Changes in Social Insurance Amounts

Open Group Measure

For the Two-Year Period Ended December 31, 2014

(in billions of dollars)

Net Present Value (NPV) beginning of year 2013	$ (23.9)
Reasons for changes in the NPV during the year:	
Changes in valuation period[1]	0.2
Changes in demographic data, assumptions, and methods[2]	-
Changes in economic data, assumptions, and methods[3]	(2.3)
Changes in law or policy[4]	NA
Changes in methodology and programmatic data[5]	NA
Changes in Medicare healthcare and other healthcare assumptions[6]	NA
Other changes	NA
Net change during 2013	(2.1)
Net Present Value end of year 2013/beginning of year 2014	$ (26.0)
Reasons for changes in the NPV during the year:	
Changes in valuation period[1]	0.1
Changes in demographic data, assumptions, and methods[2]	(0.1)
Changes in economic data, assumptions, and methods[3]	(0.1)
Changes in law or policy[4]	NA
Changes in methodology and programmatic data[5]	NA
Changes in Medicare healthcare and other healthcare assumptions[6]	NA
Other changes	NA
Net change during 2014	(0.1)
Net Present Value end of year 2014	$ (26.1)

Detail may not add to totals due to rounding.
The accompanying notes are an integral part of these financial statements.

NOTES:

1. Changes in valuation period –

   Between 1/1/2013 and 1/1/2014:
   Changes in the valuation period from 2013-2087 to 2014-2088 resulted in a change of about $0.2 billion on the open group measure between 1/1/2013 and 1/1/2014.

   Between 1/1/2014 and 1/1/2015:
   Changes in the valuation period from 2014-2088 to 2015-2089 resulted in a change of about $0.1 billion on the open group measure between 1/1/2014 and 1/1/2015.

2. Changes in demographic data, assumptions, and methods –

   Between 1/1/2013 and 1/1/2014:
   Demographic assumptions were not changed between the Statement of Social Insurance as of 1/1/2013 and the Statement of Social Insurance as of 1/1/2014. Changes in demographic data had a minimal effect (less than 0.1 billion) on the open group measure between 1/1/2013 and 1/1/2014.

   Between 1/1/2014 and 1/1/2015:
   Some demographic assumptions, such as the Annuitants Mortality Table, the Disabled Mortality Table for Annuitants with Disability Freeze, the Disabled Mortality Table for Annuitants without Disability Freeze, the Active Service Mortality Table, the Spouse Total Termination Table, the Mortality Improvement Scale, the probability of an employee having an eligible spouse, the Mortality Table for Widows, the rates of immediate age retirement, the rates of immediate disability retirement, the rates of eligibility for disability freeze, service months, salary scales, and family characteristics, were changed between the Statement of Social Insurance as of 1/1/2014 and the Statement of Social Insurance as of 1/1/2015. Changes in demographic data, assumptions, and methods resulted in a change of about ($0.1) billion on the open group measure between 1/1/2014 and 1/1/2015.

3. Changes in economic data, assumptions, and methods –

   Between 1/1/2013 and 1/1/2014:
   Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 1/1/2013 and the Statement of Social Insurance as of 1/1/2014, but select economic assumptions were. The actual COLA of 1.5% was used for 2014 in place of the 1.8% COLA assumed for 2014 in the prior year's report. A 1.7% COLA was assumed for 2015 instead of a 2.3% COLA, and a 2.2% COLA was assumed for 2016 instead of a 2.8% COLA. Also, the actual 2013 investment return of 16.0% was higher than the assumed 7.0% investment return used for 2013 in the prior year's report. Economic data, assumptions, and methods had the greatest effect on the open group measure, resulting in a change of about ($2.3) billion from 1/1/2013 to 1/1/2014.

Between 1/1/2014 and 1/1/2015:
Both select and ultimate economic assumptions were changed between the Statement of Social Insurance as of 1/1/2014 and the Statement of Social Insurance as of 1/1/15. A COLA of 0.5% was used for 2016 in place of the 2.2% COLA assumed for 2016 in the prior year's report. A 1.6% COLA was assumed for 2017 instead of a 2.8% COLA. An ultimate COLA of 2.7% for 2018 and the following years was used in place of the ultimate COLA of 2.8% used in the prior year's report. An ultimate wage increase assumption of 3.7% was used in place of the 3.8% wage increase assumption used in the prior year's report. Also, the actual 2014 investment return of 5.5% was lower than the assumed 7.0% investment return used for 2014 in the prior year's report. Changes in economic data, assumptions, and methods resulted in a change of about ($0.1) billion from 1/1/2013 to 1/1/2014.

4. There were no changes in law or policy.

5. There were no changes in methodology and programmatic data.

6. Medicare healthcare and other healthcare assumptions are not applicable to the Railroad Retirement program.

Notes to the Financial Statements: Fiscal Years Ended September 30, 2015 and 2014

1. Summary of Significant Accounting Policies

A. Basis of Presentation
Public Law 107-289, the Accountability of Tax Dollars Act of 2002, added the Railroad Retirement Board (RRB) as an agency required to prepare audited financial statements for fiscal year 2003, and subsequent years. Office of Management and Budget (OMB) guidance requires that Performance and Accountability Reports (P&AR) for fiscal year 2015 are to be submitted to the President, the Congress, and the Director of OMB by November 16, 2015. As required by law, OMB has also prescribed the form and content of financial statements under OMB Circular A-136. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with generally accepted accounting principles and standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The principal statements (prepared on a consolidated basis, except for the Statement of Budgetary Resources which was prepared on a combined basis, and eliminating all significant interfund balances and transactions) are comprised of the Balance Sheet and Statements of Net Cost, Changes in Net Position, Budgetary Resources, Social Insurance, and Changes in Social Insurance Amounts. These statements are different from the financial reports, also prepared by the RRB pursuant to OMB directives, used to monitor and control the RRB's use of budgetary resources.

B. Reporting Entity
The railroad retirement and the railroad unemployment and sickness insurance programs are financed through the following accounts:

- Railroad Retirement (RR) Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered a fund from dedicated collections. Our authority to use these collections is 45 United States Code (USC) §231f(c)(1).

- Social Security Equivalent Benefit (SSEB) Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered a fund from dedicated collections. Our authority to use these collections is 45 USC §231n-1(c)(1).

- Dual Benefits Payments (DBP) Account, 60 0111, funds the phase-out costs of certain vested dual benefits from general appropriations. Account 60 0111 is considered a general fund. Our authority to use these collections is 45 USC §231n(d).

- Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits; receiving credit for the interest portion of uncashed check transfers; and funds provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Account 60X0113 is considered a fund from dedicated collections. This account has no basis in law.

- Limitation on Administration Account, 60 8237, pays salaries and expenses to administer the railroad retirement program and the railroad unemployment and sickness insurance program. This account is financed by the RR Account, the SSEB Account, and the Railroad Unemployment Insurance Trust Fund, Administrative Expenses. Account 60 8237 is considered a fund from dedicated collections. Our authority to use these collections is 45 USC §231n-1(c) and 45 USC §231n(h).

- Limitation on Administration Account, 60X8237, Public Law 107-217, Sec. 121(d)(3), authorizes Federal agencies to retain indefinitely as "no-year money" any unexpended portion of the fiscal year appropriated funds, up to the estimated cost of the operation and maintenance (O&M) of the delegated properties. Funds carried over may only be expended for O&M and repair of the facility. In addition, this fund contains the Limitation on Administration funds for extended unemployment benefits provided under Public Laws 111-92, 112-96, and 112-240. Account 60X8237 is considered a fund from dedicated collections.

- Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered a fund from dedicated collections. Our authority to use these collections is 45 USC §360.

- Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered a fund from dedicated collections. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 USC §361.

- Limitation on the Office of Inspector General, 60 8018, was established to fund the administration of the Inspector General's Office. Account 60 8018 is considered a fund from dedicated collections. Our authority to use these collections is Public Law 113-235.

- Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act, 60X0114: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Economic Recovery Payments – Recovery Act, 60 0115: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Administrative Expenses – Recovery Act, 60X0116: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Administrative Expenses – Recovery Act, 60 0116: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Limitation on Administration – Recovery Act, 60X8262: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Limitation on Administration – Recovery Act, 60 8262: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009.

- Railroad Unemployment Insurance Extended Benefit Payments, for Limitation Account – 60X0118: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009, and Public Law 112-96, Middle Class Tax Relief and Job Creation Act of 2012, and Public Law 112-240, American Taxpayer Relief Act of 2012.

- Railroad Unemployment Insurance Extended Benefit Payments – 60X0117: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009.

C. Budgets and Budgetary Accounting

Budget requests are prepared and submitted by the RRB in accordance with OMB Circular A-11 and other specific guidance issued by OMB. The RRB prepares and submits to OMB Apportionment and Reapportionment Requests (SF-132) in accordance with OMB Circular A-11 for all funds appropriated by the Congress or permanently appropriated. Although OMB may apportion funds by category, time period, or object class of expense, the RRB controls and allocates all apportioned funds by three-digit object class codes of expense. For budgetary accounting, all receipts are recorded on a cash basis of accounting and obligations are recorded against the object class codes when they are incurred, regardless of when the resources acquired are to be consumed. Obligations are amounts of orders placed, contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. Quarterly, the RRB prepares and submits Reports on Budget Execution (SF-133) to OMB, reporting all obligations incurred against the amounts apportioned.

D. Basis of Accounting

As required by law, the DBP Account is on a cash basis of accounting. Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 7. All other transactions are recorded on an accrual basis of accounting and a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred. For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

The accompanying consolidated financial statements of the RRB include all funds maintained by the RRB, after elimination of all significant interfund balances and transactions.

E. Concepts

The Fund Balance with Treasury (FBWT) is the aggregate amount of funds on deposit with the Department of the Treasury (Treasury), excluding seized cash deposited. The FBWT is increased by (1) receiving appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations; and (2) receiving transfers and reimbursements from other agencies. It also is increased by amounts borrowed from the Bureau of the Public Debt (BPD), the Federal Financing Bank, or other entities, and amounts collected and credited to appropriation or fund accounts. The FBWT is reduced by (1) disbursements made to pay liabilities or to purchase assets, goods, and services; (2) investments in U.S. securities (securities issued by BPD or other Federal Government agencies); (3) cancellation of expired appropriations; (4) transfers and reimbursements to other entities or to the General Fund of the Treasury; and, (5) sequestration or rescission of appropriations.

F. Funds from Dedicated Collections

SFFAS No. 43, Funds from Dedicated Collections, amends SFFAS No. 27, Identifying and Reporting Earmarked Funds. Generally, funds from dedicated collections are financed by specifically identified revenues, provided to the government by non-Federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits, or purposes, and must be accounted for separately from the government's general revenues. Funds from Dedicated Collections should be shown as a separate presentation and disclosure in the financial statements. The three required criteria for funds from dedicated collections are:

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes;
- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguish the fund from the Federal Government's general revenues.

Refer to Note 16, Funds from Dedicated Collections.

G. Application of Critical Accounting Estimates
The financial statements are based on the selection of accounting policies and the application of significant accounting estimates, some of which require management to make significant assumptions. Further, the estimates are based on conditions that may change in the future. Actual results could differ materially from the estimated amounts. The financial statements include information to assist in understanding the effect of changes in assumptions to the related information.

2. Related Parties

The RRB has significant transactions with the following governmental and non-governmental entities:

- Treasury collects payroll taxes from the railroads on behalf of the RRB. The taxes collected are credited by Treasury to the RRB's trust fund account via an appropriation warrant. In fiscal years 2015 and 2014, net payroll taxes transferred to the RRB by Treasury were $6.4 billion and $5.9 billion, respectively.

  Treasury provides payment services to Federal agencies and operates collections and deposit systems. The RRB invests in government account securities through BPD. In fiscal years 2015 and 2014, investments, including accrued interest, totaled $1.8 billion and $1.7 billion, respectively. In addition, Treasury advances funds to the RRB for the financial interchange which are repaid annually. The amount paid by the RRB to Treasury in fiscal year 2015 due to the financial interchange advances during fiscal year 2014 included principal of $3.9 billion and interest of $103 million. The amount paid by the RRB to Treasury in fiscal year 2014 due to the financial interchange advances during fiscal year 2013 included principal of $3.9 billion and interest of $105 million.

- The Social Security Administration (SSA) and the RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act (FICA). In fiscal year 2015, the RRB trust funds realized $4.7 billion through the financial interchange.

  Under Section 7(b)(2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals, described in this section, monthly social security benefits on behalf of SSA. SSA reimburses the RRB for benefits paid on behalf of SSA. The amounts reimbursed were $1.5 billion for fiscal year 2015 and $1.5 billion for fiscal year 2014.

- The Centers for Medicare & Medicaid Services (CMS) participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $595 million and $612 million to CMS in fiscal years 2015 and 2014, respectively. In addition to the financial interchange transactions, CMS reimburses the RRB for certain expenses it incurs associated with administering the Medicare program. The amounts reimbursed in fiscal years 2015 and 2014 were $37.8 million and $32 million, respectively.

- The General Services Administration (GSA) provides payroll processing and human resources services to the RRB. In addition, the RRB paid rent to GSA in the amount of $3.1 million for fiscal year 2015 and $3.2 million for fiscal year 2014.

- The Department of Labor (DOL) invests Railroad Unemployment Insurance Act (RUIA) contributions. Accounts receivable with the DOL amounted to $106.8 million and $125 million for fiscal years 2015 and 2014, respectively.

- The National Railroad Retirement Investment Trust (NRRIT) transfers funds to the RRB for payment of railroad retirement benefits. During fiscal years 2015 and 2014, the NRRIT transferred $1,191 million and $1,429 million, respectively, to the RR Account. The NRRIT holds and invests funds not immediately needed to pay benefits under the RRA. The net assets of the NRRIT are reported on the RRB's balance sheet as a non-governmental investment. The RRB reports this information based on information provided by the NRRIT for that purpose.

3. Fund Balances with Treasury

Fund balances with Treasury at September 30 consisted of:

	2015	2014
A. Fund Balances:		
(1) Trust Funds	$ 36,056,096	$ 27,888,615
(2) General Funds	181,745,622	159,023,258
(3) Other Fund Types	0	0
Total	$ 217,801,718	$ 186,911,873
B. Status of Fund Balance with Treasury (FBWT)		
(1) Unobligated Balance		
(a) Available	$ 147,704,819	$ 146,139,664
(b) Unavailable	34,200,315	32,578,409
(2) Obligated Balance not yet Disbursed	35,896,584	8,193,800
(3) Non-Budgetary FBWT	0	0
Total	$ 217,801,718	$ 186,911,873

C. Other Information: The above represents cash held in Treasury. Unobligated and obligated funds not held in cash are invested in Treasury securities.

4. Investments

The investments in Treasury securities represent the investments of two of the RRB's funds from dedicated collections, the RR and the SSEB Accounts.

	Amounts for Balance Sheet Reporting		
	Cost	Interest Receivable	Investments Net
Intragovernmental Securities:			
Non Marketable Par Value 2015	$1,754,232,000	$2,759,920	$1,756,991,920
Non Marketable Par Value 2014	$1,689,168,000	$2,600,230	$1,691,768,230

The balance on September 30, 2015, consisted of investments in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2015. The balance on September 30, 2014, consisted of investments in 3.000 percent par value specials (with market value equal to face value) maturing on October 1, 2014. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with the RR and SSEB Accounts. The cash receipts from the railroads for the RR and SSEB Accounts are deposited in the Treasury, which uses the cash for general government purposes. Treasury securities are issued to the RRB as evidence of its receipts. Treasury securities are an asset to the RRB and a liability to the Treasury. Because the RRB and the Treasury are both parts of the Federal Government, these assets and liabilities offset each other from the standpoint of the government as a whole. For this reason, they do not represent an asset or a liability in the U.S. government-wide financial statements.

Treasury securities provide the RRB with authority to draw upon the Treasury to make future benefit payments or other expenditures. When the RRB requires redemption of these securities to make expenditures, the government finances those expenditures out of accumulated cash balances, by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way that the Federal Government finances all other expenditures.

5. NRRIT Net Assets

The balance sheet amounts represent the net asset value of NRRIT assets, at fair value, as of September 30, 2015 and 2014. These figures were provided to the RRB by the NRRIT for the fiscal years ended September 30, 2015 and 2014.

Readers of these financial statements should be aware that the Railroad Retirement and Survivors' Improvement Act of 2001 authorizes the NRRIT to invest railroad retirement assets in a diversified investment portfolio in the same manner as those of private sector retirement plans.

6. Accounts Receivable

• *Intragovernmental*

Accounts receivable - Intragovernmental at September 30 consisted of:

	2015	2014
Financial Interchange – Principal	$4,365,800,000	$4,361,700,000
Financial Interchange – Interest	117,000,000	128,400,000
Department of Labor	106,818,854	125,369,780
Total	$4,589,618,854	$4,615,469,780

• *Accounts Receivable, Net*

Accounts receivable, net at September 30 consisted of:

	2015	2014
Accounts receivable – Benefit overpayments	$52,842,816	$52,537,015
Accounts receivable – Past due RUI contributions and taxes	144,405	57,310
Accounts receivable – Interest, penalty & administrative costs	468,903	380,724
Total	$53,456,124	$52,975,049
Less: Allowances for doubtful accounts	13,131,344	11,193,227
Net Total	$40,324,780	$41,781,822

The RRB's September 30, 2015, accounts receivable balance (after deducting currently not collectible (CNC) receivables but prior to the application of the allowance for doubtful accounts) of $53,456,124 includes $47,648,655 (89%) in railroad retirement program receivables and $5,807,469 (11%) in railroad unemployment insurance program receivables. The total allowance for doubtful accounts is $13,131,344. This includes $12,383,886 (94%) for the railroad retirement program and $747,458 (6%) for the unemployment insurance program receivables.

The allowance for doubtful accounts for the railroad retirement program was calculated, excluding debts classified as CNC, as follows: (1) categorizing the accounts receivable by cause and age, (2) analyzing each category using historical data, (3) determining the percentage of amounts due the RRB that would probably not be collected, and (4) applying the determined percentages against accounts receivable.

7. General Property, Plant and Equipment

These assets are stated at cost less accumulated depreciation/amortization. Beginning with fiscal year 2014, acquisitions are capitalized if the cost is $50,000 or more and the service life is 2 years or greater. Depreciation/amortization is computed on the straight-line method. These assets consisted of:

Classes of Fixed Assets	Service Lives	At September 30, 2015 Cost	Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold Improvements	15 years	$ 2,723,731	$ 2,723,731	$ 0
ADP software	5 years	24,628,040	22,399,214	2,228,826
Equipment	5-10 years	7,270,798	6,610,178	660,620
Internal-Use Software in Development		1,646,385	0	1,646,385
		$36,268,954	$31,733,123	$ 4,535,831

Classes of Fixed Assets	Service Lives	At September 30, 2014 Cost	Accumulated Depreciation	Net Book Value
Structures, facilities and leasehold Improvements	15 years	$ 2,723,731	$ 2,723,731	$ 0
ADP software	5 years	24,628,040	21,656,868	2,971,172
Equipment	5-10 years	6,344,756	6,344,756	0
Internal-Use Software in Development		287,085	0	287,085
		$33,983,612	$30,725,355	$3, 258,257

8. Liabilities

Liabilities at September 30 consisted of:

	2015	2014
Intragovernmental:		
Other – Unfunded Federal Employees' Compensation Act (FECA) Liability	$ 630,355	$ 554,190
Public:		
Other – Accrued Unfunded Leave	$ 6,666,471	$ 6,756,122
Total Liabilities Not Covered by Budgetary Resources	$ 7,296,826	$ 7,310,312
Total Liabilities Covered by Budgetary Resources	5,726,930,531	5,709,574,794
Total Liabilities	$ 5,734,227,357	$ 5,716,885,106

- *Debt*

Intragovernmental debt results from borrowing from Treasury to fund benefit payments from the SSEB Account.

	2015	2014
Beginning Balance, Principal	$ 3,531,900,000	$ 3,587,200,000
New Borrowing	3,845,300,000	3,881,500,000
Repayments	(3,879,300,000)	(3,936,800,000)
Ending Balance, Principal	3,497,900,000	3,531,900,000
Accrued Interest	39,220,317	41,557,216
Total	$ 3,537,120,317	$ 3,573,457,216

• *Benefits Due and Payable*

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts include uncashed checks of $13,942,906 and $13,578,572, at September 30, 2015 and 2014, respectively. Under Public Law 100-86, the amount of RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists or another check is issued to the beneficiary.

A special workload of approximately 10,888 benefit cases, estimated at $5.4 million, has been identified and will be processed over the next few years.

• *Other Liabilities*

Other liabilities at September 30 consisted of:

	Non-Current	Current	2015 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$ 757,259	$ 757,259
Unfunded FECA Liability		630,356	630,356
Other Liabilities With Related Budgetary Obligations		228,076	228,076
Total Intragovernmental		1,615,691	1,615,691
Accrued Unfunded Liabilities		6,666,471	6,666,471
Accrued Payroll		2,285,051	2,285,051
Accrued RRB Contributions – Thrift Savings Plan		(440,682)	(440,682)
Contingent Liability (see Note 9 for details)		481,500,000	481,500,000
Other		7,023,873	7,023,873
Total Other Liabilities	0	$498,650,404	$498,650,404

	Non-Current	Current	2014 Total
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable		$ 524,479	$ 524,479
Unfunded FECA Liability		557,606	557,606
Total Intragovernmental		1,082,085	1,082,085
Accrued Unfunded Liabilities		6,756,122	6,756,122
Accrued Payroll		2,004,638	2,004,638
Accrued RRB Contributions – Thrift Savings Plan		66,450	66,450
Contingent Liability (see Note 10 for details)		483,500,000	483,500,000
Other		3,319,183	3,319,183
Total Other Liabilities	0	$496,728,478	$496,728,478

9. Commitments and Contingencies

The RRB is involved in the following actions:

- One railroad filed suit requesting a refund of approximately $22.0 million (not including interest) representing the employer's share of taxes previously paid with respect to moving and relocation expenses and with respect to stock purchased by current and former employees under non-qualified stock options. The parties agreed to settle and the RRB recorded a loss of $110,000.

- Another railroad filed suit requesting a refund of $75.0 million (not including interest) representing the employer and employee share of taxes previously paid with respect to the exercise of non-qualified stock options granted to its employees, the vesting of restricted stock and restricted stock units granted to employees and certain ratification payments made to union members. The RRB's general counsel has determined that the likelihood of loss is reasonably possible.

- Another railroad filed suit requesting a refund of $12.6 million (not including interest) representing the employer's share of taxes related to non-qualified stock options, restricted stock and ratification payments exclusive of interest. The RRB's general counsel has determined that the likelihood of loss is reasonably possible.

- Several Class I railroads have filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the $47.4 million in claims, the RRB's legal counsel has determined that it is reasonably possible that the RR and SSEB Accounts are contingently liable for $38.9 million, and the remaining $8.5 million is remote. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims. No provision has been made in the accompanying financial statements regarding these claims other than this disclosure.

- As of September 30, 2015, the RRB had contractual arrangements which may result in future financial obligations of $33.7 million.

- We also recorded a contingent liability in the amount of $481.5 million, for forthcoming adjustments to the financial interchange for military service credits due SSA.

10. Intragovernmental Costs and Exchange Revenue

	2015	2014
Railroad Retirement (RR) Act Program		
Intragovernmental Costs	$ 126,254,733	$ 125,022,639
Public Costs	12,310,179,463	12,066,340,636
Total RR Act Program Costs	$ 12,436,434,196	$ 12,191,363,275
Intragovernmental Earned Revenue	$ 37,775,304	$ 29,751,063
Public Earned Revenue	0	0
Total RR Act Program Earned Revenue	$ 37,775,304	$ 29,751,063
Railroad Unemployment Insurance (RUI) Act Program		
Intragovernmental Costs	$ 3,743,339	$ 2,524,953
Public Costs	117,847,348	120,214,434
Total RUI Act Program Costs	$ 121,590,687	$ 122,739,387
Intragovernmental Earned Revenue	$ 0	$ 0
Public Earned Revenue	15,328,849	15,328,919
Total RUI Act Program Earned Revenue	$ 15,328,849	$ 15,328,919

These totals do not include $29,170 and $46,610 of earned revenues not attributable to either program for fiscal years 2015 and 2014, respectively.

Intragovernmental costs (exchange transactions made between two reporting entities within the Federal Government) are being reported separately from costs with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intragovernmental exchange revenues (exchange transactions made between two reporting entities within the Federal Government) are reported separately from exchange revenues with the public (exchange transactions made between the reporting entity and a non-Federal entity). Intragovernmental expenses relate to the source of goods and services purchased by the reporting entity, not to the classification of related revenue.

11. Transfers To/From NRRIT

The RRB received a total of $1,191 million and $1,429 million from the NRRIT during fiscal years 2015 and 2014, respectively. These funds were received into the RR Account. Transfers were to fund the payment of benefits.

12. Undelivered Orders at the End of the Period

	2015	2014
Undelivered Orders	$25,326,009	$22,086,866

13. Explanation of Differences Between the Combined Statement of Budgetary Resources and the Budget of the United States Government

A reconciliation was completed of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays, as presented in the Statement of Budgetary Resources for the year ended September 30, 2014, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2015, since the RRB's Performance and Accountability Report is published in November 2015, and OMB's MAX system will not have actual budget data available until mid-December 2015.

The Budget of the United States Government and the RRB's Statement of Budgetary Resources differ because of the following transaction types:

		Fiscal Year 2014 (in millions)			
		Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
1.	Combined Statement of Budgetary Resources – September 30, 2014	13,226	13,047	4,649	8,169
2.	Expenditure Transfers from Trust Funds	(119)			
3.	Unobligated Balance, Brought Forward October 1, 2013	(179)			
4.	Recoveries of Prior Year Unpaid Obligations	(2)			
5.	Sickness Insurance Benefit Recoveries	(15)			
6.	Administrative Expense Reimbursement	(32)			
7.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113)	(621)			
8.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(4,257)			
9.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(444)			
	Financial Interchange				
10.	Accrued Receipts from the OASI and DI Trust Funds			15	(15)
11.	Accrued Transfers to the Federal Hospital Insurance Trust Fund			653	(653)
	NRRIT				
12.	NRRIT Obligations / Outlays	1,504	1,504		1,504
13.	Intrafund Transfers: NRRIT Transfer to RRA	(1,429)		1,429	(1,429)
14.	Proprietary Receipts: NRRIT – Gains and Losses	(2,158)		2,158	(2,158)
15.	Proprietary Receipts: NRRIT – Interest and Dividends	(409)		409	(409)
16.	Rounding	1	(3)	5	(4)
17.	Budget of the United States Government FY 2014 Actuals	5,066	14,548	9,318	5,005

14. Social Insurance

- Surplus/(unfunded obligation) represents combined values for the RR Account, SSEB Account, and NRRIT.

- Estimated future revenue includes tier I taxes, tier II taxes, income taxes on benefits, and financial interchange income, where financial interchange income consists of financial interchange transfers plus financial interchange advances from general revenues less repayment of financial interchange advances from general revenues.

- Estimated future expenditures include benefit and administrative costs.

- Detail may not add to totals due to rounding. Employee and beneficiary status are determined as of 1/1/2014, whereas present values are as of 1/1/2015.

Treasury Securities and Assets Held by the Program

Higher Treasury security and asset balances result in lower tax rates and consequently lower future tax income whereas lower Treasury security and asset balances result in higher rates and income.

Subsequent Event Note Disclosure for the Statement of Social Insurance

From January 1, 2015, the valuation date of the Statement of Social Insurance, to September 30, 2015, the balance sheet date, there was a decline in the value of the NRRIT assets. If a change in the trust fund balance is not excessively large, then we would expect the effect of the change to be offset by a corresponding change in the present value of future taxes due to the operation of the Account Benefits Ratio on future tax rates. Given the extent of the decline in the NRRIT assets from January 1 to September 30, we believe that there would be little effect on the net surplus position. The decline in the line item “Treasury securities and assets held by the program” would be expected to be largely offset by increases in the line items “Contributions and earmarked taxes,” resulting in relatively little change to the final line item “Open group surplus/(unfunded obligation).”

15. Significant Assumptions

The estimated future revenue and expenditures in the Statement of Social Insurance and Required Supplementary Information are based on the assumption that the program will continue as presently constructed. The calculations assume that all future transfers required by current law under the financial interchange will be made.

The estimated future revenue and expenditures are also based on various economic, employment, and other actuarial assumptions. The ultimate economic assumptions are a 7.0 percent investment return, a 2.7 percent annual increase in the cost of living, and a 3.7 percent annual wage increase.

The employment assumption for the Statement of Social Insurance is employment assumption II, the intermediate employment assumption, as used in the 26th Actuarial Valuation. Under employment assumption II, starting with an average 2014 employment of 242,000, (1) railroad passenger employment is assumed to remain level at 46,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 2.0 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

Actuarial assumptions are those published in the Technical Supplement to the "Twenty-Sixth Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2013." This may be found on the RRB's website, www.rrb.gov.

Actuarial assumptions published in the Twenty-Sixth Actuarial Valuation include:

Table S-1.	2010 Base Year RRB Annuitants Mortality Table
Table S-2.	2010 Base Year RRB Disabled Mortality Table for Annuitants with Disability Freeze
Table S-3.	2010 Base Year RRB Disabled Mortality Table for Annuitants without Disability Freeze
Table S-4.	2009 RRB Active Service Mortality Table
Table S-5.	2010 Base Year RRB Spouse Total Termination Table
Table S-6.	Probability of a retired employee having a spouse eligible for railroad retirement benefits
Table S-7.	2013 RRB Mortality Table for Widows
Table S-8.	1997 RRB Remarriage Table
Table S-9.	2004 RRB Total Termination Table for Disabled Children
Table S-10.	2013 RRB Mortality Improvement Scale
Table S-11.	Calendar year rates of immediate age retirement
Table S-12.	Rates of immediate disability retirement and of eligibility for disability freeze
Table S-13.	Calendar year rates of final withdrawal
Table S-14.	Service months and salary scales
Table S-15.	Family characteristics of railroad employees assumed for the valuation of survivor benefits

Note 16 Funds from Dedicated Collections

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Eliminations	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2015									
Assets									
Fund Balance with Treasury	$372,428	$4,621,357	$1,021,433	$15,376,925	$35,555,404	$1,296,026	$1,496,549		$59,740,122
Investments	882,048,961	874,942,959							1,756,991,920
NRRIT Net Invested Assets		24,516,371,538							24,516,371,538
Taxes and Interest Receivable	4,482,800,000	35,264,769	98,261,148		1,933	12,561,718			4,628,889,568
Other Assets					5,056,209	0	27,004		5,083,213
Total Assets	5,365,221,389	25,431,200,623	99,282,581	15,376,925	40,613,546	13,857,744	1,523,553		30,967,076,361
Liabilities Due and Payable	4,765,604,330	456,522,884	12,545,530		788,174	(21,213)	247,820		5,235,687,525
Other Liabilities	481,500,000	7,024,111			9,076,956		821,499		498,422,566
Total Liabilities	5,247,104,330	463,546,995	12,545,530		9,865,130	(21,213)	1,069,319		5,734,110,091
Unexpended Appropriations				15,376,925					15,376,925
Cumulative Results of Operations	118,117,059	24,967,653,628	86,737,051		30,748,416	13,878,957	454,234		25,217,589,345
Total Liabilities and Net Position	$5,365,221,389	$25,431,200,623	$99,282,581	$15,376,925	$40,613,546	$13,857,744	$1,523,553		$30,967,076,361
Statement of Net Cost for the Period Ended September 30, 2015									
Gross Program Costs	$7,306,352,606	$4,962,661,646	$100,957,567	$23,253	$146,054,966	$0	$10,191,282	($444,692)	$12,525,796,628
Less Earned Revenues		5,203	15,328,849		36,700,724		1,494,377	($425,000)	53,104,153
Net Program Costs	7,306,352,606	4,962,656,443	85,628,718	23,253	109,354,242	0	8,696,905	(19,692)	12,472,692,475
Costs Not Attributable to Program Costs									
Less Earned Revenues Not Attributable to Program Costs					$29,170				29,170
Net Cost of Operations	$7,306,352,606	$4,962,656,443	$85,628,718	$23,253	$109,325,072	$0	$8,696,905	($19,692)	$12,472,663,305
Statement of Changes in Net Position for the Period Ended September 30, 2015									
Net Position Beginning of Period	$113,826,449	$26,479,096,648	$112,183,091	$16,634,136	$22,266,887	$9,910,701	$478,329		$26,754,396,241
Appropriations Received				722,754,523					722,754,523
Expended Appropriations				723,913,825					723,913,825
Other Adjustments				(97,908)					(97,908)
Appropriations Used				(723,913,825)					(723,913,825)
Taxes and Non-Exchange Revenue	3,119,142,171	3,353,044,701	49,891,332		0	28,063,244	0	(19,692)	6,550,121,756
Other Financing Sources	4,191,501,045	481,443,213	10,291,346	(723,890,573)	117,806,601	(24,094,983)	8,672,810		4,061,729,454
Transfers In From NRRIT		1,191,000,000							1,191,000,000
Change in NRRIT Assets		(1,574,274,491)							(1,574,274,491)
Net Cost of Operations	(7,306,352,606)	(4,962,656,443)	(85,628,718)	(23,253)	(109,325,072)		(8,696,905)	19,692	(12,472,663,305)
Change in Net Position	4,290,610	(1,511,443,020)	(25,446,040)	(1,257,211)	8,481,529	3,968,256	(24,095)		(1,521,429,971)
Net Position End of Period	$118,117,059	$24,967,653,628	$86,737,051	$15,376,925	$30,748,416	$13,878,957	$454,234		$25,232,966,270

Note 16 Funds from Dedicated Collections

	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Eliminations	Total Funds from Dedicated Collections
Balance Sheet as of September 30, 2014									
Assets									
Fund Balance with Treasury*	($8,722,558)	($10,296,851)	$2,497,376	$16,634,136	$27,881,105	$211,764	$1,373,715		$29,578,689
Investments	887,957,908	803,810,323							1,691,768,231
NRRIT Net Invested Assets		26,090,536,029							26,090,536,029
Taxes and Interest Receivable	4,490,100,000	36,472,360	119,132,052		7,328	9,908,301			4,655,620,041
Other Assets					3,764,160		27,959		3,792,119
Total Assets	5,369,335,350	26,920,521,861	121,629,428	16,634,136	31,652,593	10,120,065	1,401,674		32,471,295,108
Liabilities Due and Payable	4,772,008,901	438,109,080	9,446,337		204,394	209,364	198,780		5,220,176,856
Other Liabilities	483,500,000	3,316,133			9,181,312		724,566		496,722,011
Total Liabilities	5,255,508,901	441,425,213	9,446,337		9,385,706	209,364	923,346		5,716,898,867
Unexpended Appropriations				16,634,136					16,634,136
Cumulative Results of Operations	113,826,449	26,479,096,648	112,183,091		22,266,887	9,910,701	478,329		26,737,762,105
Total Liabilities and Net Position	$5,369,335,350	$26,920,521,861	$121,629,428	$16,634,136	$31,652,593	$10,120,065	$1,401,674		$32,471,295,108
Statement of Net Cost for the Period Ended September 30, 2014									
Gross Program Costs	$7,143,507,115	$4,878,895,256	$101,776,805	$29,379	$142,109,724		$10,115,630	($475,683)	$12,275,958,226
Less Earned Revenues		9,116	15,328,919		28,791,947		950,000		45,079,982
Net Program Costs	7,143,507,115	4,878,886,140	86,447,886	29,379	113,317,777		9,165,630	(475,683)	12,230,878,244
Costs Not Attributable to Program Costs									
Less Earned Revenues Not Attributable to Program Costs					46,610				46,610
Net Cost of Operations	$7,143,507,115	$4,878,886,140	$86,447,886	$29,379	$113,271,167		$9,165,630	($475,683)	$12,230,831,634
Statement of Changes in Net Position for the Period Ended September 30, 2014									
Net Position Beginning of Period	$141,027,860	$25,366,013,653	$172,781,031	$16,609,802	$16,018,675	$12,323,635	$765,758		$25,725,540,414
Appropriations Received				620,770,468					620,770,468
Expended Appropriations				620,649,847					620,649,847
Other Adjustments				(96,288)					(96,288)
Appropriations Used				(620,649,847)					(620,649,847)
Taxes and Non-Exchange Revenue**	2,947,469,832	3,065,092,143	10,595,471		2,147,918	25,225,059	250,000	(475,683)	6,050,304,741
Other Financing Sources**	4,168,835,871	419,283,660	15,254,475	(620,620,468)	117,371,461	(27,637,993)	8,628,201		4,081,115,206
Transfers In From NRRIT		1,429,000,000							1,429,000,000
Change in NRRIT Assets		1,078,593,332							1,078,593,332
Net Cost of Operations**	(7,143,507,115)	(4,878,886,140)	(86,447,886)	(29,379)	(113,271,167)		(9,165,630)	475,683	(12,230,831,634)
Change in Net Position	(27,201,411)	1,113,082,995	(60,597,940)	24,334	6,248,212	(2,412,934)	(287,429)		1,028,855,827
Net Position End of Period	$113,826,449	$26,479,096,648	$112,183,091	$16,634,136	$22,266,887	$9,910,701	$478,329		$26,754,396,241

*The negative cash balances for SSEB (Fund 60x8010) and RRA (60x8011) accounts are a result of regular, retroactive year-end adjustments made by Treasury.

**Income Tax transfers from fund 0113 to funds 8010 and 8011 previously recorded as revenue and expenses were eliminated upon consolidation.

17. Apportionment Categories of Obligations Incurred: Direct vs. Reimbursable Obligations

All RRB direct and reimbursable obligations are incurred against Category B apportionments. There are no RRB direct or reimbursable obligations incurred against Categories A or Exempt apportionments.

The Category B direct obligations are $13,363,519,936 and the reimbursable obligations are $34,075,330. These are reported under Obligations Incurred on the SBR in the amount of $13,397,595,266 which combines the direct and reimbursable obligations.

This disclosure agrees with the aggregate of RRB direct and reimbursable obligations as reported on the RRB's fiscal year 2015 year-end SF-133, *Report on Budget Execution and Budgetary Resources*, and line 2190 in the Statement of Budgetary Resources.

18. Terms of Borrowing Authority Used

The RRB, Social Security Administration and Centers for Medicare and Medicaid Services are parties to a financing arrangement described as the "financial interchange".

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Old-Age, Survivors, and Disability Insurance (OASDI) and Hospital Insurance (HI) trust funds in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts.

Financial interchange transfers are made in a lump sum for a whole fiscal year in the June following the close of a fiscal year. The Railroad Retirement Solvency Act of 1983, as amended, provided for monthly advances of the financial interchange from the U.S. Treasury general fund to be repaid when the financial interchange is settled each June. Each advance/loan is equal to an estimate of the transfer the RRB would have received in the preceding month if the financial interchange with social security were on an up-to-date basis, with interest adjustments. The RRB must repay these advances/loans when it receives the transfer from social security against which the money was advanced.

Section 7(c)(4) of the 1974 Railroad Retirement Act (RRA) as amended provides the rules for repayment of the financial interchange advances and references Section 7(c)(3) for the interest rate to be used.

The interest rate on the repayment of the advances is the same as that used in the actual financial interchange determination from the close of the prior fiscal year until the date of the transfer.

19. Available Borrowing Authority, End of the Period

The amount of RRB available borrowing authority at the end of the period associated with financial interchange advances is $3,845,300,000.

20. Legal Arrangements Affecting Use of Unobligated Balances

The portion of RRB trust fund receipts collected in the current fiscal year that exceed the amount needed to pay benefits or other valid obligations remain in the RRB trust funds as unobligated balances. These receipts can become available in the current year if needed for valid obligations. RRB receipts are assets of the trust fund and available for obligation as needed in the future.

21. Subsequent Events

There was a decrease of $1.6 billion in NRRIT net assets from the SOSI, January 1, 2015, valuation date and the September 30, 2015, balance sheet date. Other than this event, no other material events or transactions have occurred subsequent to September 30, 2015, that we are aware of. We have evaluated subsequent events through November 16, 2015, the date the financial statements were released.

22. Adjustment to Unobligated Balance, Brought Forward, October 1, and Obligated Balance, Start of the Year

In fiscal year 2015, there is an adjustment to the unobligated balance brought forward of $59,840,279 due to a current year decrease to indefinite borrowing authority realized.

23. Permanent Indefinite Appropriations

In fiscal year 2015, the Railroad Retirement Board had the following permanent indefinite appropriations that were available until expended:

- 60X0113 – Federal Payments to the Railroad Retirement Accounts, 60X0113, was established by OMB, not by legislation, and is used as a conduit for transferring certain income taxes on benefits; receiving credit for the interest portion of uncashed check transfers; and funds provided by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. Account 60X0113 is considered a fund from dedicated collections. This account has no basis in law.
- 60X8010 – Social Security Equivalent Benefit (SSEB) Account, 60X8010, funds the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. Account 60X8010 is considered a fund from dedicated collections. Our authority to use these collections is 45 USC §231n-1(c)(1).
- 60X8011 – Railroad Retirement (RR) Account, 60X8011, funds retirement, survivor, and disability benefits in excess of social security equivalent benefits from payroll taxes on employers and employees and other income sources. Account 60X8011 is considered a fund from dedicated collections. Our authority to use these collections is 45 United States Code (USC) §231f(c)(1).
- 60X8051.001 – Railroad Unemployment Insurance Trust Fund, Benefit Payments, 60X8051.001, funds railroad unemployment and sickness insurance benefits from contributions by railroad employers. Account 60X8051.001 is considered a fund from dedicated collections. Our authority to use these collections is 45 USC §360.
- 60X8051.002 – Railroad Unemployment Insurance Trust Fund, Administrative Expenses, 60X8051.002, was established to pay salaries and expenses to administer the program. Account 60X8051.002 is considered a fund from dedicated collections. This fund is financed by contributions from railroad employers. Monies are transferred from this fund, based on cost accounting estimates and records, to the Limitation on Administration Account (60 8237) from which salaries and expenses are paid for both the railroad retirement program and the railroad unemployment and sickness insurance program. Our authority to use these collections is 45 USC §361.

Note 24 Reconciliation of Net Cost of Operations to Budget
For the Years Ended September 30, 2015 and 2014
(in dollars)

	2015	2014
Resources Used to Finance Activities:		
Budgetary Resources Obligated		
Obligations Incurred	$13,397,595,266	$13,047,441,208
Less: Spending Authority from Offsetting Collections and Recoveries	(177,123,052)	(170,101,106)
Obligations Net of Offsetting Collections and Recoveries	13,220,472,214	12,877,340,102
Less: Offsetting Receipts	(4,774,955,523)	(4,648,895,280)
Net Obligations	**8,445,516,691**	**8,228,444,822**
Other Resources		
Imputed Financing from Costs Absorbed by Others	7,378,454	8,175,216
Other	(1,572,274,492)	1,118,667,322
Net Other Resources Used to Finance Activities	**(1,564,896,038)**	**1,126,842,538**
Total Resources Used to Finance Activities	**6,880,620,653**	**9,355,287,360**
Resources Used to Finance Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods, Services & Benefits Ordered but not yet Provided	(3,239,143)	(6,689,446)
Budgetary Offsetting Collections & Receipts That Do Not Affect Net Cost of Operations	16,282,438	1,297,820
Resources That Finance the Acquisition of Assets	1,571,477,862	(1,084,462,466)
Other Resources or Adjustments to Net Obligated Resources That Do Not Affect Net Cost of Operations	4,052,351,000	4,032,866,000
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	**5,636,872,157**	**2,943,011,908**
Total Resources Used to Finance the Net Cost of Operations	**12,517,492,810**	**12,298,299,268**
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period:		
Components Requiring or Generating Resources in Future Periods:		
Increase in Annual Leave Liability	(89,651)	170,940
Other	(13,519,306)	(30,985,503)
Total Components of Net Cost of Operations That Will Require or Generate Resources in Future Periods	**(13,608,957)**	**(30,814,563)**
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	1,007,707	1,491,365
Total Components of Net Cost of Operations That Will Not Require or Generate Resources	**1,007,707**	**1,491,365**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**(12,601,250)**	**(29,323,198)**
Net Cost of Operations	**$12,504,891,560**	**$12,268,976,070**

Required Supplementary Information

Social Insurance

Program 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 that are used to finance railroad retirement benefit payments over and above social security levels. The tier II tax rate is 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 NRRIT oversees most investments, including all investments in non-governmental assets.

Additional trust fund income is derived from the financial interchange (FI) 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.

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Administration (SSA) Federal Old-Age, Survivors, and Disability Insurance (FOASI/DI) trust funds and the Centers for Medicare and Medicaid Services (CMS) Federal Hospital Insurance (FHI) trust fund in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts. It follows that all computations under the FI are performed according to social security law. The amount of benefits payable under the RRA has no effect on the results.

Placing the social security trust funds in the same position they would have been had railroad employment been covered under social security since its inception involves computing the additional amount of social security payroll and income taxes which social security would have received and computing the amount of additional benefits which social security would have paid to railroad retirement beneficiaries during the same fiscal year. 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 and income 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, a transfer would be made in favor of the social security trust funds.

On a present value basis, funds provided through the FI are expected to equal $83.7 billion, or 35.4% of the estimated future revenue of $236.6 billion.

Benefits

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 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, partitioned surviving spouses, partitioned 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.

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and SSA. The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or five years if performed after 1995; 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 SSA, where they are treated as social security credits.

Program Finances and Sustainability

The RRB must submit to the President and the Congress a report on the actuarial status of the railroad retirement system. Projections are made of the various components of income and outgo under three employment assumptions.

The Statement of Social Insurance presents an actuarial analysis of the financial position of the railroad retirement system as of January 1, 2015. The figures in the table are based on the 26th Actuarial Valuation extended through calendar year 2089. The present values of estimated future revenue and expenditures in the table are based on estimates of revenue and expenditures through the year 2089. The estimates include revenue and expenditures related to future participants as well as to former and present railroad employees. The present values are computed on the basis of economic and demographic assumptions and employment assumption II, the intermediate employment assumption, as used in the 26th Valuation. Under employment assumption II, starting with an average 2014 employment of 242,000, (1) railroad passenger employment is assumed to remain level at 46,000, and (2) the employment base, excluding passenger employment, is assumed to decline at a constant annual rate of 2.0 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

Actuarial Estimates*:* Actuarial estimates of the long-range financial condition of the railroad retirement program are presented here. Throughout this section, the following terms will generally be used as indicated:

- Revenue: sources of revenue are payroll taxes, income taxes, investment income, and financial interchange transfers.
- Revenue excluding interest[a]: revenue, as defined above, excluding the investment income from assets of the trust fund.
- Expenditures: benefit payments and administrative expenses.
- Cashflow: either (1) revenue excluding interest or (2) expenditures, depending on the context, expressed in nominal dollars.
- Net Cashflow: revenue excluding interest less expenditures, expressed in nominal dollars.

The Statement of Social Insurance and the required supplementary information are based on actuarial and economic assumptions used in the 26th Valuation extended through calendar year 2089, the RRA, and the Railroad Retirement Tax Act. This information includes:

(1) actuarial present values of future estimated expenditures for and estimated revenue from, or on behalf of, current and future program participants;

(2) estimated annual revenue excluding interest and expenditures in nominal dollars and as a percentage of taxable payroll;

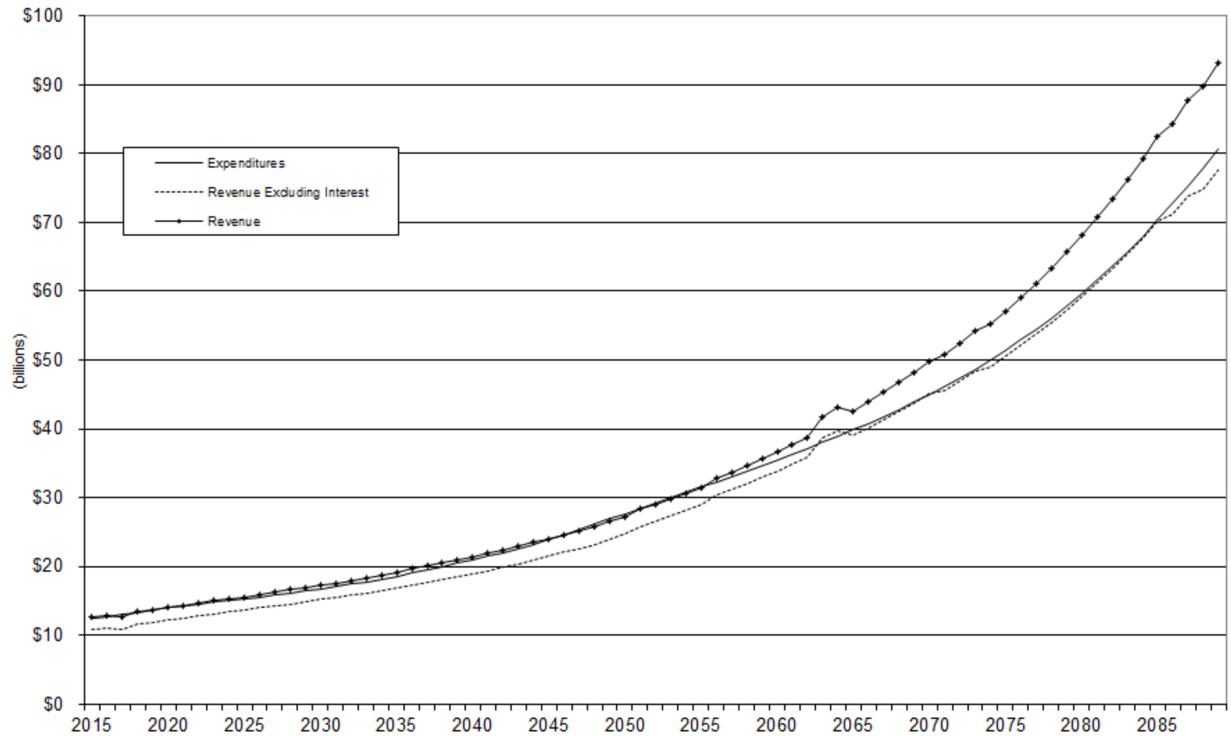
(3) the ratio of estimated annuitants to estimated full-time employees, showing the relationship between the program's benefit recipients and taxpayers; and

(4) an analysis of the sensitivity of the projections to changes in selected assumptions, which is included in recognition of the inherent uncertainty of those assumptions.

Estimated future revenue and expenditures are generally based on a 75-year projection period. Estimated future revenue and expenditures extending far into the future are inherently uncertain, with uncertainty greater for the more distant years.

[a] Interest income in this section refers to total investment income including dividends and capital gains.

Chart 1: Estimated Revenue and Expenditures

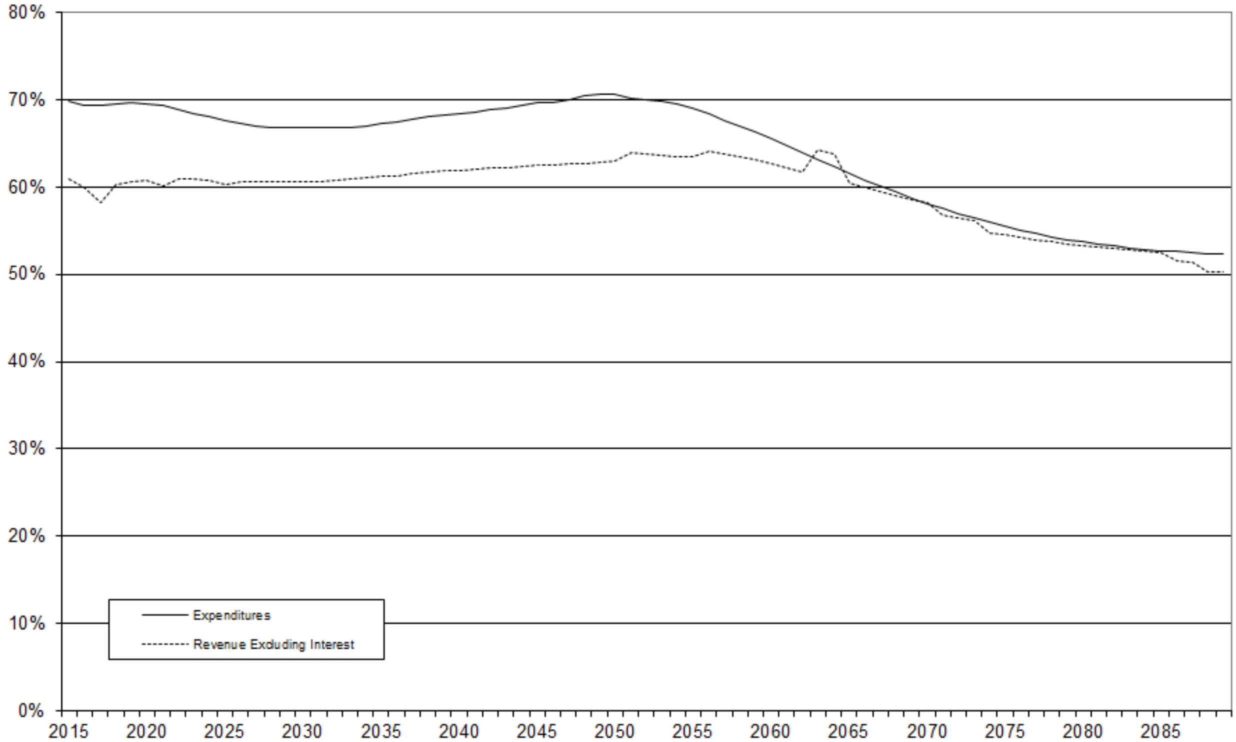


Cashflow Projections – Chart 1 shows actuarial estimates of railroad retirement annual revenue, revenue excluding interest, and expenditures for 2015-2089 in nominal dollars. The estimates are for the open-group population, which includes all persons projected to participate in the railroad retirement program as railroad workers or beneficiaries during the period. Thus, the estimates include payments from, and on behalf of, those who will be employed by the railroads during the period as well as those already employed at the beginning of the period. They also include expenditures made to, and on behalf of, such workers during that period.

As Chart 1 shows, annual revenue exceeds annual expenditures except in 2017, 2021, and 2047 through 2055. Without investment income, however, annual expenditures are generally greater than annual revenue, except in 2063, 2064, and 2070. Reasons for this pattern include participant demographics, the assumed drop in railroad employment, and the automatic tier II tax rate adjustment mechanism. The combined balance of the NRRIT, RR Account, and SSEB Account never becomes negative largely because (i) a sufficient balance exists at the beginning of the projection period and (ii) tier II tax rates respond automatically to changing account balances.

Percentage of Taxable Payroll – Chart 2 shows estimated annual revenue excluding interest and expenditures for the railroad retirement program expressed as percentages of taxable payroll. Expenditures as a percentage of payroll range between 67% and 71% until 2058, after which the percentage decreases from one year to the next. This is largely due to the anticipated decline in the number of annuitants per full-time employee. Except for the revenue from tier I payroll taxes, the sources of revenue vary as a percentage of payroll.

Chart 2: Estimated Railroad Retirement Revenue Excluding Interest and Expenditures as a Percent of Taxable Tier II Payroll



Sensitivity Analysis – The projections of the future financial status of the railroad retirement program depend on many economic and demographic assumptions including rail employment, inflation, wage increase, investment return, age retirement, disability retirement, withdrawal, active service mortality, beneficiary mortality, total termination, probability of spouse, remarriage, family composition, disability freeze, service patterns, and salary scales. Because perfect long-range projections are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in certain key assumptions that have the greatest impact on the results. All present values are calculated as of January 1, 2015, and are based on estimates of revenue and expenditures during the projection period 2015-2089.

Employment: Average employment in the railroad industry has generally been in decline for some years. Although employment has increased in recent years, this is not expected to continue, and employment is expected to decline in future years. Since employment is a key consideration, projections of revenue and expenditures using three different employment assumptions have been made. The Statement of Social Insurance uses employment assumption II, the intermediate assumption, but this section compares results under the three assumptions. For all three cases, the average employment for the year 2014 is equal to 242,000. Employment assumptions I and II, based on a model developed by the Association of American Railroads, assume that (1) passenger employment will remain at the level of 46,000, and (2) the employment base, excluding passenger employment, will decline at a constant annual rate (0.5 percent for assumption I and 2.0 percent for assumption II) for 25 years, at a reducing rate over the next 25 years, and remain level thereafter. Employment assumption III differs from employment assumptions I and II by assuming that (1) passenger employment will decline by 500 per year until a level of 35,000 is reached and then remain level, and (2) the employment base, excluding passenger employment, will decline at a constant annual rate of

3.5 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter. Employment assumptions I, II, and III are intended to provide an optimistic, moderate, and pessimistic outlook, respectively.

Table 1 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the three employment assumptions.

Table 1
Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Three Employment Assumptions, 2015-2089
(in billions)

Employment Assumption	I	II	III
Present Value	$2.3	$1.5	$(0.6)
Average Tier II tax rate[a]	16.0%	18.2%	20.7%

[a]Average combined employer/employee tier II tax rate is calculated by dividing the present value of tier II taxes by the present value of tier II payroll.

Chart 3a: Combined Balance of the RR Account, NRRIT and SSEB Account under Three Employment Assumptions

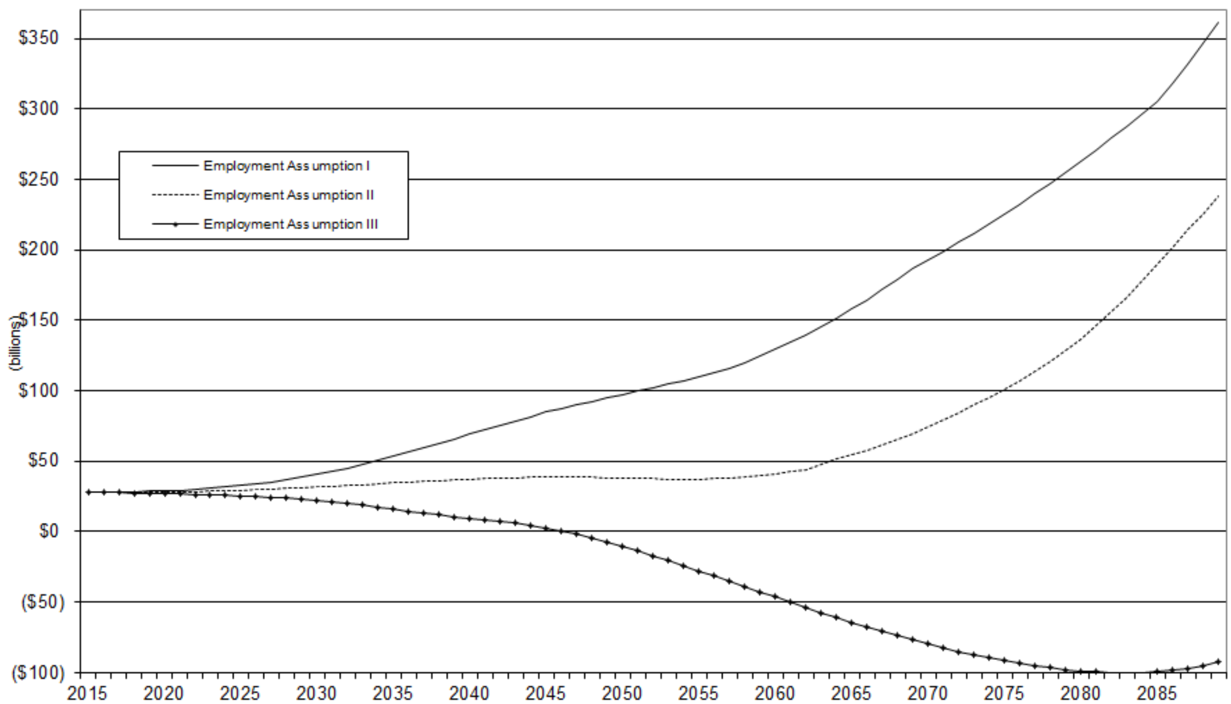
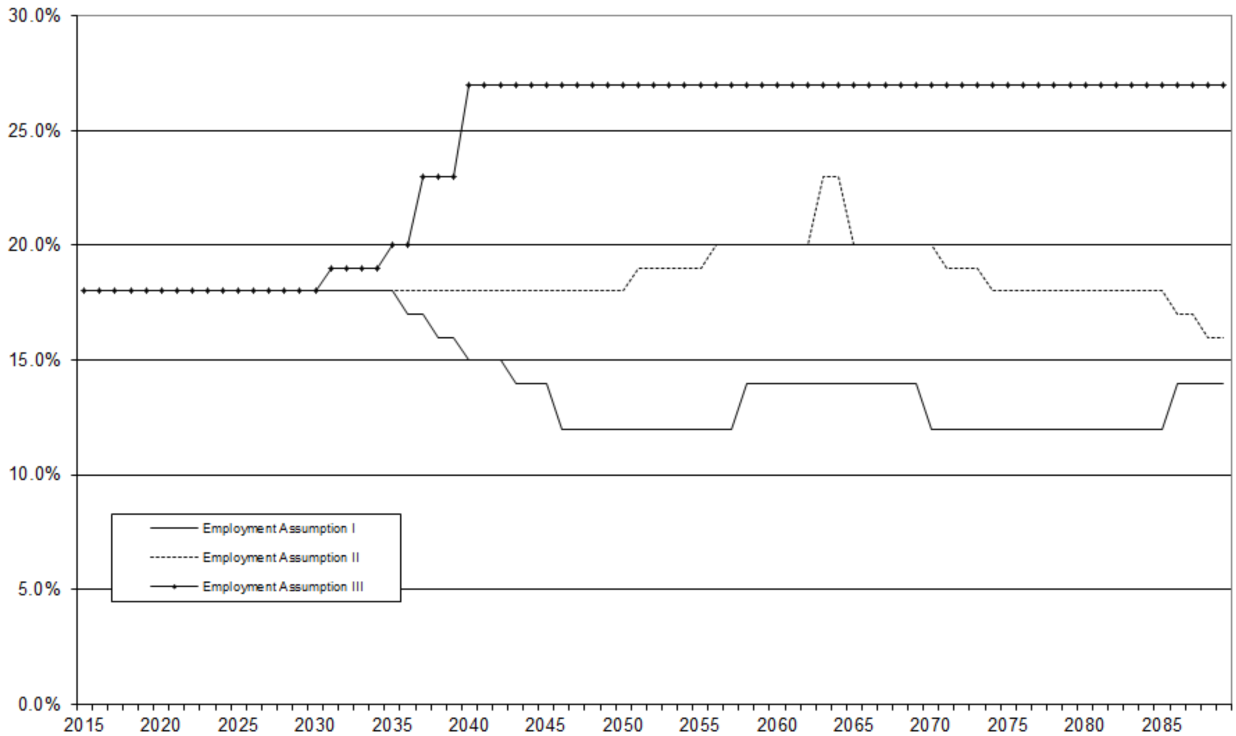


Chart 3a shows the combined balance of the accounts under each of the three employment assumptions. Note that the combined account balance is positive throughout the entire period for assumptions I and II but becomes negative in 2047 for assumption III and remains so throughout the remainder of the period. Negative after-transfer balances under employment assumption III indicate the amount that would be owed, including interest, if unreduced benefits were paid by borrowing.

Chart 3b shows the tier II tax rate under these employment assumptions. The tax rate declines to 12 percent in 2046 under employment assumption I and remains between 12 percent and 14 percent through the end of the projection period. Under employment assumption II, the tax rate increases to 23 percent in 2063 and 2064, and decreases to 16 percent in 2088 and 2089. Under employment assumption III, the tax rate increases to the maximum of 27 percent in 2040, remaining at that level through the rest of the 75-year period.

Chart 3b: Tier II Tax Rate under Three Employment Assumptions



The tier II tax rate for each year is determined by the average account benefits ratio, which is the average for the ten most recent fiscal years of the ratio of fair market value of assets in the RR Account and NRRIT to the total benefits and administrative expenses paid from the RR Account and the NRRIT. Therefore, the tier II tax rate will be affected by employment assumption. The tier II tax rate adjustment mechanism reduces but does not eliminate the risk of insolvency. The tier I tax rate does not vary by employment assumption.

Investment return: Since investments may include non-governmental assets such as equity and debt securities as well as governmental securities, it is worthwhile to examine the effects of future rates of investment return. In addition to the investment return of 7 percent used for our projections, we show the effect on the combined accounts of an investment return of 4 percent and an investment return of 10 percent. Table 2 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the three investment return assumptions. If the tier II tax rate were fixed, the actuarial surplus would increase with increasing investment return. However, the tier II tax rate adjusts to changing account balances, resulting in the highest average tax rate under the 4 percent scenario and the lowest average tax rate under the 10 percent scenario.

Table 2
Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Three Investment Return Assumptions, 2015-2089
(in billions)

Investment Return Assumption	4%	7%	10%
Present Value	$7.3	$1.5	$1.4
Average Tier II tax rate	20.9%	18.2%	15.3%

Chart 4a: Combined Balance of the RR Account, NRRIT and SSEB Account under Three Investment Return Assumptions

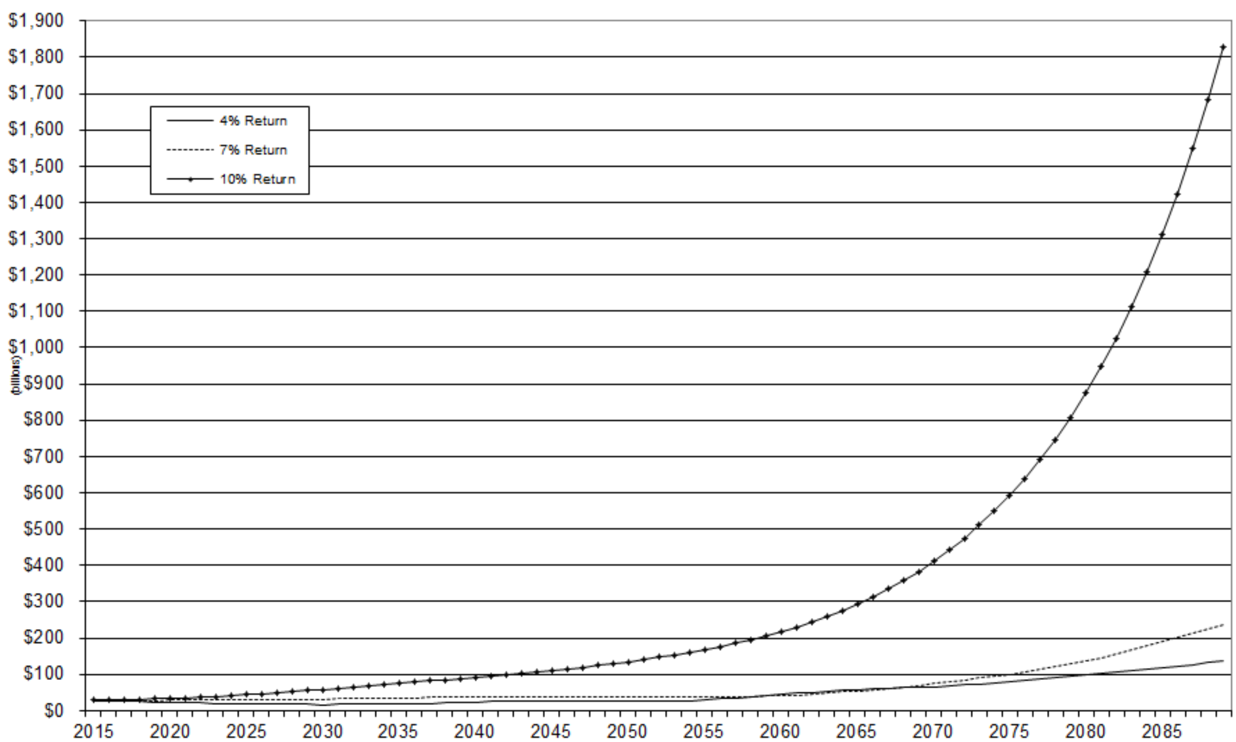
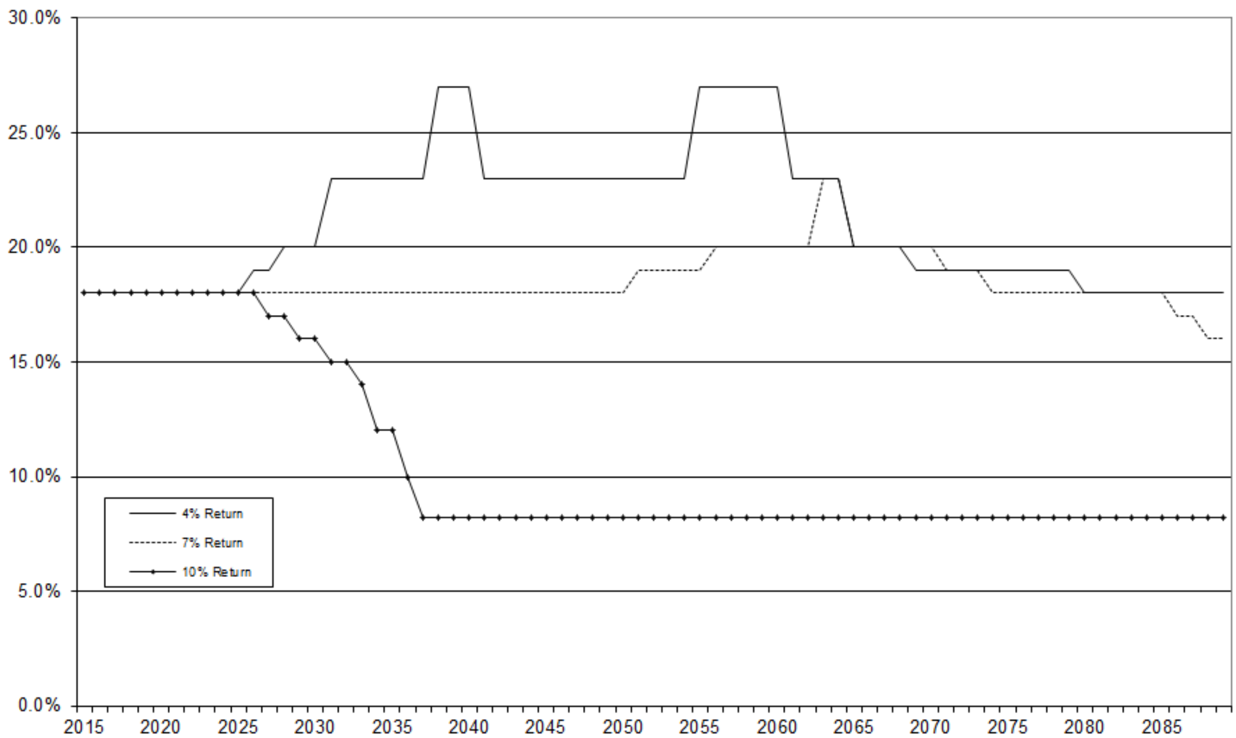


Chart 4a shows the combined account balance under the three investment return assumptions for the projection period. At a 4 percent investment return, the account balance reaches its lowest value in 2030 and never becomes negative. After that it increases, except for a slight leveling-off in 2047 through 2049 before it starts increasing again in 2050. With a 7 percent investment return, the account balance increases from one year to the next, except for slight decreases in 2017 and 2021 and again in 2047 through 2055. A 10 percent investment return results in a combined balance that increases throughout the projection period. Although the 4 percent scenario shows the lowest account balance at the end of the projection period, the concurrent use of a 4 percent discount rate results in the highest surplus on January 1, 2015.

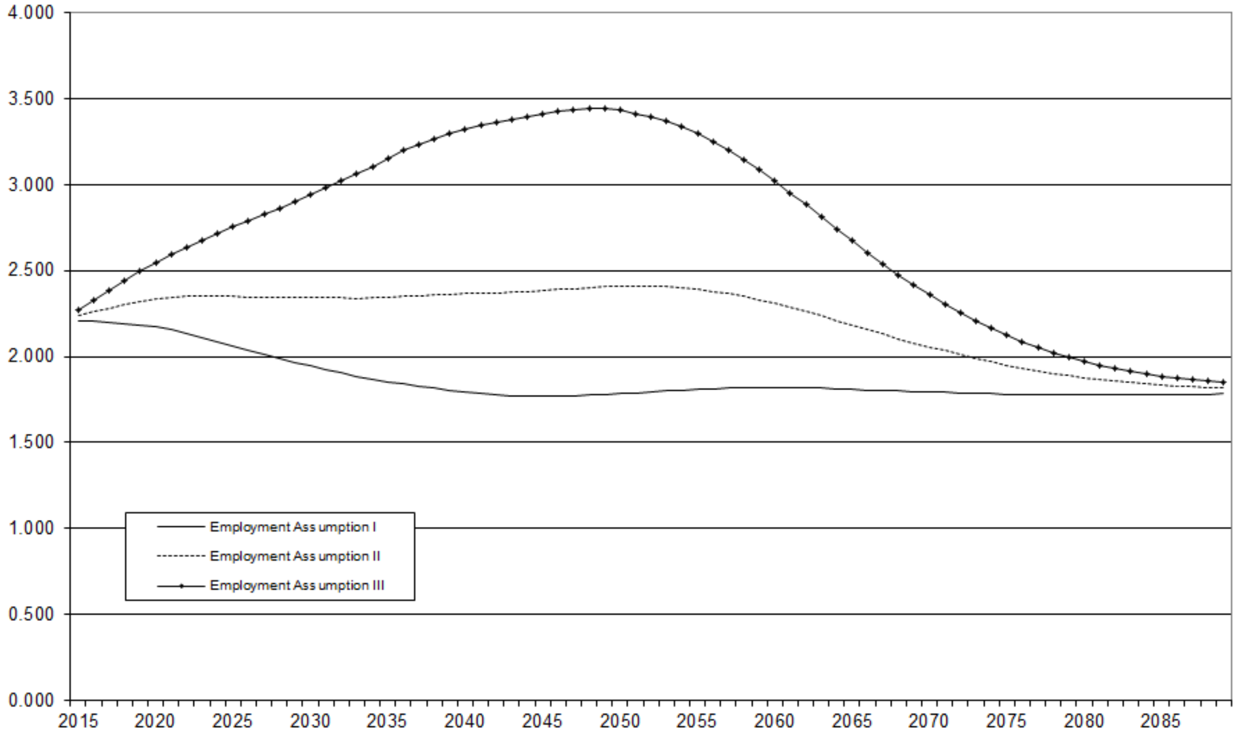
Chart 4b shows the tier II tax rate under the same three investment return assumptions. With a 4 percent investment return, the maximum tier II tax rate applies from 2038 through 2040 and again from 2055 through 2060. With the 7 percent investment return, the maximum tax rate never applies during the projection period. With a 10 percent investment return, the maximum tax rate is also never applicable, and the minimum tax rate of 8.2 percent is paid beginning in 2037. As mentioned above, the tier II tax rate is determined based on the ratios of asset values to benefits and administrative expenses, so it will be affected by investment return, but tier I tax rates will not.

Chart 4b: Tier II Tax Rate under Three Investment Return Assumptions



Ratio of Beneficiaries to Workers: Chart 5 shows the estimated number of annuitants per full-time employee under all three employment assumptions. The average number of annuitants per employee for employment assumption I is highest in 2015. For assumptions II and III, the ratio is highest in 2050 and 2048, respectively. For all three employment assumptions, the average number of annuitants per employee declines to between 1.8 and 1.9 by the end of the projection period. The convergence in number of annuitants per employee at the end of the projection period results primarily from level employment projected in the latter years under all three employment assumptions.

Chart 5: Average Number of Annuitants per Full-Time Employee



RAILROAD RETIREMENT BOARD
COMBINING STATEMENT OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2015
(in dollars)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance brought forward, October 1	36,576,370	141,525,435	616,267	178,718,072
Adjustment to unobligated balance brought forward, October 1 (+ or -)	59,840,279	0	0	59,840,279
Unobligated balance brought forward, October 1, as adjusted	96,416,649	141,525,435	616,267	238,558,351
Recoveries of unpaid prior year obligations	2,244,462	0	11,314	2,255,776
Other changes in unobligated balance (+ or -)	(1,961,710)	0	0	(1,961,710)
Unobligated balance from prior year budget authority, net	96,699,401	141,525,435	627,581	238,852,417
Appropriations (discretionary and mandatory)	9,220,989,450	99,705,837	(214,582)	9,320,480,705
Borrowing authority (discretionary and mandatory)	3,845,300,000	0	0	3,845,300,000
Spending authority from offsetting collections (discretionary and mandatory)	148,384,516	16,549,148	9,933,612	174,867,276
Total budgetary resources	**$13,311,373,367**	**$257,780,420**	**$10,346,611**	**$13,579,500,398**
Status of Budgetary Resources				
Obligations incurred	$13,271,707,022	$116,206,501	$9,681,743	$13,397,595,266
Unobligated balance, end of year:				
Apportioned	6,312,769	141,280,596	111,452	147,704,817
Unapportioned	33,353,576	293,323	553,416	34,200,315
Total unobligated balance, end of year	39,666,345	141,573,919	664,868	181,905,132
Total Budgetary Resources	**$13,311,373,367**	**$257,780,420**	**$10,346,611**	**$13,579,500,398**
Change in Obligated Balance				
Unpaid obligations:				
Unpaid obligations, brought forward, October 1	$959,837,801	$2,229,105	$757,444	$962,824,350
Obligations incurred	13,271,707,022	116,206,501	9,681,743	13,397,595,266
Outlays (gross) (-)	(13,242,257,129)	(112,399,708)	(9,596,197)	(13,364,253,034)
Recoveries of prior year unpaid obligations (-)	(2,244,462)	0	(11,314)	(2,255,776)
Unpaid obligations, end of year	987,043,232	6,035,898	831,676	993,910,806
Uncollected payments:				
Uncollected pymts, Fed sources, brought forward, Oct 1 (-)	21,085	(66,286)	3	(45,198)
Change in uncollected pymts, Fed Sources (+ or -)	(1,788)	(127,146)	0	(128,934)
Uncollected pymts, Fed sources, end of year (-)	19,297	(193,432)	3	(174,132)
Memorandum (non-add) entries				
Obligated balance, start of year (+ or -)	$959,858,883	$2,162,820	$757,447	$962,779,150
Obligated balance, end of year (+ or -)	$987,062,525	$5,842,468	$831,679	$993,736,672
Budget Authority and Outlays, Net				
Budget authority, gross (discretionary and mandatory)	$13,214,673,966	$116,254,985	$9,719,030	$13,340,647,981
Actual offsetting collections (discretionary and mandatory) (-)	(148,382,728)	(16,422,003)	(9,933,612)	(174,738,343)
Change in uncollected pymts, Fed sources (discretionary and mandatory) (+ or -)	(1,788)	(127,146)	0	(128,934)
Budget authority, net (total) (discretionary and mandatory)	**$13,066,289,450**	**$99,705,836**	**($214,582)**	**$13,165,780,704**
Outlays, gross (discretionary and mandatory)	$13,242,257,129	$112,399,708	$9,596,197	$13,364,253,034
Actual offsetting collections (discretionary and mandatory) (-)	(148,382,728)	(16,422,003)	(9,933,612)	(174,738,343)
Outlays, net (total) (discretionary and mandatory)	13,093,874,401	95,977,705	(337,415)	13,189,514,691
Distributed offsetting receipts (-)	(4,774,955,523)	0	0	(4,774,955,523)
Agency outlays, net (discretionary and mandatory)	**$8,318,918,878**	**$95,977,705**	**($337,415)**	**$8,414,559,168**

Independent Auditor's Report

To the Board Members:

Report on the Financial Statements

We were engaged to audit the accompanying balance sheet of the Railroad Retirement Board (RRB) as of September 30, 2015 and 2014; the related statements of net cost, changes in net position, and budgetary resources for the years then ended; the statement of social insurance as of January 1, 2015, 2014, 2013, 2012, and 2011; the statement of changes in social insurance amounts for the two year period ended December 31, 2014; and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on an audit conducted in accordance with auditing standards generally accepted in the United States of America. Because of the matter described in the Basis for Disclaimer of Opinion paragraphs; however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The National Railroad Retirement Investment Trust (NRRIT) was established pursuant to the Railroad Retirement and Survivors' Improvement Act of 2001 (Public Law 107-90). Under that law, the NRRIT is not a department, agency or instrumentality of the Government of the United States. In addition, the law specifically exempts the NRRIT from compliance with Title 31, United States Code which governs the monetary and financial operations of the Federal government. The law also provides that the NRRIT annually engage an independent, qualified public accountant to audit the financial statements of the NRRIT. Accordingly, the Office of Inspector General (OIG) has not audited the books and records of the

NRRIT, nor had any input into the selection of the independent accountant retained by the NRRIT. The financial statements of the NRRIT were audited by other auditors, whose audit reports were received within the timeframes established for the audit of the RRB's financial statements. Pursuant to the group financial statement audit requirements promulgated by the American Institute of Certified Public Accountants (AICPA) in AICPA Professional Standards in AU-C section 600, *Special Considerations - Audits of Group Financial Statements*, we made an inquiry requesting communication with and cooperation from NRRIT auditors. RRB management informed us that contact between RRB OIG and NRRIT auditors is inconsistent with the independent status of the NRRIT under section 15(j) of the Railroad Retirement Act. As a result, NRRIT auditors were unable to comply with the group financial statement audit requirements. Consequently, we were unable to perform the specified AU-C section 600 group audit procedures and have determined that undetected misstatements, which could be material and pervasive, could exist.[1]

The net assets of the NRRIT represent $24.5 billion and $26.0 billion or approximately 79% and 80% of the total assets reported for the RRB for fiscal years 2015 and 2014, respectively. NRRIT assets also represent approximately 95% of the Treasury securities and assets held by the Railroad Retirement program as of January 1, 2015 and 2014. Related changes in the net value of investments held by the NRRIT are reported as a source of financing which contributed a net loss of $1.6 billion during fiscal year 2015 and a net gain of $1.1 billion during fiscal year 2014.

Disclaimer of Opinion

Due to the significance of the matters described in the Basis for Disclaimer of Opinion paragraphs, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial position of the RRB, its consolidated net cost of operations and changes in net position, and combined budgetary resources as of September 30, 2015 and 2014; and the financial condition of the Railroad Retirement program as of January 1, 2015, 2014, and 2013; and changes in the financial condition of the program for the two year period ended December 31, 2014. Accordingly, we do not express an opinion on these financial statements.

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[1] Misstatements in the NRRIT net assets could be both material and pervasive. AICPA AU-C 705.06 defines pervasive as, "[a] term used in the context of misstatements to describe the effects on the financial statements of misstatements or the possible effects on the financial statements of misstatements, if any, that are undetected due to an inability to obtain sufficient appropriate audit evidence." In context to the RRB's financial statements, the "[p]ervasive effects on the financial statements are those that, in the auditor's judgment" are confined to specific elements, accounts, or items of the financial statements, and "represent or could represent a substantial proportion of the financial statements."

Emphasis of Matter

The RRB discloses transactions with related parties in Note 2 to the financial statements. The RRB, Social Security Administration, and Centers for Medicare and Medicaid Services are parties to a financing arrangement described as a financial interchange. Under this arrangement, transfers in from the Social Security Administration's Old-Age and Survivors Insurance and Disability Insurance trust funds and transfers out to the Federal Health Insurance trust fund represented approximately $4.0 billion (net), or about 32% of the financing sources reported on the RRB's statement of changes in net position for fiscal year 2015 before considering the change in the reported value of NRRIT net assets. For fiscal year 2014, financial interchange transfers of $4.0 billion (net) represented about 33% of the financing sources reported before considering the reduction in the reported value of NRRIT assets. Our opinion is not modified with respect to this matter.

Other Matter

Accounting principles generally accepted in the United States of America require that the following required supplementary information be presented to supplement the basic financial statements: Management Discussion and Analysis section beginning on page 7, Social Insurance beginning on page 88, and Combining Statement of Budgetary Resources on page 99. Such information, although not a part of the basic financial statements, is required by Office of Management and Budget (OMB), which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to the auditor's inquiries, the basic financial statements and other knowledge the auditor obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Other Legal and Regulatory Requirements

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

Consideration of Internal Control

In planning and performing our audit, we considered the RRB's internal control over financial reporting to design audit procedures that are appropriate to express an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on internal control over financial reporting.

The material weakness for financial reporting that was originally reported in fiscal year 2014 continues to exist. [2]

Our internal control work would not necessarily disclose all deficiencies in internal control that might be material weaknesses or other significant deficiencies. Although not considered to be material weaknesses or significant deficiencies, we will report other matters involving internal control and its operation to RRB management in a separate letter.

Material Weakness

Financial Reporting

- Ineffective Controls

Ineffective controls continue to be a weakness during the fiscal year 2015 audit. The portion of the overall material weakness that was originally cited in fiscal year 2014 consisted of material recording errors, ineffective and untimely controls and reconciliations, inadequate supporting documentation for recorded transactions, and insufficiently documented internal control policies and procedures. During our fiscal year 2015 audit, we continued to find material transactions that were recorded without sufficient supporting documentation because RRB management has not completed the necessary corrective actions to address our recommendations. Although RRB management updated its policies, procedures, and internal controls to address related audit recommendations, corrective actions had not been in place for a duration sufficient to complete our evaluation of the effectiveness of implementation.

- Communication with the NRRIT's Auditor

This portion of the material weakness results from RRB management's unwillingness to permit communication between NRRIT and OIG auditors. Despite

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[2] Railroad Retirement Board Office of Inspector General, *Report on the Railroad Retirement Board's Year 2014 Financial Statements*, OIG Audit Report No. 15-01 (Chicago, IL., November 17, 2014). A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

the OIG's explanations of an AICPA requirement to obtain sufficient appropriate audit evidence of the audit procedures performed by component auditors (NRRIT auditors), RRB management continues to base its denial on legal circumstances that it believes precludes communication between NRRIT and OIG auditors. To affect resolution of this issue, in fiscal year 2014 OIG auditors recommended establishment of an independent committee to identify a functional solution that would enable compliance with the AICPA's mandatory requirements. Despite a verbal response of non-concurrence from the RRB's Chief Financial Officer, OIG auditors will continue to cite this issue and pursue corrective action. RRB management's lack of action to address this issue from a legal standpoint or to identify an acceptable workaround directly impacts the governmentwide financial statements, as the RRB is one of the few agencies that receive a disclaimer of opinion.

Compliance with Laws and Regulations

Our tests of the RRB's compliance with selected provisions of laws and regulations for fiscal year 2015 disclosed no instances of non-compliance that are reportable under auditing standards generally accepted in the United States of America or OMB guidance. However, the objective of our audit was not to provide an opinion on overall compliance with laws and regulations. Accordingly, we do not express such an opinion.

Objectives, Scope, and Methodology

RRB management is responsible for (1) preparing the financial statements in conformity with U.S. generally accepted accounting principles, (2) establishing, maintaining, and assessing internal control to provide reasonable assurance that the broad control objectives of the Federal Managers' Financial Integrity Act (FMFIA) are met, and (3) complying with applicable laws and regulations.

We are responsible for (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB audit guidance requires testing; and (3) performing limited procedures with respect to certain other information appearing in the RRB's Performance and Accountability Report. We considered the RRB's compliance with laws and regulations for fiscal year 2015. In order to fulfill these responsibilities, we:

- assessed the factors, data, assumptions and model used by RRB management to prepare the long-term actuarial projections presented in the statement of social insurance;
- assessed the reconciliation of the beginning and ending open group measure including the significant components of the change presented in the statement of changes in social insurance amounts;

- evaluated the overall presentation of the financial statements;
- obtained an understanding of the entity and its operations, including its internal control related to financial reporting, compliance with laws and regulations (including execution of transactions in accordance with budget authority);
- tested relevant internal controls over financial reporting and compliance, and evaluated the design and operating effectiveness of internal control;
- considered the design of the process for evaluating and reporting on internal control and financial management systems under the FMFIA; and
- performed tests of compliance with selected provisions of laws and regulations, including laws governing the use of budget authority, and other laws and regulations that could have a direct and material effect on the RRB's basic financial statements:
    - Anti-Deficiency Act, as amended;
    - provisions of the Railroad Retirement Act governing financing and the payment of benefits;
    - provisions of the Railroad Unemployment Insurance Act governing financing and the payment of benefits; and
    - provisions of the Social Security Act that provide for certification of benefits to the RRB for payment (42 U.S.C. § 405(i)).

We considered the material weaknesses identified above in determining the nature, timing, and extent of our audit procedures on the fiscal year 2015 financial statements.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected by our audit. We also caution that projecting our evaluation to future periods is subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. We also caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to the RRB. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the RRB's financial statements for the fiscal year ended September 30, 2015. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

RRB MANAGEMENT'S COMMENTS

Agency management commented that they will continue their efforts to pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard RRB trust funds. They also stated that although a material weakness was identified and a disclaimer opinion was provided on the agency's financial statements, agency management continues to devote substantial resources to strengthen processes, internal controls, and implement solutions.

The full text of management's response follows as an attachment to this report. We did not perform audit procedures on the RRB's written response and, accordingly, we express no opinion on the response.

Original Signed by:

Martin J. Dickman
Inspector General
Chicago, Illinois

November 4, 2015 except for matters relating to the net assets of the NRRIT as of September 30, 2015 as to which the date is November 13, 2015

UNITED STATES GOVERNMENT

FORM G-115f (1-92)

MEMORANDUM

RAILROAD RETIREMENT BOARD

November 16, 2015

TO : Heather J. Dunahoo
Assistant Inspector General for Audit

FROM : George V. Govan
Chief Financial Officer

GEORGE
GOVAN

SUBJECT: FY 2015 Financial Statement Audit – Auditor's Report;
Re: Your memorandum dated November 16, 2015

My office, and those of the Board Members, have reviewed the Office of Inspector General's report. We will continue our efforts to 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. Although a material weakness was identified and a disclaimer opinion provided on the agency's financial statements, we continue to devote substantial resources to strengthen processes and internal controls and implement solutions. We will continue to work closely and cooperatively with your office to help ensure that the RRB will be able to meet this year's reporting deadline of November 16, 2015.

cc: The Board
Executive Committee

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OTHER INFORMATION

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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

MANAGEMENT AND PERFORMANCE CHALLENGES FACING THE RAILROAD RETIREMENT BOARD

This statement has been prepared pursuant to the Reports Consolidation Act of 2000 and the requirements of Office of Management and Budget Circular A-136, which require that the Inspectors General identify what they consider the most serious management challenges facing their respective agency and briefly assess the agency's progress in addressing those challenges.

Congress created the railroad retirement system nearly 80 years ago. The Railroad Retirement Act (RRA) created a nationwide retirement system for railroad workers to provide income security in old age. Over the years, the program has been expanded to include disabled workers, elderly spouses and widows, children, and parents of young children. In 1938, Congress added a nationwide system of unemployment insurance, and later a program of sickness insurance benefits. During fiscal year 2014, the Railroad Retirement Board (RRB) paid about $12 billion in retirement and survivor benefits to approximately 562,000 beneficiaries and approximately $84 million in net unemployment and sickness insurance benefits. This included almost $1 million in temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009, to more than 25,000 claimants.[1]

Our identification of challenges facing RRB management is based on recent audits, evaluations, investigations, and current issues of concern to the Office of Inspector General (OIG). The RRB OIG identified the following seven major management challenges facing the RRB during fiscal year 2015.

Most Serious Management and Performance Challenges Facing the RRB as of October 1, 2015 (as identified by the Inspector General)	
Challenge 1	*Program Integrity to Strengthen Disability Programs*
Challenge 2	*Information Technology Security and Modernization*
Challenge 3	*Oversight of Railroad Medicare*
Challenge 4	*Preventing and Detecting Improper Payments*
Challenge 5	*Agency Succession Planning*
Challenge 6	*Material Weakness for Financial Statement Reporting*
Challenge 7	*Limited Transparency at the National Railroad Retirement Investment Trust*

[1] RRB, *An Agency Overview* (Chicago, IL.: January 2015).

Challenge 1 – Program Integrity to Strengthen Disability Programs

There are two types of disability awards administered by the RRB, the occupational disability annuity and the total and permanent disability annuity. The occupational disability annuity is based on the employee's inability to perform their regular railroad duties, not their ability to perform other types of jobs. Occupational disability annuities are payable to qualified applicants at or after the age of 60 with 10 years of service, or at any age if the employee has at least 20 years of railroad service. According to the RRB's 2015 Annual Report, in fiscal year 2014, occupational disability annuities totaling approximately $1.9 billion were paid to approximately 58,900 annuitants.[2] In fiscal year 2014, the approval rate for occupational disabilities was approximately 98 percent. A total and permanent annuity is payable, regardless of age, to employees with at least 10 years of service but requires that the applicant is not able to perform any job in the national economy.

These two disability benefits remain the subject of sustained scrutiny by the Congress and OIG as a result of program vulnerabilities and ineffective oversight by the RRB.

In 2007, the OIG initiated a joint investigation with the Federal Bureau of Investigation that unraveled a complex occupational disability fraud scheme perpetrated by a number of Long Island Rail Road (LIRR) retirees, doctors, and disability facilitators. This case was referred to and prosecuted by the U.S. Attorney's Office for the Southern District of New York. All 33 people charged in connection with the LIRR disability fraud scheme have either pled guilty (28 individuals) or been convicted at trial (5 individuals). Federal sentences imposed by the court totaled 544 months of prison time, 594 months of probation, 456 months of supervised release, 57 months of home confinement, 300 hours of community service, and approximately $614 million in restitution, forfeiture, and fines. OIG estimates that more than 700 individuals may have been involved in this fraud scheme and investigations are ongoing.

Throughout the LIRR investigation and subsequently, significant deficiencies were identified within the occupational disability program and the OIG has made numerous recommendations for improvement through audits, OIG Alerts, and investigations. Further, according to a 2009 Government Accountability Office (GAO) audit of the RRB's occupational disability program "a nearly 100-percent approval rate in a federal disability program is troubling, and could indicate lax internal controls in RRB's decision-making process, weaknesses in program design, or both."

The OIG remained so concerned by the RRB's failure to address deficiencies in its occupational disability program that in February 2014, the OIG issued a

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[2] RRB, *2015 Annual Report* (Chicago, IL.: September 2015).

seven-day letter alerting the RRB of its concerns, and outlined particularly serious and flagrant problems, abuses, and deficiencies relating to the occupational disability program. The OIG urged the agency to acknowledge the areas of deficiency by instituting necessary corrective actions.[3]

In May 2015, the U.S. House of Representatives Committee on Oversight and Government Reform's Subcommittee on Government Operations convened a hearing to examine if the RRB was doing enough to prevent fraud in its occupational disability program and to assess the RRB's process for determining which workers are eligible for benefits. In testimony, the Inspector General detailed the systemic deficiencies within the RRB's occupational disability program, as well as several key recommendations to address these deficiencies.

In response to significant Congressional pressure and oversight by the Office of Management and Budget (OMB) and the OIG, the RRB has recently taken some preliminary steps to improve its occupational disability program. It released its Disability Program Improvement Plan, which outlines 18 initiatives aimed at improving program integrity within its disability program. Further, the RRB has requested approximately $3.3 million in budget funds to improve program integrity. The RRB also contracted with an outside consultant for a benefit payment fraud prevention/detection assessment and advisory examination. The RRB has also indicated that it is exploring more effective ways to prevent and detect fraud and to enhance the program's integrity.

However, foundational flaws that leave the RRB's occupational disability program susceptible to fraud and abuse remain, including an agency culture that focuses on paying benefits quickly; thereby increasing the likelihood of erroneous payments. The OIG contends that as responsible public stewards, RRB management must implement comprehensive and meaningful procedural and cultural change to ensure that disability benefits are adjudicated accurately; awarding benefits only to those who are eligible, after an independent and thorough review of the application and all required supporting documentation.

Further, the RRB must work to ensure programmatic improvements, even those requiring legislative changes, are made expeditiously. If implemented properly, the OIG's prior recommendations provide valuable steps to improve program integrity. Without these changes, the RRB's propensity to inaccurately adjudicate disability applications will continue to cost the RRB and its eligible beneficiaries millions in unwarranted expenses annually.

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[3] RRB OIG, *Seven-Day Letter to Congress* (Chicago, IL.: February 10, 2014).

Challenge 2 – Information Technology Security and Modernization

As with all Federal agencies, the RRB faces the challenge of how to modernize its technology and safeguard sensitive data, while accomplishing the agency's mission. The RRB is continually updating and enhancing existing technologies and implementing new systems; however, the OIG has concerns that these changes do not adequately address the inherent risks in information technology (IT) security and projects.

In the coming years, RRB plans to undergo several major IT initiatives, such as:

- RRB systems modernization,
- migration of the Program Accounts Receivable (PAR) system to the Financial Management Integrated System (FMIS), and
- continued implementation of its "Office in the Cloud" plan, which is technology to offer a virtual office to a mobile workforce.

Each of these initiatives is a major project, requiring significant planning and oversight. IT acquisitions and improvements are so difficult that this issue is on GAO's High Risk List because federal IT investments too frequently fail or incur cost overruns and schedule slippages, while contributing little to mission-related outcomes. Such projects are often suffering from a lack of disciplined and effective management, such as project planning, requirements definition, and program oversight and governance. In many instances, agencies have not consistently applied best practices that are critical to successfully acquiring IT investments.

The RRB systems modernization is one of the largest IT projects ever undertaken by the RRB. This is a five year project intended to translate approximately 12 million lines of code to more modern computer language, followed by a systems reengineering project. The RRB estimated the project to cost $15.6 million. Projects of such size, length, and cost are at significant risk of cost overruns and project failure.

In September 2014, the OIG issued an audit report on the data management application controls and selected general controls in FMIS. The audit found that while controls for data and configuration management, contractor segregation of duties and contingency planning were adequate, some control deficiencies existed. Therefore, with the RRB planning the migration of the PAR system to FMIS, similar deficiencies and risks could arise.

The RRB "Office in the Cloud Plan", cloud technology for a mobile workforce comes with possible security and privacy risks of valuable data, as well as long term considerations of cost and data access. These security and cost risks remain a concern of the OIG.

Finally, in March 2015, the OIG issued an audit report on the information security at the RRB, which is mandated by the Federal Information Security Management Act of 2002 (FISMA).[4] The audit included testing the effectiveness of the information security policies, procedures, and practices of a representative subset of the agency's information systems; accessing agency compliance with FISMA requirements and related information security policies, procedures, standards, and guidelines; and preparing a report on selected elements of the agency's information security program in compliance with the OMB fiscal year 2014 FISMA reporting instructions. The audit determined that the RRB is continuing to make progress in implementing an information security program that meets the requirements of FISMA but a fully effective security program has not been achieved. The OIG made several recommendations related to its findings.

Given the historic challenges in IT, both at RRB and across government, as well as the increased scrutiny of information technology security, the OIG considers these, and other major technology initiatives to be of increased risk, requiring close attention and oversight.

[4] RRB OIG, *Fiscal Year 2014 Audit of Information Security at the Railroad Retirement Board,* 15-04 (Chicago, IL.: March 16, 2015).

Challenge 3 – Oversight of Railroad Medicare

The Railroad Medicare Program provides medical care for qualified railroad retirees. The Railroad Medicare Program is managed by one nationwide Medicare contractor, Palmetto GBA, which processes the Medicare Part B claims for railroad retirement beneficiaries. The RRB is responsible for administering its contract with Palmetto GBA. In fiscal year 2014, the RRB withheld approximately $538 million in premiums and Palmetto processed about $821 million in payments for services covered by Medicare Part B.[5] Centers for Medicare and Medicaid Services (CMS) reimburses the RRB for expenses related to administering this program, approximately $32.3 million in fiscal year 2014.[6]

In June 2015, the OIG reported deficiencies relating to payments for chiropractic services. During the audit, the OIG determined that controls were not sufficient to ensure that payments for Railroad Medicare chiropractic services complied with Medicare requirements. The report details the RRB's inadequate oversight over the Railroad Medicare contract, exposing it to vulnerabilities in payments for chiropractic services. From 2009 through 2013, it was estimated that approximately $14 million out of $21 million total paid claims were medically unnecessary improper payments for chiropractic services.[7] Palmetto's medical reviews did not validate the medical necessity for billed chiropractic services and its procedures did not adequately identify the ongoing risks associated with chiropractic service claim payments. These risks include: the frequency of chiropractic visits, the use of dual modifiers, commonly upcoded chiropractic services, and high risk chiropractic services.

The audit concluded that neither RRB nor Palmetto had instituted a cost effective method of post-payment recovery when improper chiropractic service payments occur in volume. The OIG issued eleven recommendations to address the deficiencies identified during the audit. In response to one recommendation, RRB management indicated that it would not be cost effective to recover the estimated $14 million in improper chiropractic service payments identified during our audit. The OIG is not in agreement with RRB management's response and considers their rationale insufficient, as a thorough cost benefit analysis had not been performed.

Another concern relating to Medicare is the RRB's non-use of the Fraud Preventative System (FPS). Implemented in July 2011 by CMS, the system is utilized by the CMS to assist in reducing improper Medicare payments.[8] While FPS has been integrated with CMS systems that process claims, it has not been integrated with the Palmetto's payment-processing system.

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[5] *Fiscal Year 2015, U.S. Railroad Retirement Board, Annual Report,* (Chicago, IL).
[6] RRB, *Performance and Accountability Report, Fiscal Year 2014* (Chicago, IL.: November 2014).
[7] RRB OIG, *Audit of Railroad Retirement Board Medicare Contract Oversight Did Not Effectively Mitigate Chiropractic Service Risks,* 15-07 (Chicago, IL.: June 4, 2015).
[8] GAO, Medicare Fraud Prevention: *CMS Has Implemented a Predictive Analytics System, but Needs to Define Measures to Determine Its Effectiveness.* GAO-13-104 (Washington, D.C.: October 2012).

The Railroad Medicare Program continues to be a challenge to the RRB and a significant concern to the OIG. The RRB will be challenged to continue to improve controls over the more than $800 million in Railroad Medicare payments made on behalf of its beneficiaries.

Challenge 4 – Preventing and Detecting Improper Payments

In May 2015, the OIG issued an audit assessing the RRB's fiscal year 2014 compliance with the Improper Payments Elimination and Recovery Act (IPERA) of 2010, which amended the Improper Payments Information Act of 2002.[9] The audit determined that the RRB was not in full compliance with IPERA reporting requirements.[10] Specifically, RRB did not comply with the risk assessment requirements because it did not assess risks for all of the programs that they administer, such as Medicare, procurement, credit programs, payments to vendors, and payments to federal employees. As a result, the OIG was unable to assess compliance with the requirement that RRB publish improper payment estimates for all of the programs and activities identified as susceptible to significant improper payments. Additionally, the audit revealed that improvements were needed for the RRA program and the Railroad Unemployment Insurance Act (RUIA) program, to ensure completeness of reported amounts for the RRA, as well as the accuracy of the reported improper payment amounts for the RRA and the RUIA programs, to include understatements and insufficient supporting documentation.

RRB developed a risk assessment plan in response to the OIG's determination that the RRB was not in compliance with IPERA. RRB reports that its plan was established to evaluate all of their payment outlays susceptible to improper payments in accordance with IPERA and OMB guidance. The OIG will review the risk assessment plan developed by RRB and assess it for sufficiency in fiscal year 2016.

[9] Public Laws 111-204 and 107-300, respectively.
[10] RRB OIG, *Audit of the Railroad Retirement Board Compliance with the Improper Payment Elimination Recovery Act of 2010 in the Fiscal Year 2014 Performance and Accountability Report*, 15-06 (Chicago, IL.: May 15, 2015).

Challenge 5 – Agency Succession Planning

RRB, like most Federal agencies, is faced with a significant portion of its workforce currently eligible to retire or able to do so in the near future. RRB's Bureau of Human Resources estimated that, by fiscal year 2016, more than 40 percent of personnel will be eligible for retirement, with approximately 62 percent having 20 years or more of service.[11] A top priority for agency leadership is to ensure the transfer of knowledge to ensure continuing and uninterrupted operations of the agency. However, for the RRB, staff attrition is both a challenge and a benefit; potentially allowing for expedited improvement to the agency culture to better prevent improper payments in its disability and other programs.

In September 2011, the OIG reported that the RRB had identified staff attrition as an ongoing concern. The report also stated that these changes would impact every aspect of the agency's operations, to include senior level management. The RRB has a Human Capital Management Plan and Succession Plan but it was not funded. Also, while the plan identified the RRB's need to retain and restore employees, the impact of declining budgetary resources was not considered. The OIG concluded that RRB management should enhance the plan by evaluating the possibility of staff and financial reductions and then by establishing a contingency plan to address staff and funding necessities for plan readiness.

While attrition presents a significant challenge, it also presents a unique opportunity for the RRB to quickly change its culture. As discussed in Challenge 1, RRB's culture focuses on paying benefits quickly, increasing the likelihood of erroneous payments in the disability program; a foundational flaw that leaves the program susceptible to fraud and abuse. One way to make significant and timely change to an agency's culture is through the introduction of new personnel who provide new ideas, different views, and a willingness to question the status quo. Of course, the agency would need to promote new thinking and views in order to change its culture.

Attrition of a significant portion of its staff is a significant challenge facing the RRB, and it should look for ways to maximize the effectiveness of these changes to leverage new skills and thinking.

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[11] RRB, *Draft Succession Management Framework,* (Chicago, IL.: Updated August 2014).

Challenge 6 – Material Weakness for Financial Statement Reporting

The OIG is mandated to audit the RRB's consolidated balance sheet, as well as the related statements of net cost, changes in net position, the budgetary resources for the years ended; the statement of social insurance; the statement of changes in social insurance; and the related notes to the financial statements. RRB management's responsibility is the preparation and fair presentation of said financial statements in accordance with accounting principles generally accepted in the United States of America. Upon RRB's completion of these financial statements, the OIG is responsible for expressing an opinion on the financial statements, which are based on the audit being conducted in accordance with the auditing standards generally accepted in the United States of America.

The OIG reported a material weakness for financial reporting in fiscal year 2014. This material weakness included the previously reported significant deficiency for budgetary reporting. Corrective actions for the budgetary reporting deficiencies indentified have not been completed. In the course of the audit, material financial recording errors were detected and internal control procedures were not consistently performed timely or effectively.

The OIG's audit concerns regarding ineffective controls included various reconciliations that were executed after the year-end financial statements were prepared and a payroll reconciliation that was ineffective for fiscal year 2014.

Another significant audit concern relating to financial reporting management was emphasized in a separate audit, which found partial or no supporting documentation for many of the recorded transactions, and the policies and procedures for internal controls and transactions that had not been clearly documented or maintained. Although RRB's management is working to address these recommendations, its actions for all of the recommendations have not been completed or have not been in place long enough to permit evaluation.

This material weakness, which consists of ineffective controls and the lack of communication with the National Railroad Retirement Investment Trust's (NRRIT) auditor (discussed further in Challenge 7), continues to exist. The lack of communication with the NRRIT auditor is the basis for the disclaimer opinion rendered for the RRB's financial statements.

Challenge 7 – Limited Transparency at the National Railroad Retirement Investment Trust

The NRRIT was established by the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA). The NRRIT is a tax-exempt entity, independent of the Federal government, whose purpose is to manage and invest railroad retirement assets. The NRRIT is authorized to invest the assets entrusted to it in a diversified investment portfolio in the same manner as private sector retirement plans. The NRRIT is also responsible for transferring funds to the RRB to pay benefits that are not covered through current tax receipts from railroad employees or employers. Over $26 billion in assets were held by the NRRIT on behalf of railroad retirees and their families at the end of fiscal year 2014.[12]

In March 2008, the OIG published a statement of concern, which stated that reliance on the annual audits of the NRRIT's financial statements had left the NRRIT with fewer safeguards than those established to protect other similar retirement investments.[13] Further, while the RRB has legal standing to enforce the NRRIT's compliance with RRSIA, the authority is not supported by adequate legislative authority to assert an oversight role that may support such enforcement activities.

The OIG continues to have concerns that oversight of the NRRIT is inadequate. The OIG's position is that improved transparency and oversight of the NRRIT could be accomplished through a combination of independent performance audits conducted in compliance with Generally Accepted Government Auditing Standards (GAGAS) and a transparent annual financial statement audit, along with independent investigations, evaluations, and assessments, as appropriate.[14]

The following outlines the specific challenges related to the NRRIT.

<u>Performance Audits</u>

The NRRIT has commissioned four periodic performance audits since its inception in 2002, but has not established a formal policy for such audits. There is no indication that the performance audits commissioned by the NRRIT are performed in accordance with GAGAS, which provide a framework for conducting high-quality audits with competence, integrity, objectivity, and independence. Of concern is that the NRRIT self-selects the audit areas. Comparable entities, such as the Thrift Savings Plan and private pensions, are subject to performance audits by one or more independent external entities.

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[12] RRB, *Performance and Accountability Report, Fiscal Year 2014* (Chicago, IL.: November 2014).
[13] RRB OIG, *Statement of Concern: National Railroad Retirement Investment Trust Lack of Provision for Performance Audits* (Chicago, IL.: March 31, 2008).
[14] GAO, *Government Auditing Standards, 2011 Revision*, GAO-12-331G (Washington, D.C.: December 2011).

In contrast, the NRRIT defines the subject and scope of its performance audits. It is the OIG's opinion that selection by the NRRIT of the audits to be performed prevents thorough oversight of the NRRIT's assets and operations. The OIG strongly opposes any arrangement that allows the NRRIT to control performance audits. It is also the OIG's opinion that a statutory amendment to provide for performance audits would have greater permanence, since the NRRIT could not legally opt to discontinue new oversight practices.

In fiscal year 2014, GAO reported on performance audit policies and practices that exist for overseeing the NRRIT, performance audit policies in place at comparable organizations, and options that could be pursued to improve NRRIT performance audit policies.[15] While the report did not contain any formal recommendations, it did list options for expanded NRRIT oversight including:

- granting the OIG authority to conduct performance audits, which would ensure that these reviews are initiated and performed independent of the NRRIT;
- requiring periodic audits with external input on scope, which would ensure NRRIT performance audits continue; and/or
- establishing an office of internal audit, which could ensure performance audits are independently initiated and conducted.

These options could be adopted through either an agreement between the key parties or through legislation.

The OIG continues to strongly believe that performance audits would be most efficiently conducted by the OIG and encourages the RRB and NRRIT to develop a legislative proposal that would mandate this change.

<u>Disclaimer of Opinion on RRB Financial Statements</u>

The OIG's lack of access to the NRRIT's auditor has resulted in the OIG issuing a disclaimer of opinion for fiscal years 2013, 2014, and we expect to do so again for fiscal year 2015. The OIG is required by law to audit the financial statements of the RRB, and the NRRIT is a significant component of the RRB. In order to comply with the American Institute of Certified Public Accountants (AICPA) group financial statement auditing standard, the OIG contacted the NRRIT requesting direct communication with, and cooperation from their auditor.[16]

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[15] GAO, *Retirement Security: Oversight of the National Railroad Retirement Investment Trust,* GAO-14-312 (Washington, D.C.: May 15, 2014).
[16] AICPA, AU-C Section 600, Special Considerations - Audits of Group Financial Statements (including the Work of Component Auditors).

To date, there has been no communication or cooperation from the NRRIT's auditor, directly or indirectly.

In view of the fact that the OIG cannot obtain sufficient appropriate audit evidence with respect to the NRRIT, we cannot issue an opinion on the RRB's financial statements. To prevent future disclaimers of opinion, it's imperative that RRB management counsel the NRRIT regarding its auditor's responsibilities to comply with the AICPA's group financial statement requirements.

Original signed by:

Martin J. Dickman
Inspector General

October 16, 2015

Management's Comments

These are Management's comments on the Management and Performance Challenges identified by the Railroad Retirement Board (RRB) Inspector General.

Program Integrity to Strengthen Disability Programs

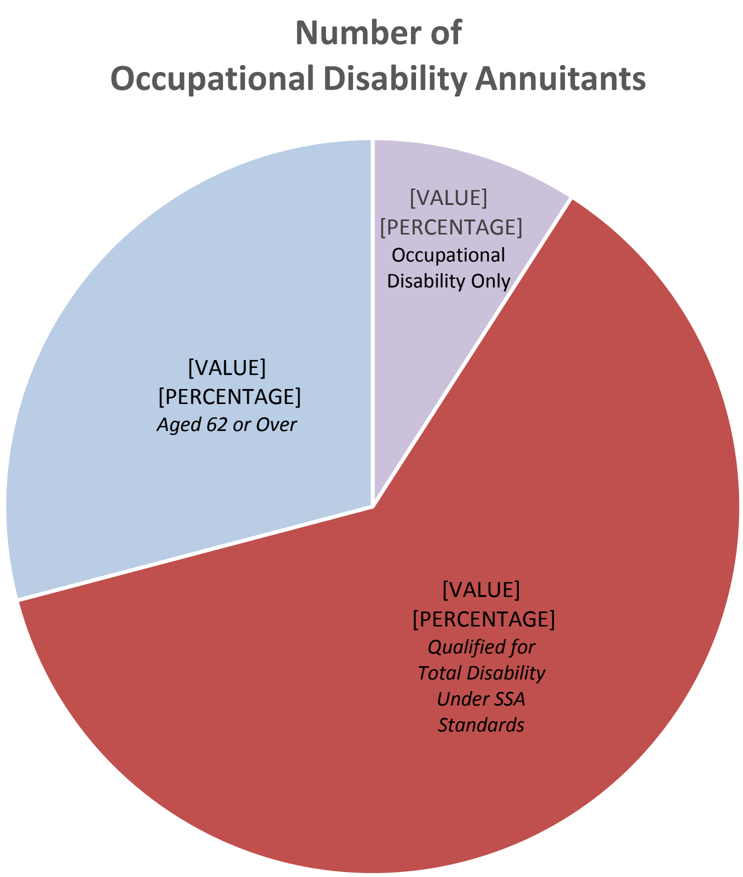
Despite a lack of new funding, RRB management continues to prioritize and take decisive actions to strengthen both the initial disability determination process as well as overall program integrity.

In terms of overall disability approval rates, it is noteworthy that a large percentage (62 percent) of RRB claimants meets Social Security Administration's standards for Total Disability, i.e., inability to perform any job in the national economy. Further, the railroad retirement program serves a workforce that is overwhelmingly male and disability program entrants are significantly older than those entering the social security disability program. For this reason, significantly higher rates of disability awards should be expected in the RRB program as compared with the SSA program. During fiscal year 2014, the RRB awarded Occupational disability benefits to 1,040 railroad workers.

At the end of Fiscal Year (FY) 2014, the Railroad Retirement Board (RRB) was paying 5,324 annuitants solely by reason of Occupational Disability.

The RRB was also paying 36,439 disability annuitants who entered the program under Occupational Disability provisions of the Railroad Retirement Act but also met the Total disability provisions of the Social Security Act.

An additional 17,163 had then met the minimum retirement age of 62 and would be entitled to a non-disability retirement if they were not already on the disability rolls.



During Fiscal Year FY 2014 the RRB paid approximately:

	Number	Paid Per Annum
Receiving an annuity by reason of Occupational Disability Only	5,324	$160,000,000
Entered the Program Under the Occupational Disability Standards Who Meet the Total Disability Standards of the Social Security Administration	36,439	$1,224,000,000
Entered the Program Under the Occupational Disability Standards Who Have Reached the Social Security Minimum Retirement Age of 62	17,163	515,000,000
Totals	58,926	$1,899,000,000

The above numbers include all individuals who were awarded annuities on the basis of disability. Under the Railroad Retirement Act, a disability annuity terminates when an individual ceases to be disabled, dies, or attains full retirement age, which is between the ages of 65 and 67 depending upon the individual's year of birth. See 45 USC 231d(c)(2). Therefore, an individual who is initially awarded a disability annuity has that annuity terminated when they reach full retirement age and they then begin to receive an age and service annuity. This conversion of annuity type is not reflected in the RRB's Annual Report. Once an individual is categorized as disabled, they stay in that category for actuarial reporting purposes until they no longer receive a benefit, even if they are over full retirement age. As a result, a significant portion of the occupational disability awards cited in the RRB's Annual Report include individuals receiving age and service annuities.

In response to OIG recommendations and ad hoc communications as well as the Government Accountability Office (GAO) audit findings, the agency has taken meaningful action to improve the central critical functions of the RRB's disability program including:

2014

- Established Medical Provider Database to facilitate provider analysis.
- Established an Anti-Fraud Task Force.
- Initiated fraud awareness training.
- Ensured that all cases would be subject to a second review.
- Enhanced notifications to annuitants.
- Hired a Director of Audit Affairs.

2015

- Implemented Independent Medical Examinations for most cases.
- Completed review of contracted sources by the Disability Advisory Committee for the purpose of making recommendations for improvement.
- Implemented concurrent processing of freeze determination with the disability rating under the Railroad Retirement Act (RRA).
- Provided enhanced training in disability adjudication and increased the frequency of visits by professional medical providers to support claims examiners.
- Established a multi-component team from the RRB with the responsibility for reviewing SSA's disability program and identifying "best practices" that can be utilized by the RRB.
- Implemented continuing disability reviews for high risk cases.
- Established a quality control unit and related performance goals.
- Approved regulatory change requiring applicants to submit all medical evidence related to disability claims.

In addition, the Board has directed the following program improvements be implemented:

- Revise the job information process/forms to ensure that disability examiners have adequate and uniform vocational information available to them when adjudicating applications.
- Review and revise application forms to ensure that all relevant information is obtained.
- Resume continuing disability reviews for occupational disability cases on a more routine basis.
- Create a matrix analyzing those attributes associated with a higher level of fraud and require annuitants who meet the parameters of the matrix to annually certify their continued eligibility.
- Explore options to obtain more timely earnings data to support stronger initial adjudication and post-entitlement program integrity.
- Set up procedures to identify and address cases of potential fraud before claims are approved.

The Board has taken a strong anti-fraud stance and communicated its expectations for program improvement to operational management. We have taken a constructive approach to program change within the parameters established by law.

Information Technology Security and Modernization

Information Technology (IT) initiatives require close attention and oversight to mitigate the risks of implementing change. The RRB systems modernization approach is to show success with small projects, communicate these successes across the agency to gain support and build confidence to accomplish the remaining larger critical tasks, in an iterative and incremental approach. The project will take place in two phases to minimize the risk from limited funding, as well as build confidence that the migration of 40 years of legacy code can be transformed without loss of functionality. This phased approach uses automation in the early stages, develops an understanding of the legacy environment, removes dead code, identifies duplicate code, and implements efficiencies in a short period of time.

The success of the software development process depends on the ability to create reusable code. The RRB will continuously monitor, measure, and perform value driven services to ensure the predictable outcome of a successful migration. The development environment requires a flexible approach to testing that includes manual and automated test execution. The goal of using tools in the development effort is to automate the efficient creation of software products. These tools will be employed in varying degrees of automation to coincide with the depth and breadth of testing, and the complexity of the application or component being tested.

The project management required to achieve this successful migration is based on agile principles such as:

- Focusing the team on the rapid realization of specific business value.
- Breaking up yearlong projects into a series of short releases focused on the most critical or Key Performance Indicators to increase the opportunity for success.
- Ensuring frequent standup meetings, or daily scrums, as an effective means to convey information, and to facilitate quick resolution of identified risks and issues.
- Co-locating teams to result in a better understanding of activities and deliverables.
- Enforcing team accountability and stakeholder responsibility by keeping everyone informed using dynamic dashboards.
- Delivering high customer satisfaction by following a repeatable, consistent, proven implementation methodology.
- Measuring and communicating captured value to our customers.

The iterative software development model delivers value and provides confidence from early repeated success, early risk mitigation and discovery, complexity management through simplification, relevant progress tracking leading to better predictability, higher quality and less defects, early and regular process improvement, prototyping, and feedback communication loops.

The IT Enterprise Roadmap outlines the plan to enable a future ready RRB workforce equipped with modern tools and technologies to do their jobs in the most efficient, effective, and secure manner that leads to sustained customer satisfaction in the railroad community we serve. The IT Enterprise Roadmap introduces the concept of Office in the Cloud. This robust and secure concept provides sustained operations for the future. Applications are modernized to run on virtual servers and do real-time processing in a secure Private Cloud. This initiative enables self-service solutions for the railroad community, mobile applications, and a virtual office that allows our workforce to accomplish tasks securely without physical constraints of the four-walled office. IT security risks in the virtual office are much smaller and better managed than the agency's current environment. All data at rest will be encrypted to FIPS 140-2 standard.

All RRB Office in the Cloud initiatives will require Federal Risk and Authorization Management Program (FedRAMP) certification. The FedRAMP is a U.S. government-wide program with the goal to accelerate adoption of secure cloud solutions and provide a standardized approach to security assessment, authorization, and continuous monitoring for cloud products and services. The FedRAMP is based on the stringent security requirements defined by NIST 800-53 standard and provides a uniform approach to risk based management.

At a minimum, the virtual office is enabled using Secure Socket Layer Virtual Private Network (SSL VPN). Each employee will use the HSPD-12 PIV card to logon for multi-factor authentication. Furthermore, security monitoring at the Security Operations Center (SOC) gives the agency advanced capabilities to proactively block and remediate any security threats we come across.

The agency continues to make strides in improving our information security program as mandated by the Federal Information Security Management Act of 2014 (FISMA). We recently implemented EINSTEIN III (E3A) to enhance our cybersecurity awareness and help detect and prevent malicious traffic that may target the RRB information systems. We are implementing a continuous monitoring strategy by enrolling in the Department of Homeland Security (DHS) Continuous Diagnostics and Mitigation (CDM) program. The CDM tools are scheduled to be applied at the RRB in the Calendar Year 2016. In addition, we continue to work diligently to address FISMA open audit recommendations and related Plan of Action and Milestones (POAM) recommendations as we strive towards implementing a fully effective information security program.

Oversight of Railroad Medicare

During option year (OP) 2 of the Specialty Medicare Administrative Contract (SMAC) which began on October 1, 2014, the Medicare Contracting Officer Representative (MCOR) and Medicare Contract Operations Specialist (MCOS) conducted the following reviews as required by the Federal Acquisition Regulations (FAR) to ensure that our Medicare contractor (Palmetto GBA) was in complete compliance with the Statement of Work (SOW):

1. Quality Assurance Surveillance Plan (QASP) reviews - QASP reviews provide oversight on the quality, quantity and timeliness of contractor performance. For OP 2, a total of 9 business functions were reviewed, which covered 51 performance standards.

2. A Continuity of Operations Plan (COOP) was conducted in option year 2 to ensure that the RRB SMAC follows its own COOP plan and that it is appropriately tested by the contractor.

3. Quality Control Plan Review Report – we reviewed the quality control program for the SMAC in the Claims including Document Control, Medical Review and Medicare Secondary Payer departments.

All recommendations that were made as a result of these reviews were accepted by Palmetto, GBA and implemented in OP 2.

OP 2 was completed on September 30, 2015, and we are in the process of assessing our contractor's performance (as required under the FAR). Also, overall responsibility and handling of the management and operations of the Medicare program is assigned by law to CMS which means that Palmetto, GBA must adhere to the guidelines and procedures established by CMS. In addition to modifying and testing the updated Medicare MCR process and conducting numerous audits/reviews, the MCOR and MCOS attended training to:

- Gain a better understanding of their responsibilities under the FAR;

- Ensure that the contractor is performing its responsibilities as required; and

- Look for additional ways to protect the Medicare Trust Fund.

The following initiatives were implemented during OP2:

1. A Joint Operating Agreement was approved in late option year 2 and signed in October 2015 by the RRB SMAC and Health Integrity Zone 4 Program Integrity Contractor to refer potential Medicare overpayments to the SMAC's benefit integrity unit. This

endeavor will more fully ensure that Medicare overpayments are pursued for RRB beneficiaries.

2. CMS implemented the Comprehensive Error Rate Testing (CERT) program to measure improper payments in the Medicare Fee-for-Service program. As of July 1, 2015, the RRB SMAC is now part of the CMS CERT program. The CMS CERT contractor will sample claims through June 30, 2016. The final report with CERT findings is scheduled to be published in November 2017.

3. In accordance with the Improper Payment Elimination and Recovery Improvement Act of 2012 (IPERIA), we submitted a Medicare Part B Risk Assessment to the Management Control Review Committed (MCRC). The Medicare Part B Risk Assessment was approved by the MCRC on September 24, 2015.

4. Time sheet reviews at the RRB SMAC have been implemented and conducted by the MCOR and MCOS in option year 2 to ensure appropriate time is being reported to the work being performed. In option year two, we conducted two quarterly reviews. All recommendations that were made, as a result of these reviews, were accepted and implemented by the RRB SMAC.

We are currently working with Palmetto GBA to develop a more robust a MR strategy and system changes to protect the Medicare trust fund and prevent improper payments. A few of the initiatives being developed include but are not limited to:

1. Develop and implement new review screens for chiropractic services on a widespread service-specific-basis to validate medical necessity.

2. Perform statistical analysis of the top providers by number of allowed services to determine if there are any outlier providers in the billing data.

3. Develop and implement an edit to reject any chiropractic services billed with a dual modifier combination.

We are in discussion with CMS on the following initiative:

1. Establishing a tentative timeframe for implementing the Health Integrated General Ledger Accounting System for the RRB SMAC.

2. The RRB SMAC requested access to the CMS Fraud Prevention System (FPS) database which identifies the highest risk claims for fraud, waste and abuse. The CMS recommended that implementation of the RRB SMAC access be delayed until the FPS contract rebid process is awarded.

As OP 3 begins, we will continue to conduct reviews of our SMAC contractor, Palmetto, GBA to ensure its compliance with the SOW and work with it, wherever possible, to reduce waste, fraud and abuse in an effort to protect the Medicare Trust Fund.

Preventing and Detecting Improper Payments

The Railroad Retirement Board has developed Risk Assessment Plans for all programs we administer including Railroad Retirement Act (RRA), Railroad Unemployment Insurance Act

(RUIA), Medicare, Employee Payments and Vendor Payments. In addition, we agreed with the OIG to reevaluate our methodologies to ensure all appropriate areas are included in our improper payment computations for the RRA program. These changes were implemented with the Fiscal Year 2015 Improper Payment analysis.

Agency Succession Planning

In response to our aging workforce and high attrition rates, coupled with static budget levels, the Executive Committee has focused their efforts on succession management, specifically, developing the agency's current human capital and fulfilling mission critical hiring goals to meet the agency's needs. Focusing on these two strategies, the agency has succeeded at dealing with periods of high retirement eligibility of its workforce. At the end of fiscal year 2015, 23.8% of our agency was eligible for retirement. That percentage only increases by 4% by the end of fiscal year 2016. Prior to 2013, our ability to replace staff was limited due to budget constraints. In the past two years, however, we have brought on 165 new employees.

We are proud to report that in fiscal year 2015, 38.8% of new hires were Veterans, which supports the Administration's commitment to utilize the talents of Veterans to help the Government meet today's dynamic challenges.

While it is important to bring in new personnel with fresh perspectives, we still believe that an important contributor to our success in meeting our mission is the quality and experience of our current workforce. In fiscal year 2015, we purchased and implemented the Learning Management System (LMS) and developed and published several training sessions. We also re-established the Training Section within the Bureau of Human Resources in order to develop processes, training and systems that can maximize the growth potential for current employees and new hires. We also continue to take advantage of the rehired retiree program to support the knowledge transfer to our newer employees.

Although our Human Capital and Succession Plans were not fully funded, we have implemented key aspects of these plans, ensuring continuing and uninterrupted operations of the agency in spite of staff attrition concerns.

Material Weakness for Financial Statement Reporting

We understand that the material weakness consists of ineffective controls and lack of communication with the NRRIT auditor. The lack of communication with the NRRIT auditor is the basis for the disclaimer opinion rendered for the RRB's financial statements and it will be addressed further in the response to Challenge 7.

Regarding the ineffective controls, corrective actions have taken place in fiscal year 2015. In fiscal year 2015 the following were substantially automated in the agency's Financial Management Integrated System (FMIS); *Statement of Budgetary Resources, Combining Statement of Budgetary* Resources and the financial statement note *Reconciliation of Net Cost of Operations to Budget*. In addition, our Accounting Procedures Guide was rewritten with detailed instructions for operating within a new cloud shared service capability – FMIS, and additional guidance was added for reconciliations, including payroll reconciliations. Finally, budgetary accounting training was provided to accounting members during fiscal year 2015.

These actions have significantly improved accuracy and consistency of recorded amounts and effectiveness of controls.

Limited Transparency at the National Railroad Retirement Investment Trust

The National Railroad Retirement Investment Trust (NRRIT) is established by section 15(j) of the Railroad Retirement Act to invest funds from the Railroad Retirement Account which are not needed to pay current benefits. The Inspector General believes that the Railroad Retirement Board conducts insufficient oversight of the Trust operations and investments, and consequently recommends amendments to the Act to require independent performance audits by the Inspector General. The Inspector General further recommends RRB management counsel NRRIT to allow the IG access to the NRRIT auditor. RRB management continues to believe the oversight of the NRRIT is sufficient under current law.

Initially, RRB management believes the language of section 15(j) and the legislative history leading to its enactment clearly establish the intent of Congress to protect the assets of the Trust and the NRRIT itself from political influence. Moreover, in a May 2014 Report by GAO concerning oversight of the NRRIT (GAO -14-312), the GAO in concluding remarks noted this purpose and further, that the NRRIT is not without oversight beyond mandatory financial audits. In particular, GAO noted the Trust's condition is monitored by the RRB through regular reports and other communications. GAO also noted that the NRRIT on its own initiative commissioned four performance audits since 2002 which were comparable to and in some cases more comprehensive than those of comparable state pension plans. Moreover, in Fiscal Year 2015, the RRB and NRRIT concluded a Memorandum of Understanding requiring performance reviews over three year cycles beginning with calendar 2015. The priority for the audit topics under the agreement is determined from a selection of fourteen listed topics after consultation between the NRRIT and the RRB. The topic for the first audit under the agreement will be determined after the selection of the independent auditor in the last calendar quarter of this year. In RRB's view, the history of continuing cooperation between NRRIT and RRB on this and other matters renders any amendment recommended by the Inspector General unnecessary.

The RRB management also believes the Inspector General is not required to issue a disclaimer of opinion on the RRB financial statements. Although the Inspector General is required by law to audit the RRB financial statement, the standards of the American Institute of Certified Public Accountants (AICPA) allow auditors to express a qualified opinion, rather than a disclaimer of opinion, where possible effects of undetected misstatements do not have pervasive effect on the financial statement. The RRB does not believe the Inspector General has established that any undetected misstatements in the context of the NRRIT audit are pervasive within the meaning of the AICPA standards. Accordingly, RRB does not believe the situation warrants a disclaimer of opinion on the RRB financial statements. RRB will continue to work with the Inspector General to identify solutions for preventing future audit disclaimers.

Improper Payments Information Act (IPIA) Reporting Details
(as amended by IPERA)

Introduction

The Improper Payments Information Act of 2002 (IPIA; Pub. L. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA; Pub. L. 111-204), requires agencies to annually report information on improper payments to the President and Congress through their annual Performance and Accountability Reports. A more recent law, the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA; Pub. L. 112-248), amended IPIA.

The enactment of the Improper Payments Elimination and Recovery Improvement Act (IPERIA) of 2012 provided an opportunity for the Office of Management and Budget (OMB) to re-examine existing guidance to ensure agencies are able to more efficiently reduce their improper payment rates, while also complying with multiple legislative and administrative requirements. The goal of the October 20, 2014 overhauled version of Appendix C to Circular No. A-123, OMB M-15-02, is to transform the improper payment compliance framework to create a more unified, comprehensive, and less burdensome set of requirements.

The Railroad Retirement Board (RRB) has benefit paying and non-benefit paying programs. The benefit paying programs are: railroad retirement and survivor benefit payments, railroad unemployment and sickness insurance benefit payments, and the RRB's Specialty Medicare Administrator Contractor paid Part B Medicare benefits. The non-benefit paying programs include vendor payments and employee payments (payroll, travel, and other reimbursable expenses).

The RRB's Risk Assessment Plan was developed in response to IPERA and OMB guidance to evaluate all of our payment outlays susceptible to improper payments. We conduct evaluations in order to maintain Improper Payment Governance aligned to our strategic goal to serve as responsible stewards for our customers' trust funds and agency resources.

Goals/Objectives

The goal of the RRB's Risk Assessment Plan is for the RRB to fully comply with the IPERA requirements by assessing risk for all of the benefit and non-benefit programs that the RRB administers. The RRB Risk Assessment Plan objectives are:

- establish well defined goals and objectives for each payment program to eliminate improper payments and execution of corrective actions.
- determine where payment program risks exist, what those risks are and the potential or actual impact of those risks on program goals, objectives and operations.

Risk Assessment Approach

The RRB uses risk assessment results to target high risk areas and focus resources where the greatest exposure exists and return on investment can be maximized. Risk assessments are to be performed on an annual basis for the benefit paying programs and were completed. The non-benefit programs had risk assessments completed this year. The non-benefit payment programs will be reevaluated at least every three years thereafter.

I. Risk Assessment. Briefly describe the risk assessment(s) performed (including the risk factors examined, if appropriate) subsequent to completing a full program inventory. List the risk-susceptible programs (i.e., programs that have a significant risk of improper payments based on OMB guidance thresholds) identified by the agency risk assessments. Include any programs previously identified in the former Section 57 of OMB Circular No. A-11. Highlight any changes to the risk assessment methodology or results that occurred since the last report.

The RRB administers two benefit payment programs: Railroad Retirement Act (RRA) retirement and survivor benefits, and Railroad Unemployment Insurance Act (RUIA) unemployment and sickness benefits. Both were designated as "high risk" under the former Section 57 of Circular A-11.

The RRB also has oversight of the Part B Medicare Specialty Medicare Administrative Contract (SMAC). Improper payment analysis is currently not conducted on the Medicare Part B claims payments. The payment process is directly linked to the Medicare Trust Fund. CMS is responsible for ensuring proper payments. With the passage of IPIA, CMS took responsibility for the error rate program. To comply with the IPIA, IPERA and IPERIA, CMS established the CERT program to estimate improper payment error rates in the Medicare FFS program. Beginning July 1, 2015, CMS has included the RRB SMAC in the CERT. The CERT program calculates the Medicare FFS payment accuracy rate by reviewing claims and the supporting medical records. The review process will continue until June 30, 2016. The final report is scheduled to be published in late 2017.

The agency used the process described below to calculate the amount of RRA and RUIA improper payments made in fiscal year 2014.

Results of Fiscal Year 2014 Improper Payment Review

Program	Improper Payment Amt. >$10 million	Improper Payment Rate >1.5%	Action Plan or Targets Needed?
RRA	**Yes**	**No**	**No**
RUIA	**No**	**Yes**	**No**

II. Statistical Sampling. Any agency that has programs or activities that are susceptible to significant improper payments shall briefly describe the statistical sampling process conducted to estimate the improper payment rate for each program identified with a significant risk of improper payments. Please highlight any changes to the statistical sampling process that have occurred since the last report.

The agency has an established methodology for identifying improper payments in the RRA and RUIA benefit payment programs. It is based on determining both the known overpayments and underpayments, which have since been recovered or paid out, and estimating those which result from adjudicative error, but have not been identified or corrected. It also uses information from quality assurance reviews. These reviews employ statistical sampling to study railroad retirement awards. Also included in the estimated amounts are projections of improper payments from audits, special studies, and estimates of manual work based on pending workload referrals.

III. Improper Payment Reporting.

The table below is required for each reporting agency.

Improper Payment (IP) Reduction Outlook FY 2013 – FY 2017
($ in millions)

Program	FY 13 $ Outlays (actual)	FY 13 IP %	FY 13 IP $	FY 14 $ Outlays (actual)	FY 14 IP %	FY 14 IP $	FY 14 Overpayment $	FY 14 Underpayment $
RRA	$11,650.4	0.70%	$82.1	**$11,909.62**	**0.59%**	**$70.60**	**$57.96**	**$12.64**
RUIA	$116.0	3.7%	$4.2	**$106.20**	**4.04%**	**$4.29**	**$2.94**	**$1.35**

Program	FY 15 $ Outlays (estimated)	FY 15 IP %	FY 15 IP $	FY 16 $ Outlays (estimated)	FY 16 IP %	FY 16 IP $	FY 17 $ Outlays (estimated)	FY 17 IP %	FY 17 IP $
RRA	$12,214.70	0.55%	$67.20	$12,499.40	0.53%	$66.20	$12,782.30	0.51%	$65.20
RUIA	$113.20	3.90%	$4.40	$132.40	3.50%	$4.60	$136.90	3.00%	$4.10

Note: The absolute value of the overpaid and underpaid dollars and the rates is shown—the figures are not netted.

The fiscal year 2015 Improper Payments Report includes our analysis of fiscal year 2014 data because at the time the report was prepared, the actual data available was for fiscal year 2014 (shown in bold in the chart).

For fiscal year 2014, RRA actual overpayments were $57,957,787and actual underpayments were $12,638,026.

RUIA actual overpayments were $2,940,780 and actual underpayments were $1,353,946.

The estimates for fiscal year 2015 through 2017 are based on the December 2014 OMB budget review estimates.

IV. Improper Payment Root Cause Categories

The root causes of error in the ***RRA and RUIA programs*** are summarized according to OMB's root causes in the table below.

Reason for Improper Payment		RRA Program		RUIA Program	
		Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue		$2,230,946.00	$3,076,932.00		
Inability to Authenticate Eligibility		$35,993,028.00		$2,389,710.00	
Failure to Verify:	Death Data				
	Financial Data				
	Excluded Party Data	$54.00			
	Prisoner Data	$201,885.00			
	Other Eligibility Data (explain)	$13,664,879.00	$6,529,182.00		
Administrative or Process Error Made by:	Federal Agency	$2,390,244.00	$3,031,912.00	A) $22,234.00 B) $528,835.00	C) $1,353,946.00
	State or Local Agency				
	Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)				
Medical Necessity		$3,476,751.00			
Insufficient Documentation to Determine			X		X
Other Reason (a) (explain)					
Other Reason (b) (explain)					
TOTAL		$ 57,957,787.00	$12,638,026.00	$2,940,780.00	$1,353,946.00

Sources of RUIA Administrative or Process Errors Made by Federal Agency:

The source data for this root cause includes the following:

A) Category 4 of the Annual RUIA Debt Report
B) Annual UI/SI Claim Quality Assurance Review
C) OLQ of claims redetermined to pay additional money

V. Corrective Actions. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the corrective action plans for:

a. Reducing the estimated improper payment rate and amount for *each* type of root cause identified. Agencies shall report root cause information (including error rate and error amount) based on the following three categories: Administrative and Documentation errors; Authentication and Medical Necessity errors; and Verification errors. This discussion must include the corrective action(s), planned or taken, most likely to significantly reduce future

improper payments due to each type of error an agency identifies, the planned or actual completion date of these actions, and the results of the actions taken to address these root causes. If efforts are ongoing, it is appropriate to include that information in this section, and to highlight current efforts, including key milestones. Agencies may also report root cause information based on additional categories, or sub-categories of the three categories listed above, if available.

Corrective Actions for RRA Programs

Inability to Authenticate Eligibility and Failure to Verify (Death Data and Other Eligibility Data): These errors result from changes coming from outside the agency, particularly changes in the beneficiary's status which affect entitlement or eligibility either temporarily or permanently, and changes in service and compensation typically due to work. Our challenge is to obtain the information and process it as quickly as possible.

The initiatives to minimize this specific group of improper payments are:

- The RESCUE (Recalculate for Service and Compensation Updated to EDMA) system evaluates employer-reported changes to employee service and compensation records and adjusts annuities, if needed. RESCUE was implemented in fiscal year 2006 and evaluated record changes posted in January 2006. In fiscal year 2007, the system evaluated adjustments posted prior to January 2006 and identified specific RRA improper underpayments and paid out additional benefits due, resolving many of the improper payments that were included in previous years' estimates. However, a significant manual workload resulted from this initiative. As of April 30, 2015, 10,930 of these referrals (8,806 for active cases and 2,124 for terminated cases) were on hand. These backlogged cases are handled whenever any other work needs to be done on the case. RESCUE referrals are also processed using overtime funds as resources permit.
- RESCUE is currently run several times a year so that annuity adjustments for service and compensation changes are made timely and properly for those records that can be handled automatically. Those that cannot be processed by RESCUE are referred for manual handling and are included in the current workload. As of April 30, 2015, there were 8,946 of these current referrals.
- The agency has requested program integrity funding of $1.25 million in the fiscal year 2016 Budget for staffing to eliminate the RESCUE backlog and keep this regular RESCUE work current.
- Work continued on SPEED (System Processing Excess Earnings Data), an automation initiative designed to process post-entitlement annuity adjustments in both retirement and survivor cases that result from excess earnings and work deductions. SPEED allows the RRB to adjust annuity payments for earnings on a timely basis, which minimizes any underpayments or overpayments that may result from changes in earnings. SPEED is being built in multi-phase approach. The first five phases of this initiative automated the handling of several survivor year-end actions; annuity adjustments when Last Person Earnings (LPE) work deductions are removed; and adjustments for cases that involve both retirement regular and LPE cease work reports. During fiscal year 2013, we automated the download of current survivor earnings estimates from the Survivor Payments System to perform the necessary survivor annuity adjustments and notifications and permanent work deductions. During fiscal year 2014, we began development of a process to initiate LPE and regular temporary work deductions in response to earnings estimates from retirement beneficiaries to support our long range plan to automate permanent work deductions for

both retirement and survivor beneficiaries. During fiscal year 2014, we awarded a contract to support automation of LPE and regular permanent work deductions, the most complex phase of the SPEED project to date.

- Electronic Data Processing (EDP Policing) Enhancements – This project will address the internal handling and mechanical matching of earnings information received from our data match with the Social Security Administration. We completed the first phase of the project, which involved the automation and capture of excess and LPE earnings information stored on the Retirement On-Line Calculations (ROC) system, an on-line system for calculating and paying retirement annuities. During fiscal year 2015, we began the second phase of this project which is to integrate the ROC data file into EDP Policing processing to filter out records already properly adjudicated using the SSA earnings amount. The goal is to more accurately determine the records which require corrective action, eliminating redundant handling and reducing the overall numbers of records referred to the claims adjudication units.

Administrative or Process Error Made by Federal Agency: These errors result from improper handling by the agency's automated systems or its personnel. Planned corrective actions include:

- development of an enhanced automated retirement payment system to replace the current legacy system that processes retirement applications, planned for fiscal year 2016,
- development of an interface between systems to ensure accurate use of military service in the calculation of benefits, tentatively scheduled for completion in fiscal year 2016 ,
- expansion of the MIRTEL Online Inquiry (MOLI) database to include Medicare Part B premium collection history. Requirements development began in fiscal year 2015.

During fiscal year 2013 we implemented the first phase of a multi-phase initiative to replace a legacy overpayment support system with a modern Overpayment Recovery and Correspondence System (ORCS) that automatically interfaces with other on-line and mainframe applications. The new system completely automated the retrieval of overpayment recovery data for benefits under the Railroad Retirement Act (RRA) and includes letter writing and calculation summary processes. During fiscal year 2015 we continued the next phase of the project which will allow ORCS to support RUIA overpayments and Medicare overpayments and billing.

Medical Necessity: We experienced an increase in improper payments estimated in the category of Medical Necessity due to terminated disability cases and a change in improper payment root cause category projections derived from our Quality Assurance study. The increase in projections of improper payments associated with Medical Necessity may just be an anomaly since historically we detect very few improper payments in this category. We continue our efforts in fraud detection and prevention in the disability process.

Corrective Actions for RUIA Programs

The program integrity effort over the RUIA benefit payments is at a very high level, keeping RUIA improper payments relatively low overall.

Inability to Authenticate Eligibility: The majority of RUIA debts in this category are established as a result of our automated State Wage Match (SWM) programs. In general, the SWM programs provide work and earnings information six months in arrears. This limits our ability to monitor work and earnings in a timely manner. We are currently exploring the use of

The Work Number for RUIA benefits, which will allow for possible detection of employment earnings at the time unemployment and/or sickness benefits are paid out.

The notification of earnings delay could also be reduced if the RRB had access to the National Directory of New Hires (NDNH). We believe using this database could be very beneficial, allowing us to obtain additional information not available through our current matching programs with the States and to obtain it in a timely manner. Using the NDNH would also provide a streamlined administrative process utilizing only one contract and electronic data transmission with NDNH rather than maintaining separate matching agreements and conducting separate data transmissions with all 50 States, D.C., and Puerto Rico. However, at this time, the RRB does not have legal authority to access the database and the administrative costs of participating in the program are prohibitive. Making this database accessible to all agencies would greatly improve our detection and prevention of RUIA improper payments.

Administrative or Process Error Made by Federal Agency: The RUIA debts in this category are attributed to errors resulting from improper handling by the RRB's automated systems or its personnel.

Automated systems specific to RUIA adjudication contain various edits and checks to help ensure that proper determinations are made. These are periodically tested to ensure their effectiveness. The last test was done in February 2015 and it was determined to be fully effective.

Claims examiners are provided with procedures and guidance, for making correct determinations in processing sickness and unemployment applications and benefit claim payments. Guidance is available in the Adjudication Instruction Manual (AIM), Division of Program Operations Manual (DPOM), and Field Operating Manual (FOM). These three manuals and all other procedures are available on PRISM. Reviews of the accessibility of reference manuals and adjudicative guidance given to claims examiners are conducted periodically. Ongoing refresher training is provided to claims examiners to ensure they are up to date with the procedures and the work process. Refresher training also helps to reduce payment errors and improve improper payment rates.

Some of the delays in adjudication can be attributed to the staffing levels in the Sickness and Unemployment Benefits Section, which is expected to be rectified upon completion of the RUIA training class(es) in fiscal year 2016.

VI. Internal Control Over Payments.

The RRB programs, as determined under OMB Circular A-123 Appendix C Part I.A.9.Step 2, do not have improper payments exceeding the statutory thresholds listed in OMB Circular A-123 Appendix C Part I.A.9.Step 1. The RRB uses risk assessment results to target high risk areas and focus resources where the greatest exposure exists and the return on investment can be maximized.

VII. Accountability. Any agency that has programs or activities that are susceptible to significant improper payments shall describe the steps the agency has taken and plans to take (including timeline) to ensure that agency managers, accountable officers (including the agency head), programs, and States and localities (where appropriate) are held accountable for reducing and recovering improper payments. Specifically, they should be held accountable for meeting applicable improper payments reduction targets and establishing

and maintaining sufficient internal controls (including an appropriate control environment) that effectively prevents improper payments from being made and promptly detects and recovers any improper payments that are made.

Paying benefits accurately and timely, and providing prudent stewardship over agency trust funds are the agency's two strategic goals. Agency managers have links to those goals in their performance plans. In addition, we have two goals, one aimed at minimizing improper payments and the other focused on maximizing recovery efforts, in our fiscal year 2015 performance plan.

VIII. Agency information systems and other infrastructure.

a. Describe whether the agency has the internal controls, human capital, and information systems and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.

The agency has established effective internal controls aimed at minimizing improper payments.

Although the agency has limited staff and expects further attrition of experienced personnel, the RRB has been able to meet the challenge of minimizing improper payments for both the RRA and RUIA programs. Neither benefit program has "significant" improper payments as defined by law.

In order to prevent and reduce the already low levels of improper payments the RRA and RUIA program generates, information systems need to be developed or modified as described in the project initiatives discussed in section V. Corrective Actions.

b. If the agency does not have such internal controls, human capital, and information systems and other infrastructure, describe the resources the agency requested in its most recent budget submission to Congress to establish and maintain the necessary internal controls, human capital, and information systems and other infrastructure.

Investments in support of the RRB's *Office in the Cloud* plan enables a "future ready" RRB workforce. The plan provides staff with modern tools and technologies to do their jobs in the most efficient and effective manner that leads to sustained customer satisfaction in the railroad community we serve. The strategy for Office in the Cloud incorporates the President's Management Agenda to improve the way that Government works and delivers for citizens by four pillars: efficiency, effectiveness, economic growth, and people and culture. Office in the Cloud enables self-service solutions for the community, and a mobile workforce that leverages information securely using the right applications. Office in the Cloud enables the creation of a virtual office that will allow information to be accessed anywhere, anytime and using any device. Internal mission-critical applications are modernized to run on more economical, commodity-based virtual servers and do real-time processing in a private "cloud". The applications will be available for use on any desktop, tablet, or smart phone. The wired office becomes wireless incorporating secure unified communications such as Voice over IP, video conferencing, and instant messaging. Desktops are virtual, hosted and centrally managed giving end-users a full personal computer experience regardless of their location. Printer and scanner devices are managed as a service incorporating a "pull printing" secure scanning and printing methodology. The infrastructure allows for the expansion of social media and provides enriched self-service solutions for the railroad employees and railroads.

By using Office in the Cloud the RRB can enhance the performance of end user tasks and reduce the effect of constraints from a physical office. The outcome will be secure, reliable, cost effective, and value driven IT services and applications, that have a positive impact in the community for several years to come.

In addition, information technology infrastructure provides a critical foundation for the agency's mission and business processes. This includes desktops, notebooks, servers, storage, printers, routers, scanners and other significant components. The agency has a long-term strategic goal to systematically replace all IT components according to industry standards in order to provide a stable technology environment. As funding is made available, IT equipment at its headquarters facility and field offices is replaced in accordance with the agency's *IT Equipment Replacement Policy*. This ensures that the agency will provide the most efficient, reliable and secure services to its customers.

IX. Barriers. Describe any statutory or regulatory barriers, which may limit the agencies' corrective actions in reducing improper payments and actions taken by the agency to mitigate the barriers' effects.

None

X. Recapture of Improper Payments Reporting.

a. An agency shall discuss payment recapture audit (or recovery auditing) efforts, if applicable. The discussion should describe: the agency's payment recapture audit program; the actions and methods used by the agency to recoup overpayments; a justification of any overpayments that have been determined not to be collectable; and any conditions giving rise to improper payments and how those conditions are being resolved (e.g., the business process changes and internal controls instituted and/or strengthened to prevent further occurrences). If the agency has excluded any programs or activities from review under its payment recapture auditing program (including any programs or activities where the agency has determined a payment recapture audit program is not cost-effective), the agency should list those programs and activities excluded from the review, as well as the justification for doing so (i.e., a discussion of the analysis conducted to determine that a payment recapture audit program would not be cost-effective). Include in your discussion the dollar amount of cumulative recoveries collected beginning with fiscal year 2004.

We do have a robust, multi-faceted review process in place that is an effective approach for evaluating payment accuracy in the RRA and RUIA programs and identifying and preventing improper payments. The RRB notified OMB of our approach in August 2011.Taken as a whole, our full range of current activities constitutes *an effective alternative to* a formal payment recapture program. However, despite all the agency's best efforts to prevent improper payments, some will always occur, due to lack of timely information, etc. In overpayment situations, the agency is diligent in its recovery efforts.

The RRB's account receivable balance for the RRA program at the end of fiscal year 2014 was $55,045,961. This balance includes debts classified as currently not collectible. We estimate that approximately 75.2 percent of the RRA receivable balance will be collected and that the remaining 24.8 percent of the RRA debt will eventually be closed as uncollectible. For the period of fiscal years 2004 through 2014, the RRB recovered $442,461,643 in RRA program receivables.

The RRB's account receivable balance for the RUIA program at the end of fiscal year 2014 was $15,266,013. This balance includes debts classified as currently not collectible. We estimate that approximately 84.7 percent of the RUIA receivable balance will be collected and 15.3 percent will eventually be closed as uncollectible. It should be noted that uncollectible RUIA debts may be reinstated for recovery by offset when a debtor files an application for retirement benefits. For the period of fiscal years 2004 through 2014, the RRB recovered $345,019,754 in RUIA program receivables.

The RRB's collection program is in full compliance with the Debt Collection Improvement Act of 1996. Recoveries are made through offset of benefits, reclamation and return of erroneous benefit payments, and direct payment from debtors. Fraudulent payments are referred to the OIG for prosecution through the Department of Justice. Delinquent accounts are referred to Treasury for cross-servicing and offset of Federal payments.

d. Table 4

Overpayments Recaptured Outside of Payment Recapture Audits
($ in millions)

Agency Source		Amount Identified FY 14*	Amount Recovered FY 14**	Amount Identified FY 13*	Amount Recovered FY 13**	Cumulative Amount Identified FY 04 - FY 14*	Cumulative Amount Recovered FY 04 – FY 14**
Various, including post payment quality reviews, special evaluations, OIG reviews/audits, reports from the public, monitoring programs, and agency-identified errors. No breakdown between these sources is available.	**RRA**	**$52.90**	**$43.10**	**$57.00**	**$42.60**	**$512.80**	**$442.50**
	RUIA	**$32.00**	**$22.00**	**$24.90**	**$26.00**	**$360.40**	**$345.00**

*Amounts limited to established overpayments for fiscal year(s) identified.

**Recoveries include debts established prior to fiscal year(s) identified.

XI. Additional Comments. Discuss any additional comments, if any, on overall agency efforts, specific programs, best practices, or common challenges identified, as a result of IPERA implementation.

The RRB has made concerted efforts to reduce improper payments over the years. Payment accuracy rates are at consistently high levels and the return on investment for program integrity activities has been high as well. Both have been set as annual performance goals and reported each year since the Government Performance and Results Act has been in effect. The agency monitors progress on implementing recommendations from the quality assurance process, and is vigilant about pursuing OIG recommendations which impact the quality and timeliness of payments. The agency has also worked closely with the OIG in referring potential fraud cases for its investigation and prosecution. However, system limitations, the continued loss of experienced staff and long lead time to hire and train staff to handle complicated manual work present an ongoing challenge to making further significant reductions in the levels of improper RRA payments. The agency hopes to be able to maintain adequate staffing so that it can continue this important effort.

XII. Agency reduction of improper payments with the Do Not Pay Initiative

The RRB's core business processes are related to the issuance of benefit payments under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). The RRB receives pre-payment information regarding benefit entitlement at other agencies and wage information. We have ongoing data sources established and in use for this information, which includes benefit entitlement and wages from the Social Security Administration (SSA), employers, and our application process. In addition, we receive post-payment wage information through established sources such as wage match programs with the fifty states and death data from SSA and the Center for Medicare and Medicaid Services (CMS).

In evaluating whether the Do Not Pay (DNP) Initiative has reduced improper payments or improper awards, we have determined that our current business processes and data sources are effective in detecting and preventing benefit overpayments. Of the data sources currently available from Treasury's DNP System, the only one that is applicable to RRB's benefit payments is the SSA Death Master File (DMF). However, as a benefit paying agency, we already receive death data directly from SSA and the Center for Medicare and Medicaid Services (CMS). This information, which is part of the Do Not Pay Initiative, is more detailed than the death information contained in the publicly available DMF in the Do Not Pay Portal. We also found that at the time Treasury Do Not Pay matching reports were received, these matched records were either suspended or terminated as they had already been identified through our existing program integrity and death match processing activities.

As a result of our conversion to the Financial Management Service's Standard Payment Automation Manager Request Format, beginning with payments issued October 1, 2014, the quality of the DNP matches we receive has been improved. Since the payee's social security number/employee identification number is utilized, the matches are conclusive. We continue to look forward to utilizing SSA's Prisoner Update System that will soon be available in the DNP portal. We are also interested in receiving data from the National New Hire Directory should it become available through the Do Not Pay Initiative.

The data shown in Table 7 represents death reports received from the Treasury Do Not Pay System during the period October 2014 through September 2015. Of the $2,643,326.10 improper payment dollar amounts, $1,233,934.77 was recovered at the time the monthly Do Not Pay report was adjudicated. Since that time an additional $1,310,433.43 was recovered, for a total recovery of $2,544,368.20.

Table 7 Implementation of the Do Not Pay Initiative to Prevent Improper Payments						
	Number (#) of payments reviewed for improper payments	**Dollars ($) of payments reviewed for improper payments**	**Number (#) of payments stopped**	**Dollars ($) of payments stopped**	**Number (#) of improper payments reviewed and not stopped**	**Dollars ($) of improper payments reviewed and not stopped payments**
Reviews with the DMF only (Required for FY 2014)	6,967,883	$12,834,495,905.40	0	$0.00	2016	$2,643,326.10
Reviews with all other databases (Optional for FY 2014)	N/A	N/A	N/A	N/A	N/A	N/A

Summaries of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit

Audit Opinion	Disclaimer
Restatement	No

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Financial Reporting	1				1
Total Material Weaknesses	*1*				1

Summary of Management Assurances

Effectiveness of Internal Control over Operations (FMFIA § 2)	
Statement of Assurance	Qualified

Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Financial Reporting	1					1
Total Material Weaknesses	*1*					1

Conformance with Financial Management System Requirements (FMFIA § 4)	
Statement of Assurance	Systems conform

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APPENDICES

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Appendices

Glossary of Acronyms and Abbreviations

A

AABR	Average Account Benefits Ratio
ABR	Account Benefits Ratio
ACSI	American Customer Satisfaction Index
ARRA	American Recovery and Reinvestment Act of 2009

B

BPD	Bureau of the Public Debt

C

CGI	Consultants to Government and Industry
CMS	Centers for Medicare & Medicaid Services
CNC	Currently Not Collectible

D

DBP Account	Dual Benefits Payments Account
DOL	Department of Labor

E

EDMA	Employment Data Maintenance
ERP	Economic Recovery Payments
ERS	Employer Reporting System

F

FACTS II	Federal Agencies' Centralized Trial-Balance System
FASAB	Federal Accounting Standards Advisory Board
FBWT	Fund Balance With Treasury
FECA	Federal Employees' Compensation Act
FFS	Federal Financial System
FHI	Federal Hospital Insurance
FI	Financial Interchange
FICA	Federal Insurance Contributions Act
FISMA	Federal Information Security Management Act
FMFIA	Federal Managers' Financial Integrity Act
FY	Fiscal Year
FOASI/DI	Federal Old-Age and Survivors Insurance/Disability Insurance

G

GPRA	Government Performance and Results Act
GTAS	Governmentwide Treasury Account Symbol Adjusted Trial Balance System

I

IPERA	Improper Payments Elimination and Recovery Act
IPIA	Improper Payments Information Act
IRMAA	Income-Related Monthly Adjustment Amount
IRS	Internal Revenue Service
IT	Information Technology
IVR	Interactive Voice Response

L

LAN	Local Area Network
LPE	Last Pre-retirement Non-Railroad Employer

M

MCRC	Management Control Review Committee
MMA	Medicare Prescription Drug, Improvement and Modernization Act of 2003

N

NRRIT	National Railroad Retirement Investment Trust

O

OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management

P

P&AR	Performance and Accountability Report
PII	Personally Identifiable Information
POA&M	Plan of Action and Milestones

R

RESCUE	Recalculate for Service and Compensation Updated to EDMA
RR	Railroad Retirement
RRA	Railroad Retirement Act
RR Account	Railroad Retirement Account
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUI	Railroad Unemployment Insurance
RUIA	Railroad Unemployment Insurance Act
RUI Account	Railroad Unemployment Insurance Account

S

SFFAS	Statement of Federal Financial Accounting Standards
SI	Sickness Insurance
SPEED	System Processing Excess Earnings Data
SSA	Social Security Administration
SSEB	Social Security Equivalent Benefit
SSP	Shared Service Provider

T

Treasury	Department of the Treasury
Trust	National Railroad Retirement Investment Trust

U

UI	Unemployment Insurance
USC	United States Code
USPS	United States Postal Service

V

VoIP	Voice over Internet Protocol

W

WHBAA	Worker, Homeownership, and Business Assistance Act of 2009

Railroad Retirement Board
Board Members, Inspector General, and Executive Committee

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Labor Member	Walter A. Barrows
Management Member	Steven J. Anthony

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