United States Railroad Retirement Board

2018 Annual Report

U.S. Railroad Retirement Board

Mission Statement

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

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

If you have comments or suggestions regarding the information in this report, please let us know. You can call us at 312-751-4777, e-mail us at opa@rrb.gov or write us at the following address:

Public Affairs
U.S. Railroad Retirement Board
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UNITED STATES
RAILROAD RETIREMENT BOARD

2018 Annual Report

For Fiscal Year Ended September 30, 2017

RRB.gov

The Report in Brief

Railroad retirement and unemployment insurance benefits totaling almost $12.6 billion were paid by the Railroad Retirement Board (RRB) to about 574,000 beneficiaries in fiscal year 2017. Financial reports issued in 2018 on the solvency of the railroad retirement and railroad unemployment insurance systems were both favorable. Total railroad retirement system assets equaled $27.8 billion as of September 30, 2017.

Benefits and Beneficiaries

Benefits paid under the Railroad Retirement and Railroad Unemployment Insurance Acts totaled almost $12.6 billion in the fiscal year ending September 30, 2017. Retirement and survivor benefits were paid by the RRB to about 548,000 beneficiaries during the fiscal year, of whom 517,000 were on the RRB's annuity rolls at the end of the year. Approximately 28,000 railroad employees were paid unemployment and/or sickness insurance benefits. About 2,000 beneficiaries received payments under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act.

Retirement and survivor benefit payments of $12.5 billion during fiscal year 2017 were $122.5 million more than payments in the prior year. Employee and spouse annuitants were paid some $10.3 billion, accounting for 83 percent of the total payments. Employees received almost $7.5 billion in age annuities (including $1.3 billion to annuitants full retirement age and over originally awarded a disability annuity), $1 billion in disability annuities, and $61.2 million in supplemental annuities, while spouses and divorced spouses received approximately $1.8 billion.[1] Survivors were paid $2.1 billion in annuities and nearly $2.4 million in lump-sum benefits. The total number of beneficiaries who received retirement and survivor benefits declined by about 5,000 from fiscal year 2016.

Note: Statistics are presented on the cash basis of accounting instead of the accrual basis of accounting for much of the Report. However, with the exception of the first paragraph on page 2, the Federal Income Tax Transfers section on page 9 and the accompanying table on page 10, which are also presented as cash, the information on pages 2, 6-14 and 26-28 is presented on the accrual basis of accounting. The primary difference between the 2 bases of accounting is that the cash basis recognizes revenue and expenditures only when cash is received and paid. The accrual basis, on the other hand, recognizes revenue when it is earned and expenses when they are incurred.

[1] In the Annual Reports for the years through 2014, annuitants who were full retirement age and over and who were originally awarded a disability annuity were included in the disability counts. Effective with the 2015 and later reports, annuitants full retirement age and over originally awarded a disability annuity are included in the employee age and service counts because a disability annuity converts to an age and service annuity when the annuitant attains full retirement age.

Gross unemployment and sickness benefits paid in fiscal year 2017 totaled about $130 million. Net benefits totaled almost $105.4 million after adjustment for recoveries of benefit payments, including injury settlements, some of which were made in prior years. Total gross benefit payments decreased by some $25.8 million while net benefit payments decreased by nearly $28 million from the preceding year. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a sequestration reduction of 7.3 percent for days of unemployment and sickness after September 30, 2014, 6.8 percent for days after September 30, 2015, and 6.9 percent for days after September 30, 2016.

Gross unemployment benefits decreased by 33 percent compared to the previous year due to the slower decline in employment than the prior year. Gross unemployment benefits totaling $53.8 million ($46.6 million net) were paid to 12,400 claimants, while gross sickness benefits of $76.3 million ($58.8 million net) were paid to 16,400 claimants. This includes a total of $0.2 million net recoveries in temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012.

Financial Reports

The RRB's 27th triennial actuarial valuation, submitted to Congress in 2018, was generally favorable, concluding that, barring a sudden, unanticipated, large decrease in railroad employment, or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the next 29 years. Cash-flow problems arise only under the most pessimistic employment assumption, and then not until 2047. The long-term stability of the system, however, is not assured. Under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether corrective action is necessary.

The RRB's 2018 railroad unemployment insurance financial report was also generally favorable. Even as projected maximum benefit rates increase 51 percent (from $72 to $109) from 2017 to 2028, experience-based contribution rates maintain solvency. The report also predicted average employer contribution rates well below the maximum throughout the projection period. A 1.5 percent surcharge was imposed in calendar year 2018 in order to maintain a minimum account balance. Under all three employment assumptions, the report projects a 1.5 percent surcharge in 2019, with a 1.5 percent surcharge probable in 2020 under the intermediate and pessimistic assumptions, and intermittently thereafter.

The National Railroad Retirement Investment Trust's annual management report for fiscal year 2017 showed that, as of September 30, 2017, the net asset value of the Trust-managed assets was $26.5 billion. This represented an increase from $25.1 billion in the previous year, with a net investment return for the year of 13.4 percent. The ending balance also reflects a transfer of $1.8 billion to the U.S. Treasury for the payment of railroad retirement (tier II) benefits. Total railroad retirement system assets, including those maintained at the Treasury, equaled $27.8 billion.

The 2018 railroad retirement and railroad unemployment insurance financial reports and the National Railroad Retirement Investment Trust's 2017 annual management report are available at **RRB.gov**.

Service Delivery

Customer Service Plan

In fiscal year 2017, customers received benefit services within the timeframes promised in the RRB's Customer Service Plan 98.9 percent of the time.

Service Enhancements

The RRB continued to improve its Employer Reporting System that allows employers to submit forms and information electronically, processed a cost-of-living adjustment for retirement and survivor benefits, took steps to further reduce improper payments, and implemented initiatives to improve processing of disability benefits and Medicare payments.

Office of Inspector General

During fiscal year 2017, the Office of Inspector General continued its independent oversight of agency operations and its efforts to combat fraud, waste, and abuse. This included the issuance of 8 audit reports and 3 assessments that recommended improvements in agency operations.

Investigative activities resulted in 3 arrests, 29 indictments and/or informations, 39 convictions, 11 civil judgments, and more than $149 million in financial accomplishments. This reflects fraud amounts related to programs administered exclusively by the RRB as well as fraud amounts from other Federal programs such as Medicare or social security which were identified during Office of Inspector General joint investigative work.

Selected Data on Benefit Operations

Retirement-Survivor[1]	Fiscal Year 2017	Fiscal Year 2016
Employee age annuities		
Number awarded	9,100	10,200
Awarded Age Annuity		
Number being paid at end of period	190,300	190,800
Average being paid at end of period	$2,731	$2,675
Disability converted to age annuity[2]		
Number being paid at end of period	46,200	44,700
Average being paid at end of period	$2,401	$2,358
Employee disability annuities		
Number of total disability annuities awarded	700	700
Number of occupational disability annuities awarded	900	900
Number of total disability annuities being paid at end of period	9,600	10,300
Number of occupational disability annuities being paid at end of period	18,300	21,000
Average total disability annuity being paid at end of period	$1,938	$1,911
Average occupational disability annuity being paid at end of period	$3,087	$3,053
Supplemental employee annuities[3]		
Number awarded	5,200	5,900
Number being paid at end of period	122,100	123,000
Average being paid at end of period	$42	$42
Spouse and divorced spouse annuities		
Number awarded, total	10,800	11,400
Number being paid to divorced spouses at end of period	5,100	4,900
Number being paid at end of period, total	146,900	145,900
Average being paid to divorced spouses at end of period	$632	$622
Average being paid at end of period, total	$1,008	$991
Survivor annuities		
Number awarded to aged widow(er)s	5,500	5,300
Number awarded, total	6,900	6,700
Number being paid to aged widow(er)s at end of period	87,800	90,900
Number being paid at end of period, total	113,200	116,800
Average being paid at end of period to		
Aged widow(er)s	$1,664	$1,618
Disabled widow(er)s[4]	$1,326	$1,307
Widowed mothers (fathers)	$1,878	$1,883
Remarried widow(er)s	$1,071	$1,050
Divorced widow(er)s	$1,078	$1,055
Children	$1,078	$1,066
Partition payments[5]		
Number being paid at end of period	1,700	1,500
Average being paid at end of period	$315	$307
Lump-sum survivor benefits awarded		
Number of lump-sum death benefits	2,500	2,800
Average lump-sum death benefit	$933	$921
Number of residual payments	6/	6/
Average residual payment	$1,040	$5,516

Selected Data on Benefit Operations (Continued)

Employees and Earnings[7]	Fiscal Year 2017		Fiscal Year 2016
Average employment	225,000		233,000
Creditable earnings, Railroad Retirement Act (billions):			
Tier I	$18.28		$18.60
Tier II	$16.92		$17.02
Creditable earnings, Railroad Unemployment Insurance Act (billions)	$4.08		$4.05

Unemployment-Sickness[8]	Benefit Year 2016-2017		Benefit Year 2015-2016
Qualified employees	260,700		254,200
Unemployment benefits			
Net amount paid (millions)	$53.9[9]	($46.6)[10]	$71.7[9]
Beneficiaries	13,200	(12,400)[10]	16,400
Number of payments	90,000		112,300
Normal benefit accounts exhausted	3,100		3,300
Average payment per 2-week registration period	$594		$591
Sickness benefits			
Net amount paid (millions)	$59.8	($58.8)[10]	$54.5
Beneficiaries	16,100	(16,400)[10]	16,000
Number of payments	114,400		109,700
Normal benefit accounts exhausted	3,400		3,100
Average payment per 2-week registration period	$597		$592

1 Benefits are through September 30 for the associated years.

2 A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. Consequently, these annuitants are receiving age and service annuities. Full retirement age is age 65 for those born before 1938 and gradually increases to age 67 for those born 1960 and later.

3 Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions. There are no annuitants receiving 1937 Act supplemental annuities.

4 Average in current-payment status includes annuities to disabled widow(er)s age 60 and over now payable as aged widow(er)s' annuities.

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

6 Fewer than 50.

7 Except for fiscal year 2016 employment, all figures in this section are preliminary.

8 In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a sequestration reduction of 9.2% for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, 6.8% for days after September 30, 2015, and 6.9% for days after September 30, 2016.

9 Benefit years 2015-2016 and 2016-2017 both include –$0.2 million in temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013.

10 Data in parentheses are for fiscal year (October 1, 2016 – September 30, 2017). Unemployment benefits include −$0.2 million in temporary extended unemployment benefits.

A REVIEW OF OPERATIONS

At the end of fiscal year 2017, total railroad retirement system assets equaled $27.8 billion. During fiscal year 2017, benefits totaling approximately $12.6 billion were paid under the Railroad Retirement and Railroad Unemployment Insurance Acts. Retirement and survivor benefits accounted for almost all of this amount. Net unemployment and sickness benefits totaled $104.6 million.

RAILROAD RETIREMENT AND SURVIVOR PROGRAM

As of September 30, 2017, total railroad retirement system assets, including those maintained in U.S. Treasury accounts and those maintained by the National Railroad Retirement Investment Trust (the "Trust" or "NRRIT"), equaled $27.8 billion, an increase of $1.3 billion during the fiscal year. Amounts in the (RR) Account not needed to pay current administrative expenses and amounts in the Social Security Equivalent Benefit (SSEB) Account not needed to pay current benefits and administrative expenses are transferred to the NRRIT, whose Board of 7 trustees is empowered to invest Trust assets in non-governmental assets, such as equities and debt, as well as in governmental securities.

FINANCIAL OPERATIONS - U.S. TREASURY ACCOUNTS

During fiscal year 2017, railroad retirement and survivor benefit payments were financed through four U.S. Treasury accounts.

The SSEB Account, established in fiscal year 1985, pays the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. The RR Account funds retirement, survivor and disability benefits, in excess of social security equivalent benefits, from payroll taxes on employers and employees and other income sources. Supplemental benefit payments are also paid from the RR Account. The Dual Benefits Payments (DBP) Account and Federal Payments (FP) Account, funded by congressional appropriations from general revenues, finance the phase-out costs of certain vested dual benefits and interest on unnegotiated checks, respectively. The four accounts together incurred $12.5 billion in benefit obligations (excluding $1.6 billion in social security benefits which were reimbursed by the Social Security Administration) during fiscal year 2017.

Financing Sources

Payroll Taxes

The primary source of income to the railroad retirement and survivor program is payroll taxes levied on covered employers and their employees. Payroll taxes amounted to $6.0 billion, representing 47 percent of total financing sources (excluding an increase of $1,515.6 million, mostly due to a change in NRRIT net assets) and $39.3 million more than in fiscal year 2016.

Railroad employees and employers pay tier I taxes which, by law, are the same as social security taxes. The 2017 rate of 7.65 percent was split between 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of earnings subject to the 6.20 percent rate in calendar year 2017 was $127,200, with all earnings subject to the 1.45 percent Medicare tax.

Since 2013, employees pay an additional 0.9 percent Medicare tax on earnings above $200,000 (for those who file an individual return) or $250,000 (for those who file a joint return). This additional tax rate is not reflected in the tax rates shown above.

Both employees and employers also pay a tier II tax to finance railroad retirement benefit payments over and above social security levels. This tax, on earnings up to $94,500 and $88,200 in 2017 and 2016, respectively, was 4.9 percent on employees in both years. It was 13.1 percent on employers in both 2017 and 2016.

Tier I and tier II taxes for fiscal year 2017 amounted to $2.8 billion and $3.1 billion, respectively.

Financial Interchange Transfers

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

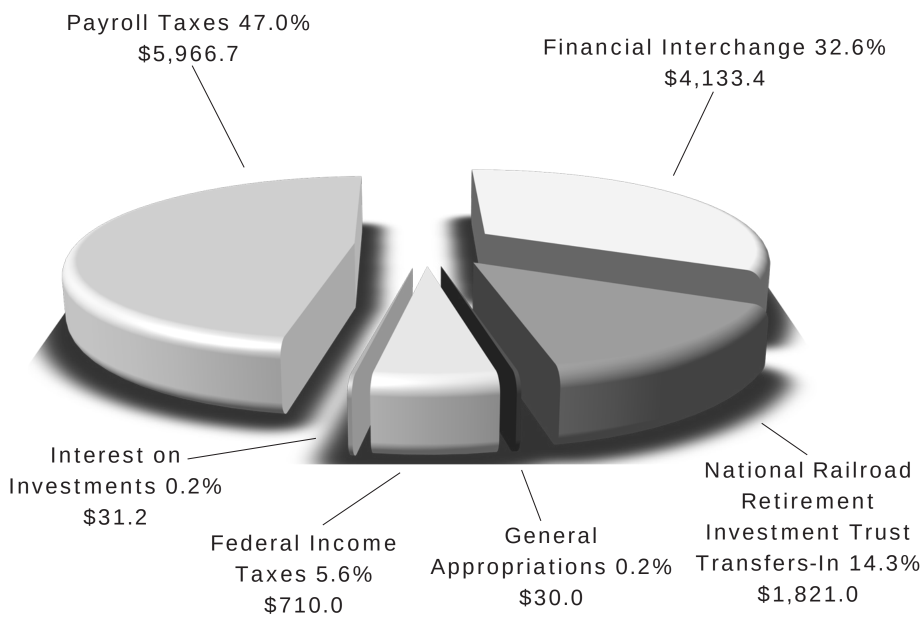
In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the Social Security Trust Funds to the SSEB Account. If taxes exceed benefit reimbursements (this has not happened since 1951), a transfer would be made in favor of the Social Security Trust Funds. The net financial interchange transfer to the SSEB Account during fiscal year 2017 amounted to $4.1 billion.

(text continued on page 9)

RETIREMENT AND SURVIVOR PROGRAM

Financing Sources - Fiscal Year 2017 (In Millions)

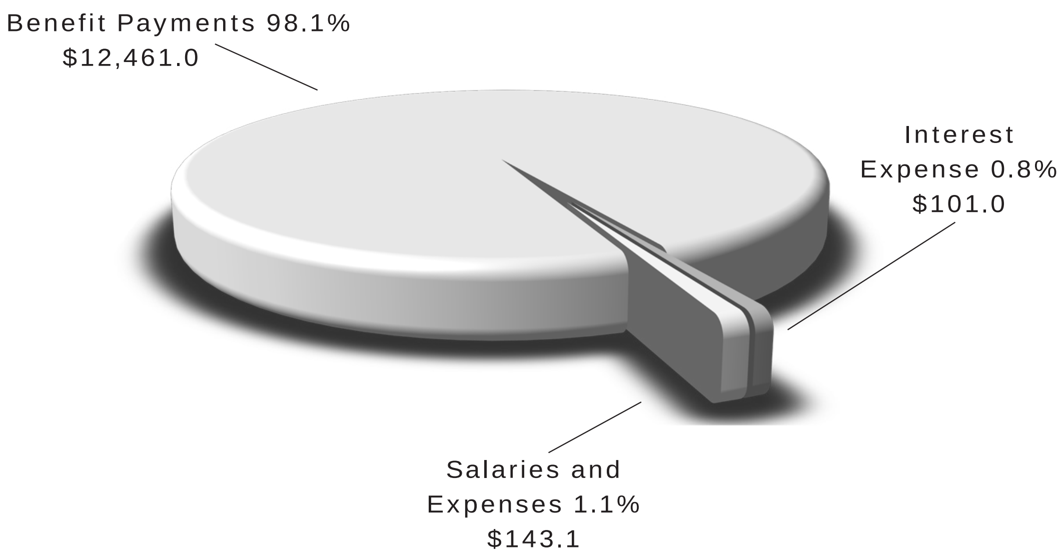
GROSS TOTAL: $12,692.3[1]



[1]Excludes −$1,515.7 million as shown under Other Financing Sources on page 11.

Costs - Fiscal Year 2017 (In Millions)

TOTAL: $12,705.1



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

Interest on Investments and Other Revenue

Interest revenue decreased from $34.3 million in fiscal year 2016 to $31.2 million in fiscal year 2017. Interest revenue was also earned from financial interchange advances.

Federal Income Tax Transfers

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

At the beginning of each quarter, income tax transfers are made from Treasury general funds to the SSEB, RR and DBP Accounts. These transfers are estimates of expected tax revenues for the quarter. Adjustments are made later to reconcile the estimates for a taxable year with actual tax revenues for the year. On a cash basis, original tax transfers for fiscal year 2017 amounted to $712 million during the year. Original transfers for fiscal year 2016 totaled $683 million. There were no reconciliation adjustments in fiscal year 2017. Net transfers in fiscal year 2016 were $759 million, including $76 million in reconciliation adjustments.

The information in the preceding paragraph is on a fiscal year basis, while the table on page 10 shows income tax transfers to the accounts for taxable (calendar) years 2008 through 2017, including reconciliation adjustments through 2012.

General Appropriations

General revenue appropriations were provided by the Railroad Retirement Act of 1974 to fund the phase-out costs of certain dual railroad retirement/social security benefits considered vested prior to 1975, and by the Railroad Retirement Solvency Act of 1983 to fund interest on unnegotiated checks. The total amounts appropriated by the Congress for vested dual benefits for fiscal years 2017 and 2016 were $25.0 million and $28.0 million, respectively. These amounts include Federal income tax transfers for 2017 and 2016. The amount appropriated for fiscal year 2017 was 10.7 percent less than fiscal year 2016, reflecting the continuing decrease in eligibility for these benefits, which are not increased for the cost of living. The total amount appropriated by the Congress for interest on unnegotiated checks was $150,000 for fiscal years 2016-2017, and also $150,000 for fiscal years 2015-2016.

(text continued on page 13)

Federal Income Tax Transfers by Recipient Account and Benefit Component, Taxable Years 2008-2017 (Millions)

	Revenue from taxes on		
	RRA benefits treated as SSA benefits	RRA benefits treated as private or public pensions	
Taxable year	SSEB tier I benefits	Tier II and non-SSEB tier I benefits[1]	Vested dual benefits
	SSEB Account[2]	RR Account	DBP Account[3]
Original transfers during the year			
2008	$144	$325	$5
2009	144	304	3
2010	159	315	3
2011	160	300	3
2012	194	318	4
2013	199	333	3
2014	250	348	2
2015	263	386	2
2016	281	412	2
2017	292	422	2
Reconciliation adjustments[4]			
2008 (2012)	24	−69	1
2009 (2013)	20	2	1
2010 (2013)	23	16	1
2011 (2015)	32	49	..
2012 (2016)	17	60	−1

[1] Includes non-SSEB portion of tier I.
[2] Receives taxes on social security equivalent benefit (SSEB) portion of tier I.
[3] Receives taxes on vested dual benefit component beginning October 1, 1988.
[4] The year in parentheses is the year the adjustments were made.

Railroad Retirement and Survivor Program

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

For the Fiscal Year Ended September 30	2017	2016
Financing Sources:		
Payroll Taxes	$5,966.7	$5,927.4
Financial Interchange	4,133.4	4,123.7
Interest on Investments and Other Revenue	31.2	34.3
Federal Income Taxes	710.0	758.0
General Appropriations	30.0	32.8
Other	1,515.7	774.0
Transfers to the National Railroad Retirement Investment Trust	0.0	0.0
Transfers from the National Railroad Retirement Investment Trust	1,821.0	1,410.0
Total Financing Sources	14,208.0	13,060.2
Costs:		
Benefit Payments	12,461.0	12,364.5
Interest Expense	101.0	97.5
Salaries and Expenses[2]	143.1	139.7
Other	(21.2)	(25.1)
Total Costs	12,683.9	12,576.6
Financing Sources over Costs	1,524.1	483.6
Net Position - Beginning of Period	25,631.4	25,147.8
Net Position - End of Period	$27,155.5	$25,631.4

[1] Prepared on an accrual basis of accounting.

[2] Includes unemployment and sickness insurance salaries and expenses of approximately $20.0 million and $18.4 million for fiscal years 2017 and 2016, respectively.

National Railroad Retirement Investment Trust (NRRIT)
Fiscal Year 2017 Summary

Market value of assets managed by NRRIT on September 30, 2017	$26.5 billion
Rate of return of investment portfolio managed by NRRIT for full year ended September 30, 2017	13.38%

Source: *NRRIT*

All NRRIT annual management reports and quarterly updates are available at **RRB.gov**.

Other Financing Sources

Other financing sources consisted of $6.5 million to be provided by the Office of Personnel Management to pay future retirement benefits to RRB employees and $26.8 million from the railroad unemployment trust funds in transfers-in for current budget fiscal year salaries and expenses. These financing sources were offset by an increase in NRRIT net assets of $1.3 billion, transfers-out of $8.8 million for salaries and expenses of the RRB's Office of Inspector General, and a $2.4 million decrease in unexpended appropriations.

Costs

The RRB pays all salaries and expenses under a single administrative fund (Limitation on Administration) for both the railroad retirement and survivor program and the unemployment and sickness insurance program. Consequently, of the $143.1 million and $139.7 million shown on page 11 for salaries and expenses in fiscal years 2017 and 2016, respectively, about $20.0 million for fiscal year 2017 and $18.4 million for fiscal year 2016 were for the unemployment and sickness insurance program. About $0.9 million in other costs for fiscal year 2017 and $0.8 million for fiscal year 2016 were for the unemployment and sickness insurance program.

Excluding $17.6 million from total costs of $12.7 billion for fiscal year 2017 and $17.6 million from total costs of $12.6 billion for fiscal year 2016, total costs for the railroad retirement and survivor program for fiscal year 2017 increased $105.5 million, or 0.8 percent.

Benefit Payments

In fiscal year 2017, railroad retirement benefit payments increased $96.5 million, or almost 0.8 percent, to about $12.5 billion on an accrual basis, including $23.7 million in vested dual benefits.

Interest Expense

Interest expense of $101.0 million represents interest on the financial interchange advances made by the U.S. Treasury during the fiscal year.

Salaries and Expenses

Excluding unemployment and sickness insurance salaries and expenses of $20.0 million for fiscal year 2017 and $18.4 million for fiscal year 2016, salaries and expenses for the railroad retirement and survivor program were about $123.1 million for fiscal year 2017 and about $121.3 million for fiscal year 2016, a $1.8 million or 1.5 percent increase. Adjusted by the $20.0 million in salaries and expenses and $0.9 million in other costs for the unemployment and sickness insurance program, fiscal year 2017 administrative expenses for the railroad retirement and survivor program were about 0.96 percent of total costs.

Other Costs

Other costs consisted primarily of post-retirement benefits (pensions, health and life insurance) for RRB employees of $5.6 million for the railroad retirement and survivor program and $0.9 million for the unemployment and sickness insurance program. In addition, carrier refunds of $3,000 were incurred. These costs were offset by approximately $27.2 million in reimbursements from the Centers for Medicare & Medicaid Services for Part B Medicare costs, reimbursement of approximately $0.4 million from the RRB's Office of Inspector General for RRB-incurred expenses, and various other revenues of approximately $1,800.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST OPERATIONS

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

During fiscal year 2017, the net asset value of Trust-managed assets increased from $25.1 billion on October 1, 2016, to $26.5 billion on September 30, 2017. This includes $1.8 billion that the Trust transferred to the U.S. Treasury for the payment of railroad retirement benefits during the year. The rate of return on Trust-managed assets for the year (net of fees) was 13.4 percent.

Total railroad retirement system assets (Trust-managed assets and reserves held in Treasury accounts) grew from $20.7 billion in 2002 to $27.8 billion as of the end of fiscal year 2017, after net transfers for benefit payments of approximately $21.1 billion over the same time frame.

Trust operations are described in detail in the NRRIT Annual Management Report for fiscal year 2017, which is available at **RRB.gov**.

BENEFIT OPERATIONS

Retirement and survivor benefits paid, including vested dual benefits and supplemental employee annuities, totaled $12.5 billion in fiscal year 2017, $122 million more than in fiscal year 2016. Benefits were paid to about 547,700 beneficiaries in fiscal year 2017, and nearly 517,000 beneficiaries were being paid at the end of the year.

The table shown here presents retirement and survivor benefit payments for fiscal years 2017 and 2016, by type of benefit, and the percent changes in payments between the 2 years.

Under the two-tier railroad retirement formulas, the tier I annuity portion approximates a social security benefit and increases by the cost-of-living percentage applied to social security benefits. The tier II portion, which is comparable to retirement benefits paid over and above social security benefits to workers in other industries, increases by 32.5 percent of the social security percentage.

Effective December 2017, tier I benefits increased by 2.0 percent due to a cost-of-living adjustment, while tier II benefits increased by 0.7 percent. Increases of 0.3 percent for tier I and 0.1 percent for tier II were effective December 2016.

Type of benefit	Amount (in millions) Fiscal year 2017	Fiscal year 2016	Percent change
Retirement benefits			
Employee annuities			
Age[1]	$7,489.8	$7,309.2	+2.5
Disability	1,015.4	1,106.2	−8.2
Supplemental[2]	61.2	61.6	−0.6
Spouse and divorced spouse annuities	1,775.0	1,725.5	+2.9
Total	10,341.4	10,202.4	+1.4
Survivor benefits			
Annuities	2,119.5	2,136.5	−0.8
Lump-sum benefits	2.4	2.7	−12.4
Total	2,121.9	2,139.2	−0.8
Partition payments[3]	6.2	5.4	+14.8
Grand total	$12,469.5	$12,347.0	+1.0

[1]A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. FY 2017 and FY 2016 include $1,291.4 million and $1,227.7 million, respectively, in payments to annuitants full retirement age and over originally awarded a disability annuity.

[2]Excludes partition payments to spouses and divorced spouses where the employee is deceased.

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

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

Monthly retirement and survivor benefits being paid numbered nearly 648,300 at the end of the 2017 fiscal year, about 5,900 less than at the end of the prior year. Monthly beneficiaries on the rolls declined by approximately 5,000 over the year, from 522,000 to 517,000. The number of monthly benefits paid is always greater than the number of beneficiaries on the rolls, since many annuitants receive more than one type of benefit. Although the second benefit is usually a supplemental employee annuity, some employees also receive a spouse or widow(er)'s annuity.

Regular employee annuities in payment status at the end of fiscal year 2017 numbered 264,500, about 2,400 less than at the end of the previous fiscal year. The number of age annuities being paid, including 46,200 disability annuities converted to age, rose slightly from 235,600 to 236,500 over the year, while disability annuities decreased from 31,300 to 28,000. Supplemental annuities being paid to employees declined by approximately 900, numbering 122,100 at the end of the year. The number of divorced spouse annuities being paid rose nearly 200, to 5,100. Spouse and divorced spouse annuities together increased by almost 1,000, totaling 146,900 at year-end. About 113,200 monthly survivor benefits were being paid at the end of fiscal year 2017, a decrease of 3,600 from the previous year. Approximately 1,700 partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity were being paid at the end of fiscal year 2017, an increase of nearly 200 from the prior year.

Retirement

Regular employee annuities

Awards of regular employee annuities numbered 10,700 in fiscal year 2017, some 1,200 less than in fiscal year 2016. Data by type of annuity awarded during the year are given in the table shown here.

Railroad employees with 10 to 29 years of creditable service, or 5 to 9 years of service if at least 5 years were after 1995, are eligible for regular annuities based on age and service at age 62. Early retirement annuity reductions are applied to annuities awarded before full retirement age (the age at which an employee can receive full benefits with no reduction for early retirement). This ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as under social security. If an employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65. The reduction for early retirement is 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins and 1/240 for each additional month.

Employee annuities awarded in fiscal year 2017	Number	Percent	Average: Monthly amount	Average: Years of service	Average: Age at retirement
Age					
Beginning at full retirement age or over	1,800	17	$2,550	21.3	67.5
Unreduced, beginning at age 60 to under full retirement age	4,900	45	4,049	37.2	61.0
Reduced, beginning at age 62 to under full retirement age	2,400	23	1,845	15.9	63.3
Disability	1,600	15	2,723	20.9	55.4
Total	10,700	100	$3,095	27.3	61.8

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

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

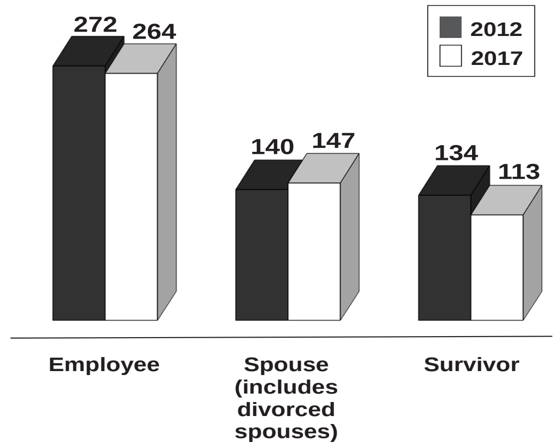
Disability awards are based either on total disability or on occupational disability. A *total disability* annuity is based on disability for all employment and is payable at any age to employees with at least 10 years of railroad service. Employees with 5-9 years of service, if at least 5 years were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

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

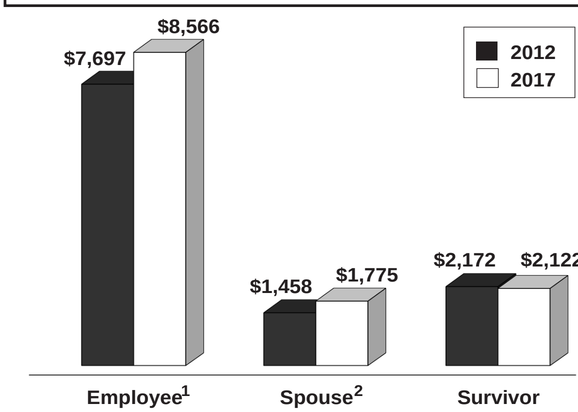
Of the year's 1,600 disability awards, 700 averaging $2,029 per month were for total disability and 900 averaging $3,259 were for occupational disability. Many employees who are disabled for all employment but are otherwise qualified for an occupational disability annuity are initially awarded occupational disability annuities in order to expedite payment.

An estimated two-thirds of all employees recently awarded disability annuities will meet the medical criteria for a disability freeze determination. The standards for freeze determinations follow social security law and are comparable to the criteria for granting total disability. Also, an employee granted a disability freeze may qualify

Number of monthly beneficiaries, September 30, 2012, and 2017 (thousands)

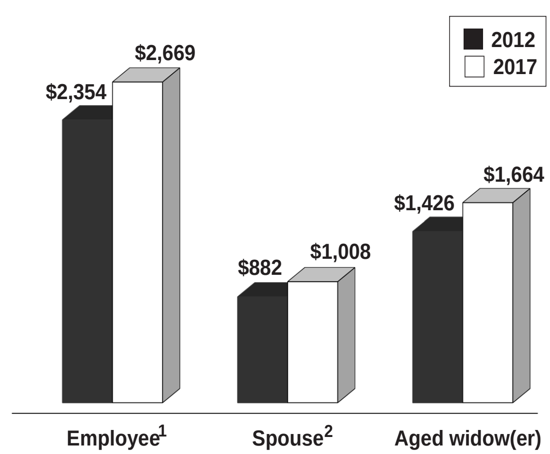


Amount of benefits paid, fiscal years 2012 and 2017 (millions)



[1]Includes $60.8 million in fiscal year 2012 and $61.2 million in fiscal year 2017 for supplemental annuities.
[2]Includes divorced spouses.

Average monthly amount, September 30, 2012, and 2017



[1]Without supplemental annuity.
[2]Includes divorced spouses.

for early Medicare coverage and lower Federal income taxes on his or her annuity.

Of the employees who were awarded regular annuities in fiscal year 2017, nearly 7,400, or 69 percent, last worked for a railroad either in the calendar year their annuity began or in the preceding year. Such retirements are termed "immediate," while those that occur 2 or more calendar years after the year of last railroad employment are called "deferred." As a group, immediate retirees represent career railroad employees who worked in the industry until retirement. Awards based on immediate retirement averaged $3,601 per month, compared to $1,953 for the 3,300 awards based on deferred retirement. Immediate retirees averaged 32 years of railroad service, almost twice the average of 17 years for deferred retirees. Of the year's awards, 53 percent of normal age retirements were immediate. While 94 percent of all 60/30 retirements were immediate, only 28 percent of the reduced age awards to employees with less than 30 years of service were immediate. Immediate retirements accounted for 76 percent of the year's disability awards.

The 264,500 retired employees on the rolls as of September 30, 2017, were being paid regular monthly annuities averaging $2,669. The table shown here presents data by type of annuity for these benefits.

Of the 28,000 disability annuities being paid, 9,600 were for total disability and 18,300 for occupational disability. The two types of disability annuities averaged $1,938 and $3,087, respectively. In fiscal year 2017, payments totaled over $243 million for total disability annuities and $772 million for occupational disability annuities.

Approximately 186,800 employees on the rolls at the end of fiscal year 2017 were immediate retirees and their regular annuities averaged $3,082 per month. Annuities of the 77,600 deferred retirees averaged $1,674. Although their average railroad retirement annuity was much lower, a greater proportion of the deferred annuitants also received social security benefits – 25 percent compared to 5 percent for the immediate retirees. Moreover, the average social security benefit paid to deferred retirees was higher than that paid to immediate retirees. Combined railroad retirement

Employee annuities in current-payment status on September 30, 2017	Number	Percent	Average monthly amount	Percent immediate retirements
Age				
Beginning at full retirement age or over	21,300	8	$2,131	48
Unreduced, beginning at age 60 to under full retirement age	107,400	41	3,487	92
Reduced, beginning at age 60 to under full retirement age	61,700	23	1,621	29
Disability converted to age annuity[1]	46,200	17	2,401	81
Disability	28,000	11	2,691	80
Total	264,500	100	$2,669	71

[1]A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. Consequently, these annuitants are receiving age and service annuities. Full retirement age is age 65 for those born before 1938 and gradually increases to age 67 for those born 1960 and later.

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

and social security benefits to deferred retirees who were dual beneficiaries averaged $1,895, while combined benefits to immediate retirees averaged $2,842. The table shown here presents numbers of beneficiaries and average benefit amounts for employees on the rolls who were receiving social security benefits, and for those who were not, by type of retirement.

Regular employee annuities consist of as many as three components: tier I, tier II, and a vested dual benefit. Reductions for early age retirement are made in all components in cases where the employee retired before full retirement age with less than 30 years of railroad service. The tier I component is based on the employee's combined railroad and social security covered earnings, and is reduced by the amount of any social security benefit that the employee receives. The gross tier I amounts of employees on the rolls at the end of fiscal year 2017 averaged $2,020 per month. Tier I amounts of some 7,100 employees were completely offset by social security benefits. Tier I amounts being paid averaged $1,867.

Dual benefit status	Total	Type of retirement: Immediate	Type of retirement: Deferred
Receiving social security benefit			
Number	28,600	9,300	19,400
Average monthly amount:			
Railroad retirement (regular)	$ 928	$1,734	$ 543
Social security	1,274	1,108	1,353
Combined benefit	2,202	2,842	1,895
Not receiving social security benefit			
Number	235,900	177,600	58,300
Average monthly amount	$2,880	$3,153	$2,049

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

The employee tier II component is based solely on railroad earnings. Tier II amounts being paid at the end of fiscal year 2017 averaged $868. Employees are eligible for vested dual benefits if, based on their own earnings, they met certain vesting requirements and qualified for both railroad retirement and social security benefits at the end of 1974, or, in some cases, at the end of an earlier year of last railroad service. Nearly 11,300 retirees were receiving vested dual benefits averaging $159 at the end of the fiscal year.

Supplemental employee annuities

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

Almost 5,200 supplemental annuities were awarded in fiscal year 2017, about 700 less than in fiscal year 2016. Approximately 4,000 of the awards (78 percent) began concurrently with the employee's regular annuity, while the remaining 1,200 were to employees already receiving a regular annuity. Supplemental annuity awards averaged approximately $41 per month after court-ordered partitions; 81 percent were at the current maximum rate of $43. Supplemental annuities are reduced for any part of a private railroad pension attributable to employer contributions. During the fiscal year, 1,200 supplemental annuities were not awarded because they were entirely offset by private pensions. In a few cases, the supplemental annuity was partially offset by the pension, or the supplemental annuity was not offset because the pension was reduced.

Supplemental annuities were being paid to almost 122,100, or 46 percent, of the retired employees on the rolls at the end of the 2017 fiscal year. These annuities averaged $42 after court-ordered partitions.

Spouse and divorced spouse annuities

Annuity awards to spouses and divorced spouses of retired employees numbered 10,800 in fiscal year 2017, 600 less than in the previous year. The table on page 21 presents numbers and average amounts of spouse and divorced spouse annuities awarded during the year and being paid at the end of the year, by type of annuity and whether subject to age reduction.

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

If an employee retires with at least 30 years of service and is at least age 60, the employee's spouse is eligible for an annuity at age 60. Prior to 2002, certain early retirement reductions were applied to the tier I component of such a spouse annuity if the employee retired before age 62, unless the employee attained age 60 and completed 30 years of service prior to July 1, 1984. If a 30-year employee retired at age 62, no age reduction applied to the spouse annuity. December 2001 legislation liberalized early retirement benefits for 30-year employees retiring at ages 60 or 61 after 2001 and their spouses. A spouse of an employee qualified for an age and service annuity is eligible for a spouse annuity at any age if caring for the employee's unmarried child, and the child is under age 18 or the child became disabled before age 22.

Of the approximately 2,700 reduced spouse annuities awarded in fiscal year 2017, fewer than 50 averaging $836 per month were to spouses of 30-year employees, and over 2,700 averaging $547 were to spouses of employees with less than 30 years of service.

At the end of fiscal year 2017, nearly 141,800 spouse annuities averaging $1,022 per month were being paid. Almost 5,100 divorced spouse annuities averaging $632 per month were also being paid. These included some 80, averaging $662, where the employee was not yet entitled to an annuity. Families with an employee and spouse on the rolls were paid combined railroad retirement benefits averaging $3,915. This included $2,894 in regular and supplemental employee annuities and $1,022 in spouse annuities.

Some 56,700, or 39 percent, of the spouses and divorced spouses on the rolls were also receiving social security benefits. Combined railroad retirement and social security benefits to these annuitants averaged $1,558 per month, including $399 in railroad retirement benefits and $1,159 in social security benefits. Railroad retirement annuities to the 87,100 spouses not receiving social security benefits averaged $1,410, while railroad retirement annuities to the 3,000 divorced spouses not receiving social security benefits averaged $842.

Monthly spouse benefits	Awarded in fiscal year 2017 Number	Awarded in fiscal year 2017 Average amount	In current-payment status on September 30, 2017 Number	In current-payment status on September 30, 2017 Average amount
Beginning at full retirement age or over	1,800	$ 624	17,100	$ 582
With minor or disabled child in care	300	1,273	1,700	1,308
Unreduced, beginning at age 60 to under full retirement age	5,200	1,493	77,500	1,410
Reduced rate	2,700	548	45,500	514
Total	10,100	1,073	141,800	1,022
Divorced spouse annuities	700	669	5,100	632
Grand total	10,800	$1,047	146,900	$1,008

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

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

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

Of the 141,800 spouses on the rolls at the end of fiscal year 2017, 94,300 were being paid tier I amounts averaging $895 per month. The tier I amounts of 47,500 spouses were completely offset by other benefits also due. Spouse tier II amounts averaged $464. Vested dual benefits averaging $128 were being paid to fewer than 10 spouses. The 5,100 divorced spouses on the rolls at the end of fiscal year 2017 were being paid tier I amounts averaging $648 per month, not reflecting all annuity adjustments.

Lump-sum retirement benefits

A lump-sum benefit may be payable at retirement to employees who received separation or severance payments after 1984. This benefit approximates the tier II payroll taxes deducted from separation or severance payments that did not yield additional service credits for retirement. About $0.3 million was paid in separation/severance lump-sum benefits during fiscal year 2017.

Employees who have at least 10 years of railroad service and are not entitled to a vested dual benefit may be eligible for a dual retirement tax refund if they had concurrent railroad retirement and social security earnings within the period 1951-74. The refund is equal to the social security taxes that the employee paid on the combined railroad and social security earnings in excess of the annual railroad retirement creditable earnings maximum. During the 2017 fiscal year, the RRB paid over 100 dual retirement tax refunds averaging $77. Most of the payments were to employees retiring during the year. Fewer than 50 refunds were to survivors, mostly widows, of employees who died before receiving the refund. Employees entitled to dual retirement tax refunds for years after 1974 may claim them on their Federal income tax returns.

Survivor

Monthly benefits

Annuity awards to survivors of deceased railroad employees numbered 6,900 during fiscal year 2017, about 200 more than the previous year. Some 113,200 survivor annuities were being paid at the end of the fiscal year, including 300 temporarily paid at spouse or divorced spouse annuity rates pending recomputation to widow(er)s' rates. Approximately 87,800, or 78 percent, of the survivor annuities were to aged widows and widowers.[1]

The table on page 23 presents numbers and average monthly amounts of survivor annuities, by type, for those awarded in the year and those being paid at the end of the year.

Survivor annuities, like regular employee and spouse annuities, consist of as many as three components: tier I, tier II and, for widows and widowers only, a vested dual benefit. As with spouses, legislation in 1981 precluded new awards of vested dual benefits to widow(er)s. The tier I component is computed according to social security formulas and is based on the deceased employee's combined railroad and social security earnings. A reduction is made for the survivor's receipt of a social security benefit. There may also be a tier I reduction if the survivor receives a railroad retirement employee annuity or public pension. Remarried and divorced widow(er)s receive a tier I benefit only. A dependent parent receives only a tier I amount if another family member is also receiving benefits or if the parent has remarried.

Survivor tier II amounts are figured as a percentage of an employee tier II benefit. Prior to 2002, the percentages were 50 percent for a widow(er), 15 percent for a child, and 35 percent for a parent. The total tier II amount for a survivor family was subject to a minimum of 35 percent and a maximum of 80 percent of the employee tier II benefit, and all survivor tier II amounts were proportionately adjusted when either limit applied. December 2001 legislation established an "initial minimum amount" for widow(er)s which provides a tier II benefit equal to 100 percent of the tier II amount of the deceased employee. The maximum tier II amount payable to a family rose to 130 percent of the employee's tier II amount.

[1] Aged widower statistics in the Survivor section exclude benefits to disabled widow(er)s age 60 and over now payable as aged widow(er)'s annuities.

Widows and widowers are guaranteed a total tier I and tier II amount not less than what they were paid as a spouse, any necessary increase being added to tier II.

Monthly survivor benefits	Awarded in fiscal year 2017		In current-payment status on September 30, 2017	
	Number	Average amount	Number	Average amount
Aged widow(er)s	5,500	$2,113	87,800	$1,664
Disabled widow(er)s[1]	100	1,752	3,500	1,326
Widowed mothers (fathers)	100	1,806	600	1,878
Remarried widow(er)s	100	1,189	3,000	1,071
Divorced widow(er)s	700	1,209	9,700	1,078
Children:				
Under age 18	300	1,379	1,600	1,382
Student	*	1,553	100	1,497
Disabled	100	1,300	6,800	999
Parents	*	844	*	907
Total	6,900	...	113,200	...

[1]Number and average in current-payment status include annuities to disabled widow(er)s age 60 and over now payable as aged widow(er)s' annuities.

*Fewer than 50.

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

Aged widow(er)s, who are eligible for benefits at age 60, have their tier I and tier II amounts reduced if the annuity begins before full retirement age. The eligibility age for unreduced annuities is gradually rising from age 65 to age 67. The maximum age reductions range from 17.1 percent to 20.36 percent, depending on the widow(er)'s date of birth. Excluding nearly 300 annuities temporarily paid at spouse or divorced spouse rates, aged widow(er)s' annuities being paid at the end of the 2017 fiscal year included 44,900 which were reduced for age. Aged widow(er)s' tier I amounts being paid averaged $1,318 per month. In nearly 6,700 cases, the tier I amount was wholly offset by reductions for other benefits. Approximately 28,500 aged widow(er)s were also receiving social security benefits, and these averaged $1,059. Tier II amounts averaged $448. About 100 vested dual benefits, averaging $72, were being paid to aged widow(er)s.

The tier I and tier II amounts of disabled widow(er)s' annuities, which begin at ages 50-59, are reduced 28.5 percent for age. At the end of fiscal year 2017, tier I amounts being paid to disabled widow(er)s on the rolls averaged $1,083. (In about 100 cases, the tier I amount was wholly offset by reductions.) Social security benefits being paid to some 1,400 disabled widow(er)s averaged $940. Tier II amounts averaged $287, while the less than 50 vested dual benefits being paid averaged $107.

Tier I amounts paid to widowed mothers and fathers (widows and widowers caring for children) generally equal 75 percent of the full amount payable to an aged widow(er) before any reductions, similar to a social security mother's or father's benefit. Eligible children and grandchildren are paid this same tier I amount. However, if the sum of the tier I amounts of all members of a survivor family exceeds the social security family maximum, then tier I amounts are proportionately reduced so that the total equals the maximum. Reductions for the family maximum usually occur when the family includes three or more beneficiaries. Tier I amounts being paid as of the end of fiscal year 2017 averaged $1,341 for widowed mothers and fathers and $995 for children. Fewer than 50 mothers/fathers and nearly 2,100 children received social security benefits averaging $1,088 and $633, respectively. Tier II amounts paid mothers/fathers and children averaged, respectively, $574 and $113.

Lump-sum survivor benefits

A lump-sum death benefit can be payable at the time of an employee's death only if there are no survivors immediately eligible for monthly benefits. For survivors of employees who had at least 10 years of railroad service before 1975, the lump-sum death benefit is based on the employee's earnings through 1974, with a maximum amount of approximately $1,200. If the employee completed the 10th year of service after 1974, the lump-sum death benefit is limited to $255, the maximum benefit payable under social security law, and only the widow or widower living in the same household is eligible for the benefit. Lump-sum benefits may also be payable to survivors of employees with less than 10 years of service, but at least 5 years after 1995, if the employee met the social security insured status requirements. More than 2,500 lump-sum death benefits averaging $933 were awarded during fiscal year 2017. Approximately 300 benefits were to widow(er)s, while some 2,200 were to other individuals who paid the funeral expenses.

Another lump-sum survivor benefit, the residual payment, can be made if no other benefits based at least in part on an employee's railroad service will be payable in the future, and the total of prior benefit payments is less than what the employee paid in pre-1975 railroad retirement taxes. Fewer than 10 residual payments were awarded in the 2017 fiscal year; they averaged $1,040.

Partition Payments

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

At the end of fiscal year 2017, there were nearly 1,700 spouses and divorced spouses receiving payments averaging $315 where the employee was deceased or not otherwise entitled to an annuity. While all but 4 received a partitioned tier II benefit, only 4 percent received a partitioned vested dual benefit and 36 percent received a partitioned supplemental benefit.

Medicare Enrollments

The Medicare program provides health insurance to persons ages 65 and older, as well as persons under age 65 who have been entitled to monthly benefits based on total disability for at least 24 months. In the case of some disability diagnoses, the waiting period is waived.

Medicare has several parts to its program. Basic hospital insurance, or Medicare Part A, is financed through payroll taxes. There is also an elective supplementary medical insurance, or Medicare Part B, plan for which monthly premiums are charged. Medicare also offers Medicare Part C (Medicare Advantage) plans that include both Parts A and B coverage and additional benefits, sometimes at an additional cost. Finally, Medicare Part D provides optional prescription drug coverage for an additional premium. Medicare Parts C and D are offered through private insurance companies approved by Medicare.

Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the RRB are automatically enrolled under Part A and Part B; however, Part B may be declined by the annuitant or beneficiary. Eligible nonretired persons must apply in order to obtain Medicare coverage. The RRB automatically enrolled more than 26,400 beneficiaries for Medicare during fiscal year 2017. As of the end of the fiscal year, about 465,900 persons were enrolled in the Part A plan, and approximately 446,400 (96 percent) of them were also enrolled in Part B.

Except for benefits for services in Canada, which are paid from the Railroad Retirement Account, Part A benefits for railroad enrollees are paid from the Federal Hospital Insurance Trust Fund, the same as for persons covered under the social security system. Part B benefits are paid from the Federal Supplementary Medical Insurance (SMI) Trust Funds. The carrier for Part B claims of railroad Medicare enrollees made payments totaling $850 million in the 2017 fiscal year.

The regular monthly premium for Part B during fiscal year 2017 was $121.80 for coverage through December 2016 and $134.00 thereafter. Beneficiaries with modified adjusted gross incomes above certain thresholds pay higher Part B and Part D premiums under the Income Related Monthly Adjustment Amount (IRMAA) provisions of law. At the end of fiscal year 2017, approximately 14,300 Part B premiums and about 11,300 Part D premiums were increased by an IRMAA amount.

The RRB generally withholds Part B premiums from the annuitant's benefit payments, and at the end of fiscal year 2017 about 427,100 annuitants were having their premiums withheld. Of the remaining Part B enrollees, nearly 3,000 were paying premiums to the RRB, either directly or through an intermediary, and 16,300 had their premiums paid by state agencies. The RRB periodically transfers premiums to the SMI Trust Funds.

The agency is also able to collect Part C and Part D premiums from monthly benefits through an exchange process. While this option has grown in popularity, many annuitants pay their Part C and Part D premiums directly to their plan. At the end of fiscal year 2017, about 12,300 Part C premiums and approximately 49,300 Part D premiums were deducted from benefits paid by the RRB.

RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

FINANCIAL OPERATIONS

Costs for the railroad unemployment and sickness insurance program during fiscal year 2017 were less than financing sources by $10.0 million and the net position increased by $9.9 million from $214.6 million at the end of fiscal year 2016 to $224.5 million at the end of fiscal year 2017. For fiscal year 2017 as compared to fiscal year 2016, total financing sources for the railroad unemployment and sickness insurance program increased by $12.1 million (11.7 percent) to $115.2 million.

(text continued on page 28)

Unemployment and Sickness Insurance Program
Consolidated Financing Sources, Costs and Net Position (Millions)[1]

For the Fiscal Year Ended September 30	**2017**	**2016**
Financing Sources:		
Employer Payroll Taxes	$126.4	$117.2
Interest Income	4.0	2.3
General Appropriations	0.0	0.0
Other	(15.2)	(16.4)
Total Financing Sources	115.2	103.1
Costs:		
Benefit Payments:		
Unemployment	47.6	74.9
Sickness	56.8	51.8
Other[2]	0.8	5.6
Total Costs	105.2	132.3
Financing Sources over Costs	10.0	(29.2)
Net Position - Beginning of Period	214.6	243.8
Net Position - End of Period[2]	$224.6	$214.6

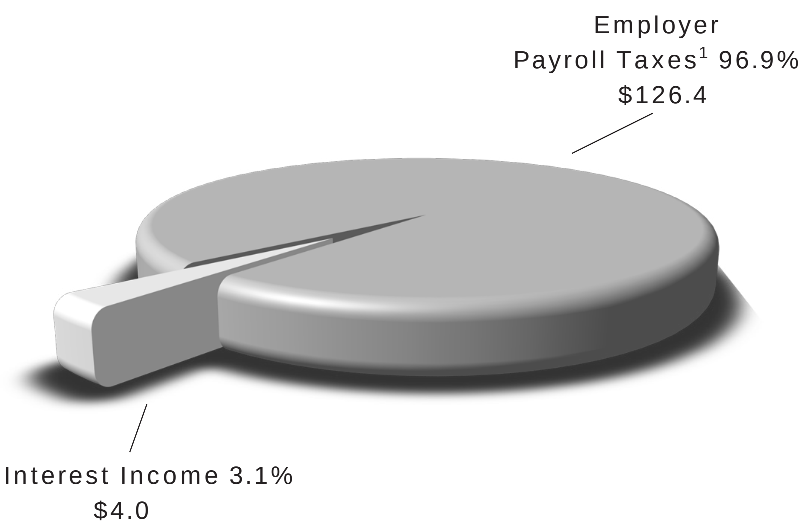
[1] Prepared on an accrual basis of accounting.

[2] Includes funds from the American Recovery and Reinvestment Act of 2009, and the Worker, Homeownership, and Business Assistance Act of 2009, as amended.

UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

Financing Sources - Fiscal Year 2017 (In Millions)

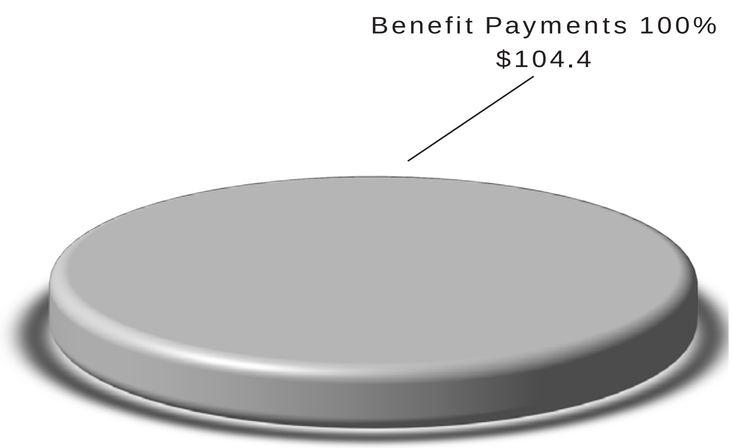
GROSS TOTAL $130.4



[1]Less Transfers-Out and carriers' refunds of $15.2 million.

Costs - Fiscal Year 2017 (In Millions)

TOTAL $104.4



Financing Sources

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

Each employer pays taxes at a rate which takes into consideration its employees' actual incidence of benefit usage. Under experience rating, employers whose employees have low incidences of unemployment and sickness pay taxes at a lower rate than those with higher levels of benefit usage. Each employer's rate also has a component for administrative expenses and a component to cover costs shared by all employers. The rate applies to monthly earnings up to an indexed maximum. In calendar year 2017, the taxable earnings base was the first $1,545 of each employee's monthly earnings. The earnings base is indexed each year by a rate which is equal to approximately two-thirds of the annual rate of increase in the maximum base for railroad retirement tier I taxes.

In 2017, the basic tax rates on railroad employers, including covered commuter railroads, ranged from a minimum of 2.15 percent to a maximum of 12.0 percent. There was also a surcharge of 1.5 percent in 2017. Most employers were assessed the minimum rate in 2017. New employers in 2017 paid an initial rate of 1.62 percent.

Employer Payroll Taxes

Payroll taxes by employers totaled $126.4 million during fiscal year 2017. This was an increase of 7.8 percent or $9.2 million more than the previous year.

Interest

Cash not needed immediately for unemployment and sickness insurance benefits or operating expenses is held in the Federal Unemployment Insurance Trust Fund and invested by the Secretary of the Treasury. The fund earned an average rate of return of 2.2 percent in fiscal year 2017, of which the RRB earned $4.0 million as its pro rata share.

Costs

Total costs for the railroad unemployment and sickness insurance program decreased by $27.1 million (20.5 percent) to $105.2 million.

Benefit Payments

During fiscal year 2017, unemployment insurance benefit payments decreased by $27.3 million (36.4 percent) to $47.6 million. Sickness insurance benefit payments increased by $5.0 million (9.7 percent) to $56.8 million.

BENEFIT OPERATIONS

Net unemployment and sickness benefits totaling nearly $113.7 million were paid in the 2016-2017 benefit year, $12.5 million less than in the prior year. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 7.2 percent for days of unemployment and sickness after September 30, 2013, 7.3 percent for days after September 30, 2014, 6.8 percent for days after September 30, 2015, and 6.9 percent for days after September 30, 2016. Beneficiaries numbered 28,500, in comparison to the previous year's total of 31,500. Almost 700 employees received both unemployment and sickness benefits during the 2016-2017 benefit year. The number of unemployment benefit claimants decreased by 20 percent, while sickness benefit claimants increased by less than 1 percent. Total net unemployment benefit payments decreased by 25 percent, while net sickness benefits increased by 10 percent. The number of employees qualified for benefits under the Railroad Unemployment Insurance Act increased 3 percent to 260,700.

Benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year. During benefit year 2016-2017, there were 10,600 and 13,700 unemployment and sickness benefit waiting period claims, respectively.

Unemployment

Almost 13,200 railroad workers were paid $53.9 million in net unemployment benefits during the 2016-2017 benefit year, including $0.2 million in recovered temporary extended benefits under the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. The number of benefit claimants decreased by approximately 3,200 from the prior year total of 16,400, and the benefit amount decreased $17.8 million from the prior year's total of $71.7 million. The average number of compensable days per unemployment benefit claimant was 68 in benefit year 2016-2017, the same as the previous benefit year.

The mid-month unemployment count in the 2016-2017 benefit year began with a July count of 4,100 claimants. The count fluctuated slightly higher until December 2016, when it began to rise before peaking at 5,300 in January 2017. The count began to decline in February before reaching a low of 2,300 in June 2017. For the 2016-2017 benefit year as a whole, the weekly number of claimants averaged 3,800 in comparison to an average of 4,800 in the previous benefit year. The overall unemployment benefit claimant rate, measured in relation to the number of employees qualified to receive benefits under the Railroad Unemployment Insurance Act during a particular time period, fell 22 percent to

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

Major unemployment and sickness benefit operations, benefit years 2016-2017 and 2015-2016

Item	Benefit year 2016-2017			Benefit year 2015-2016		
	Total	Unemploy-ment[1]	Sickness	Total	Unemploy-ment[1]	Sickness
Applications	36,900	16,800	20,100	43,900	24,100	19,800
Claims	242,000	108,100	133,800	266,200	137,000	129,200
Claimants	[2] 28,500	13,200	16,100	[2] 31,500	16,400	16,000
Net amount of benefits[3]	$113,683,200	$53,859,100	$59,824,100	$126,165,700	$71,655,100	$54,510,600
Number of payments						
Normal	184,600	83,500	101,100	204,600	106,400	98,100
Extended	19,800	6,500	13,300	17,500	5,900	11,600
Total	204,400	90,000	114,400	222,100	112,300	109,700
Average amount per 2-week registration period[3]						
Normal	$599	$596	$601	$594	$593	$596
Extended	564	566	563	561	564	560
Total	596	594	597	592	591	592

[1] Starting in June 2009, includes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009. Benefits had to begin by December 31, 2009. Beginning in November 2009, temporary extended unemployment benefits are also being paid under the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013. The amount for benefit years 2015-2016 and 2016-2017 each totaled –$0.2 million.

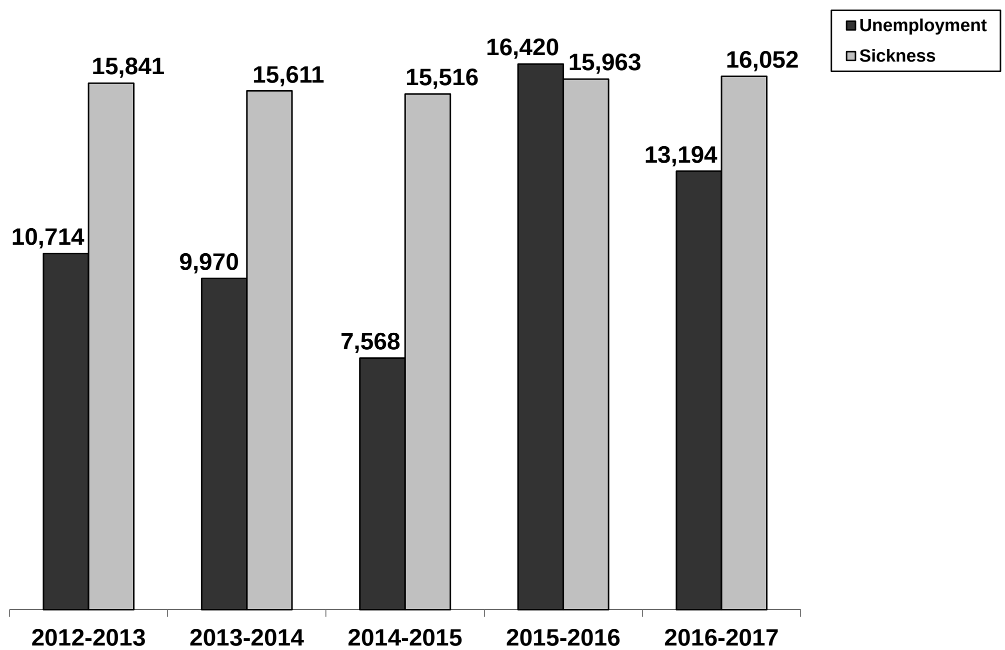
[2] Benefits for both unemployment and sickness were paid to approximately 900 employees in benefit year 2015-2016 and 700 employees in benefit year 2016-2017. Those claimants who had only a non-compensable waiting period are not included in the beneficiary counts since no benefits were paid.

[3] Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, a reduction of 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, 6.8% for days after September 30, 2015, and 6.9% for days after September 30, 2016.

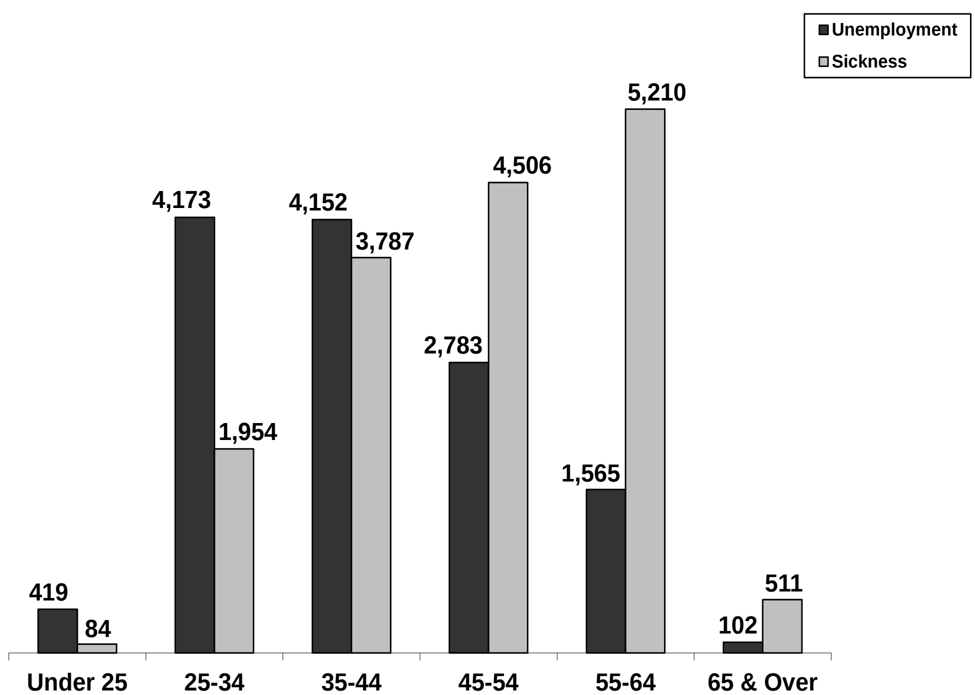
5.1 per 100 qualified, from the previous year's 6.5 per 100 qualified, reflecting the slower decline in unemployment levels. The median age for all unemployment benefit claimants was 39 years, as compared to 38 in the previous benefit year.

(text continued on page 32)

Claimants under the Railroad Unemployment Insurance Act, Benefit Years 2012-2013 through 2016-2017



Unemployment and Sickness Benefit Claimants by Age, Benefit Year 2016-2017



Sickness

The number of sickness benefit claimants during the 2016-2017 benefit year was 16,100, about 100 more than the previous year. The benefit year claimant count increased for the second year in a row after hitting the lowest level since sickness benefits began in benefit year 1947-1948. Gross sickness benefits of $77.1 million were paid, $3.2 million more than in the prior benefit year. Net sickness benefits totaled $59.8 million, reflecting repayment of a large amount of benefits following settlements of suits for injuries. Benefits payable for an injury are recoverable if the claimant is awarded damages or receives a settlement for the injury. Net benefits increased by $5.3 million in comparison with the previous year.

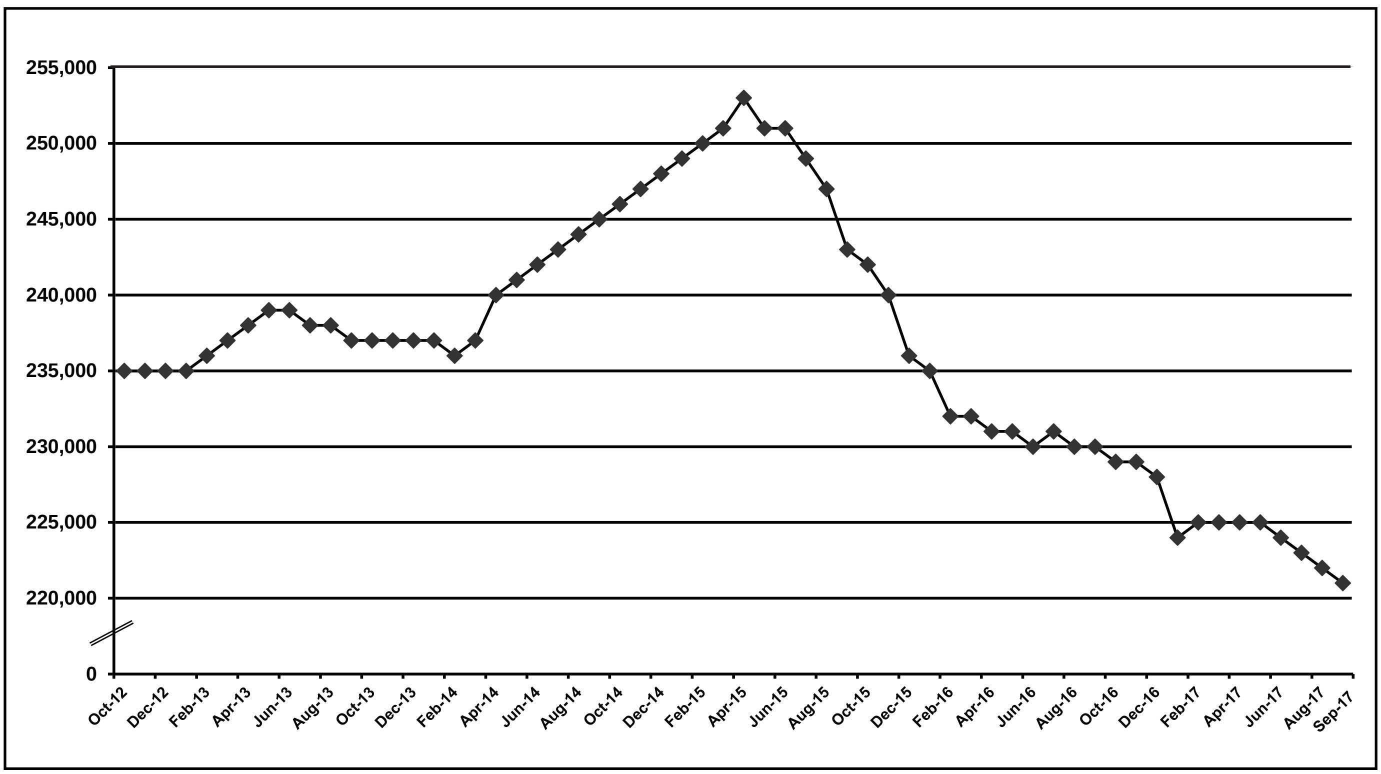
The utilization rate for sickness benefits was 6.2 percent of qualified employees, slightly lower than the previous benefit year and the lowest figure since the program's inception. The average duration of sickness was 71 days in benefit year 2016-2017, up from 69 in the previous benefit year.

Among the most common causes of sickness were injuries that included fractures or wounds (affecting 27 percent of beneficiaries), arthritis and disk disorders (22 percent), mental disorders, including drug and alcohol addictions (12 percent), and symptoms, signs and all ill-defined conditions (7 percent). The median age of all sickness benefit claimants was 49 years, the same as the previous benefit year.

RAILROAD EMPLOYMENT

The preliminary average monthly railroad employment in fiscal year 2017 fell 3.4 percent to 225,000 from the 233,000 average of the previous fiscal year. After experiencing an all-time low of 215,000 in January 2010, railroad employment began to rebound and continued that recovery through the first half of fiscal year 2015, when it peaked in April 2015 at 253,000, the highest level since November 1999. Employment then declined through fiscal year 2017, falling to 221,000.

Average Railroad Employment
Fiscal Years 2013 through 2017



Note.--Numbers for 2016 are preliminary.

ADMINISTRATIVE DEVELOPMENTS

The following describes some major activities and issues addressed in 2017 and 2018 as part of the RRB's efforts to improve operations and customer service.

Performance Management

Customer Service Plan

The RRB's Customer Service Plan promotes the principles and objectives of customer-driven quality service agency-wide. An important part of the plan is to keep customers informed of how well the RRB is meeting timeliness standards. The RRB publicizes the Customer Service Plan and performance results and posts them in every field office. The plan is reviewed and updated periodically based on agency experience, customer feedback and comparison with similar best-in-business models.

The agency uses an index to measure the overall timeliness of customer service in 4 benefit areas: retirement applications; survivor applications; disability applications and payments; and railroad unemployment and sickness benefit applications and claims. In addition, this composite indicator, based on a weighted average, allows for a more concise and meaningful presentation of its customer service efforts in these 4 areas. During fiscal year 2017, the overall benefit timeliness index was 98.9 percent. This means that the RRB provided benefit services within the timeframes promised in the Customer Service Plan 98.9 percent of the time. The timeliness index for retirement applications, survivor applications, disability applications and payments only, the processing of which includes considerable manual intervention, is 91 percent, whereas the timeliness index for railroad unemployment and sickness benefit applications and claims only, a highly automated process, is 99.9 percent. Overall performance and processing times during fiscal year 2017 were the same as in fiscal year 2016 levels. (The composite for 2016 was also 98.9.) The RRB also met or exceeded 7 out of 10 of its customer service performance goals for the year in its Annual Performance Plan.

Reducing Improper Payments

The RRB developed an agency risk assessment plan in response to provisions of the Improper Payments Elimination and Recovery Act and Office of Management and Budget (OMB) guidance. The objective is to evaluate payment outlays susceptible to improper payments by assessing risk for all of the benefit and non-benefit programs that the agency administers. The agency completed risk assessments for the Railroad Retirement Act (RRA), Railroad Unemployment Insurance Act (RUIA), and Medicare programs in fiscal year 2016. Per OMB guidance, the fiscal year 2019 Annual Performance Plan will be the next time risk assessments for these programs have to be completed.

In fiscal year 2017, the agency's Office of Programs reviewed its RRA and RUIA benefit payment programs for fiscal year 2016, as required by OMB Circulars A-123 and A-136. (This analysis has been conducted annually since fiscal year 2003.) The RRB's Performance and Accountability Report for fiscal year 2017 (based on fiscal year 2016 data) includes the results of that analysis, along with a summary of the root causes of errors and projections of future improper payment levels. The analysis shows that the RRB does not have significant improper payments, as defined by OMB guidelines for implementing the Improper Payments Information Act of 2002.

The fiscal year 2017 report was unlike previous agency reports, in that it used 3 quarters of data from the RRB's legacy Program Accounts Receivable system, and 1 quarter of data from its newest accounting system, the Financial Management Integrated System, to compile the improper payment analysis for the RRA and RUIA programs.

In addition, at OMB's request, the agency submitted an improper payment reduction outlook, a breakdown of the root causes, amounts, and percentages of fiscal year 2016 RRA and RUIA improper payments, and overpayments recaptured outside payment-recapture audits, as well as the dollar amount of confirmed fraud by the Office of Inspector General. Information from this request was included on **PaymentAccuracy.gov**, an OMB-designed website which features improper-payment rates for all government agencies.

The RRB will continue to review its benefit payment programs to determine if the level of improper payments is significant. Ongoing activities aimed at improving the accuracy of payments and reducing erroneous payments include automation enhancements, quality assurance reviews, and monitoring programs. This includes looking for additional operational improvements to minimize improper payments and enhance recovery efforts.

Disability Benefits

The RRB undertook several initiatives to improve the accuracy and timeliness of disability claims processing.

- In May 2017, "The Work Number" was implemented for use by initial disability claims examiners. This system allows agency employees to obtain income verification reports that contain basic employment information about an individual's job title, employment status, and income. Such information can be extremely useful in adjudicating disability benefit applications. In August 2017, this system was expanded to include post examiners conducting continuing disability reviews for existing annuitants.

- The agency developed a new form, the Occupational Disability Certification (RL-8A), which is released to select disability annuitants to help determine whether they continue to be disabled. The form was first released to 152 disability annuitants in August 2017.

- While all initial disability claim types (employee, widow, and children) have been converted from paper files to digital images, in 2018 the RRB plans to add more disability workloads to this project, such as continuing disability reviews. Coupled with the reengineering of other business processes, this will enhance migration from a paper-based system to an electronic environment for all disability benefit processes.

Service Enhancements

Employer Reporting System

The Employer Reporting System (ERS) is a web-based platform that enables railroad employers to submit information to the RRB in an electronic format instead of mailing paper forms. In fiscal year 2017, the agency added an electronic version of Form RL-5a, *Notice of Annuity Award*, and Form G73a.1, *Notice of Death of Railroad Retirement Annuitant*, to the ERS. Employers can now receive both notices electronically and on-demand via the internet. As additional employers enroll in this service, this will reduce manual processing, as well as printing and mailing costs.

Cost-of-Living Adjustment

In December 2017, tier I benefits increased by 2 percent while tier II benefits rose by 0.7 percent, due to a cost-of-living adjustment (COLA). The increases were effective with the January 2018 payments, with Federal income taxes calculated using new tax tables. The increase was paid to 528,376 annuitants, and was also included in RRB-paid social security benefits to 118,324 beneficiaries. The total amount of the COLA was just over $14.4 million in railroad retirement annuities and almost $2.8 million in social security benefits. The standard Medicare Part B premium for 2017 stayed the same as the previous year at $134 per month, with increased premiums for some high-income beneficiaries.

Medicare Payments and Premiums

The Medicare Payment System went into production in January 2017. This system was developed to allow Medicare claims examiners to create award activities for refunding Medicare premiums and paying Medicare Part A hospital insurance benefits for services furnished in Canada. In addition, a new Medicare interface with the agency’s Overpayment Recovery Correspondence System went into production in April 2017. This system can now be used by Medicare examiners to review overpayments and prepare letters to beneficiaries that are more informative and timely.

Officials

Walter A. Barrows continues to serve as the Labor Member, as does Steven J. Anthony as the Management Member. Mr. Barrows was appointed to the Board in 2011 and Mr. Anthony in 2014. The office of Chairman of the Board has been vacant since August 2015. Martin J. Dickman has been the Inspector General for the RRB since 1994.

In June 2017, the Board named Ana M. Kocur as its General Counsel. At the time of her appointment, she was Deputy Director of the Executive Office for Immigration Review at the Department of Justice in Washington, D.C. In March 2018, the Board named Shawna R. Weekley as its Chief Financial Officer and Pamela M. Tate as its Director of Equal Opportunity. Before joining the RRB's Bureau of Fiscal Operations in January 2017, Ms. Weekley worked for the Department of Energy, most recently as Director of Accounting and Finance at its Chicago Office of Science, based at Argonne National Laboratory. Ms. Tate has been an RRB employee since 1985, starting out as a claims examiner. Since 2008, she has been an equal employment specialist at the agency.

Human Capital Management

Staffing

Like other organizations in the Federal community, the RRB has an aging workforce with about 50 percent of its employees having 20 or more years of service. Additionally, about 30 percent of the agency's current workforce will be eligible for retirement by the end of fiscal year 2019. To help cope with the loss of experience and bridge the knowledge gap, the RRB is placing increased emphasis on strategic management of human capital, particularly in the areas of training, development and succession planning. A new methodology is currently being developed to identify potential areas of skills and knowledge gaps and is planned to be implemented within the Learning Management System (LMS). This methodology will incorporate job analysis of agency positions to identify critical competencies and identify skill gaps within our current employee base.

The RRB continues to work on improving its assessment and hiring processes. With assistance from the Office of Personnel Management (OPM), the agency has developed online assessment tools for entry-level claims examiners and claims representative positions. Because of budget constraints, external hiring slowed considerably in 2017, and the agency was unable to hire any external candidates for retirement, survivor, Medicare, and sickness/unemployment claims examiner or claims representative positions. The RRB does expect to fill several of these positions in fiscal year 2018, along with some external hires in actuarial and information technology positions.

Despite the lack of external hiring in 2017, several training classes for new claims examiners were initiated or completed, including initial and post examiners in the areas of disability benefits, retirement benefits, survivor benefits, unemployment and sickness benefits, and Medicare. The RRB projects a continuing need for additional initial and post training classes in the RRA and RUIA program areas into fiscal year 2019.

Training

The training section in the RRB's Bureau of Human Resources continues to create, implement and modify an overall training program with the goal of creating opportunities to assist employees in building the knowledge, skills and abilities needed to achieve the agency's strategic goals. In 2017, they hosted the first ever employee fair for headquarters employees. It was a 2-day event that included workshops and informational booths for different RRB-provided services and topics. In addition, the training team conducted workshops on individual development plans throughout the year. They also hosted and coordinated a 3-day program for new supervisors; created and published online courseware to the agency's Learning Management System (LMS) to satisfy mandatory Federal training requirements, as well as online training for new policies and procedures implemented during the year; assisted in developing LMS training curriculums for new claims representatives and claims examiners; and, coordinated the delivery of more than 25 in-person, instructor-led training sessions on 19 technical and soft-skill topics.

The agency continues to use its LMS, also known as RRB University, as the cornerstone of its training and development activities. This platform allows the agency to accurately track, document and deliver training opportunities to employees throughout the RRB, and has been incorporated into mandatory technical training for employees in the agency's Bureau of Field Service and Office of Programs. In 2017, more than 989 employees and contractors completed 832 different online and instructor-led training courses managed through the LMS, for a total of 19,020 course completions.

In 2017, the Office of Programs also completed a 9-month training program for user analysts in its Policy and Systems division. These employees develop procedures and testing, and update systems for examiner use in handling benefit applications and claims. Enhancing analyst skills in these areas will allow the agency to improve the performance of claims examiners in adjudicating, processing and paying benefits.

Employee Survey

The Federal Employee Viewpoint Survey, developed by OPM, is a tool that measures employees' perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies. Similar to prior years, the responses by RRB employees to the 2017 survey were positive. Of particular note, of the 870 employees invited to complete the survey, 449 did so, for a response rate of 52 percent, an increase of 14 percent over 2016. Scoring for 55 survey items increased from 2016, while only 11 items had lower scores. Additionally, 41 survey items were identified as strengths (65 percent or more positive) while only 1 survey item was identified as a challenge (35 percent or more negative). The agency's "engagement index" score met OPM's goal for 2017 of 69 percent, and met or exceeded the governmentwide score in all areas (overall, leaders lead, supervisors, and intrinsic work experience).

Based on OPM guidelines for determining notable results, the RRB scored especially high (greater than 65 percent favorable) on the majority of items measuring personal work experiences. Over 93 percent of the RRB respondents think the work they do is important, about 86 percent know how their work relates to the agency's goals and priorities, and 72 percent feel their work gives them a feeling of personal accomplishment. Almost 80 percent like the kind of work they do, and 84 percent feel they are held accountable for achieving results. Also, 83 percent of agency employees feel supported by their supervisors in balancing work and other life issues.

The lowest scores were on items gauging performance culture and talent management, although these scores still represent a minority of the employees that responded. For example, only 37 percent agree that steps are taken to deal with poor performers, while 39 percent feel creativity and innovation are rewarded. Almost 35 percent feel they do not have sufficient resources to get their jobs done, with this item showing the largest decline from the previous survey (3 percentage points). As a result, this is an area the agency intends to concentrate on improving in the coming years.

Employee Recognition

The RRB recognizes its employees for their contributions to the agency, and service to the railroad public, as part of its annual "Award for Excellence" program. All agency employees, supervisors and work teams have the opportunity to be recognized for their accomplishments, with the nominees, finalists and winners honored at an annual awards ceremony. The 30th awards ceremony was held in July 2017 at Kasbeer Hall on Loyola University Chicago's nearby Water Tower campus. The program honored 11 individual nominations and 4 team nominations. The RRB also participates in the Chicago Federal Executive Board's "Federal Employee of the Year" awards program that recognizes outstanding Federal employees throughout the metropolitan area. In 2017, the RRB had 1 individual nomination and 1 team nomination. Susan Leszkowicz, a supervisory auditor in the agency's Office of Inspector General, was named the winner in the career achievement category.

Information Technology

Website Redesign

In 2017, the RRB launched its extensively improved public-facing website, **RRB.gov**. Throughout the revision process, the project team focused on creating a more approachable, better organized website accessible from any device. The site was re-built from scratch using innovative technology known as Drupal, an open source web content management system popular across other digital government platforms. Drupal's key features enhance user experience for web content managers and site visitors alike that align with Federal priorities in efficiency, transparency, and accessibility, including:

- **Efficient Content Management and Rapid Delivery** – Content providers can now control, edit, and publish their own material without relying on technical programming staff. With this more direct workflow, content is managed and delivered instantly.
- **Flexible Usability and Mobile-Friendly** – **RRB.gov** is now configured for responsive compatibility, ehancing convenience for browsing the site from any device regardless of screen size.
- **Improved Accessibility** – The new framework enables staff to adopt, implement, and maintain accessibility standards required by law for website visitors with disabilities.
- **Enriched User Experience** – A clean, consistent presentation offers quick and easy access to essential information. The main menu is now streamlined and equipped with dropdown subcategories prompting intuitive navigation.

Information Security

The RRB is committed to protecting its annuitants' information from unauthorized use or disclosure, and continues to work on improving its security capabilities. In 2017, the RRB's information security team administered statutorily required security-awareness training for agency employees and contractors. Staff members identified as having more significant information security responsibilities participated in enhanced role-based security training. In addition, the RRB's privacy team prepared and coordinated training for all employees and necessary contractors on safeguarding controlled unclassified information, Federal tax information and Privacy Act information.

Information Resources Management

In fiscal year 2017, the RRB coordinated and secured computer matching agreements with 18 states. The agency also secured OMB approval of 24 information collections. A central goal of the OMB review process is to help agencies strike a balance between collecting information needed to fulfill their statutory missions and guarding against unnecessary or duplicative requests that impose unjustified costs on the public.

Digital Savings

The RRB worked internally to develop a central repository for the agency's procedure manuals using Microsoft's SharePoint platform. Previously, the RRB paid annual maintenance and licensing fees to a contractor for this capability, resulting in savings of approximately $40,000. Also, the RRB revised its RUIA processes to cease producing paper unemployment and sickness claims for online filers. This change resulted in a 52 percent reduction in printed claim volume, saving the agency about $32,000.

Office of Equal Opportunity

Equal Opportunity Policies and Procedures

The agency's Equal Employment Opportunity complaint program has policies and procedures in place to address all forms of discrimination, including harassment. Training is conducted to ensure employees know their rights and responsibilities, and the discrimination complaint process has the elements of impartiality, timeliness and credibility. Both the agency's website and its intranet include information to ensure the public and agency employees have access to information regarding the discrimination complaint program.

Diversity Program

Throughout the year, the agency's Office of Equal Opportunity (OEO) sponsored many events and activities to foster an inclusive work environment and enhance the understanding of disability issues. These included a variety of cultural enrichment events to commemorate African American History Month, Women's History Month, Asian Pacific Heritage Month and Hispanic Heritage Month, as well as an event that was part of an ongoing program theme of "What if I become disabled tomorrow?"

Recruitment

The RRB is committed to maintaining a diverse workforce. The OEO worked cooperatively with the Bureau of Human Resources in 2017 to create a diverse pool of external job applicants by identifying sources for the recruitment of individuals with disabilities, various underrepresented groups, and disabled veterans.

Public Information Activities

The RRB maintains direct contact with railroad retirement beneficiaries through its field offices located across the country. Field personnel explain benefit rights and responsibilities on an individual basis, assist railroad employees in applying for benefits and answer any questions related to the benefit programs. The RRB also relies on railroad labor groups and employers for assistance in keeping railroad personnel informed about its benefit programs.

At informational conferences sponsored by the Labor Member of the Board for railroad labor union officials, RRB representatives describe and discuss the benefits available under the railroad retirement-survivor, unemployment-sickness and Medicare programs, and the attendees are provided with comprehensive informational materials. Now in its 61st year, in 2017 a total of 1,078 railroad labor union officials attended 29 informational conferences held in cities throughout the United States. The Labor Member's Office also sponsors a program of pre-retirement seminars designed for railroad employees and their spouses nearing retirement. Thirteen seminars were held during 2017, with 582 individuals in attendance. In addition, railroad labor unions frequently request that RRB representatives speak before their meetings, seminars and conventions. In 2017, the Labor Member's Office was represented at 14 union gatherings attended by 1,751 railroad labor officials. Field personnel addressed 41 local union meetings with 1,334 members in attendance.

At seminars for railroad executives and managers, agency representatives review programs, financing, and administration, with special emphasis on those areas which require cooperation between railroads and RRB offices. During 2017, the Management Member's Office conducted 5 seminars/presentations for 260 railroad officials, as well as benefit update presentations and pre-retirement counseling seminars attended by railroad employees and their spouses. In August 2017, the Office of the Management Member hosted 19 representatives of several Class I employers, which include the largest railroads, for an informational session at RRB headquarters. The meeting covered updates on agency initiatives regarding the disability program, issues related to electronic payments, and changes to online reporting forms and systems, including development of a new online benefit application in conjunction with the governmentwide **Login.Gov** effort.

Office of Inspector General

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

Office of Audit

During fiscal year 2017, the Office of Audit published 11 reports, including mandated audits and assessments such as the annual information security audit, the annual Improper Payments Elimination and Recovery Acts of 2010 and 2012 compliance audit, and the annual financial statement audit. Other issued audits focused on the following topics: compliance with Federal records management directives; the RRB's program evaluation process; and the RRB's compliance with Federal travel regulations. In total, the Office of Audit issued 110 recommendations to agency management and identified $19 million in questioned costs.

Pursuant to the Reports Consolidation Act of 2000 and the requirements of OMB Circular A-136, the OIG issued a document that identified the most serious management challenges facing the RRB and its progress in addressing them. The OIG identified the following challenges: program integrity to strengthen the RRB's disability program; information technology security and modernization; management of railroad Medicare;

preventing and detecting improper payments; agency succession planning; material weaknesses for financial statement reporting; and limited transparency at the National Railroad Retirement Investment Trust.

Office of Investigations

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

As of September 30, 2017, the Office of Investigations' caseload totaled 290 matters, which represents more than $552.8 million in potential fraud losses.[1] During fiscal year 2017, the office secured 3 arrests, 29 indictments and/or informations, 39 convictions, 11 civil judgments, and more than $149 million in financial accomplishments.[2]

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

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

LEGAL RULINGS

Five rulings on cases involving the RRB were issued by the various U.S. Courts of Appeal during fiscal year 2017, and 59 legal opinions were issued by the RRB'S Office of General Counsel.

Court Cases

One petition for review was filed during the year, and 5 cases were ruled upon by several circuits of the U.S. Courts of Appeal. At the conclusion of fiscal year 2017, there were no cases pending decisions with any circuit of the U.S. Courts of Appeal.

Legal Opinions

The RRB's Office of General Counsel issued 59 formal legal opinions in fiscal year 2017. The following are of special interest.

Independent Partition Awards **L-2017-03**

This opinion clarifies procedures for payment of a partition award to a former spouse when the railroad employee is not receiving an annuity. The opinion provides details for calculating partitions in the event of employee death and when the employee becomes re-entitled to an annuity at a later date. The opinion also explains that in the event of employee death, a court order entered prior to employee death, but served on the RRB after death, may still be honored for partition payment.

Railroad Compensation as Excess Earnings for Work Deductions **L-2017-04**

This opinion addresses Section 2(f)(1) of the Railroad Retirement Act (RRA), which provides for deductions to the tier I portion of an annuity on account of work pursuant to Section 203 of the Social Security Act as if tier I were a benefit under the Social Security Act. The opinion determines that railroad earnings should be treated the same as social security wages for work deduction and annual earnings test purposes. The opinion also addresses month-by-month earnings and monthly exempt amounts and details rules for grace-year earnings.

Church Donations **L-2017-16**

Pursuant to the RRA, an overpayment may be waived if the individual is found without fault in causing the overpayment and if recovery would deprive the individual of ordinary and necessary living expenses or be against equity or good conscience. The RRB's regulations do not specifically state that donations to a church are considered as ordinary and necessary living expenses, but the examples set forth in section 255.12(d) of the RRB's regulations and in relevant sections of the agency's Retirement Claims Manual are not exclusive. Donations to a church or other religious entity can be interpreted to fall within section 255.12(d)(4) of the RRB's regulations based on the Social Security Administration's Program Operations Manual (POMS GN 02250.120), which specifically refers to such a donation as an ordinary and necessary living expense. However, the governing provisions of the Internal Revenue Code should be followed when allowing the maximum amount of the donation that can be considered as an expense that can be deducted from an individual's adjusted gross income.

State Payments for In-Home Supportive Services **L-2017-28**

The recipient of a disability annuity was receiving payments under a Medicaid waiver to care for a disabled adult child. Such payments qualify as earnings for purposes of work deductions from a disability annuity. The fact that these payments are not taxable under the Internal Revenue Code or the Federal Insurance Contributions Act (social security) does not require a different result. Under the variant of the Wisconsin waiver program at issue, the employment relationship is between the caregiver and the waiver recipient, and earnings to the caregiver should be evaluated as regular employment.

Appropriations – Seal **L-2017-46**

This opinion provides guidance on the unofficial use of the RRB seal. The opinion describes steps that must be taken to obtain agency approval for use of the seal. It also describes the copyright exception that prevents the agency seal from being considered part of the public domain.

Appeals

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

RRA

During fiscal year 2017, 292 appeals were filed with the Bureau of Hearings and Appeals under the RRA, and the Bureau rendered decisions in 279 appeals. The reconsideration decision was sustained in 153 cases. In 126 appeals the decision was favorable to the claimant in whole or in part.

Forty-eight appeals were filed with the Board in fiscal year 2017, and the Board issued 89 decisions. In 60 cases the previous ruling of the hearings officer was affirmed, in 5 cases the decision was fully favorable to the appellant, and in 6 cases the decision was partially favorable. The Board remanded 8 cases: 4 to the Bureau of Hearings and Appeals, 3 to the Office of Programs, and 1 to the Debt Recovery Division. Ten appeals were dismissed. At the end of the year, 113 appeals were pending before the Board.

RUIA

During fiscal year 2017, 54 appeals were filed with the Bureau of Hearings and Appeals under the RUIA, and the Bureau rendered decisions in 56 appeals. The reconsideration decision was sustained in 40 cases. In 16 appeals the decision was favorable to the claimant in whole or in part.

Seven appeals were filed with the Board in fiscal year 2017. The Board rendered decisions in 8 appeals affirming the decision of the hearings officer, and in 3 appeals the decision was favorable to the appellant. At the end of the year, 7 appeals were pending before the Board.

STATISTICAL TABLES

Table 1.--Beneficiaries and benefits paid under the Railroad Retirement Act and the Railroad Unemployment Insurance Act, by fiscal year, 2008-2017, cash basis

Fiscal year	Total[1]	Retirement[2]	Survivor[2]	Unemployment[3, 4]	Sickness[4]
BENEFICIARIES (in thousands)					
2008	623	433	174	11	19
2009	626	430	167	24	18
2010	617	428	161	22	18
2011	603	429	156	11	18
2012	595	429	150	10	17
2013	592	429	146	11	16
2014	585	428	141	10	16
2015	581	428	136	9	16
2016	583	428	131	17	17
2017	574	427	127	12	16
BENEFIT PAYMENTS (in millions)					
2008	$10,115.4	$7,877.0	$2,158.1	$35.1	$44.9
2009	10,663.8	8,311.0	2,192.0	111.7	48.1
2010	10,939.8	8,588.6	2,187.1	109.6	50.0
2011	11,047.2	8,778.5	2,165.3	48.3	52.3
2012	11,418.8	9,155.4	2,171.7	41.1	47.5
2013	11,726.4	9,456.5	2,175.5	47.8	42.9
2014	11,980.9	9,724.9	2,167.2	37.7	46.7
2015	12,257.3	10,012.2	2,156.9	34.0	49.2
2016	12,480.4	10,202.4	2,139.2	77.6	55.7
2017	12,574.9	10,341.4	2,121.9	46.6	58.8

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

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

[3] Includes temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009 and Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013.

[4] In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, 6.8% for days after September 30, 2015, and 6.9% for days after September 30, 2016.

NOTE.-- Number of beneficiaries represents all individuals paid benefits in year. In total number for each year, beneficiaries are counted only once, even though they may have received more than one type of benefit. In fiscal year 2017, 7,000 individuals received both retirement and survivor benefits, 800 employees received both unemployment and sickness benefits, and 1,800 employees received benefits under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These figures are partly estimated, and totals for earlier years are similarly adjusted.

Table 2.--Status of the Railroad Retirement Act accounts and trust funds, by fiscal year, 2008-2017 (in millions), cash basis

Item	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
RAILROAD RETIREMENT ACCOUNT										
Receipts										
Tax transfers [1]	$2,636.5	$2,501.2	$2,599.0	$2,712.7	$2,659.8	$3,140.2	$3,392.2	$3,760.8	$3,586.7	$3,562.9
Interest and profit on investments [2]	12.9	12.0	11.0	12.3	11.4	9.0	14.0	17.2	16.8	16.4
Transfers from the National RR Investment Trust [3]	1,298.0	1,553.0	1,989.0	1,744.0	2,026.0	1,581.0	1,429.0	1,191.0	1,410.0	1,821.0
Transfers from the SSEB Account [3]	147.0	....	81.0	255.0	19.0	171.0	93.0	129.0	....	(296.0)
Loan repayments from RUI Account [4]	....	....	....	48.4	....	....	....	....	....	....
Loan repayments from DBP Account [4]	....	....	....	....	....	....	4.5	....	....	....
Expenditures										
Benefit payments [5]	$4,121.8	$4,326.9	$4,474.4	$4,600.3	$4,775.0	$4,906.2	$5,044.0	$5,106.8	$5,229.0	$5,321.4
Financial Interchange adjustment [6]	(100.0)	(104.6)	(13.1)	(88.5)	(141.9)	(166.6)	(164.0)	(162.3)	(146.5)	....
Net transfers to administration	58.4	63.4	68.7	73.6	69.6	70.2	69.3	72.1	72.3	76.7
Loans to RUI Account	....	....	46.5	....	....	....	....	....	....	....
Loans to DBP Account [7]	....	....	....	....	....	....	4.5	....	....	....
Balance at end of period [8]	$632.0	$418.2	$519.0	$706.5	$720.2	$811.7	$791.8	$877.3	$739.6	$446.7
SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT [9]										
Receipts										
Tax transfers [1]	$2,649.3	$2,528.9	$2,514.9	$2,675.3	$2,878.5	$2,954.1	$3,163.1	$3,389.3	$3,097.5	$3,113.8
Interest and profit on investments [2]	19.9	19.0	18.9	21.9	20.1	22.4	21.9	24.3	18.6	14.9
Transfers under financial interchange [10]	4,049.9	4,137.3	4,391.6	4,574.3	4,651.0	4,499.0	4,700.8	4,676.6	4,662.7	4,522.5
Advances against financial interchange [11]	3,385.6	3,661.1	3,819.0	3,820.4	3,738.6	3,943.0	3,886.1	3,849.9	3,926.1	4,095.4
Expenditures										
Benefit payments	$5,835.8	$6,107.6	$6,243.7	$6,291.1	$6,506.7	$6,686.9	$6,815.2	$7,035.4	$7,090.4	$7,124.5
Financial Interchange adjustment [6]	100.0	104.6	13.1	88.5	141.9	166.6	164.0	162.3	146.5	....
Net transfers to administration	38.5	32.5	33.6	29.6	31.4	30.1	32.3	32.9	30.0	30.5
Transfers under financial interchange [10]	525.7	524.3	535.1	477.2	510.9	576.6	611.6	594.7	656.8	637.4
Repayment of advances against financial interchange [4]	3,410.8	3,564.8	3,837.6	3,946.6	3,946.3	3,863.1	4,041.9	3,982.7	3,940.1	4,054.5
Transfers to the National RR Investment Trust/RR Account [3]	147.0	....	81.0	255.0	19.0	171.0	93.0	129.0	....	(296.0)
Balance at end of period	$791.2	$803.8	$804.0	$807.9	$939.8	$863.9	$877.8	$880.8	$721.9	$917.6

See footnotes at end of table.

Table 2.--Status of the Railroad Retirement Act accounts and trust funds, by fiscal year, 2008-2017 (in millions), cash basis - Continued

Item	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST [12]										
Cash and investment balance at end of period [13]	$25,271.5	$23,330.8	$23,770.4	$22,119.0	$23,586.2	$24,963.7	$26,039.9	$24,483.9	$25,007.7	$26,389.6
DUAL BENEFITS PAYMENTS ACCOUNT [14]										
Dual benefit transfers [15]	$79.0	$72.0	$64.0	$56.9	$50.9	$44.9	$39.0	$34.0	$29.0	$25.0
Loans from Railroad Retirement Account [7]	....	....	....	....	....	....	4.5	....	....	....
Benefit payments	77.7	69.5	62.1	55.2	48.6	42.6	37.2	31.9	27.5	23.6
Repayment of loans from Railroad Retirement Account [4]	....	....	....	....	....	....	4.5	....	....	....
Balance at end of period [8]	$1.3	$2.5	$1.9	$1.7	$2.3	$2.3	$1.8	$2.1	$1.5	$1.4

1 Net of U.S. Treasury adjustments for payroll tax refunds to certain carriers and their employees for prior periods. Includes Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended. In calendar years 2011-2012, Social Security Equivalent Benefit Account includes general revenue transfers under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the Middle Class Tax Relief and Job Creation Act of 2012, respectively. The final reconciliation for calendar years 2011-2012 occurred in June 2015. In fiscal year 2012, Social Security Equivalent Benefit Account includes a one-time general revenue transfer under the Hiring Incentives to Restore Employment Act of 2010.

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

3 Under the Railroad Retirement and Survivors' Improvement Act of 2001, as amended, the portion of the Railroad Retirement Account not needed to pay current administrative expenses is to be transferred to the National Railroad Retirement Investment Trust (Trust). The Trust may transfer funds back to the Railroad Retirement Account for payment of benefits. The balance of the Social Security Equivalent Benefit (SSEB) Account not needed to pay current benefits and administrative expenses is to be transferred to the Trust or to the Railroad Retirement Account. The SSEB Account transferred funds to the Trust in fiscal year 2003 and to the Railroad Retirement Account thereafter. In fiscal year 2017 the Railroad Retirement Account transferred funds to the SSEB Account to pay benefits.

4 Includes interest.

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

6 Adjustments in benefit payments charged to the Social Security Equivalent Benefit Account as compared to actual financial interchange benefits, with interest. This adjustment was discontinued in fiscal year 2017.

7 Due to delay in enactment of a continuing resolution, the Dual Benefits Payments Account borrowed $4,500,000 from the Railroad Retirement Account in October 2013 in order to pay vested dual benefits. The loan was repaid in entirety in December 2013.

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

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

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

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

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

13 Source: National Railroad Retirement Investment Trust.

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

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

Table 3.--Status of the Railroad Unemployment Insurance Account, by fiscal year, 2013-2017 (in thousands), cash basis

Item	Fiscal year 2013	2014	2015	2016	2017
RECEIPTS					
Taxes	$84,679	$6,248	$46,672	$90,241	$100,030
Interest	5,686	4,415	3,165	2,514	1,945
Transfer from Administration fund under sec. 11(d) of the RUI Act	10,706	12,257	11,339	13,375	12,357
Undistributed recoveries of benefit payments[1]	(110)	(271)	368	2,458	(2,866)
Total	$100,961	$22,649	$61,544	$108,588	$111,466
EXPENDITURES					
Benefit payments[2, 3]	$83,691	$83,823	$83,501	$133,492	$105,614
Funding for Office of Inspector General	941	1,037	1,053	1,080	1,260
Total	$84,633	$84,860	$84,554	$134,572	$106,875
Cash balance end of period	$180,223	$118,012	$95,002	$69,019	$73,610

1 Net of distributed payments.

2 Excludes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013. FY 2013: $6,982,000, FY 2014: $619,000, FY 2015: -$308,000, FY 2016: -$154,000, and FY 2017: -$229,000.

3 In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, 6.8% for days after September 30, 2015, and 6.9% for days after September 30, 2016.

Table 4.--Status of the RUIA Administration Fund, by fiscal year, 2008-2017 (in thousands), cash basis

Fiscal year	Taxes and interest	Administrative expenditures[1]	Transfer to Railroad Unemployment Insurance Account under Sec. 11d[2]	Balance at end of period
2008....................................	$23,945	$14,713	$8,711	$10,427
2009....................................	23,151	14,305	9,808	9,465
2010....................................	22,990	15,729	8,305	8,421
2011....................................	23,722	12,442	7,918	11,783
2012....................................	25,463	14,608	11,219	11,419
2013....................................	26,202	14,591	10,706	12,324
2014....................................	25,225	15,172	12,257	10,120
2015....................................	28,063	12,987	11,339	13,858
2016....................................	27,146	15,498	13,375	12,132
2017....................................	26,551	14,842	12,357	11,483

[1] Expenditures for each year included encumbrances as of end of year. Fiscal years 2008-2009 and 2011-2017 reflect reallocation of prior period administrative expenses between the Railroad Retirement Act and Railroad Unemployment Insurance Act programs.

[2] Transfers to the Railroad Unemployment Insurance Account are based on the excess of the accrual balance on the prior September 30 over $6,000,000.

Table 5.--Number and average amount of retirement and survivor annuities in current-payment status at end of year, by type of annuitant and fiscal year, 2008-2017

Fiscal year	Total[1]	Retired employees: Awarded age annuity	Retired employees: Disability converted to age[2]	Retired employees: Disability	Retired employees: Supple-mental[3]	Spouses and divorced spouses	Aged widow(er)s[4]	Disabled widow(er)s[5]	Widowed mothers (fathers)[4]	Children	Remarried widow(er)s	Divorced widow(er)s[4]
NUMBER AT END OF YEAR												
2008	686,636	191,146	34,401	49,648	120,824	136,332	124,089	4,450	832	10,692	4,552	9,552
2009	680,534	190,302	34,688	49,116	120,778	136,467	119,459	4,323	814	10,417	4,361	9,520
2010	676,653	190,236	35,557	47,960	121,166	137,112	114,929	4,251	776	10,168	4,161	9,595
2011	672,484	190,100	36,259	46,850	121,422	138,253	110,372	4,136	745	9,881	4,003	9,598
2012	668,957	189,909	37,370	45,066	121,614	139,741	106,268	4,081	739	9,687	3,824	9,660
2013	664,055	189,569	39,506	41,745	121,530	140,894	102,186	3,965	703	9,463	3,666	9,710
2014	661,069	190,224	41,554	37,891	122,086	142,626	98,435	3,868	688	9,164	3,506	9,747
2015	656,847	190,114	43,141	34,514	123,037	143,920	94,279	3,741	665	8,978	3,344	9,704
2016	654,127	190,835	44,744	31,308	122,966	145,891	90,919	3,660	652	8,695	3,187	9,709
2017	648,277	190,301	46,180	27,990	122,050	146,850	87,817	3,528	623	8,478	3,037	9,708
AVERAGE AMOUNT												
2008	....	$1,982	$1,787	$2,267	$42	$742	$1,222	$1,025	$1,529	$879	$816	$804
2009	....	2,126	1,909	2,400	42	795	1,294	1,084	1,597	935	879	867
2010	....	2,186	1,954	2,419	42	817	1,329	1,108	1,643	937	896	880
2011	....	2,244	1,995	2,437	42	839	1,366	1,133	1,663	941	907	892
2012	....	2,363	2,098	2,526	42	882	1,426	1,181	1,700	980	956	938
2013	....	2,451	2,180	2,574	42	915	1,476	1,217	1,757	1,006	986	974
2014	....	2,536	2,252	2,613	42	946	1,525	1,250	1,798	1,027	1,005	1,005
2015	....	2,625	2,322	2,663	42	975	1,576	1,285	1,835	1,055	1,036	1,040
2016	....	2,675	2,358	2,675	42	991	1,618	1,307	1,883	1,066	1,050	1,055
2017	....	2,731	2,401	2,691	42	1,008	1,664	1,326	1,878	1,078	1,071	1,078

[1] Includes annuities to parents and, beginning in fiscal year 2008, partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. On September 30, 2017, there were 20 parents' annuities in current-payment status averaging $907 and 1,695 partition payments averaging $315.

[2] A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. Consequently, these annuitants are receiving age and service annuities. Full retirement age is age 65 for those born before 1938 and gradually increases to age 67 for those born 1960 and later.

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

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

[5] Includes annuities to disabled widow(er)s age 60 and over now payable as aged widow(er)s' annuities.

Table 6.--Number and average amount of retirement and survivor annuities awarded during year, by type of annuitant and fiscal year, 2008-2017

Fiscal year	Total[1]	Retired employees: Age	Retired employees: Disability	Retired employees: Supple-mental[2]	Spouses and divorced spouses	Aged widow(er)s	Disabled widow(er)s	Widowed mothers (fathers)	Children	Remarried widow(er)s	Divorced widow(er)s
NUMBER AWARDED											
2008	38,591	9,753	3,402	7,090	10,127	6,511	166	143	515	188	693
2009	39,317	10,310	3,213	7,015	10,919	6,283	181	142	463	166	622
2010	40,191	10,712	3,161	7,319	11,256	6,163	189	99	429	157	702
2011	39,647	10,542	3,086	7,087	11,301	6,053	173	110	417	158	718
2012	38,649	10,054	2,858	6,778	11,479	5,828	181	115	454	164	734
2013	38,094	10,211	2,324	6,502	11,444	5,995	164	111	456	146	739
2014	37,294	10,210	1,800	6,673	11,495	5,582	133	111	398	144	745
2015[3]	36,316	10,059	1,686	6,194	11,300	5,546	120	99	462	151	696
2016	35,950	10,236	1,682	5,910	11,373	5,319	123	94	380	116	715
2017	33,540	9,121	1,562	5,178	10,758	5,484	86	86	390	127	746
Cumulative 1937-2017	5,272,471	1,532,634	528,721	527,967	1,233,265	1,056,924	19,134	85,598	239,574	16,220	28,880
AVERAGE AMOUNT											
2008	....	$2,650	$2,441	$41	$911	$1,629	$1,385	$1,721	$1,153	$964	$901
2009	....	2,685	2,558	41	931	1,708	1,443	1,709	1,233	1,030	996
2010	....	2,786	2,509	41	950	1,740	1,536	1,778	1,203	1,064	963
2011	....	2,814	2,524	41	958	1,789	1,531	1,779	1,194	1,077	991
2012	....	2,888	2,585	41	981	1,859	1,515	1,647	1,220	1,130	1,049
2013	....	2,921	2,565	41	1,003	1,911	1,503	1,916	1,332	1,161	1,104
2014	....	3,041	2,624	41	1,024	1,985	1,615	1,874	1,294	1,151	1,095
2015	....	3,114	2,611	41	1,055	2,031	1,685	1,728	1,302	1,153	1,175
2016	....	3,124	2,667	41	1,062	2,096	1,677	2,034	1,371	1,166	1,174
2017	....	3,159	2,723	41	1,047	2,113	1,752	1,806	1,368	1,189	1,209

1 Excludes partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Includes annuities to parents. Fiscal year 2017 total includes 2 annuities to parents averaging $844. Cumulative total includes 3,554 annuities to parents.

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

3 Supplemental annuity awards exclude more than 1,000 restorations due to Legal Opinion 2014-2, Reductions to Supplemental Annuities for 401(k) Distributions.

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

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2017, by class and state (amounts in thousands)

State[3]	Total[1]		Retirement benefits[2]		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Alabama	11,800	$18,904	9,700	$15,543	2,100	$3,358
Alaska	200	292	200	238	(4)	53
Arizona	11,900	18,761	9,800	15,553	2,000	3,191
Arkansas	12,400	19,661	10,400	16,664	1,900	2,984
California	32,000	48,760	26,100	40,172	5,800	8,564
Colorado	10,400	17,313	8,900	14,898	1,500	2,409
Connecticut	2,900	5,516	2,300	4,637	600	878
Delaware	2,900	4,898	2,500	4,284	400	613
Washington DC	400	623	300	532	100	91
Florida	36,200	57,896	30,400	49,378	5,800	8,491
Georgia	21,100	34,219	17,800	29,035	3,300	5,177
Hawaii	200	264	200	216	(4)	47
Idaho	5,700	9,256	4,800	7,752	900	1,496
Illinois	39,900	62,296	32,800	51,529	6,900	10,724
Indiana	19,100	30,376	15,600	25,016	3,400	5,340
Iowa	11,300	18,057	9,400	15,065	1,900	2,977
Kansas	17,100	28,021	14,400	23,689	2,600	4,319
Kentucky	17,600	27,113	14,400	22,071	3,200	5,029
Louisiana	9,100	14,195	7,400	11,667	1,700	2,524
Maine	2,900	4,126	2,300	3,255	600	869
Maryland	10,300	16,327	8,400	13,636	1,800	2,687
Massachusetts	4,600	7,255	3,800	6,064	800	1,190
Michigan	16,000	24,907	13,100	20,284	2,900	4,605
Minnesota	17,100	26,813	14,100	22,262	3,000	4,530
Mississippi	7,000	10,817	5,700	8,753	1,300	2,061
Missouri	23,500	37,097	19,700	31,231	3,800	5,844
Montana	7,400	11,930	6,300	10,153	1,100	1,769
Nebraska	18,300	32,285	16,100	28,527	2,200	3,741
Nevada	4,000	6,293	3,400	5,276	700	1,013
New Hampshire	1,000	1,660	900	1,376	200	284
New Jersey	10,000	17,619	8,100	14,723	1,900	2,894
New Mexico	5,000	7,903	4,100	6,463	900	1,435
New York	23,800	41,186	19,300	34,436	4,500	6,741
North Carolina	12,200	18,502	9,900	15,170	2,300	3,325
North Dakota	3,900	6,436	3,200	5,289	700	1,142

See footnotes at end of table.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2017, by class and state (amounts in thousands) - Continued

State[3]	Total[1]		Retirement benefits[2]		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Ohio	29,200	$44,391	23,200	$35,237	5,900	$9,136
Oklahoma	6,000	9,446	4,800	7,647	1,100	1,793
Oregon	9,400	14,629	7,800	12,068	1,600	2,547
Pennsylvania	37,300	59,428	29,600	47,831	7,600	11,580
Rhode Island	700	1,198	600	1,015	100	183
South Carolina	8,400	13,321	7,000	11,198	1,400	2,119
South Dakota	2,200	3,547	1,900	3,072	300	473
Tennessee	15,100	23,953	12,400	19,935	2,600	4,006
Texas	42,300	69,775	35,200	58,629	7,000	11,082
Utah	6,100	10,106	5,100	8,400	1,000	1,699
Vermont	800	1,175	700	902	200	272
Virginia	19,400	31,103	15,800	25,698	3,600	5,395
Washington	13,200	20,895	10,800	17,224	2,300	3,661
West Virginia	9,500	15,018	7,500	11,875	2,000	3,138
Wisconsin	11,900	18,200	9,800	15,012	2,000	3,177
Wyoming	4,600	8,054	4,000	7,114	500	933
Outside United States:						
Canada	2,100	1,353	1,400	702	700	651
Mexico	200	194	100	72	100	122
Other	600	724	400	501	200	223
Total[5]	648,300	$1,034,098	533,400	$858,980	113,200	$174,585

[1] Includes 1,700 partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity.
[2] Includes 122,000 supplemental annuities to employees receiving regular annuities. In a relatively small number of cases, employees were also receiving spouse or widow(er)'s benefits.
[3] State of residence of beneficiary on September 30, 2017.
[4] Less than 50.
[5] Includes beneficiaries whose state of residence was unknown.

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

Table 8.-- Principal administrative data for the unemployment and sickness benefit programs, benefit years 2012-2013 through 2016-2017, cash basis

Item	2012-2013[1]	2013-2014[1]	2014-2015[1]	2015-2016[1]	2016-2017[1]
Qualified employees	243,800	247,600	248,200	254,200	260,700
Maximum daily benefit rate	$66	$68	$70	$72	$72
UNEMPLOYMENT BENEFITS					
Net amount of benefits paid (thousands)	$47,174	$39,867	$30,752	$71,655	$53,859
Payments:[2]					
Number	83,500	69,700	52,100	112,300	90,000
Average amount per two week claim period	$557	$550	$578	$591	$594
Beneficiaries	10,700	10,000	7,600	16,400	13,200
Applications received	14,500	13,100	11,500	24,100	16,800
Claims received	96,000	82,900	62,500	137,000	108,100
Normal benefit accounts exhausted	2,500	2,300	1,900	3,300	3,100
Non-compensable waiting period only[3]	(4)	(4)	(4)	(4)	(4)
SICKNESS BENEFITS					
Net amount of benefits paid (thousands)	$43,394	$45,316	$48,428	$54,511	$59,824
Payments:[2]					
Number	102,500	101,100	102,700	109,700	114,400
Average amount per two week claim period	$571	$555	$572	$592	$597
Beneficiaries	15,800	15,600	15,500	16,000	16,100
Applications received	19,400	19,100	19,400	19,800	20,100
Claims received	121,100	119,900	121,300	129,200	133,800
Normal benefit accounts exhausted	2,600	2,600	2,800	3,100	3,400
Non-compensable waiting period only[3]	(4)	(4)	100	(4)	(4)

1 In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, 6.8% for days after September 30, 2015, and 6.9% for days after September 30, 2016.

2 Not adjusted for recoveries or settlements of underpayments.

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

4 Less than 50.

NOTE.--Data covered program activities during the year, regardless of when unemployment or sickness occurred. Starting in June 2009, includes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012 and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013. Net benefits for these temporary payments were $6,868,000 in 2012-2013, $2,391,000 in 2013-2014, -$327,000 in 2014-2015, -$212,000 in 2015-2016, and -$167,000 in 2016-2017.

Table 9.--All employees, new entrants, employees qualified for RUIA benefits, and related data, by employer, 2016

Class or name of employer	All employees				New entrants		Creditable Compensation (thousands)		
	Total	With 12 months of service in 2016	With sufficient service for RRA annuity	Qualified for RUIA benefits	Total	Qualified for RUIA benefits	Tier I	Tier II	RUIA
CLASS OF EMPLOYER									
Class I railroads	192,173	154,587	143,892	185,102	3,171	1,727	$13,775,322	$12,942,499	$3,051,533
Class II railroads	5,178	4,212	3,419	4,841	270	128	335,541	320,075	79,987
Class III railroads and switching & terminal companies	46,158	36,915	31,978	43,498	3,148	1,845	3,300,740	3,006,082	720,701
Car-loan companies	2,195	1,803	1,112	2,099	221	165	133,686	127,302	35,120
Miscellaneous employers[1]	7,248	5,693	4,486	6,582	642	361	522,568	455,622	108,242
Total	252,952	203,210	184,887	242,122	7,452	4,226	$18,067,857	$16,851,582	$3,995,583
SELECTED EMPLOYERS									
BNSF Railway Co.	46,936	38,048	33,553	45,576	163	73	$3,618,670	$3,339,442	$750,364
Canadian National, U.S. Operations									
Bessemer and Lake Erie Railroad Co.	74	58	48	72	1	1	5,007	4,922	1,178
Chicago Central and Pacific Railroad Co.	280	215	206	275	9	8	22,495	20,210	4,465
Grand Trunk Western Railroad Co.	812	627	628	796	16	16	67,020	59,933	12,708
Illinois Central Railroad Co.	3,937	3,216	2,936	3,834	82	38	315,270	285,520	63,222
Pittsburgh and Conneaut Dock Co.	42	23	20	38	1	1	1,866	1,866	607
Wisconsin Central Transportation Corp.	2,110	1,719	1,519	2,071	32	15	171,911	157,882	34,073
Canadian Pacific, Soo Line Corporation									
Dakota, Minnesota & Eastern Railroad Corp.	678	537	529	648	7	6	46,932	44,405	10,384
Delaware and Hudson Railway Co. Inc.	253	173	185	248	.....	.....	15,690	15,136	3,888
Soo Line Railroad Co.	2,385	1,797	1,745	2,267	47	18	175,483	160,064	36,350
CSX Transportation Inc.	28,487	22,169	22,724	27,160	144	80	2,052,877	1,944,454	445,137
Kansas City Southern Railway Co.	3,045	2,523	2,178	2,943	90	54	213,918	203,604	48,949
Gateway Eastern Railway Co.	10	10	10	10	.....	.....	634	634	175
Texas Mexican Railway Co.	227	191	140	214	2	1	17,750	16,359	3,585
National Railroad Passenger Corp. (Amtrak)	22,424	17,890	15,493	21,617	1,376	890	1,511,195	1,414,614	357,824
Norfolk Southern Corp.	30,969	24,660	23,594	29,372	750	290	1,993,552	1,930,419	485,177
Union Pacific Railroad Co.	49,504	40,731	38,384	47,961	451	236	3,545,050	3,343,035	793,447

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

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

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