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RRB Financial Reports

As required by law, the Railroad Retirement Board (RRB) submits annual financial reports to Congress on the financial condition of the railroad retirement and railroad unemployment insurance systems. These reports must include recommendations for any financing changes that may be advisable to ensure the solvency of the systems. In June, the RRB submitted its financial reports on the railroad retirement and railroad unemployment insurance systems.

The following questions and answers summarize the findings of these reports.

1. What were the assets of the railroad retirement and railroad unemployment insurance systems last year?

As of September 30, 2021, total railroad retirement system assets, comprising assets managed by the National Railroad Retirement Investment Trust (NRRIT) and the railroad retirement system accounts at the Treasury, equaled $30.4 billion. The Railroad Retirement and Survivors' Improvement Act of 2001 established the NRRIT to manage and invest railroad retirement assets. The cash balance of the railroad unemployment insurance system was $50.6 million at the end of fiscal year 2021, after reflecting loans from the railroad retirement system totaling $105.4 million in principal plus interest.

2. What methods did the RRB use in forecasting the financial condition of the railroad retirement system?

In the valuation, the RRB projected the various components of income and outgo of the railroad retirement system under optimistic, moderate, and pessimistic employment assumptions for the 25 calendar years 2022-2046 (projection period). The RRB combined the projections of these components and calculated anticipated investment income to project balances in the railroad retirement accounts at the end of each year of the projection period.

3. What did the RRB conclude in the 2022 report of the financial condition of the railroad retirement system?

The RRB concluded in the report 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 25 years under any employment assumption.

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Under the current financing structure, actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary.

4. How do the results of the 2022 report of the financial condition of the railroad retirement system compare with the 2021 report?

The 28th Actuarial Valuation, which served as the 2021 annual report, addressed railroad retirement financing for the 75 calendar years 2020-2094 and indicated that no cash-flow problems occur throughout the 75-year projection period under the optimistic and moderate assumptions; they do occur under the pessimistic assumption, but not until 2055.

In the 2022 annual report, the projections begin with a higher combined account balance than last year's report because of strong investment performance in 2021. The projected combined account balances remain higher over the first 8-12 years using the three employment assumptions. Subsequent years show lower projected combined account balances because of the lower levels of expected railroad employment.

5. Did the RRB recommend any railroad retirement payroll tax rate changes in the 2022 report of the railroad retirement system?

The RRB did not recommend any change in the rate of tax imposed by current law on employers and employees in the report.

6. What methods did the RRB use to evaluate the financial condition of the railroad unemployment insurance system?

The economic and employment assumptions that the RRB used in the unemployment insurance report correspond to those used in the 2022 report of the retirement system. The RRB made projections for various components of income and outgo under optimistic, moderate, and pessimistic employment assumptions for the period 2022-2032.

7. What were the RRB's findings in the 2022 report on the financial condition of the railroad unemployment insurance system?

The RRB's 2022 railroad unemployment insurance financial report was also generally favorable. Even as maximum benefit rates increase 50 percent (from $82 to $123) from 2021 to 2032, the RRB projected that the unemployment insurance system's experience-based contribution rates will respond to fluctuating employment and unemployment levels and, with short-term borrowing, maintain fund solvency. (Under experience-rating provisions, the RRB determines each employer's contribution rate based on changing benefit levels.)

While there were short-term cash flow problems from September 2020 through April 2021 that required loans from the Railroad Retirement Account, full repayment of the loans occurs by the end of fiscal year 2022 under all assumptions. There is the possibility of a short-term loan in fiscal year 2027 under the pessimistic assumption that will be repaid in the same fiscal year.

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Unemployment levels are the single most significant factor affecting the financial status of the railroad unemployment insurance system. However, the system's experience-rating provisions and its surcharge trigger for maintaining a minimum balance help ensure financial stability during periods of adverse economic conditions.

A surcharge of 3.5 percent has been imposed in calendar year 2022. For calendar year 2023, the report predicts a 1.5 percent surcharge, with no surcharge likely for 2024 or 2025 under all assumptions. Surcharges of 1.5 percent will occur intermittently thereafter.

8. Did the RRB recommend any financing changes in the 2022 report on the railroad unemployment insurance system?

The RRB did not recommend any financing changes in the report.

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The RRB's 2022 financial reports on the retirement and unemployment insurance systems are available in their entirety at **RRB.gov** under the **Financial and Reporting** tab (**Financial, Actuarial and Statistical**), as is information on the National Railroad Retirement Investment Trust, including its quarterly and annual reports.