

Actuarial Advisory Committee Virtual Meeting
May 29, 2025, 10:00 a.m. (Central)

Present: Actuarial Advisory Committee members Sherry Chan, Tonya Manning; and Harlan Weller (Chair); Chief Actuary Keith Sartain and Bureau of the Actuary and Research staff Isaiah Forrest, Beth Jabek, Vincent Lui, Pat Pruitt, and Brett Schwab; and IRS actuary Scott Steadman.

The purpose of this meeting, held virtually, was to review the draft of the 2025 Section 502 Report, which will be submitted to the President and the Congress by July 1. The draft was sent to the Actuarial Advisory Committee (AAC) in advance of the meeting.

At the beginning of the meeting, Chief Actuary Keith Sartain mentioned to the AAC members that he had sent them draft minutes of the prior meeting, which took place on April 22, 2025. Recent minutes focus on decisions reached at the meetings because most information is already found in the advance reports to the committee. AAC members were asked to review the meeting minutes and provide any comments so that a final version can be provided to the auditors by the end of June.

Keith pointed out that the format of the Section 502 Report is considerably shorter than the format of the triennial Valuation. This annual report is an update, intended to meet statutory requirements. The report contains 25-year projections, although Section 22 of the Railroad Retirement Act of 1974 only requires an annual report containing a five-year projection.

The report contains a greater amount of discussion about employment assumptions than about any of the other assumptions used for the projections because employment is a primary assumption. As in a triennial valuation, the report provides results for three different employment scenarios, optimistic, moderate, and pessimistic.

The AAC members asked if railroad employment was seasonal. Keith answered that employment generally follows the economy. Typically, there is a little drop-off in employment at the end of the year. Also, weather, such as winter storms, could result in furloughs.

Beneficiary and active employee census data are updated each year for the projections. The AAC members asked if new entrants in the projections are actually new or if some of them are rehires and were told that rehires are not considered new entrants. The AAC suggested mentioning our update to the new entrant profile.

Keith pointed out the expanded footnote to Table 1 of the report that explains the COLA timing, which the AAC members thought was helpful. The long-term assumptions used for the report are the same as those used for the valuation. Keith added a few more details to the text of the report this year, including an explanation of the wage increase assumption. The projections show 2025 as the first year because 2024 reflects what happened that year.

The recently enacted Social Security Fairness Act is mentioned in the report. The increased benefits are paid from the Social Security Equivalent Benefits Account (SSEBA) and will only have an impact on those on the rolls. The effects of the Social Security Fairness Act will phase out gradually from our projections. There is a spike in cash payments during 2025. The AAC suggested adding this amount to the description. The SSEBA pays benefits that are mostly identical to those paid by Social Security. The account is self-funded by the tier 1 taxes collected by the RRB and payments from SSA.

The three Tables II, for the three employment assumptions, show account balances, tier 2 tax rates, Account Benefits Ratios (ABRs), and Average Account Benefits Ratios (AABRs) for the twenty-five year period of the projections. The AABRs determine the tier 2 tax rates. Every year, an analysis of the benefits and asset values is provided to the Board, which sends the analysis to Treasury with the determination of the AABR. Because the AABR is a ten-year average, the tax rate changes slowly. The tier 2 tax rate is projected to remain at 18% for a long time. Figure 2 of the report shows the ABRs, both historical and projected.

The report states that there are no cash flow problems for the twenty-five years of the projections. In the past, there have sometimes been cash flow problems under the pessimistic assumption.

The recommendations at the end of the Section 502 Report are meant to satisfy statutory requirements. We must make sure that the program stays solvent. It is unusual for the Railroad Retirement Account to make loans to the Railroad Unemployment Insurance Account (RUIA), although this happened a few years ago, and the loans were fully repaid. Last year, the RUIA was actually overfunded, which is very rare.

Keith told the AAC members that he would send them a revised report with the changes that were suggested at the meeting. The next AAC meeting will probably be held in early 2026 to discuss retired lives assumptions to be used for the 30th Actuarial Valuation.

The meeting adjourned at 11:06 a.m.