The Office of Inspector General's Report on the Railroad Retirement Board's Financial Statements begins on page 89 of the RRB's Fiscal Year 2026 Performance and Accountability Report.

RAILROAD RETIREMENT BOARD

PERFORMANCE AND ACCOUNTABILITY REPORT

FISCAL YEAR 2026

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Railroad Retirement Board
Performance and Accountability Report
Fiscal Year 2026

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RRB's fiscal year 2026 Performance and Accountability Report is available online at: www.RRB.gov

MESSAGE FROM THE BOARD MEMBERS

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Message from the Board Members

Through this fiscal year 2026 Performance and Accountability Report (PAR), the Railroad Retirement Board (RRB) provides performance and financial information related to our mission of administering the retirement, disability, and survivor benefit programs provided under the Railroad Retirement Act (RRA) and the unemployment and sickness insurance benefit programs provided under the Railroad Unemployment Insurance Act (RUIA). This report provides timely and useful performance and financial information to RRB managers, the Office of Management and Budget (OMB), Congress, and our constituents. Again, the RRB has earned an unmodified (clean) audit opinion on its fiscal year consolidated financial statements. We are proud of the agency's dedicated employees whose efforts are reflected in this report.

Additionally, while we have again received, of the three opinion levels (i.e., unmodified, adverse, and disclaimer) for the audit of Internal Controls over Financial Reporting (ICOFR), an adverse opinion for fiscal year 2026, we have made enhancements in our internal controls over financial reporting. Notably, the RRB reduced the two material weaknesses as reported in fiscal year 2025 to one. The remaining material weakness relates to ineffective information technology controls over financial reporting and is the basis for the adverse opinion on the RRB's ICOFR. To effectively resolve this remaining material weakness, which is tied to the agency's Federal Information Security Modernization Act (FISMA) results, the RRB needs sustained sufficient funding to obtain necessary staffing and contractor resources. However, this matter did not affect the completeness or reliability of the financial data contained herein as the auditors rendered an unmodified opinion on the RRB's consolidated financial statements for fiscal year 2026 and 2025. The RRB will continue to make progress towards resolving the remaining material weakness as agency resources allow.

Considering the matter referenced above, we believe that the performance and financial data in this report are reasonably complete and reliable in accordance with OMB guidance. Though challenged by a stagnant budget again for fiscal year 2026 and an unfunded cost of living adjustment of 1%, we were prudent stewards over the agency's Trust funds and remained committed to serving the railroad employers, railroad employees, and the beneficiaries to the best of our ability. Looking ahead, we continue to focus on strengthening our operations and internal controls to ensure continued progress and accountability.

Original Signed By:

Erhard R. Chorlé, Chairman

John Bragg, Labor Member

Thomas Jayne, Management Member

November 16, 2026

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MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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Management's Discussion and Analysis **(Unaudited)**

Overview of the Railroad Retirement Board

Mission

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

> *The RRB's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code. In carrying out its mission, the RRB will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.*

Who We Are

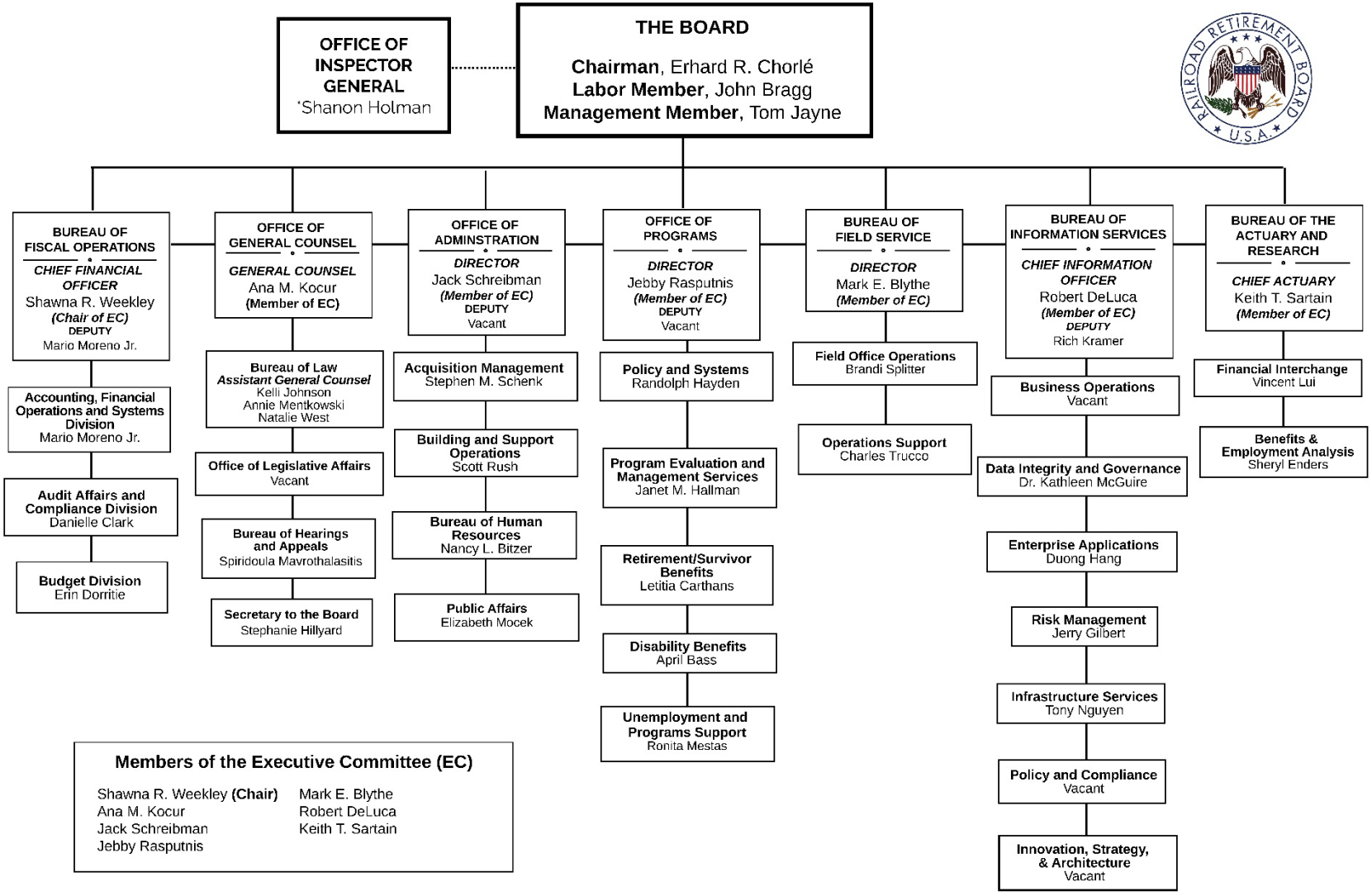
The RRB is the U.S. Government's sole agency responsible for administering benefit programs under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). The RRB accomplishes its mission through a variety of programs working together to protect the railroad retirement benefit system.

What We Do

The primary function of the RRB is the determination and payment of benefits under the railroad retirement and survivor and the unemployment and sickness insurance programs. To this end, the RRB employs field representatives to assist railroad personnel and their families in filing claims for benefits, examiners to adjudicate the claims, and information technology staff to ensure equipment and programs maintain earnings records, calculate benefits, and process payments. The RRB also employs actuaries to predict the income and outlays of the agency's trust funds and accounts, statisticians and economists to provide vital data, and attorneys to interpret legislation and represent the RRB in litigation. Internal administration requires procurement staff, budget and accounting staff, quality assurance staff, and personnel specialists. The Inspector General employs auditors and investigators to detect waste, fraud, or abuse in the benefit programs.

Organizational Structure

The RRB is headed by three Board Members appointed by the President of the United States, with the advice and consent of the Senate. The RRB is headquartered in Chicago, Illinois and is comprised of seven main Bureaus and Offices as shown on page 8. Additionally, the RRB's field structure is comprised of 53 field office located throughout the United States. For more information on RRB's organization structure or field offices, refer to RRB's Organization Website or RRB's field office Website.


OFFICE OF INSPECTOR GENERAL
*Shanon Holman
THE BOARD
Chairman, Erhard R. Chorlé
Labor Member, John Bragg
Management Member, Tom Jayne
BUREAU OF FISCAL OPERATIONS
CHIEF FINANCIAL OFFICER
Shawna R. Weekley
(Chair of EC)
DEPUTY
Mario Moreno Jr.
Accounting, Financial Operations and Systems Division
Mario Moreno Jr.
Audit Affairs and Compliance Division
Danielle Clark
Budget Division
Erin Dorritie
OFFICE OF GENERAL COUNSEL
GENERAL COUNSEL
Ana M. Kocur
(Member of EC)
Bureau of Law
Assistant General Counsel
Kelli Johnson
Annie Mentkowski
Natalie West
Office of Legislative Affairs
Vacant
Bureau of Hearings and Appeals
Spiridoula Mavrothalasitis
Secretary to the Board
Stephanie Hillyard
OFFICE OF ADMINSTRATION
DIRECTOR
Jack Schreibman
(Member of EC)
DEPUTY
Vacant
Acquisition Management
Stephen M. Schenk
Building and Support Operations
Scott Rush
Bureau of Human Resources
Nancy L. Bitzer
Public Affairs
Elizabeth Mocek
OFFICE OF PROGRAMS
DIRECTOR
Jebby Rasputnis
(Member of EC)
DEPUTY
Vacant
Policy and Systems
Randolph Hayden
Program Evaluation and Management Services
Janet M. Hallman
Retirement/Survivor Benefits
Letitia Carthans
Disability Benefits
April Bass
Unemployment and Programs Support
Ronita Mestas
BUREAU OF FIELD SERVICE
DIRECTOR
Mark E. Blythe
(Member of EC)
Field Office Operations
Brandi Splitter
Operations Support
Charles Trucco
BUREAU OF INFORMATION SERVICES
CHIEF INFORMATION OFFICER
Robert DeLuca
(Member of EC)
DEPUTY
Rich Kramer
Business Operations
Vacant
Data Integrity and Governance
Dr. Kathleen McGuire
Enterprise Applications
Duong Hang
Risk Management
Jerry Gilbert
Infrastructure Services
Tony Nguyen
Policy and Compliance
Vacant
Innovation, Strategy, & Architecture
Vacant
BUREAU OF THE ACTUARY AND RESEARCH
CHIEF ACTUARY
Keith T. Sartain
(Member of EC)
Financial Interchange
Vincent Lui
Benefits & Employment Analysis
Sheryl Enders
Members of the Executive Committee (EC)
Shawna R. Weekley (Chair)
Ana M. Kocur
Jack Schreibman
Jebby Rasputnis
Mark E. Blythe
Robert DeLuca
Keith T. Sartain
The Inspector General reports administratively to the Chairman
*Indicates temporary or acting capacity
September 2026

KEY PERFORMANCE RESULTS AND COST OF OPERATIONS

Key Performance Results

During fiscal year 2026 (ended September 30, 2026), benefit payments totaled $14.7 billion, net of recoveries and offsetting collections. Of this amount, benefit payments for the railroad retirement and survivor benefits program totaled $14.6 billion, for the railroad unemployment and sickness insurance benefits program totaled $105.6 million, for the Coronavirus Aid, Relief, and Economic Security Act of 2020 (CARES) Act programs totaled recoveries of $2.0 million, and vested dual benefits program totaled $4.0 million, net of recoveries and offsetting collections. During fiscal year 2026, the RRB also paid benefits on behalf of SSA (for which the RRB is reimbursed) amounting to $2.9 billion to about 131,000 beneficiaries.

In fiscal year 2026, the RRB continued to focus its efforts on providing excellent customer service to current and former railroad workers and their family members. Our regular workloads in fiscal year 2026 included:

- Providing payments to about 466,000 retirement and survivor beneficiaries.
- Providing payments to about 6,800 unemployment insurance beneficiaries.
- Providing payments to about 11,800 sickness insurance beneficiaries.
- Providing payments to about 1,900 vested dual benefit beneficiaries.
- Processing 11,835 retirement, survivor, and disability applications for benefits (through April 30, 2026).
- Processing 67,628 applications and claims for unemployment and sickness insurance benefits (through April 30, 2026).
- Issuing 220,941 certificates of employee railroad service and compensation (mailed on 06/16/2026).

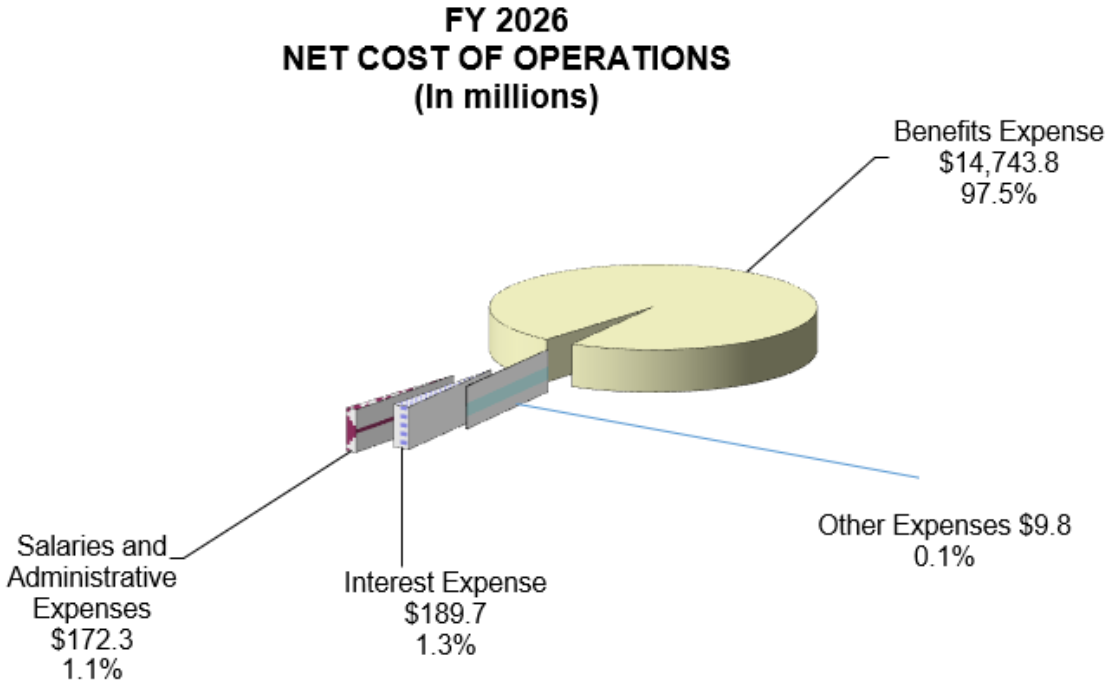
During fiscal year 2026, the RRB used 33 specific program performance objectives, including several with multiple indicators, to manage and track progress in meeting its long-term strategic plan goals. These objectives were accomplished with a direct appropriation of $127,000,000. (A breakdown of administrative expenses by strategic goal is not available at the time of this report.) Agency performance with respect to the key performance indicators is covered in the following Performance Section. For most performance measures, actual full-year performance results for fiscal year 2026 were not available at the time this report was published. For those objectives, we reported part-year performance information for fiscal year 2026, if available. We also reported actual results from prior years, as applicable.

Net Cost of Operations

The net cost of operations for fiscal years 2026 and 2025 was $15,087.5 million and $15,055.4 million, respectively. The details of the net cost of operations by type, amount, increase or decrease, and percentage change from fiscal year 2025 to fiscal year 2026 are shown below. Additional information regarding the net cost of operations and financing sources for fiscal years 2026 and 2025 is discussed in the Trends in Financial Position Section.

NET COST OF OPERATIONS
(In millions)

	FY2026	FY2025	Amount of Increase (Decrease)	Percent of Increase (Decrease)
Interest expense – Treasury borrowing	$189.7	$185.9	3.8	2.0%
Salaries and expenses	172.3	188.7	(16.4)	(8.7) %
Benefits expense	14,743.8	14,708.3	35.5	0.2%
Other expenses	9.8	0.8	9.0	1,125.0%
Subtotal	**$15,115.6**	**$15,083.7**	**$31.9**	**0.2%**
Less: Earned revenues	(28.1)	(28.3)	0.2	(0.7) %
Net cost of operations	**$15,087.5**	**$15,055.4**	**$32.1**	**0.2%**



Totals $15.1 million, excluding reimbursements, and earned revenues of (28.1) million

Management Assurances

As of September 30, 2026, the Railroad Retirement Board states and assures that, to the best of our knowledge:

1 The Railroad Retirement Board (RRB) management is responsible for managing risks and maintaining effective internal controls to meet the objectives of Sections 2 and 4 of the Federal Managers' Financial Integrity Act (FMFIA). The RRB conducted its assessment of risk and internal controls in accordance with OMB Circular No. A-123, *Management's Responsibility for Internal Control*. Based on the results of the assessment, the agency can provide reasonable assurance that the internal controls within our authority were operating effectively over operations, reporting, external reporting, and compliance as of September 30, 2026.

2. The RRB's Office of Inspector General (OIG) conducted an independent audit of the agency's FY 2026 consolidated financial statements. Based on the results of this audit, the agency has reasonable assurance that its financial statements present fairly, in all material respects, the financial position of the RRB as of September 30, 2026 and 2025, and its net cost, changes in net position, and combines budgetary resources for the year then ended in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

3. Additionally, as part of the FY 2026 financial statement audit, the OIG conducted an independent audit of the agency's FY 2026 sustainability financial statements. Based on the results of this audit, the agency has reasonable assurance that its sustainability financial statements present fairly, in all material respects, the RRB's social insurance information as of October 1, 2025, October 1, 2024, October 1, 2023, October 1, 2022, and October 1, 2021, and its changes in social insurance amounts for the two year period ended September 30, 2025, in accordance with U.S. GAAP.

4. Lastly, as part of the FY 2026 financial statement audit, the OIG assessed the effectiveness of the RRB's internal controls over financial reporting as of September 30, 2026. Based on this assessment, the OIG identified one material weakness due to ineffective information technology controls over financial reporting.

5. In accordance with the *Federal Information Security Modernization Act of 2014* (FISMA), this agency has established an Information Security Program and implemented controls to support the Cybersecurity framework; however, additional work is needed to achieve a rating of effective. This agency's financial management system is managed under contract and is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service and is discussed in detail in the Financial Management Systems Strategy Section. As a result, the agency's FISMA overall maturity level does not directly impact its financial management system.

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

7. The financial management systems of this agency provide reliable, timely, complete, and consistent performance and other financial information, which enables the agency to make decisions, efficiently operate and evaluate programs, and substantially satisfy the requirements of the *Government Performance and Results Act of 1993* and OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget*.

8. In accordance with Office of Management and Budget (OMB), M-18-16, Appendix A to OMB Circular No. A-123, *Management of Reporting and Data Integrity Risk*, we can provide reasonable assurance that the Data Quality Plan and its associated internal controls substantially support the reliability and validity of this agency's account-level and award-level data reported for display on USASpending.gov in compliance with the *Digital Accountability and Transparency Act of 2014* (DATA Act).

Original Signed By:

Erhard R. Chorlé, Chairman

John Bragg, Labor Member

Thomas Jayne, Management Member

SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Federal Information Security Modernization Act

During fiscal year 2026, the RRB continued to improve its security posture for the agency. In fiscal year 2026, the RRB's cloud environments in the IBM zCloud, and Microsoft's (MS) Azure and M365 clouds, and the RRB general support system and major applications continue to maintain their full Authorities to Operate (ATOs) based on NIST 800-53 revision 5 security control assessments. Managing of the federally directed zero trust architecture strategy continued in fiscal year 2026, with the RRB managing many controls using tools and services available in MS Azure and M365 cloud environments. These actions directly and strongly impacted our ability to improve the overall risk management posture for the agency. As the RRB continues to develop and implement its IT modernization initiatives, we will proactively address the remaining findings and recommendations to improve the agency's security posture and to sustain at acceptable levels. The RRB continues to refine its roadmap to successfully implement a full Zero-Trust architecture as well as maximize its performance against the measured FISMA controls as it continues to modernize its enterprise. The RRB will continue to make incremental steps to reach the overall maturity goal of Level 4 – Managed and Measurable.

Financial Management Systems Strategy

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

The RRB's financial management system is a comprehensive proprietary software application from CGI Federal – Momentum Enterprise Solution – that resides on a cloud hosting service. The RRB's system is referred to as the Financial Management Integrated System (FMIS). Momentum meets the core financial system requirements set by the Financial Systems Integration Office (FSIO) and is Federal Enterprise Architecture compliant. The hosting service is also provided by CGI Federal which is a commercial shared service provider for financial system services. Its cloud system has achieved compliance with the General Services Administration's (GSA) FedRAMP security requirements and is an authorized cloud service provider. As such, FMIS is separate and distinct from the RRB's internally managed Agency Enterprise General Information Systems (AEGIS), Benefit Payment Operations (BPO) and Financial Interchange (FI) system.

FMIS supports the RRB's budget formulation and execution, general ledger and trust fund accounting, procurement, contract management, fixed assets, accounts payable and both administrative and program accounts receivable requirements. FMIS was migrated from its Phoenix Data Center hosting environment to AWS cloud environment in March 2024.

The RRB currently utilizes both commercial and Federal shared service providers for other E-Government functions, including payroll (GSA), travel (CWTSatoTravel) and employee relocation services (Bureau of the Fiscal Service). The RRB's human resources shared service provider is IBM (i.e. GSA, the RRB's previous provider, transitioned the functions to IBM in FY 2019). The payroll and travel functions are integrated with FMIS through electronic interfaces.

TRENDS IN FINANCIAL POSITION

The RRB received an Unmodified Opinion on the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position, and the Statement of Budgetary Resources, and related notes for the year ended September 30, 2026.

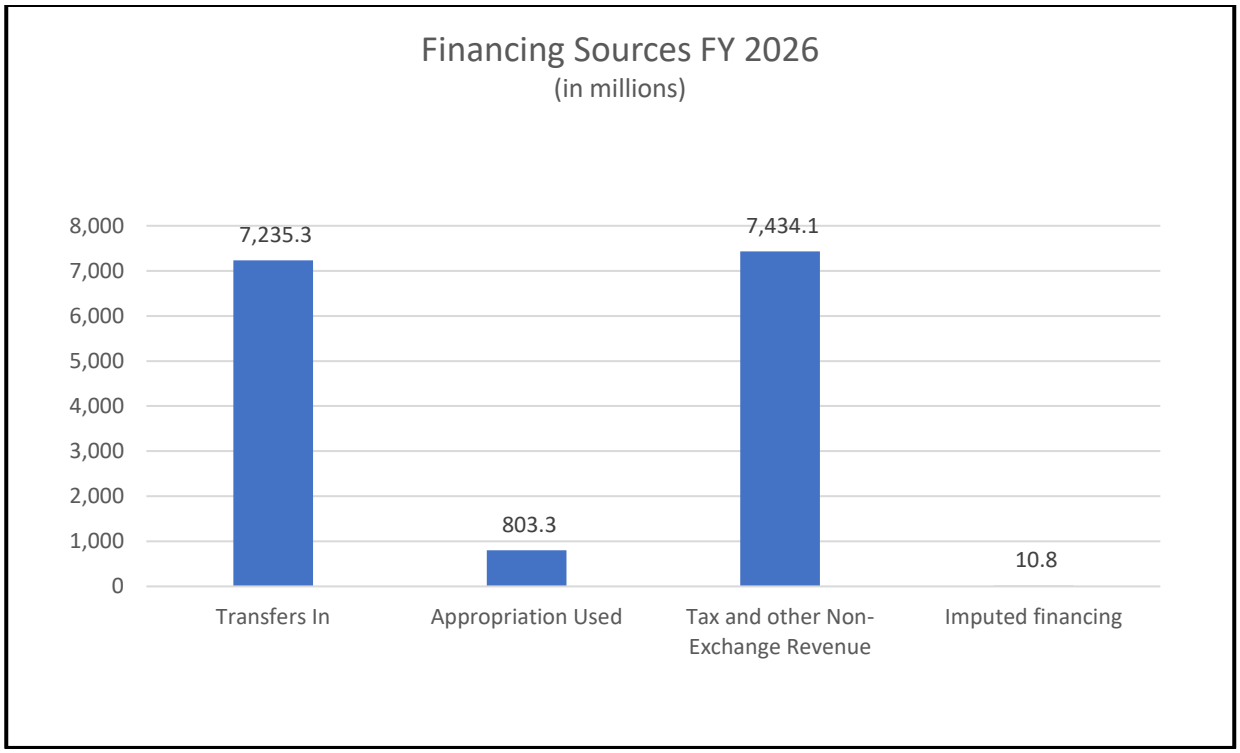
There were no significant changes in trends in financial position for fiscal year 2026. The FY 2026 results for the RRB's Balance Sheet, Statement of Changes in Net Position, Statement of Net cost, and Statement on Budget Resources were within expectations and reasonable variances year over year.

The Balance Sheet displays the total assets, representing the value of what the RRB owns and manages, and total Liabilities, representing amounts the RRB owes from past transactions or events. The remainder of the Balance Sheet displays the RRB's net position, representing the equity retained by the RRB.

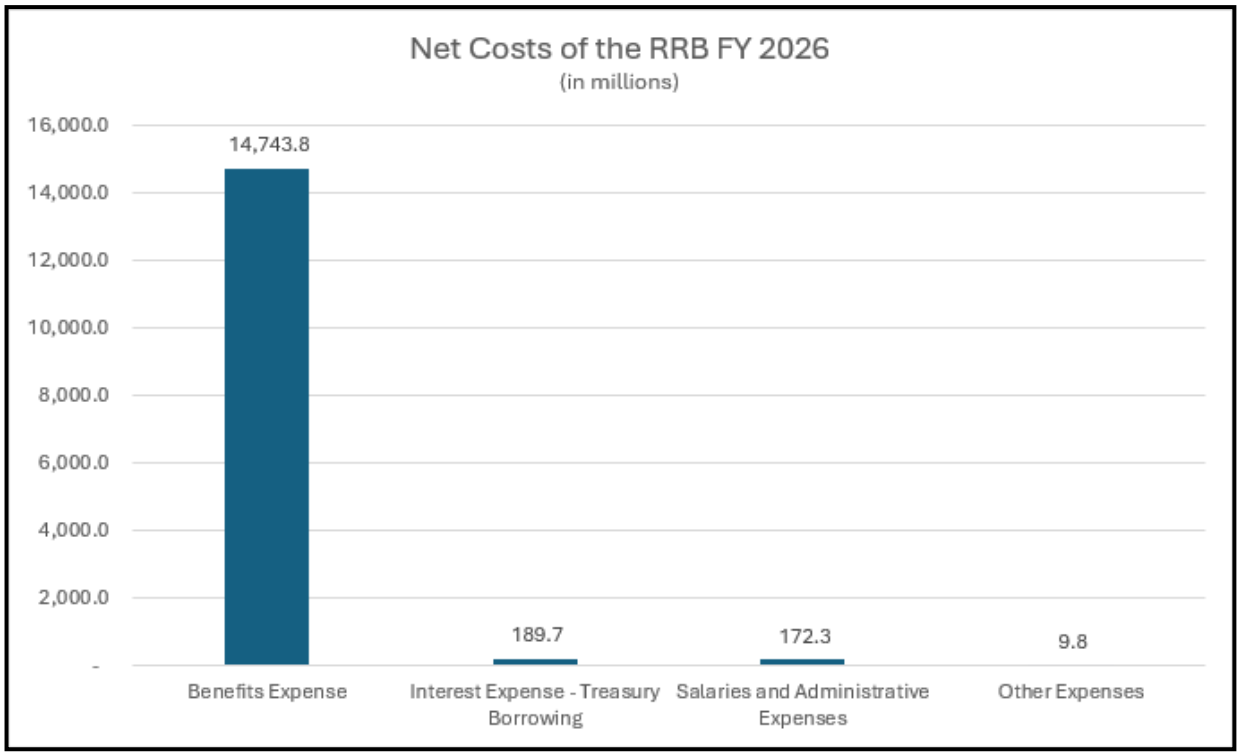
Financial Positions and Summary
(in thousands)

	2026
Fund Balance with Treasury	387,509
Investments, Net	2,167,043
Accounts Receivable, Net	6,452,333
Other Assets	6,949
Total Assets	**9,013,834**
Accounts Payable	756,382
Debt	4,782,525
Benefits Due and Payable	1,294,961
Other Liabilities	83,481
Total Liabilities	**6,917,349**
Net Position	**2,096,485**
Total Liabilities and Net Position	**9,013,834**

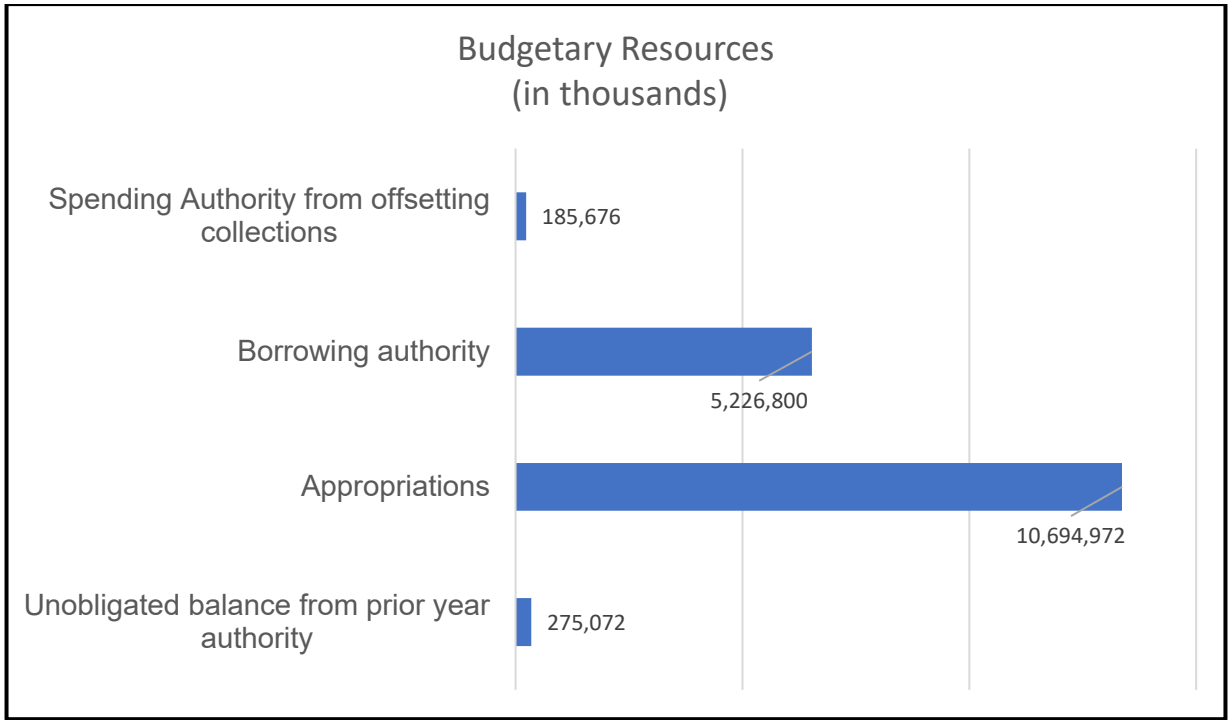
The Statement of Changes in Net Position displays the activities affecting the difference between the beginning net position and ending net position, as shown on the RRB's Balance Sheet. Net Position is the difference between assets and liabilities. Changes in assets are shown by identifying where the RRB obtains the money from, known as financing sources.



The Statement of Net Cost represents how the RRB spent the money. The major budget functions where the RRB spent the money are on benefit payments for the Railroad Retirement Act and the Railroad Unemployment Insurance Act. In fiscal year 2026, the RRB spent $14.7 billion on benefit expenses compared to $172 million on administrative and operating expenses.



The Combining Statements of Budgetary Resources displays the budgetary resources available to the RRB throughout FY 2026, and the status of those resources. The primary components of the RRB's resources, totaling approximately $15.9 million, are appropriations from Congress and through borrowing authority from the U.S. Treasury in support of the annual Financial Interchange.



TRENDS IN FINANCIAL CONDITION

Railroad Retirement System Assets

Total assets supporting the Railroad Retirement Program in fiscal year 2026, were $39.3 billion. Of this amount, in fiscal year 2026 $9.0 billion were held by the RRB and $30.3 billion were held by the NRRIT.

Since the NRRIT is classified as a standalone significant entity for purposes of the annual Financial Report of the United States Government, the assets held by the NRRIT are consolidated at the government-wide level.

Railroad Retirement Account

On September 30, 2026, the book value of the RR Account investments, including accrued interest, totaled $1,048.4 million. The balance on September 30, 2026, consisted of $1,046.5 million in 4.500 percent par value specials (with market value equal to face value) maturing on October 1, 2026, and $1.9 million in accrued interest.

Social Security Equivalent Benefit Account

On September 30, 2026, the book value of the SSEB Account investments, including accrued interest, totaled $1,118.6 million. The balance on September 30, 2026, consisted of $1,116.0 million in 4.500 percent par value specials maturing on October 1, 2026, and $2.6 million in accrued interest.

National Railroad Retirement Investment Trust

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

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

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

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

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

While transfers from the NRRIT are a financing source received in the Railroad Retirement Act account, since the NRRIT is classified as a standalone significant entity for purposes of the annual Financial Report of the United States Government, the assets held by the NRRIT are not consolidated in the RRB's component entity financial statements but are instead consolidated at the government-wide level.

Social Insurance and Key Measures

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

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

The net present value (NPV) of estimated future expenditures less estimated future revenue (net expenditures) for all participants over the next 75 years (open group) changed from $27.5 billion as of September 30, 2024, to $28.7 billion as of September 30, 2025, a net change in the open group measure of $1.2 billion, when rounded. Note that the Social Insurance information in the Table of Key Measures shows future expenditures less future revenue, while the Statement of Social Insurance shows future revenue less future expenditures. This change in presentation in the Table of Key Measures is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts.

As can be seen on the Statement of Changes in Social Insurance Amounts, the change in the valuation period (from fiscal years 2025-2099 to fiscal years 2026-2100) resulted in a change of ($0.4) billion in the open group measure. There were no changes in the demographic assumptions, but there were updates to projected levels of railroad employment and demographic data. Changes in demographic data, assumptions, and methods resulted in no change in the open group measure. Select assumptions for the Cost-of-Living Adjustment (COLA), wage increase, and investment return were updated, as described in the notes to the Statement of Changes in Social Insurance Amounts found in **17. Social Insurance**. A change in the open group measure of $1.6 billion is due to changes in economic data, assumptions, and methods. This year there were no changes in methodology or in law or policy other than the signing into law of the One Big Beautiful Bill (OBBB), which resulted in a change of $0.1 billion.

Regarding the Statement of Social Insurance amounts, Standard #37 says that we should provide a statement such as the following:

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

TABLE OF KEY MEASURES				
Dollars in Millions	**As reported in FY 2026**	**As reported in FY 2025**	**Increase $**	**(Decrease) %**
Gross Program Costs	$15,115.6	$15,083.7	$31.9	0.2%
Less: Earned Revenue	(28.1)	(28.3)	0.2	-0.7%
Net Cost of Operations	**$15,087.5**	**$15,055.4**	**$32.1**	**0.2%**
Assets				
Fund Balance with Treasury	$387.5	$329.2	$58.3	17.7%
Investments, Net	2,167.0	2,087.6	79.4	3.8%
Property, Plant, & Equipment, Net	5.4	5.0	0.4	8.0%
Other	6,453.9	6,284.6	169.3	2.7%
Total Assets	**$9,013.8**	**$8,706.4**	**$307.4**	**3.5%**
Liabilities				
Accounts Payable	756.3	767.2	(10.9)	-1.4%
Pension, Post-Employment, [& Veterans] Benefits Payable	10.9	10.0	0.9	9.0%
Other	6,150.1	6,277.2	(127.1)	-2.0%
Total Liabilities	**$6,917.3**	**$7,054.4**	**($137.1)**	**-1.9%**
Net Position (Assets minus Liabilities)	**$2,096.5**	**$1,652.0**	**$444.5**	**26.9%**

Dollars in Billions	**10/1/2025**	**10/1/2024**	**Increase $**	**(Decrease) %**
SOCIAL INSURANCE				
SOCIAL INSURANCE[3] Social Insurance Net Expenditures (Open Group)	$28.7	$27.5	$1.2	4.4%

[3] Source: Statement of Social Insurance (SOSI). Amounts reflect estimated present value of projected revenue and expenditures for scheduled benefits over the next 75 years. The SOSI shows future revenue, less future expenditures, while the Key Measure above shows future expenditures less future revenue. This change in presentation is done to eliminate any ambiguity in the interpretation of percentage changes in negative amounts. Included in Net Expenditures is the Asset Experience Gain/(Loss) for the period 10/1-12/31 following. Note that detail may not add to total due to rounding.

Required Supplementary Information (Summary of Actuarial Forecast)

The Statement of Social Insurance (SOSI) presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2025, under our intermediate employment assumption. The Required Supplementary Information presents sensitivity analyses showing the impact of changes in employment and investment return assumptions. Under our intermediate employment assumption, as well as the optimistic and pessimistic employment assumptions, no cash flow problems arise during fiscal years 2026-2100. However, the sensitivity analyses show that, under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether any corrective action is necessary. Extremely poor experience may still make the system unable to pay benefits in all future years.

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 requires the RRB to submit an annual report to Congress on the financial status of the railroad unemployment insurance system. Projections were made for the various components of income and outgo under each of three employment assumptions for the 11 fiscal years 2026-2036. The results indicate that experience-based contribution rates will respond to fluctuating employment and unemployment levels and, potentially with short-term borrowing, will maintain the solvency of the Railroad Unemployment Insurance Account (RUIA).

Under each assumption, the Account balance is expected to be above the indexed $100 million surcharge thresholds in June 2026 but below the indexed $250 million threshold, resulting in no surcharge or pooled credit for calendar year 2027. For calendar years 2028 and 2029, surcharges of 1.5 percent are expected under the optimistic and intermediate assumptions, with the possibility of a 2.5 percent surcharge under the pessimistic assumption. Surcharges of 1.5 percent will occur intermittently thereafter. The highest average contribution rate in the 11-year projection period is under the pessimistic assumption, where it rises to 7.22 percent for calendar year 2030. This high is below the 12 percent maximum rate allowable. The pessimistic assumption shows the possibility of loans in fiscal year 2029 that will be repaid in fiscal year 2030. No pooled credit is expected in the projection period even under the optimistic assumption. Administrative expenses are assumed to be above current levels in every fiscal year.

Limitations of the Financial Statements

The limitations of the principal financial statements are as follows:

The principal financial statements are prepared to report the financial position and results of operations of the reporting entity, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from the books and records of the entity in accordance with Federal Generally Accepted Accounting Principles and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same books and records. The financial statements should be read with the realization that they are for a component of the U.S. Government.

PERFORMANCE SECTION
(Unaudited)

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PERFORMANCE SECTION (Unaudited)

Government Performance and Results Act Report

The following performance report is based on the major goals and objectives for fiscal year 2026 from the RRB's Annual Performance Plan. The indicators we developed support our mission and communicate our intentions to meet challenges and seek opportunities for greater efficiency, effectiveness and economy.

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

The following is a consolidated presentation of our actual performance for fiscal year 2026 through March 31, 2026 (except as noted), followed by a discussion of our unmet performance goals and objectives for fiscal year 2025. At the time this report was prepared, actual fiscal year end 2026 information was unavailable. Unmet fiscal year 2026 goals and indicators as of September 30, 2026, will be presented in next year's report.

Railroad Retirement Board Fiscal Year 2026 Performance Plan	**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $128.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
STRATEGIC GOAL I: Provide Excellent Direct Citizen Services.					
Strategic Objective: Pay benefits timely. Goal leader for objectives I-A-1 through I-A-5; I-A-7 and I-A-8: Jebby Rasputnis, Director of Programs Goal leader for objective I-A-6: Mark Blythe, Director of Field Service Goal leader for objective I-A-9: Spiridoula Mavrothalasitis, Director of Hearings and Appeals					
I-A-1. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 35 days of the annuity beginning date, if advanced filed. (Measure: % ≤ 35 days).	96.4%	98.0%	98.6%	94.0%	98.5%
I-A-2. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 60 days of the date the application was filed. (Measure: % ≤ 60 days).	96.4%	98.3%	99.1%	94.0%	98.8%

Railroad Retirement Board Fiscal Year 2026 Performance Plan	**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $128.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
I-A-3. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor not already receiving a benefit within 60 days of the annuity beginning date, or date filed (whichever is later). (Measure: % ≤ 60 days).	96.6%	97.8%	97.4%	94.0%	96.9%
I-A-4. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor already receiving the benefits as a spouse within 30 days of the RRB's receipt of first notice of the employee's death. (Measure prior to fiscal year 2024: % < 30 days. Measure fiscal year 2024 and later: % ≤ 35 days).	96.8%	99.4%	98.8%	94.0%	97.7%
I-A-5. RRB makes a decision to pay or deny a lump sum death benefit within 60 days of the date the application was filed. (Measure: % ≤ 60 days).	99.2%	99.4%	97.6%	95.0%	95.1%
I-A-6. RRB certifies a payment or releases a letter of denial of UI or SI benefits within 10 days of the date RRB receives the claim. (Measure: % ≤ 10 days).	99.9%	99.9%	99.9%	98.5%	99.9%
I-A-7. RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days).	8.0%	10.3%	11.6%	10.0%	10.9%
I-A-8. RRB makes a payment to a disabled applicant within 25 days of the date of decision or earliest payment date, whichever is later. (Measure: % < 25 days).	92.6%	92.8%	96.0%	91.0%	90.8%
I-A-9. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Measure: Average elapsed days).	204	303	329	275	416

Railroad Retirement Board Fiscal Year 2026 Performance Plan		**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $128.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
STRATEGIC GOAL I: Provide Effective and Efficient Service Delivery Options. Goal leader for objectives: I-B-1 and I-B-2: Jebby Rasputnis, Director of Programs Goal leader for objectives: I-B-3 and I-B-4: Robert De Luca, Chief Information Officer						
I-B-1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media).		19 Services available	20 Services available	20 Services available	20 Services available	22 Services available
I-B-2. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measures: Percentage of employers who use electronic media to file reports; number of services available through electronic media).	a) Employers using ERS	96.0%	99.6%	99.1%	99.1%	99.5%
	b) Internet Services	31 Internet Services available	31 Internet Services available	31 Internet Services available	31 Internet Services available	31 Internet Services available
I-B-3. Complete the Technology Modernization Fund Citizen Centric On-Line Self-Services (CCOSS) project to add new self-service options (i.e., change of address, change of deposit, fully automated sickness application process).		New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	100% - Change of address for RRA. 100% - Direct deposit for RRA. Strategic direction change to no longer include the fully automated sickness application process for this project.	50% - Change of address for RRA. 50% - Direct deposit for RRA.
I-B-4. Deliver – Meet Customer Expectations. WWW.RRB.GOV Internet Services (Mainline and Employer Reporting System) Continuous availability experienced by End users.	a) Continuous availability target	99.0%	99.7%	99.7%	99.0%	99.7%
	b) Average hours of outage allowed per month	7.00 hours	4.08 hours	1.75 hours	< 7 hours	1.75 hours

Railroad Retirement Board Fiscal Year 2026 Performance Plan		**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $128.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
STRATEGIC GOAL II: Exercise Prudent Stewardship and Fiscal Responsibility to Protect the Railroad Retirement Trust Fund System Against Fraud, Waste, and Abuse.						
Strategic Objective: Effectively Manage the Railroad Retirement System Trust Funds. Goal leader: Shawna R. Weekley, Chief Financial Officer						
II-A-1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs, and a variety of other collection efforts. (Measure: Total overpayments recovered in the fiscal year / total overpayments established in the fiscal year).		88.53%	88.27%	90.10%	85.00%	84.56%
Strategic Objective: Ensure the Accuracy and Integrity of Benefit Programs. Goal leader II-B-1(a)(b) and II-B-3 through II-B-9: Jebby Rasputnis, Director of Programs Goal leader II-B-2(a): Mark Blythe, Director of Field Service Goal leader II-B-2(b): Jebby Rasputnis, Director of Programs						
II-B-1. Achieve a railroad retirement benefit payment accuracy rate of at least 99%.[7/] (Measure: Percent accuracy rate).	a) Initial payments	99.95%	99.92%	99.94%	99.00%	99.09%
	b) Sample post recurring payments	2023 Post Study Suspense	98.08%	99.78%	97.00%	99.97%
II-B-2. Achieve a railroad unemployment / sickness insurance benefit payment accuracy rate of at least 99%.[7/] (Measure: Percent accuracy rate).	a) Unemployment	96.82%	99.10%[8/]	97.70%[9/]	93.00%	96.67%
	b) Sickness	100.00%	97.21%[8/]	100.00%[9/]	95.00%	100.00%
II-B-3. Overall Initial Disability Determination Accuracy. (Measure: % of Case Accuracy).		93.1%	91.7%	95.8%	90.0%	Not Available
II-B-4. Maintain the level of Railroad Retirement Act (RRA) improper payments below the OMB threshold. (Measure: Below 1.5%).		N/A[10/]	N/A[10/]	N/A[10/]	N/A[10/]	N/A[10/]
II-B-5. Continue effective program integrity efforts. Achieve a return of at least $3.60 for each dollar spent on program integrity activities and continue effective program integrity efforts. (Measure: Recoverables and savings per dollar spent).		$8.62: $1.00	$6.68: $1.00	$6.12: $1.00	$5.00: $1.00	Not Available

Railroad Retirement Board Fiscal Year 2026 Performance Plan	**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $128.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
II-B-6. Reduce the pending level of total retirement case general referrals by at least 10%. (Measure: Pending level on last day of prior fiscal year as compared to last day of measured fiscal year).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	5.0%	Not Available
II-B-7. Reduce the pending level of Social Security retirement referrals by at least 10%. (Measure: Pending level on last day of prior fiscal year as compared to last day of measured fiscal year).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	5.0%	Not Available
II-B-8. Reduce the pending level of cases referred out of retirement mass adjustments (COLA and RESCUE cases) by at least 10%. (Measure: Pending level on last day of prior fiscal year as compared to last day of measured fiscal year).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	5.0%	Not Available
II-B-9. Reduce the pending level of total survivor case referrals by at least 25%. (Measure: Pending level on last day of prior fiscal year as compared to last day of measured fiscal year).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	15.0%	Not Available
Strategic Objective: Implement the Federal Merit Hiring Plan. Goal leader: Jack Schreibman, Director Office of Administration					
II-C-1. Track progress towards reporting and recruitment based on merit, skill, and constitutional dedication to better serve railroad workers and their families. (Measure: Percent complete).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	66%	50%
Strategic Objective: Effectively Carry Out Responsibilities with Respect to the NRRIT. Goal leader: Ana M. Kocur, General Counsel					
II-D-1. Timely review information reported by the National Railroad Retirement Investment Trust to carry out RRB's oversight responsibility under section 15(j)(5)(F) of the Railroad Retirement Act. Reports are to be reviewed within 30 days of receipt. (Measure: Yes/No).	Yes	Yes	Yes	Yes	Yes

Railroad Retirement Board Fiscal Year 2026 Performance Plan	**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $126.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
Strategic Objective: Rightsizing the Agency's Real Estate Footprint. Goal leader: Jack Schreibman, Director Office of Administration and Mark Blythe, Director of Field Service					
II-E-1. Provide timely responses to GSA regarding spacing needs for the RRB's HQ, OLA, and field offices, to facilitate continuity of citizen services and cost-effective space utilization across all locations. (Measure: Yes/No).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Yes	Yes
STRATEGIC GOAL III: Effectively Manage Existing Information Systems and Implement Technological Solutions to Enable Efficient Operations and High-Quality Sustainable Service Delivery.					
Strategic Objective: Effectively Manage the RRB's Hybrid IT Environment. Goal leader: Robert De Luca, Chief Information Officer					
III-A-1. Deliver – Deliver on Budget. Percent of IT Projects costs within 10% of budgeted cost.	100.0%	100.0%	100.0%	85.0%	Not Available
III-A-2. Plan finalized to manage the RRB's legacy IT environment that considers both operational risks and funding limitations to enable prioritized resource allocation to sustain core operations. After plan approval, the RRB will track its progress toward the milestones, key projects and risk mitigation measures set forth in the plan. (Measure: Yes/No).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Draft Plan Complete: Yes	Not Available
Strategic Objective: Identify and Pursue Technological Solutions to Minimize Long-Term Operational Risks and Enable Efficient Service Delivery. Goal leader: Robert De Luca, Chief Information Officer					
III-B-1. Comprehensive Modernization Plan finalized and approved by agency leadership and Board; inclusive of milestone-level and project-level performance measures to improve service delivery for 675,000+ constituents. (Measure: Yes/No).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Benchmark Peer Group Options: Yes	Not Available
Strategic Objective: Explore Use of Artificial Intelligence (AI) to Increase the Efficiency and Cost Effectiveness of RRB Operations. Goal leader: Robert De Luca, Chief Information Officer					
III-C-1. Explore Use of Artificial Intelligence (AI)	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Identify and document at least 5 high-impact business use cases: Yes	Not Available

Railroad Retirement Board Fiscal Year 2026 Performance Plan		**2023 Actual [1/] (At $128.0m)**	**2024 Actual [2/] (At $126.0m)**	**2025 Actual [3/] (At $126.0m)**	**2026 Target [4/] (At $127.0m)**	**2026 Actual [5/6/] (At $127.0m)**
Strategic Objective: Effectively Secure the RRB's Information Systems. Goal leader: Robert De Luca, Chief Information Officer						
III-D-1. Innovate – Design for Modularity. Strategy for Continuity of Operations Improvements.		Microsoft Azure Cloud: Yes	Decommission Legacy Disaster Recovery Site: Yes	Table Top Exercise: Yes	Table Top Exercise: Yes	Table Top Exercise: No
III-D-2. Enforce multi-factor authentication (MFA) for 100% of privileged and general users. (Zero Trust – Identity).		New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Yes	Yes
III-D-3 – Zero Trust.	a) Secure remote access via Virtual Private Network (VPN) and encrypted endpoints. (Zero Trust – Access).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Complete Pilot - Yes	Complete Pilot - In Progress
	b) Enhance network protection through Intrusion Prevention System (IPS), Network Access Control (NAC), Security Information and Event Management (SIEM).	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Complete Pilot - Yes	Complete Pilot - In Progress
	c) (Zero Trust – Applications and Workloads): Strive to secure applications from unauthorized users and ensure continuous visibility of the workload at any given time.	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Complete Pilot - Yes	Complete Pilot - In Progress

Railroad Retirement Board Fiscal Year 2026 Performance Plan		2023 Actual [1/] (At $128.0m)	2024 Actual [2/] (At $126.0m)	2025 Actual [3/] (At $126.0m)	2026 Target [4/] (At $127.0m)	2026 Actual [5/6/] (At $127.0m)
	d) (Zero Trust – Data): Strive to enforce strict authentication, least-privileged access, and real-time monitoring and data classification to protect data to reduce data breach risk and adhere to compliance.	New Performance Goal for 2026	New Performance Goal for 2026	New Performance Goal for 2026	Complete Pilot - Yes	Complete Pilot - In Progress

Footnotes:

1/ Public Law 117-328, *Consolidated Appropriations Act, 2023*, provided $128,000,000 in funding.
2/ Public Law 118-47, *Further Consolidated Appropriations Act, 2024*, provided $126,000,000 in funding.
3/ Public Law 119-4, *Full-Year Continuing Appropriations and Extensions Act, 2025*, provided $126,000,000 in funding.
4/ Reflects fiscal year 2026 performance targets shown in the RRB's Congressional Justification of Budget Estimates, released April 3, 2026.
5/ Public Law 119-75, *Consolidated Appropriations Act, 2026*, provided $127,000,000 in funding.
6/ Fiscal year 2026 actuals through March 31, 2026, unless otherwise reported.
7/ The payment accuracy rate is the percentage of dollars paid correctly as a result of adjudication actions performed.
8/ Fiscal year 2024 actual results represent status as of December 31, 2023.
9/ Fiscal year 2025 actual results represent status from April 1, 2025, through September 30, 2025.
10/ The RRA program is in a three-year risk assessment cycle under Phase 1 guidelines of OMB Circular A-123, Appendix C. The last risk assessment was conducted in fiscal year 2023 and results concluded the program remained below the thresholds for significant improper payments under the Payment Integrity Information Act (PIIA) of 2019. The RRA program is completing another risk assessment this fiscal year.

Discussion of Unmet Performance Goals and Indicators for Fiscal Year 2025 through September 30, 2025

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicator II-A-7: RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure % ≤ 100 days). Our fiscal year 2025 goal was 70.0%. The actual was 11.6%	Disability Benefits Division (DBD) did not meet the goal of rating 70% of initial filings within 100 days due to the continued impact of applications with older filing dates. At the start of fiscal year 2025, Disability Initial had 2,439 pending applications and nearly 57% of this workload consisted of cases filed in 2023 or earlier. These older cases often require more time to complete and therefore negatively affect the timeliness calculation. Throughout fiscal year 2025, significant progress was made in reducing this aged workload. By September 30, 2025, pending applications were reduced to 1,887 and aged cases from 2021 – 2023 dropped to just below 16% of the pending workload, which is a reduction of more than 78%. As a result, over 84% of the current pending workload now consists of cases filed in 2024 or 2025. As we continue to eliminate the remaining aged applications and the workload becomes increasingly composed of current year filings, the percentage of cases rated within 100 days is expected to increase. In addition, we note that this goal has not changed for many years despite the agency's significant, and increasing, resource challenges. For that reason, we are clarifying that completing 70% of initial disability decisions within 100 days of the application date is a longstanding aspirational goal. As observed by the OIG in their most recent report on management challenges, the RRB will not be able to improve the timeliness of this work without increasing staffing levels or modernizing technology; these actions cannot be initiated without Congressional approval of additional agency funding. In the interim, we will amend the timeliness goal to better align with current fiscal realities.
Performance Indicator II-B-2 (b): Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measure: number of services available through electronic media). Internet Services (b). Our fiscal year 2025 goal was 33 Internet services available, and the actual was 31 Internet services.	Policy and Systems was unable to meet the projected goal of 33 internet services available. Due to insufficient staffing and information technology resources, two internet services through ERSNet were placed on hold.
Performance Indicator I-A-9: Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Measure: average elapsed days) Our fiscal year 2025 goal was to complete decisions within 275 days of filing. The actual average number of days to complete appeals decisions was 329 days.	In fiscal year 2025, the Bureau completed 249 decisions on appeals; this was 107 more appeals completed than the prior fiscal year. This fiscal year, hearings officers who were previously designated to assist with training newer hearings officers, started redirecting their attention to handling their own appeals. In doing so, they prioritized older appeals, some pending since 2022. Working through the backlog and completing older appeals attributed to the overall longer average days to completion.

INDICATOR	*DISCUSSION OF VARIANCE*
Performance Indicators III-B-13 through III-B-19: III-B-13: Process RR cost of living reject referrals received October 1, 2023, and later within 90 days of receipt. Our fiscal year 2025 goal was 90.0%. The actual was 65.3%. III-B-14: Process SS cost of living reject referrals received October 1, 2023, and later within 180 days of receipt. Our fiscal year 2025 goal was 85.0%. The actual was 19.9%. III-B-15: Process Social Security Automatic Earnings Reappraisal Operation (AERO) referrals received October 1, 2023, and later within 240 days of receipt. Our fiscal year 2025 goal was 80.0%. The actual was 54.1%. III-B-16: Process earnings reports referred out by the System Processing Excess Earnings Database (SPEED) received October 1, 2023, and later within 240 days of receipt. Our fiscal year 2025 goal was 80.0%. The actual was 51.6%. III-B-17: Process Earnings Data Processing (EDP Policing) referrals received October 1, 2023, and later within one year of receipt. Our fiscal year 2025 goal was 70.0%. The actual was 36.8%. III-B-18: Process general Railroad and Security post referrals received October 1, 2023, and later within 240 days of receipt. Our fiscal year 2025 goal was 80.0%. The actual was 52.0% III-B-19: Process Social Security Output Referrals (MOR) received October 1, 2023, and later within 240 days of receipt. Our fiscal year 2025 goal was 80.0%. The actual was 45.0%	Goals III-B-13 through III-B-19 were last published in the FY 2025 Performance and Accountability Report and are now considered obsolete. These former goals measured progress by fixed data points and are now superseded by new goals II-B-6 through II-B-9, which measure year over year progress across all post adjudication workloads. III-B-13 through III-B-19 did not meet their targets for FY 2025 due to the Division being extremely short staffed in Retirement Post Section A (RPS-A) and Retirement Post Section B (RPS-B), which are the sections responsible for III-B-13 through III-B-19. We receive approximately 45,000 new post adjudicative referrals per fiscal year. Optimal staffing for this volume of work would be between 35-40 post examiners; we currently have 12 post examiners. In addition, in January 2025, the Social Security Fairness Act (SSFA) passed. This Act removed the reductions applied to Tier 1 and Social Security benefits for private pensions. In preparation for the mass adjustment that was being planned, the Division expedited handling of approximately 800 cases already in its workloads, as well as received 818 suspended/terminated cases, 944 RRA mass adjustment reject cases, and approximately 600 SSA mass adjustment reject cases that required manual processing by the post examining staff. This time sensitive SSFA work pulled staff away from their usual work, which negatively impacted the above targets.

FINANCIAL SECTION

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BALANCE SHEETS
AS OF SEPTEMBER 30, 2026 AND 2025
(in thousands)

	FY 2026	FY 2025
ASSETS		
Intragovernmental Assets:		
Fund Balance with Treasury (Note 2)	$387,509	$329,175
Investments, Net (Note 3)	2,167,043	2,087,585
Accounts Receivable, Net (Note 4)	6,370,375	6,211,497
Advances and Prepayments	1,545	1,793
Total Intragovernmental Assets	$8,926,472	$8,630,050
Other than Intragovernmental Assets:		
Accounts Receivable, Net (Note 4)	81,958	71,382
Property, Plant and Equipment, Net (Note 5)	5,400	4,959
Other Assets	4	3
Total other than Intragovernmental Assets	87,362	76,344
TOTAL ASSETS	**$9,013,834**	**$8,706,394**
LIABILITIES		
Intragovernmental Liabilities:		
Accounts Payable	$750,712	$759,574
Debt (Note 6)	4,782,525	4,823,056
Other Liabilities (Note 7)	1,961	3,022
Total Intragovernmental Liabilities	5,535,198	5,585,652
Other than Intragovernmental Liabilities		
Accounts Payable	5,670	7,597
Federal Employee Salary, Leave and Benefits Payable	10,859	9,999
Benefits Due and Payable	1,294,961	1,303,143
Other Liabilities (Note 7)	70,661	147,978
Total other than Intragovernmental Liabilities	1,382,151	1,468,717
TOTAL LIABILITIES	**$6,917,349**	**$7,054,369**
COMMITMENTS AND CONTINGENCIES (Note 8)		
NET POSITION		
Unexpended Appropriations		
Funds from Dedicated Collections (Note 9)	$826	$707
Funds from Other than Dedicated Collections	243,346	276,584
Total Unexpended Appropriations (Consolidated)	244,172	277,291
Cumulative Results of Operations		
Funds from Dedicated Collections (Note 9)	1,851,699	1,369,129
Funds from Other than Dedicated Collections	614	5,605
Total Cumulative Results of Operations (Consolidated)	1,852,313	1,374,734
TOTAL NET POSITION	**2,096,485**	**1,652,025**
TOTAL LIABILITIES AND NET POSITION	**$9,013,834**	**$8,706,394**

The accompanying notes are an integral part of the financial statements.

RAILROAD RETIREMENT BOARD
STATEMENTS OF NET COST
FOR THE YEAR ENDED SEPTEMBER 30, 2026 AND 2025
(in thousands)

	FY 2026	FY 2025
Gross Program Cost		
Railroad Retirement Program		
Gross Cost	$14,973,680	$14,962,528
Less Earned Revenue	(13,574)	(13,090)
Net Program Cost	**14,960,106**	**14,949,438**
Railroad Unemployment and Sickness Insurance Program		
Gross Cost	141,945	121,202
Less Earned Revenue	(14,464)	(15,116)
Net Program Cost	**127,481**	**106,086**
Cost Not Assigned to Programs	0	0
Less Earned Revenue Not Attributable to Programs	(76)	(91)
Net Cost of Operations	**$15,087,511**	**$15,055,433**

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2026
(in thousands)

	FY 2026			
	Funds from Dedicated Collections Consolidated Totals) (Note 9)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$707	$276,584	$0	$277,291
Appropriations Received	806,393	5,000	0	811,393
Other Adjustments	0	(41,207)	0	(41,207)
Appropriations Used	(806,274)	2,969	0	(803,305)
Net Change in Unexpended Appropriations	**119**	**(33,238)**	**0**	**(33,119)**
Total Unexpended Appropriations	**$826**	**$243,346**	**$0**	**$244,172**
Cumulative Results of Operations:				
Beginning Balance	$1,369,121	$5,605	$0	$1,374,726
Appropriations Used	806,274	(2,969)	0	803,305
Non-Exchange Revenue (Note 22)	7,433,919	208	0	7,434,127
Transfers in from NRRIT (Note 24)	1,361,000	0	0	1,361,000
Transfers In/Out Without Reimbursement	5,874,268	0	0	5,874,268
Imputed Financing	10,839	0	0	10,839
Gain/(Loss) contingency	81,679	0	0	81,679
Other	0	(120)	0	(120)
Net Cost of Operations	(15,085,401)	(2,110)	0	(15,087,511)
Net Change in Cumulative Results of Operations	**482,578**	**(4,991)**	**0**	**477,587**
Total Cumulative Results of Operations	**1,851,699**	**614**	**0**	**1,852,313**
Net Position	**$1,852,525**	**$243,960**	**$0**	**$2,096,485**

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
STATEMENT OF CHANGES IN NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(in thousands)

	FY 2025			
	Funds from Dedicated Collections (Consolidated Totals) (Note 9)	Funds from Other than Dedicated Collections (Consolidated Totals)	Eliminations	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$698	$273,149	$0	$273,847
Appropriations Received	863,446	8,000	0	871,446
Other Adjustments	(141)	(1,669)	0	(1,810)
Appropriations Used	(863,296)	(2,896)	0	(866,192)
Net Change in Unexpended Appropriations	**9**	**3,435**	**0**	**3,444**
Total Unexpended Appropriations	**$707**	**$276,584**	**$0**	**$277,291**
Cumulative Results of Operations:				
Beginning Balance	$1,466,734	$5,605	$0	$1,472,339
Appropriations Used	863,296	2,896	0	866,192
Non-Exchange Revenue (Note 22)	7,350,802	146	0	7,350,948
Transfers in from NRRIT (Note 24)	1,367,000	0	0	1,367,000
Transfers In/Out Without Reimbursement	5,382,732	0	0	5,382,732
Imputed Financing	12,755	0	0	12,755
Gain/(Loss) contingency	(21,799)	0	0	(21,799)
Net Cost of Operations	(15,052,391)	(3,042)	0	(15,055,433)
Net Change in Cumulative Results of Operations	**(97,605)**	**0**	**0**	**(97,605)**
Total Cumulative Results of Operations	**1,369,129**	**5,605**	**0**	**1,374,734**
Net Position	**$1,369,836**	**$282,189**	**$0**	**$1,652,025**

The accompanying notes are an integral part of these financial statements.

RAILROAD RETIREMENT BOARD
STATEMENTS OF BUDGETARY RESOURCES
FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2026 AND 2025
(in thousands)

	(Unaudited) FY 2026	(Unaudited) FY 2025
Budgetary Resources		
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 10)	$275,072	$324,819
Appropriations (discretionary and mandatory)	10,694,972	10,667,557
Borrowing authority (discretionary and mandatory) (Note 12)	5,226,800	5,215,600
Spending authority from offsetting collections (discretionary and mandatory)	185,676	188,992
Total budgetary resources	**$16,382,520**	**$16,396,968**
Status of budgetary resources		
New obligations and upward adjustments (total)	$16,090,245	$16,098,894
Unobligated balance, end of year		
Apportioned, unexpired accounts	10,572	16,436
Exempt from Apportionment, Unexpired Accounts	258,009	225,845
Unapportioned, unexpired accounts	3,496	156
Unexpired unobligated balance, end of year	272,077	242,437
Expired unobligated balance, end of year	20,198	55,637
Unobligated balance, end of year (total)	292,275	298,074
Total budgetary resources	**$16,382,520**	**$16,396,968**
Outlays, net		
Outlays, net (total) (discretionary and mandatory)	$15,898,429	$15,878,132
Distributed offsetting receipts (-)	(6,663,750)	(6,304,423)
Agency outlays, net (discretionary and mandatory)	**$9,234,679**	**$9,573,709**

The accompanying notes are an integral part of the financial statements.

Railroad Retirement Board

Statement of Social Insurance (Note 18, Note 20)

Actuarial Surplus or (Deficiency)
75-year Projection as of October 1, 2025
(Present values in billions of dollars)

	10/1/2025	10/1/2024	10/1/2023	10/1/2022	10/1/2021
Current participants who have attained retirement age:					
Contributions and earmarked taxes	$101.7	$102.2	$100.8	$105.1	$104.5
Expenditures for scheduled future benefits	151.0	150.9	149.7	157.2	157.5
Present Value of future revenue less future expenditures	(49.3)	(48.7)	(48.9)	(52.1)	(52.9)
Current participants not yet having attained retirement age:					
Contributions and earmarked taxes	107.3	103.9	100.7	105.4	93.9
Expenditures for scheduled future benefits	118.4	112.7	109.6	116.2	103.8
Present Value of future revenue less future expenditures	(11.1)	(8.8)	(8.9)	(10.7)	(9.9)
Present value of future revenue less future expenditures for current participants	(60.4)	(57.5)	(57.8)	(62.9)	(62.8)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	0.1	(0.6)	1.2	1.4	0.8
Net present value for current participants (closed group measure)	(60.3)	(58.1)	(56.7)	(61.5)	(62.0)
Plus: Treasury securities and assets held by the program	31.0	29.6	26.5	24.9	30.5
Closed group surplus/(unfunded obligation)	($29.4)	($28.5)	($30.1)	($36.6)	($31.5)
Future participants:					
Contributions and earmarked taxes	$77.2	$73.6	$75.9	$82.5	$70.2
Expenditures for scheduled future benefits	45.5	43.0	43.7	44.5	37.3
Present Value of future revenue less future expenditures	31.6	30.7	32.2	38.0	32.9
Present value of future revenue less future expenditures for current and future participants	(28.8)	(26.8)	(25.6)	(24.9)	(30.0)
Plus: Asset Experience Gain/(Loss) for following quarter ending 12/31	0.1	(0.6)	1.2	1.4	0.8
Net present value for current and future participants (open group measure)	(28.7)	(27.5)	(24.4)	(23.5)	(29.1)
Plus: Treasury securities and assets held by the program	31.0	29.6	26.5	24.9	30.5
Open group surplus/(unfunded obligation)	$2.3	$2.1	$2.1	$1.4	$1.4

Detail may not add to totals due to rounding.

The accompanying notes are an integral part of these financial statements.

Railroad Retirement Board

Statement of Changes in Social Insurance Amounts

Open Group Measure

For the Two-Year Period Ended September 30, 2025

(dollars in billions)

Net Present Value beginning of year 2024	$ (24.4)
Reasons for changes in the NPV during 2024:	
Changes in valuation period	(1.2)
Changes in demographic data, assumptions, and methods	(0.1)
Changes in economic data, assumptions, and methods	(1.7)
Changes in law or policy	-
Changes in methodology and programmatic data	NA
Changes in Medicare healthcare and other healthcare assumptions	NA
Other changes	NA
Net change during 2024	(3.0)
Net Present Value end of year 2024/beginning of year 2025	$ (27.5)
Reasons for changes in the NPV during 2025:	
Changes in valuation period	0.4
Changes in demographic data, assumptions, and methods	-
Changes in economic data, assumptions, and methods	(1.6)
Changes in law or policy	(0.1)
Changes in methodology and programmatic data	NA
Changes in Medicare healthcare and other healthcare assumptions	NA
Other changes	NA
Net change during 2025	(1.2)
Net Present Value end of year 2025	$ (28.7)

Detail may not add to totals due to rounding.

Net Present Values in the table above are present values of future revenues, adjusted for asset experience during the quarter ending 12/31, less future expenditures.

The accompanying notes are an integral part of these financial statements. Please see note 18 for more information on each of the changes above.

Notes to the Financial Statements: Fiscal Year Ended September 30, 2026

1. Summary of Significant Accounting Policies

Basis of Presentation

Public Law 107-289, the Accountability of Tax Dollars Act of 2002, added the RRB as an agency required to prepare audited financial statements for fiscal year 2003, and subsequent years. OMB guidance requires that Performance and Accountability Reports for fiscal year 2026 are to be submitted to the President, the Congress, and the Director of OMB by November 16, 2026. As required by law, OMB has also prescribed the form and content of financial statements under OMB Circular A-136. The RRB's financial statements were prepared in accordance with the form and content prescribed by OMB and with Generally Accepted Accounting Principles and standards prescribed by the Federal Accounting Standards Advisory Board (FASAB).

The principal statements are comprised of the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, Statement of Budgetary Resources, Statements of Social Insurance, and Statements of Changes in Social Insurance Amounts.

The SOSI computations are based on the prior year Railroad Retirement system accounts.

The RRB is considered a significant component reporting entity that is consolidated in the government-wide financial statements.

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Reporting Entity

The railroad retirement and the railroad unemployment and sickness insurance programs are financed through the following accounts:

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

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

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

- Federal Payments to the Railroad Retirement Accounts, 60 0113, a two-year fund, is used as payment for interest on uncashed checks appropriated in fiscal year 2021, by P. L. 115-245, Further Consolidated Appropriations Act, 2020. Account 60 0113 is

considered a fund from dedicated collections

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

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

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

- Under ARPA of 2021, LOA 60X8237 received appropriations for hiring and IT from pass through account 60210121. This portion of funding for LOA 60X8237 is considered a fund other than a fund from dedicated collections.

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

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

- Limitation on the Office of Inspector General, 60 8018, was established to fund the administration of the Inspector General's Office. Account 60 8018 is considered a fund from dedicated collections. Our authority to use these collections is Public Law 119-75, Consolidated Appropriations Act of 2026.

- Under ARPA of 2021, Limitation on the Office of Inspector General 60X8018 received appropriations for audit, investigatory and review activities from pass through account 60210124. This portion of funding for LOA 60X8018 is considered a fund other than a fund from dedicated collections.

- Railroad Unemployment Insurance Extended Benefit Payments – Recovery Act, 60X0114: Funds provided under Public Law 111-5, American Recovery and Reinvestment Act of 2009. Based on Public Law 118-5, there was a recission on this Account in Fiscal Year 2023.

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

- Railroad Unemployment Insurance Extended Benefit Payments – 60X0117: Funds provided under Public Law 111-92, Worker, Homeownership, and Business Assistance Act of 2009. Per Division A of the CARES Act, section 2114 amends the extended benefits that was originally created by ARRA to use of existing appropriation of $133 million. Under ARPA of 2021, additional appropriation was provided to cover the cost of additional extended unemployment benefits to remain available until expended. Based on Public Law 118-5, there was a recission on this Account in Fiscal Year 2023.

- Railroad Unemployment Insurance Waiver of 7 Day Period – 6020/210123: General fund appropriation provided by Division A of the CARES Act, section 2112. This fund was canceled at the end of FY 2026 and the remaining recovery balances were transferred to fund 60 3113.

- Collections of Recoveries and Refunds from Cancelled Accounts – 60 3113: reestablished General fund receipt account to collect recoveries of benefit overpayments for canceled fund 6020/210123.

- Railroad Unemployment Insurance Enhanced Benefit Payments – 60X0122: General fund appropriation provided by Division A of the CARES Act, section 2113.

- Limitation on Administration – 6020/218237: General fund passed thru from 6020/210121 under CARES Act. This fund was canceled at the end of FY 2026.

Accounting Policies

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

For budgetary accounting, financial transactions are recorded when obligations are incurred, regardless of when the resources acquired are to be consumed.

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

Fund Balance with Treasury

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

Funds from Dedicated Collections

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

- A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-Federal source only for designated activities, benefits, or purposes.

- Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and

- A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguish the fund from the Federal Government's general revenues.

Refer to Note 9, Funds from Dedicated Collections.

Budgetary Concepts

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

contracts awarded, services received, and similar transactions during a given period that will require payments during the same or a future period. The RRB prepares and submits Reports on Budget Execution (SF-133) to OMB, reporting all obligations incurred against the amounts apportioned.

Starting in Fiscal Year 2025, OMB approved a request from the RRB to exempt several funds from apportionment. Pursuant to 31 U.S.C. 1516 and OMB's Circular A-11 (August 2023), Section 120.5, OMB may exempt certain appropriations from apportionment in limited instances.

The following account is exempt because it contains budgetary resources that are only available for transfer to other FAFSs:

- 60-0113 / X Federal Payments to the Railroad Retirement Accounts

The following accounts are exempt because they contain funds appropriated specifically to make payments required to be made to a designated payee in the total amount provided by law or because they contain budgetary resources that are only available for transfer to other TAFSs used to make such payments:

- 60-0117 / X Railroad Unemployment Insurance Extended Benefit Payments
- 60-0114 / X Railroad Unemployment Insurance Extended Benefit Payments, Recovery Act
- 60-0112 / X Railroad Unemployment Insurance Enhanced Benefit Payments
- 60-8051.01 / X Railroad Unemployment Insurance Enhanced Trust Fund
- 60-8011 / X Railroad Pension Fund
- 60-8010 / X Railroad Social Security Equivalent Benefit Account *(with the exception of Financial Interchange interest)*

Changes in Entity or Financial Reporting

Effective since fiscal year 2025, the National Railroad Reinvestment Trust (NRRIT) is classified as a standalone significant entity for inclusion in the annual Financial Report of the United States Government and is not a consolidation entity under the RRB's component entity financial statements.

SOSI Reporting

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

Note Disclosures Related to the Balance Sheet

2. Fund Balance with Treasury

Fund balances with Treasury as of September 30 consisted of:

(in thousands)	2026	2025
Status of Fund Balance with Treasury		
Unobligated Balance	$14,068	$16,592
Obligated Balance not yet Disbursed	373,441	312,583
Non-Budgetary Fund Balance with Treasury	0	0
Total Fund Balance with Treasury	**$387,509**	**$329,175**

3. Investments, Net

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

Intragovernmental Investments as of September 30, 2026			
	Amounts for Balance Sheet Reporting (in thousands)		
	Cost	Interest Receivable	Net Investments
Intragovernmental Investments:			
Non-Marketable Par Value 2026	$2,162,572	$4,471	$2,167,043
Non-Marketable Par Value 2025	2,083,919	3,666	2,087,585

The balance on September 30, 2026, consisted of investments in 4.50 percent par value specials (with market value equal to face value) maturing on October 1, 2026. The balance on September 30, 2025, consisted of investments in 3.75 percent par value specials (with market value equal to face value) maturing on October 1, 2025. Par value specials mature on the first working day of the month following the month of issue and have a yield based on the average yield of marketable Treasury notes with maturity dates at least 3 years away.

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

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

all other expenditures.

4. Accounts Receivable

- *Intragovernmental*

Accounts receivable - Intragovernmental as of September 30 consisted of:

(in thousands)	2026	2025
Financial Interchange – Principal	$6,019,000	$5,785,000
Financial Interchange – Interest	55,500	52,500
Department of Labor	295,875	373,997
Total	**$6,370,375**	**$6,211,497**

- *Accounts Receivable, Net*

Accounts receivable, net as of September 30 consisted of:

(in thousands)	2026	2025
Accounts receivable – Benefit overpayments	$88,815	$70,047
Accounts receivable – Past due RUI contributions and taxes	2,460	1,727
Accounts receivable – Interest, penalty & administrative costs	3,770	9,616
Accounts receivable - Criminal Restitution	6,770	7,228
Sub-Total	**$101,815**	**$88,618**
Accounts receivable - Criminal Restitution - Long Island Railroad	2,239	2,262
Total Gross Receivables	**104,054**	**$90,880**
Less: Allowances for doubtful accounts	(19,919)	(17,198)
Less: Allowances for doubtful accounts-Criminal Restitution	(1,617)	(1,735)
Less: Allowances for doubtful accounts-Criminal Restitution - Long Island Railroad	(560)	(565)
Total Net Receivables	**$81,958**	**$71,382**

The allowance for doubtful accounts for the railroad retirement program excluding the criminal restitution receivables was calculated by averaging the percentages determined from the past five fiscal years of amounts due to the RRB that would probably not be collected and applying those percentages against accounts receivable.

The allowance for doubtful accounts for the criminal restitution and criminal restitution-Long Island Railroad related to benefit overpayments for fiscal year 2026 is estimated using the percentages calculated for the railroad retirement programs rounded to the nearest whole number.

5. Property, Plant, and Equipment, Net

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

These assets consisted of:

(in thousands)		As of September 30, 2026		
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities, and leasehold improvements	15 years	$3,141	$2,857	$284
IT software	5 years	29,074	29,074	0
Equipment	5-10 years	7,682	7,180	502
Internal-Use Software in Development		4,614	0	4,614
Total		**$44,511**	**$39,111**	**$5,400**

(in thousands)		As of September 30, 2025		
Classes of Fixed Assets	**Service Lives**	**Cost**	**Accumulated Depreciation**	**Net Book Value**
Structures, facilities, and leasehold improvements	15 years	$3,141	$2,791	$350
IT software	5 years	28,854	28,854	0
Equipment	5-10 years	7,682	7,104	578
Internal-Use Software in Development		4,031	0	4,031
Total		**$43,708**	**$38,749**	**$4,959**

The table below discloses activity for General Property, Plant, and Equipment, Net as of September 30, 2026, and 2025, respectively (in thousands):

Reconciliation: Property, Plant, and Equipment, Net		
(in thousands)	**2026**	**2025**
Balance Beginning of Year, Unadjusted	$4,959	$4,342
Balance Beginning of Year, Adjusted	$4,959	$4,342
Capitalized Acquisitions	785	745
Depreciation Expense	(344)	(128)
Balance End of Year	**$5,400**	**$4,959**

6. Liabilities

Liabilities as of September 30 consisted of:

- *Total Liabilities Not Covered by Budgetary Resources*

(in thousands)	2026	2025
A. Intragovernmental Liabilities		
(1) Other Liabilities	$290	$335
B. Other than Intragovernmental Liabilities:		
(1) Accounts Payable	556	556
(2) Federal employee and veteran benefits payable	7,270	7,550
Total Other than Intragovernmental Liabilities	**$7,826**	**$8,106**
Total Liabilities Not Covered by Budgetary Resources	**$8,116**	**$8,441**
Total Liabilities Covered by Budgetary Resources	6,899,131	7,038,841
Total Liabilities Not Requiring Budgetary Resources	10,102	7,087
Total Liabilities	**$6,917,349**	**$7,054,369**

- *Federal Debt and Interest Payable*

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

(in thousands)	2026	2025
Beginning Balance, Principal	$4,747,800	$4,604,700
New Borrowing	6,022,600	5,215,600
Repayments	(6,063,900)	(5,072,500)
Ending Balance, Principal	**$4,706,500**	**$4,747,800**
Accrued Interest	76,025	75,256
Total	**$4,782,525**	**$4,823,056**

- *Benefits Due and Payable*

Benefits due and payable are accrued for all benefits to which recipients are entitled for the month of September, which, by statute, are not paid until October. Also, liabilities are accrued on benefits for past periods that have not completed processing, such as benefit payments due but not paid. The amounts (in thousands) include uncashed checks of $22,054 and $21,298 as of September 30, 2026, and 2025, respectively. Under Public Law 100-86, the amount of the RRB benefits represented by checks which remain uncashed for 12 months after the check issue date are credited (including interest thereon) to the accounts from which the checks were

drawn. The principal amount of uncashed checks must remain in a liability account until the RRB determines that entitlement no longer exists, or another check is issued to the beneficiary.

A special workload of approximately 10,490 benefit cases, estimated at $5.2 million, has been identified and will be processed over the next few years.

7. Other Liabilities

Other liabilities as of September 30, 2026, consisted of:

Other Liabilities *(in thousands)*	**2026**	**2025**
Intragovernmental Other Liabilities		
(1) Employer Contributions & Payroll Taxes Payable	$876	$1,662
(2) Unfunded FECA Liabilities	290	335
(3) Liability for Non-Entity Assets Not Reported on the Statement of Custodial Activity	120	0
(4) Other	675	1,025
Total Intragovernmental Other Liabilities	**$1,961**	**$3,022**
Other than Intragovernmental Other Liabilities		
(1) Contingent Liabilities (see Note 9 for details)	31,100	112,779
(2) Other Liabilities with Budgetary Obligations	5,875	0
(3) Accrued Payroll	0	0
(4) Withholdings Payable	0	(17)
(5) Other	33,686	35,216
Total Other than Intragovernmental Liabilities	**$70,661**	**$147,978**
Total Other Liabilities	**$72,622**	**$151,000**

8. Commitments and Contingencies

The RRB is involved in the following actions:

Legal Contingencies:

A Class I railroad has filed claims for refund of taxes with the Internal Revenue Service (IRS). Of the $1.2 million in claims, the RRB's legal counsel has concluded that it is unable to determine the likelihood of loss for the $1.2 million in the RR and SSEB Accounts. Under the anti-disclosure provision of the IRS code, we are not permitted to disclose any details related to these claims. No provision has been made in the accompanying financial statements regarding the reasonably possible claims other than this disclosure. Details may not add to totals due to rounding.

Other Contingencies: We also recorded a contingent liability in the amount of $31.1 million, for forthcoming adjustments to the financial interchange for military service credits due SSA.

Commitments: As of September 30, 2026, the RRB had contractual arrangements which may result in future financial obligations of $172.3 million.

Contingent Loss Table (in thousands)

FY 2026	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	$0	$0	$0
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$31,100	$31,100	$31,100
Reasonably Possible	$0	$0	$0

FY 2025	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
Legal Contingencies:			
Probable	$24,779	$24,779	$24,779
Reasonably Possible	$0	$0	$0
Other Contingencies:			
Probable	$88,000	$88,000	$88,000
Reasonably Possible	$0	$0	$0

9. Funds from Dedicated Collections

Treasury securities reflect a government commitment to the program and allow the program to continue to provide benefits required by law. When the benefits are paid, the way the Government finances the benefits is similar to the way it finances other disbursements, using some combination of receipts, other inflows, and borrowing from the public (if there is a budget deficit). Funds from dedicated collections are discussed in additional detail in Note 1 to the financial statements.

FY 2026 Note 9 Funds from Dedicated Collections (in thousands)	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet										
Intragovernmental Assets										
Fund Balance with Treasury	20,422	41,351	15,083	984	61,345	3,280	10,867	153,332	0	153,332
Investments, Net	1,118,665	1,048,378	0	0	0	0	0	2,167,043	0	2,167,043
Accounts Receivable, Net	6,074,500	0	290,678	0	0	5,197	7	6,370,382	(7)	6,370,375
Advances and Prepayments	0	1	0	0	431	0	1,114	1,546	0	1,546
Total Intragovernmental Assets	**7,213,587**	**1,089,730**	**305,761**	**984**	**61,776**	**8,477**	**11,988**	**8,692,303**	**(7)**	**8,692,296**
Other than Intragovernmental Assets										
Accounts Receivable, Net	0	51,925	19,716	0	23	0	53	71,717	0	71,717
Property, Plant, and Equipment, Net	0	0	0	0	5,400	0	0	5,400	0	5,400
Other Assets	0	0	0	0	4	0	0	4	0	4
Total Other than Intragovernmental Assets	0	51,925	19,716	0	5,426	0	53	77,121	0	77,121
Total Assets	**7,213,587**	**1,141,655**	**325,477**	**984**	**67,202**	**8,477**	**12,041**	**8,769,424**	**(7)**	**8,769,417**
Intragovernmental Liabilities										
Accounts Payable	749,715	920	0	0	270	(228)	42	750,719	7	750,726
Debt	4,782,525	0	0	0	0	0	0	4,782,525	0	4,782,525
Other Liabilities	0	0	0	0	1,827	0	14	1,841	0	1,841
Total Intragovernmental Liabilities	**5,532,240**	**920**	**0**	**0**	**2,097**	**(228)**	**56**	**5,535,085**	**7**	**5,535,092**
Other than Intragovernmental Liabilities										
Accounts Payable	1,208	1,138	0	0	2,914	0	410	5,670	0	5,670
Federal Employee Salary, Leave & Benefits Payable	0	0	0	0	10,015	0	845	10,860	0	10,860
Benefits Due and Payable	733,927	537,349	23,333	0	0	0	0	1,294,609	0	1,294,609
Other Liabilities	34,124	36,537	0	0	0	0	0	70,661	0	70,661
Total Other than Intragovernmental Liabilities	769,259	575,024	23,333	0	12,929	0	1,255	1,381,800	0	1,381,800
Total Liabilities	**6,301,499**	**575,944**	**23,333**	**0**	**15,026**	**(228)**	**1,311**	**6,916,885**	**7**	**6,916,892**
Unexpended Appropriations	0	0	0	984	(158)	0	0	826	0	826
Cumulative Results of Operations	912,088	565,711	302,144	0	52,334	8,705	10,730	1,851,712	(13)	1,851,699
Total Liabilities and Net Position	**7,213,587**	**1,141,655**	**325,477**	**984**	**67,202**	**8,477**	**12,041**	**8,769,423**	**(6)**	**8,769,417**
Statement of Net Cost										
Gross Program Costs	8,981,163	5,839,974	120,040	31	158,009	0	14,751	15,113,968	(456)	15,113,512
Less: Earned Revenues	0	(2)	(14,459)	0	(13,504)	0	(571)	(28,536)	425	(28,111)
Net Cost of Operations	**8,981,163**	**5,839,972**	**105,581**	**31**	**144,505**	**0**	**14,180**	**15,085,432**	**(31)**	**15,085,401**
Statement of Changes in Net Position										
Unexpended Appropriations										
Beginning Balance	0	0	0	866	(159)	0	0	707	0	707
Appropriations Received	0	0	0	806,393	0	0	0	806,393	0	806,393
Appropriations Used	0	0	0	(806,274)	0	0	0	(806,274)	0	(806,274)
Total Unexpended Appropriations	**0**	**0**	**0**	**985**	**(159)**	**0**	**0**	**826**	**0**	**826**
Cumulative Results of Operations										
Beginning Balance	541,267	383,697	378,963	0	43,445	10,634	11,115	1,369,121	0	1,369,121
Appropriations Used	0	0	0	806,274	0	0	0	806,274	0	806,274
Non-Exchange Revenue - Other	(3,025)	(10,004)	7,587	0	0	28,592	0	23,150	0	23,150
Intragovernmental Non-Exchange Revenue	3,491,897	3,908,002	10,639	0	0	276	0	7,410,814	(44)	7,410,770
Transfers In From NRRIT	0	1,361,000	0	0	0	0	0	1,361,000	0	1,361,000
Transfers-in/out without Reimbursement	5,806,211	738,211	10,537	(806,243)	143,445	(30,798)	12,905	5,874,268	0	5,874,268
Imputed Financing	0	0	0	0	9,949	0	890	10,839	0	10,839
Gain/(Loss) Contingency	56,900	24,779	0	0	(1)	0	0	81,678	0	81,678
Net Cost of Operations	(8,981,163)	(5,839,972)	(105,581)	(31)	(144,505)	0	(14,180)	(15,085,432)	31	(15,085,401)
Net Change in Cumulative Results of Operations	370,820	182,016	(76,818)	(0)	8,888	(1,930)	(385)	482,591	(13)	482,578
Total Cumulative Results of Operations	912,087	565,713	302,145	(0)	52,333	8,704	10,730	1,851,712	(13)	1,851,699
Net position, End of Period	**912,087**	**565,713**	**302,145**	**985**	**52,174**	**8,704**	**10,730**	**1,852,538**	**(13)**	**1,852,525**

FY 2025 Note 9 Funds from Dedicated Collections (in thousands)	8010 SSEB	8011 RRA	8051.001 RUIA Benefit Payments	0113 Federal Payments to RR Accounts	8237 Limitation on Administration	8051.002 RUIA Admin Expenses	8018 Limitation on OIG	Total Funds from Dedicated Collections (Combined)	Eliminations between Dedicated Collections	Total Funds from Dedicated Collections (Consolidated)
Balance Sheet										
Intragovernmental Assets										
Fund Balance with Treasury	(23,587)	(14,008)	15,142	866	62,560	3,301	10,714	54,988	0	54,988
Investments, Net	1,120,702	966,883	0	0	0	0	0	2,087,585	0	2,087,585
Accounts Receivable, Net	5,837,500	0	366,891	0	0	7,106	7	6,211,504	(7)	6,211,497
Advances and Prepayments	0	0	0	0	322	0	1,470	1,792	0	1,792
Total Intragovernmental Assets	**6,934,615**	**952,875**	**382,033**	**866**	**62,882**	**10,407**	**12,191**	**8,355,869**	**(7)**	**8,355,862**
Other than Intragovernmental Assets										
Accounts Receivable, Net	0	45,490	17,149	0	18	0	0	62,657	0	62,657
Property, Plant, and Equipment, Net	0	0	0	0	4,959	0	0	4,959	0	4,959
Other Assets	0	0	0	0	3	0	0	3	0	3
Total Other than Intragovernmental Assets	0	45,490	17,149	0	4,980	0	0	67,619	0	67,619
Total Assets	**6,934,615**	**998,365**	**399,182**	**866**	**67,862**	**10,407**	**12,191**	**8,423,488**	**(7)**	**8,423,481**
Intragovernmental Liabilities										
Accounts Payable	753,815	920	0	0	4,949	(228)	126	759,582	7	759,575
Debt	4,823,056	0	0	0	0	0	0	4,823,056	0	4,823,056
Other Liabilities	0	0	0	0	2,982	0	10	2,992	0	2,992
Total Intragovernmental Liabilities	**5,576,871**	**920**	**0**	**0**	**7,931**	**(228)**	**136**	**5,585,630**	**7**	**5,585,623**
Other than Intragovernmental Liabilities										
Accounts Payable	0	0	0	0	7,438	0	127	7,565	0	7,565
Federal Employee Salary, Leave & Benefits Payable	0	0	0	0	9,216	0	814	10,030	0	10,030
Benefits Due and Payable	728,476	553,753	20,220	0	0	0	0	1,302,449	0	1,302,449
Other Liabilities	88,001	59,996	0	0	(19)	0	0	147,978	0	147,978
Total Other than Intragovernmental Liabilities	816,477	613,749	20,220	0	16,635	0	941	1,468,022	0	1,468,022
Total Liabilities	**6,393,348**	**614,669**	**20,220**	**0**	**24,566**	**(228)**	**1,077**	**7,053,652**	**7**	**7,053,645**
Unexpended Appropriations	0	0	0	866	(159)	0	0	707	0	707
Cumulative Results of Operations	541,267	383,696	378,962	0	43,455	10,635	11,114	1,369,129	0	1,369,129
Total Liabilities and Net Position	**6,934,615**	**998,365**	**399,182**	**866**	**67,862**	**10,407**	**12,191**	**8,423,488**	**7**	**8,423,481**
Statement of Net Cost										
Gross Program Costs	8,952,120	5,842,279	98,190	0	173,648	0	14,869	15,081,106	(425)	15,080,681
Less: Earned Revenues	0	0	(15,110)	0	(13,320)	0	(285)	(28,715)	425	(28,290)
Net Cost of Operations	**8,952,120**	**5,842,279**	**83,080**	**0**	**160,328**	**0**	**14,584**	**15,052,391**	**0**	**15,052,391**
Statement of Changes in Net Position										
Unexpended Appropriations										
Beginning Balance	0	0	0	857	(159)	0	0	698	0	698
Appropriations Received	0	0	0	863,446	0	0	0	863,446	0	863,446
Other Adjustments	0	0	0	(141)	0	0	0	(141)	0	(141)
Appropriations Used	0	0	0	(863,296)	0	0	0	(863,296)	0	(863,296)
Total Unexpended Appropriations	**0**	**0**	**0**	**866**	**(159)**	**0**	**0**	**707**	**0**	**707**
Cumulative Results of Operations										
Beginning Balance	685,532	273,372	434,574	0	51,268	10,035	11,953	1,466,734	0	1,466,734
Appropriations Used	0	0	0	863,296	0	0	0	863,296	0	863,296
Non-Exchange Revenue - Other	0	7,698	3,978	0	0	30,069	0	41,745	0	41,745
Intragovernmental Non-Exchange Revenue	3,417,186	3,878,751	12,812	0	0	308	0	7,309,057	0	7,309,057
Transfers In From NRRIT	0	1,367,000	0	0	0	0	0	1,367,000	0	1,367,000
Transfers-in/out without Reimbursement	5,412,468	699,154	10,679	(863,296)	140,818	(29,778)	12,686	5,382,731	0	5,382,731
Imputed Financing	0	0	0	0	11,698	0	1,058	12,755	0	12,755
Gain/(Loss) Contingency	(21,799)	0	0	0	0	0	0	(21,799)	0	(21,799)
Net Cost of Operations	(8,952,120)	(5,842,279)	(83,080)	0	(160,328)	0	(14,584)	(15,052,391)	0	(15,052,391)
Net Change in Cumulative Results of Operations	(144,265)	110,324	(55,611)	0	(7,812)	599	(840)	(97,605)	0	(97,605)
Total Cumulative Results of Operations	541,267	383,696	378,963	0	43,456	10,634	11,113	1,369,129	0	1,369,129
Net position, End of Period	**541,267**	**383,696**	**378,963**	**866**	**43,297**	**10,634**	**11,113**	**1,369,836**	**0**	**1,369,836**

Note Disclosures Related to the Statement of Budgetary Resources

10. Unobligated Balance from Prior Year Budget Authority

The unobligated balance from prior year budget authority, net (discretionary and mandatory) of $275.1 million from prior year budget authority includes the prior year unobligated balance of $298.1 million plus $23.0 million in current year recoveries of prior year paid/unpaid obligations.

11. Terms of Borrowing Authority Used

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

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

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

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

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

12. Available Borrowing Authority, End of the Year

The amount of RRB available borrowing authority at the end of the year associated with financial interchange advances is $5,226,800 (in thousands).

13. Legal Arrangements Affecting Use of Unobligated Balances

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

14. Undelivered Orders at the End of the Period

(in thousands)	2026	2025
Federal Undelivered Orders	$0	$0
Non-Federal Undelivered Orders	34,733	39,256
Total Federal/Non-Federal Undelivered Orders	**$34,733**	**$39,256**
Paid Undelivered Orders	$0	$0
Unpaid Undelivered Orders	34,733	39,256
Total Paid/Unpaid Undelivered Orders	**$34,733**	**$39,256**
Total Undelivered Orders	**$34,733**	**$39,256**

15. Permanent Indefinite Appropriations

In fiscal year 2026, the Railroad Retirement Board had the following permanent indefinite appropriations that were available until expended:

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

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

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

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

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

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

A reconciliation was completed of budgetary resources, obligations incurred, distributed offsetting receipts, and outlays, as presented in the Statement of Budgetary Resources for the year ended September 30, 2025, to amounts included in the Budget of the United States Government. A reconciliation was not performed for the period ended September 30, 2026, since the RRB's PAR is published in November 2026, and OMB's MAX system will not have actual budget data available until after the RRB's PAR is published. Budget with the actual amounts for the current year FY2026 will be available at a later date at: https://www.whitehouse.gov/omb/budget.

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

	Fiscal Year 2025 (in millions)	Total Budgetary Resources	New Obligations & Upward Adjustments (Total)	Distributed Offsetting Receipts	Net Outlays
1.	Combined Statement of Budgetary Resources – September 30, 2025	$16,397	$16,099	$6,304	$9,574
2.	Expenditure Transfers from Trust Funds	(140)	0	0	0
3.	Unobligated Balance, Brought Forward October 1, 2024, as adjusted	(301)	0	0	0
4.	Recoveries of Prior Year Unpaid Obligations	(10)	(8)	0	0
5.	Sickness Insurance Benefit Recoveries	(15)	0	0	0
6.	Administrative Expense Reimbursement	(34)	0	0	0
7.	Interfund Transfers: Federal Payment Obligations – Income Taxes Collected on Benefits (0113),	(863)	0	0	0
8.	Intrafund Transfers: Receipts from the Old-Age and Survivors Insurance (OASI) Trust Fund	(5,996)	0	0	0
9.	Intrafund Transfers: Receipts from the Disability Insurance (DI) Trust Fund	(7)	0	0	0
	FINANCIAL INTERCHANGE				
10.	Accrued Receipts from the OASI and DI Trust Funds	0	0	(190)	190
11.	Accrued Transfers to the Federal Hospital Insurance Trust Fund	0	0	744	(744)
12.	Intrafund Transfers to RRA	(1,367)	0	1,367	(1,367)
13.	Rounding	(1)	(7)	0	4
14.	**Budget of the United States Government FY 2025 Actuals**	**$7,663**	**$16,084**	**$8,225**	**$7,657**

Note Disclosures Related to the Statement of Social Insurance and the Statement of Changes in Social Insurance

17. Social Insurance

- Surplus/(unfunded obligation) represents combined values for all accounts under the railroad retirement program.

- Estimated future revenue includes tier I taxes, tier II taxes, income taxes on benefits, and financial interchange income, where financial interchange income consists of financial interchange transfers plus financial interchange advances from general revenues, less repayment of financial interchange advances from general revenues. Beginning in fiscal year 2020, future revenue includes an adjustment for asset experience gain / (loss) as reflected in the projections that is different than the expected long-term investment return.

- Estimated future expenditures include benefit and administrative costs.

- Details may not add to totals due to rounding.

- Employee and beneficiary status are determined as of 1/1/2025, whereas present values are as of 10/1/2025.

- Due to the use of the Account Benefits Ratios to determine and automatically adjust tier II tax rates, higher Treasury security and assets balances result in lower tax rates and consequently lower future tax income, with the outcome being a lower present value of expected future revenue, whereas lower Treasury security and assets balances result in higher tax rates and income, which increases the present value of future revenue.

- Statement of Changes in Social Insurance Amounts:

    - Changes in valuation period:

        - ***Between 10/1/2023 and 10/1/2024:*** Changes in the valuation period from fiscal years 2024-2098 to fiscal years 2025-2099 resulted in a change of about $(1.2) billion in the open group measure between 10/1/2023 and 10/1/2024.

        - ***Between 10/1/2024 and 10/1/2025:*** Changes in the valuation period from fiscal years 2025-2099 to fiscal years 2026-2100 resulted in a change of about $0.4 billion in the open group measure between 10/1/2024 and 10/1/2025.

    - Changes in demographic data, assumptions, and methods:

        - ***Between 10/1/2023 and 10/1/2024:*** Demographic assumptions were not changed between the Statement of Social Insurance as of 10/1/2023 and the Statement of Social Insurance as of 10/1/2024, but there were changes to projected levels of railroad employment and updates to demographic data. Changes in demographic data, assumptions, and methods resulted in a

change of about $(0.1) in the open group measure between 10/1/2023 and 10/1/2024.

- ***Between 10/1/2024 and 10/1/2025:*** Demographic assumptions were not changed between the Statement of Social Insurance as of 10/1/2024 and the Statement of Social Insurance as of 10/1/2025, but there were changes to projected levels of railroad employment and updates to demographic data. Changes in demographic data, assumptions, and methods resulted in no appreciable change in the open group measure between 10/1/2024 and 10/1/2025.

- Changes in economic data, assumptions, and methods:

  - ***Between 10/1/2023 and 10/1/2024:*** Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 10/1/2023 and the Statement of Social Insurance as of 10/1/2024. There were changes in near-term economic assumptions, however; the actual COLA of 2.5% was used for 2025 in place of the 3.0%. COLA assumed in the prior year's report. A COLA of 3.2% was assumed for 2026 instead of the 2.8% COLA assumed in the prior year's report. A COLA of 2.9% was assumed for 2027 instead of the 2.5% assumed in the prior year's report. A COLA of 2.7% was assumed for 2028 instead of the 2.5% assumed for the prior year's report. A wage increase of 2.1% was used for 2024 instead of the 1.5% wage increase assumption used in the prior year's report. Actual investment return for the combined accounts under the railroad retirement program was 9.8% for 2024 and (0.7%) for the quarter ended 12/31/2024 instead of an annual 7.0% assumed last year. The 7.0% long-term investment return assumption for the combined accounts under the railroad retirement program was used for all other years of the projection period. Changes in economic data, assumptions, and methods resulted in a change of about ($1.7) billion in the open group measure from 10/1/2023 to 10/1/2024.

  - ***Between 10/1/2024 and 10/1/2025:*** Ultimate economic assumptions were not changed between the Statement of Social Insurance as of 10/1/2024 and the Statement of Social Insurance as of 10/1/2025. There were changes in near-term economic assumptions, however; the actual COLA of 2.8% was used for 2026 in place of the 3.2%. COLA assumed in the prior year's report. A COLA of 3.4% was assumed for 2027 instead of the 2.9% COLA assumed in the prior year's report. A COLA of 3.1% was assumed for 2028 instead of the 2.7% assumed in the prior year's report. A COLA of 2.8% was assumed for 2029 instead of the 2.5% assumed for the prior year's report. A wage increase of 3.4% was used for 2025 instead of the 3.5% wage increase assumption used in the prior year's report. Actual investment return for the combined accounts under the railroad retirement program was 13.4% for 2025 and 2.4% for the quarter ended 12/31/2025 instead of an annual 7.0% assumed last year. The 7.0% long-term investment return assumption for the combined accounts under the railroad retirement program was used for all other years of the projection period. Changes in economic data, assumptions, and methods resulted in a change of about ($1.6) billion in the open group measure from 10/1/2024 to 10/1/2025.

- Changes in law or policy:

    - ***Between 10/1/2023 and 10/1/2024:*** The Social Security Fairness Act was signed into law on January 6, 2025. The law ends two statutory reductions for railroad retirees, their spouses, and survivors who are receiving public pensions from work not covered by social security. The repeal of these provisions means that individuals who were previously affected by these reductions will retroactively have their full tier 1 benefit amount restored for months after December 2023, the effective date of the repeal, and for future monthly benefit payments. The projected tier 1 benefits currently paid from the Social Security Equivalent Benefit Account were adjusted higher to reflect this statutory change; however, it had no material impact on the Net Present Value. There were no other changes in law or policy.

    - ***Between 10/1/2024 and 10/1/2025:*** The One Big Beautiful Bill (OBBB) was signed into law on Jul 4, 2025. This law extends tax provisions from the 2017 Tax Cuts and Jobs Act that were set to expire after 2025. It also added a new $6,000 deduction (phases out with gross income over $75,000 up to $175,000) for ages 65+ tax filers during the 2025 through 2028 tax years. The OBBB reduces projected income tax revenue for the Social Security Equivalent Benefit Account and Railroad Retirement Account. The tax change increases the payroll tax cost of the system by about 0.3% of tier 2 payroll. This tax change decreased the Net Present Value by $0.1 billion. There were no other changes in law or policy.

- Changes in methodology and programmatic data:

    - ***Between 10/1/2023 and 10/1/2024:*** There were no changes in methodology and programmatic data.

    - ***Between 10/1/2024 and 10/1/2025:*** There were no changes in methodology and programmatic data.

- Medicare healthcare and other healthcare assumptions are not applicable to the railroad retirement program.

18. Sustainability Financial Statements Disclosure

The sustainability financial statements are based on management's assumptions. These sustainability financial statements show the actuarial present value of the RRB's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The Statements of Social Insurance and Changes in Social Insurance Amounts are based on income and benefit formulas in current law but assume that scheduled benefits will continue after any related trust funds are exhausted. The statements of long-term fiscal projections are based on the continuation of current policy. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable for the projection period under all circumstances.

In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes (in other words, benefit changes or payroll tax changes) to avoid trust fund exhaustion or unsustainable debt levels.

Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. The financial statements include Required Supplementary Information to assist in understanding the effect of changes in assumptions to the related information.

The Statement of Social Insurance as of 10/1/2025 includes an adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1/2025-12/31/2025. This explicit adjustment to the Net Present Value for the asset experience gain/(loss) during the period 10/1-12/31 was included in the Statement of Social Insurance effective 10/1/2020. In prior years, the actual rate of return for the period 10/1-12/31 was used to discount projected income and expenditures rather than the long-term investment return assumption. The actual rate of return for the combined accounts under the railroad retirement program for this period is a significant fact that is reflected in the 75-year projection of income for the Statement of Social Insurance.

Because of the way the RUIA rating system is structured, there is no long-term financial impact on the Trust funds due to loans from the RR account to the RUI account. There are currently no outstanding loans from the RR account to the RUI account.

19. Significant Assumptions

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

The estimated future revenue and expenditures are also based on various economic, employment, and other actuarial assumptions. The ultimate economic assumptions are a 7.0 percent investment return, a 2.5 percent annual increase in the cost of living, and a 3.5 percent annual wage increase. These assumptions are adjusted in the near term for actual experience and expectations, as described in the 2026 Section 502 Report.

The employment assumption for the SOSI is employment assumption II, the intermediate employment assumption, as used in the 2026 Section 502 Report. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 48,000, which is an increase from 46,000, used in the 2025 Section 502 Report, and (2) the employment base, excluding passenger employment, is assumed to decline at a reducing annual rate starting at 1.4 percent for 40 years and remain level thereafter.

The actual preliminary average employment for 2025 was 198,000 (subject to later adjustment), which was within the range of projected values for 2025 in the 2025 Section 502 Report. To

recognize the decreasing employment trend to 194,000 in the first quarter of 2026, we made a (1.0) percent downward adjustment to the initial projected 2026 non-passenger employment numbers under all scenarios. This downward adjustment brings the projected 2026 employment under assumption II (moderate) down to the preliminary employment estimate for the first quarter of 2026.

The Social Security Fairness Act (SSFA) was signed into law on January 5, 2025. The law ends two statutory reductions for railroad retirees, their spouses, and survivors who are receiving public pensions from work not covered by social security. The two repealed provisions are Known as the non-covered service pension (NCSP) reduction, which affected railroad employees, and the public service pension (PSP) offset, which applied to spouses, divorced spouses, and widowers. The repeal of these provisions means that individuals who were previously affected by these reductions retroactively had their full tier 1 benefit amount restored for months after December 2023, the effective date of the repeal, and for future monthly benefit payments. This benefit change is fully reflected in the 2026 Section 502 Report and had the effect of increasing projected tier 1 benefits paid from the Social Security Equivalent Benefit Account by about 1%.

The One Big Beautiful Bill (OBBB) was signed into law on July 4, 2025. This law extends tax provisions from the 2017 Tax Cuts and Jobs Act that were set to expire after 2025. It also added a new $6,000 deduction (phases out with gross income over $75,000 up to $175,000) for age 65+ tax filers during the 2025 through 2028 tax years. The OBBB reduces projected income tax revenue for the Social Security Equivalent Benefit Account and Railroad Retirement Account. The tax changes increase the payroll tax cost of the system by about 0.3% of tier 2 payroll.

The 2026 Section 502 Report is as of December 31. These results are rolled back to Fiscal Year End September 30 reflecting expected cash flows and expected long-term investment return. The disclosure includes an explicit adjustment for asset experience reflected in the valuation that is different from expected experience.

Actuarial assumptions and methods are those published in the Technical Supplement to the “Twenty-Ninth Actuarial Valuation of the Assets and Liabilities Under the Railroad Retirement Acts as of December 31, 2022.” This report may be found on the RRB’s website, www.rrb.gov.

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

Table S-1.	2021 RRB Annuitants Mortality Table
Table S-2.	2021 RRB Disabled Mortality Table for Annuitants with Disability Freeze
Table S-3.	2021 RRB Disabled Mortality Table for Annuitants without Disability Freeze
Table S-4.	2018 RRB Active Service Mortality Table
Table S-5.	2021 Base Year RRB Spouse Total Termination Table
Table S-6.	Probability of a retired employee having a spouse eligible for railroad retirement benefits
Table S-7.	2021 RRB Mortality Table for Widows
Table S-8.	2021 RRB Remarriage Table
Table S-9.	2021 RRB Total Termination Table for Disabled Children
Table S-10.	2021 RRB Mortality Improvement Scale
Table S-11.	Calendar year rates of immediate age retirement
Table S-12.	Rates of immediate disability retirement and of eligibility for disability freeze
Table S-13.	Calendar year rates of final withdrawal
Table S-14.	Service months and salary scales
Table S-15.	Family characteristics of railroad employees assumed for the valuation of survivor benefits

Note Disclosures Not Pertaining to a Specific Statement

20. Budget to Accrual Reconciliation

Budgetary and financial accounting information differ. Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

The increase in net cost over the previous year is due to higher railroad retirement benefit payments in Fiscal Year 2026. The year-over-year difference in accounts receivable is due to an increase in the annual Financial Interchange (FI) settlement from Social Security Administration (SSA). The increase in accounts payable compared to last year is due to the higher FI advance repayment. The decrease in transfers in/out without reimbursement is due to the decrease in quarterly income tax receipts.

RAILROAD RETIREMENT BOARD
Note 20, Budget and Accrual Reconciliation
For the Year Ended September 30, 2026
(in Thousands)

	Intra-governmental	Other than Intra-governmental	Total FY 2026
NET COST	**$214,077**	**$14,873,434**	**$15,087,511**
Components of Net Cost Not Part of the Net Outlays:			
Property, Plant, and Equipment Depreciation Expense	0	(363)	(363)
Increase/(Decrease) in Assets:			
Accounts Receivable	(6,781,547)	7,045	(6,774,502)
Other Assets	(248)	0	(248)
Increase/(Decrease) in Liabilities:			
Accounts Payable	927,950	2,049	929,999
Benefits Due and Payable	0	8,182	8,182
Federal Employee Salary, Leave, and Benefits Payable		(1,072)	(1,072)
Other Liabilities	1,132	(8)	1,124
Financing Sources:			
Imputed Cost	(10,840)	0	(10,840)
Total Components of Net Cost Not Part of Net Outlays:	**(5,863,553)**	**15,833**	**(5,847,720)**
Components of Net Outlays Not Part of Net Cost:			
Acquisition of Capital Assets	0	2,597	2,597
Transfers Out (In) Without Reimbursements	789,482	0	789,482
Total Components of Net Outlays Not Part of Net Operating Cost:	**789,482**	**2,597**	**792,079**
Miscellaneous Items:			
Custodial/Non-Exchange Revenue	(31)	8,077	8,046
Appropriated Receipts for Trust/Special Funds	0	(806,243)	(806,243)
Other	(937)	1,943	1,006
Total Miscellaneous Items:	**(968)**	**(796,223)**	**(797,191)**
Total Net Outlays:	**($4,860,962)**	**$14,095,641**	**$9,234,679**
Agency Outlays, Net:			**$9,234,679**

RAILROAD RETIREMENT BOARD
Note 21, Budget and Accrual Reconciliation
For the Year Ended September 30, 2025
(in Thousands)

	Intra-governmental	Other than Intra-governmental	Total FY 2025
NET COST	**$225,592**	**$14,829,841**	**$15,055,433**
Components of Net Cost That Are Not Part of the Net Outlays:			
Property, Plant, and Equipment Depreciation Expense	0	(128)	(128)
Increase/(Decrease) in Assets:			
Accounts Receivable	(6,314,935)	(3,162)	(6,318,097)
Other Assets	(1,200)	0	(1,200)
(Increase)/Decrease in Liabilities:			
Accounts Payable	871,988	1,173	873,161
Benefits Due and Payable	0	7,110	7,110
Federal Employee Salary, Leave, and Benefits Payable	(31)	(403)	(434)
Other Liabilities	356	(29)	327
Financing Sources:			
Imputed Cost	(12,756)	0	(12,756)
Total Components of Net Cost That Are Not Part of Net Outlays:	**(5,456,578)**	**(10,711)**	**(5,467,289)**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Capital Assets	0	745	745
Transfers Out (In) Without Reimbursement	851,857	0	851,857
Total Components of Net Outlays That Are Not Part of Net Operating Cost:	**851,857**	**745**	**852,602**
Miscellaneous Items:			
Custodial/Non-Exchange Revenue	0	(313)	(313)
Appropriated Receipts for Trust/Special Funds	0	(863,296)	(863,296)
Other	0	(3,428)	(3,428)
Total Miscellaneous Items:	**0**	**(867,037)**	**(867,037)**
Total Net Outlays (Calculated Total):	**($4,379,129)**	**$13,952,838**	**$9,573,709**
Agency Outlays, Net:			**$9,573,709**

21. Related Parties

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

- Treasury collects payroll taxes from the railroads on behalf of the RRB. The tax collected are credited by Treasury to the RRB's trust fund account via an appropriation warrant. In fiscal years 2026 and 2025, net payroll taxes transferred to the RRB by Treasury were $7.4 and $7.2 billion, respectively.

  Treasury provides payment services to Federal agencies and operates collections and deposit systems. The RRB invests in government account securities through the Bureau of the Fiscal Service. In fiscal years 2026 and 2025, investments, including accrued interest, totaled $2.2 billion and $2.1 billion, respectively. In addition, Treasury advances funds to the RRB for the financial interchange which are repaid annually. The amount paid by the RRB to Treasury in fiscal year 2026 due to the financial interchange advances during fiscal year 2025 included principal of $5.2 billion and interest of $189 million. The amount paid by the RRB to Treasury in fiscal year 2025 due to the financial interchange advances during fiscal year 2024 included principal of $5.1 billion and interest of $185 million.

- SSA and RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act. In fiscal years 2026 and 2025, the RRB trust funds realized $6.3 billion and $6.0 billion through the financial interchange, respectively.

  Under Section 7(b) (2) of the Railroad Retirement Act of 1974, the RRB is required to pay certain individuals, described in this section, monthly social security benefits on behalf of SSA. SSA reimburses the RRB for benefits paid on behalf of SSA. The amounts reimbursed were $2.9 billion for fiscal year 2026 and $2.7 billion for fiscal year 2025.

- CMS participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $714 million and $716 million to CMS in fiscal years 2026 and 2025, respectively.

  In addition to the financial interchange transactions, CMS reimburses the RRB for certain expenses it incurs associated with administering the Medicare program. The amount reimbursed in fiscal years 2026 and 2025 were $13 million and $13.4 million, respectively. The fiscal year 2026 amount does not include the funds received for purposes of the Specialty Medicare Administrative Contractor (SMAC) contract which are recorded as a transfer and is described below.

  Finally, CMS funds are transferred to the RRB for the SMAC contract that provides specified health insurance benefit administration services.

- GSA provides payroll processing and human resources services to the RRB. In addition, the RRB paid rent to GSA in the amount of $2.6 million for fiscal year 2026 and $2.8 million for fiscal year 2025.

- The Department of Labor invests RUIA contributions. Accounts receivable with the Department of Labor amounted to $296 million and $374 million for fiscal years 2026 and 2025, respectively.

22. Non-Custodial Non-Exchange Revenues

The Railroad Retirement Board has non-exchange revenue that consist of payroll tax collected by Treasury from railroads on behalf of the RRB, income tax on railroad retirement benefits, unemployment insurance contributions paid by railroad employers, and interest earned on Treasury securities.

The RRB received payroll taxes, which were paid by railroad employers and their employees as the primary source of funding for the railroad retirement and survivor benefit programs. By law, railroad retirement taxes are coordinated with social security taxes.

Payroll taxes and unemployment contributions are recorded on a modified cash basis in accordance with the Statement of Federal Financial Accounting Standards (SFFAS) No. 7. All other transactions are recorded on an accrual basis of accounting and on a budgetary basis. Under the accrual method, revenues (except payroll taxes and unemployment contributions which are on a modified cash basis) are recognized when earned and expenses are recognized when a liability is incurred.

The IRS collects Railroad Retirement Tax Act taxes on behalf of the RRB. The IRS refunds RRTA taxes to railroads. The IRS bills RRB on a cash basis and does not accrue an account receivable for the refunds paid.

FY 2026 Collection of non-custodial non-exchange revenue and carrier refunds below: (in thousands)

Non-Exchange Revenue

	FY 2026 Tax Year	FY 2025 Tax Year	FY 2024 Tax Year	All Other Prior Tax Years	FY 2026 Collections
Payroll Tax	$7,387,623	$0	$0	$0	$7,387,623
Interest Revenue	67,238	(3,057)	427	1,452	66,060
Subtotal	7,454,861	(3,057)	427	1,452	7,453,683
Less: amounts collected for non-federal entities	7,957	(608)	427	1,452	9,228
Total amount of federal revenues collected	$7,446,904	(2,449)	$0	$0	$7,444,455

Refunds

	FY 2026 Tax Year	FY 2025 Tax Year	FY 2024 Tax Year	All Other Prior Tax Years	FY 2026 Refunds
Carrier Refunds	$19,556	$0	$0	$0	$19,556
Total amount of refunds	$19,556	$0	$0	$0	$19,556

FY 2025 Collection of non-custodial non-exchange revenue and carrier refunds below: (in thousands)

	Non-Exchange Revenue				
	FY 2025 Tax Year	FY 2024 Tax Year	FY 2023 Tax Year	All Other Prior Tax Years	FY 2025 Collections
Payroll Tax	$7,291,516	$0	$0	$0	$7,291,516
Interest Revenue	87,198	(3,185)	356	1,200	85,569
Subtotal	7,378,714	(3,185)	356	1,200	7,377,085
Less: amounts collected for non-federal entities	6,230	(436)	356	1,200	7,350
Total amount of federal revenues collected	$7,372,484	(2,749)	$0	$0	$7,369,735

	Refunds				
	FY 2025 Tax Year	FY 2024 Tax Year	FY 2023 Tax Year	All Other Prior Tax Years	FY 2025 Refunds
Carrier Refunds	$26,137.4	$0	$0	$0	$26,137
Total amount of refunds	$26,137	$0	$0	$0	$26,137

Note Disclosures Related to the Balance Sheet, SNC, and SCNP

23. Reclassification of Financial Statement Line Items for Financial Report Compilation Process

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows the Railroad Retirement Board's financial statements and Railroad Retirement Board's Reclassified statement of Net Cost prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2025 FR can be found here:

https://www.fiscal.treasury.gov/reports-statements/

A copy of the 2026 FR will be posted to this site as soon as it is released.

The term “intragovernmental” is used in this note to refer to amounts that result from other components of the Federal Government.

The term “non-Federal” is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Pursuant to OMB Circular A-136 Section II.3.8.36, Significant entities using the Balance Sheet Template in section II.3.2.2 are not required to disclose any Balance Sheet information in this Note. The RRB used that Balance Sheet template in the financial section on page 36.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2026 (in thousands)

RRB Financial Statement Line	RRB Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations Between Dedicated and Other than Dedicated	Total	Reclassified Financial Statement Line
Gross Program Costs:							
Railroad Retirement Program							
Gross costs	14,973,680						
		14,736,231	0	3,956	0	14,740,187	Non-federal gross cost
		22,584	0	0	0	22,584	Benefit program costs
		10,840	0	0	0	10,840	Imputed costs
		5,066	(425)	0	0	4,641	Buy/sell cost
		189,688	(31)	0	0	189,657	Borrowing and other interest expense
		5,771	0	0	0	5,771	Other expenses (without reciprocals)
Total Gross Cost	**14,973,680**	**14,970,180**	**(456)**	**3,956**	**0**	**14,973,680**	**Total**
Less: earned revenue	(13,574)						
		(2)	0	0	0	(2)	Non-federal earned revenue
		(13,997)	425	0	0	(13,572)	Buy/sell revenue (exchange)
Total Earned Revenue		**(13,999)**	**425**	**0**	**0**	**(13,574)**	**Total**
Net program costs	**14,960,106**	**14,956,181**	**(31)**	**3,956**	**0**	**14,960,106**	**Program Total**
Railroad Unemployment and Sickness Insurance Program							
Gross costs	141,945					0	
		143,785	0	(1,840)	0	141,945	Non-federal gross cost
		0	0	0	0	0	Buy/sell cost
Less: earned revenue	(14,464)						
		(14,458)	0	(6)	0	(14,464)	Non-federal earned revenue
Net program costs	**127,481**	**129,327**	**0**	**(1,846)**	**0**	**127,481**	**Program total**
Costs not assigned to programs							
Less: earned revenues not attributed to programs	(76)						
		(3)	0	0	0	(3)	Non-federal earned revenue
		(73)	0	0	0	(73)	Federal Buy/sell revenue (exchange)
		(76)	**0**	**0**	**0**	**(76)**	**Total**
Net Cost	**15,087,511**	**15,085,432**	**(31)**	**2,110**	**0**	**15,087,511**	**Net Cost**

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2026 (in thousands)

RRB Financial Statement Line	RRB Amounts	Dedicated Collections Combined	Dedicated Collections Eliminations	Other than Dedicated Collections (with Eliminations)	Eliminations Between Dedicated and Other than Dedicated	Total	Reclassified Financial Statement Line for FR
UNEXPENDED APPROPRIATIONS:							
Unexpended Appropriations, Beginning Balance	$277,291	$707	$0	$276,584	$0	$277,291	Unexpended Appropriations, Beginning Balance
Appropriations Received	811,393	806,393	0	5,000	0	811,393	Appropriations Received
Other Adjustments	(41,207)	0	0	(41,207)	0	(41,207)	Other Adjustments
Appropriations Used	(803,305)	(806,274)	0	2,969	0	(803,305)	Appropriations Used
Total Unexpended Appropriations	**$244,172**	**$826**	**$0**	**$243,346**	**$0**	**$244,172**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS							
Cumulative Results of Operations, Beginning Balance	$1,374,726	$1,369,121	$0	$5,605	$0	$1,374,726	Cumulative Results of Operations, Beginning Balance, as adjusted
Appropriations Used	803,305	806,274	0	(2,969)	0	803,305	7.3-Appropriations expended (RC 38) - Footnote 1
Non-Exchange Revenue	7,434,127						
		23,149	0	208	0	23,357	5.7-Other taxes and receipts
		71,531	0	0	0	71,531	6.1-Federal securities interest revenue including associated gains and losses (non-exchange) (RC 03) - Footnote 1
		7,339,239	0	0	0	7,339,239	6.6-Other taxes and receipts (RC 45) - Footnote 1
Gain/(Loss) contingency	81,679	81,679	0	0	0	81,679	5.7-Other taxes and receipts
Other	(120)	0	0	(120)	0	(120)	6.9-Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government - Nonexchange (RC 16)
Transfers in from NRRIT (Note 24)	1,361,000	1,361,000	0	0	0	1,361,000	7.8-Expenditure transfers-in of financing sources (RC 09) - Footnote
Transfers In/Out w/o Reimbursement -Budgetary	5,874,268	0	0	0	0	0	
		385,303	(385,488)	0	0	(185)	7.6-Non-expenditure transfers-in of unexpended appropriations and financing sources (RC 08) - Footnote 1
		(385,303)	385,488	0	0	185	7.7-Non-expenditure transfers-out of unexpended appropriations and financing sources (RC 08) - Footnote 1
		7,531,542	(947,295)	0	0	6,584,247	7.8-Expenditure transfers-in of financing sources (RC 09) - Footnote
		(1,657,274)	947,295	0	0	(709,979)	7.9-Expenditure transfers-out of financing sources (RC 09) - Footnote 1
Imputed financing	10,839	10,839	0	0	0	10,839	7.22-Imputed financing sources (RC 25) - Footnote 1
Total Financing Sources	**15,565,098**	**15,567,979**	**0**	**(2,881)**	**0**	**15,565,098**	**Total Financing Sources**
Net Cost of Operations	**(15,087,511)**	**(15,085,432)**	**31**	**(2,110)**	**0**	**(15,087,511)**	**Net Cost of Operations**
Ending Balance-Cumulative Results of Operations	**$1,852,313**	**$1,851,668**	**31**	**$614**	**$0**	**$1,852,313**	**Ending Balance-Cumulative Results of Operations**
Total Net Position	**$2,096,485**	**$1,852,494**	**31**	**$243,960**	**$0**	**$2,096,485**	**Total Net Position**

24. Transfers To/From NRRIT

The RRB received a total of $1,361 million and $1,367 million from the NRRIT during fiscal years 2026 and 2025, respectively. These funds were received into the Railroad Retirement Account. Transfers were to fund the payment of benefits.

Required Supplementary Information (Unaudited)

Social Insurance

Program Financing

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

Revenues in excess of benefit payments are invested to provide additional trust fund income for the Railroad Retirement Act accounts.

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

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Administration (SSA) Federal Old-Age, Survivors, and Disability Insurance (FOASI/DI) trust funds and the Centers for Medicare and Medicaid Services (CMS) Federal Hospital Insurance (FHI) trust fund in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts. It follows that all computations under the FI are performed according to social security law.

Placing the social security trust funds in the same position they would have been had railroad employment been covered under social security since its inception involves computing the additional amount of social security payroll and income taxes that social security would have received and computing the amount in additional benefits that social security would have paid to railroad retirement beneficiaries during the same fiscal year. In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll and income taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the social security trust funds to the SSEB Account. If taxes exceed benefit reimbursements, a transfer would be made in favor of the social security trust funds.

On a present value basis, funds provided through the FI are expected to equal $91.4 billion, reflecting net payments from social security offset by a smaller transfer to CMS. The FI funds are 31.9 % of the estimated future revenue of $286.2 billion. Although the contributions and expenditures related to the FI have historically been included in the SOSI, they are in effect primarily contributions and expenditures of SSA that are administered by the RRB.

Benefits

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

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and SSA. The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or five years if performed after 1995. For survivor benefits, there is an additional requirement that the employee's last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee's railroad retirement credits to SSA, where they are treated as social security credits.

Program Finances and Sustainability

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

The SOSI presents an actuarial analysis of the financial position of the railroad retirement system as of October 1, 2025. The figures in the table are based on the 2026 Section 502 Report extended through fiscal year 2100. The present values of estimated future revenue and expenditures in the table are based on estimates of revenue and expenditures through the fiscal year 2100. The estimates include revenue and expenditures related to future participants as well as to former and present railroad employees. The present values are computed on the basis of economic and demographic assumptions and employment assumption II, the moderate (or intermediate) employment assumption, as used in the 2026 Section 502 Report. Under employment assumption II, (1) railroad passenger employment is assumed to remain level at 48,000, which is higher than 46,000, used in the 2025 Section 502 Report and the 29th Valuation, and (2) the employment base, excluding passenger employment, is assumed to decline at a reducing rate starting at 1.4% for 40 years and remain level thereafter.

The initial rates of decline used in the 29th Valuation were also used in the 2026 Section 502 Report. The actual preliminary average employment for 2025 was 198,000 (subject to later adjustment). This was within the range of projected values for 2025 in the 29th Valuation and slightly higher than projected using the moderate assumption in the 2025 Section 502 Report, although actual average employment decreased gradually in the latter months of 2025. To recognize the slowly decreasing employment trend to 194,000 in the first quarter of 2026, a -1.0 percent downward adjustment was made to the initial projected 2025 non-passenger employment numbers under all three employment scenarios. This downward adjustment brought the projected 2025 employment under assumption II (moderate) down to the preliminary employment estimate for the first quarter of 2026.

Actuarial Estimates

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

- Revenue: sources of revenue are payroll taxes, income taxes, investment income, and financial interchange transfers.

- Revenue excluding interest: [a] revenue, as defined above, excluding the investment income from assets of the trust fund.

- Expenditures**:** benefit payments and administrative expenses.

- Cashflow**:** either (1) revenue excluding interest or (2) expenditures, depending on the context, expressed in nominal dollars.

- Net Cashflow**:** revenue excluding interest less expenditures, expressed in nominal dollars.

The SOSI and the required supplementary information are based on actuarial and economic assumptions used in the 2026 Section 502 Report extended through fiscal year 2100, the Railroad Retirement Act, and the Railroad Retirement Tax Act and, for the financial interchange, the Social Security and Federal Insurance Contributions Acts. The charts in the required supplementary information are on a calendar year basis. This information includes:

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

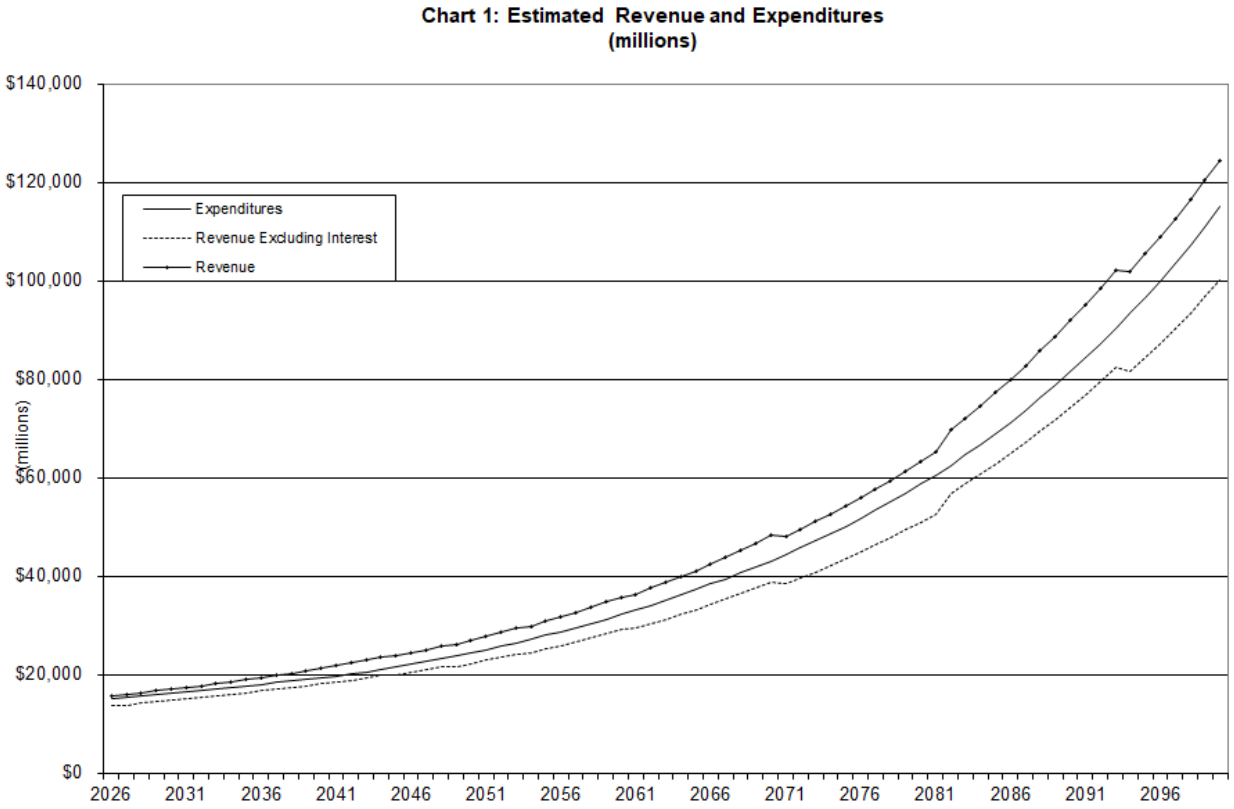
(2) estimated annual revenue excluding interest and expenditures in nominal dollars and as a percentage of taxable payroll;

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

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

Estimated future revenue and expenditures are generally based on a 75-year projection period. Estimated future revenue and expenditures extending far into the future are inherently uncertain, with uncertainty increasing with time.

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

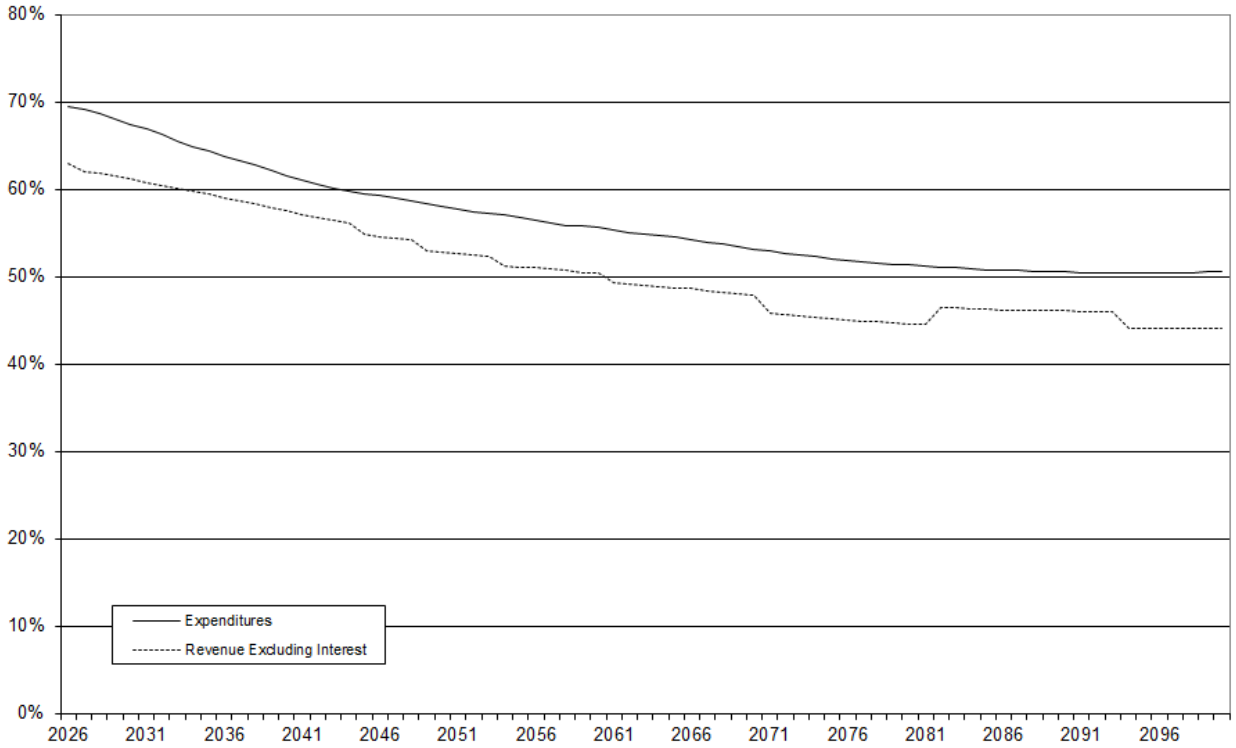


Cashflow Projections – Chart 1 shows actuarial estimates of railroad retirement annual revenue, revenue excluding interest, and expenditures for 2026-2100 in nominal dollars. The estimates are for the open-group population, which includes all persons projected to participate in the railroad retirement system as workers or beneficiaries during the period. Thus, the estimates include payments from, and on behalf of, those who will be employed by the railroads during the period as well as those who already have been employed at the beginning of the period. They also include expenditures made to, and on behalf of, such workers during that period.

As Chart 1 shows, annual revenue exceeds annual expenditures throughout the entire projection period. Without investment income, however, annual expenditures are greater than annual revenue throughout the entire period. Reasons for this pattern include participant demographics, the assumed drop in railroad employment, and the automatic tier II tax rate adjustment mechanism. The combined balance of the Railroad Retirement Act accounts never becomes negative largely because (i) a sufficient balance exists at the beginning of the projection period and (ii) tier II tax rates respond automatically to changing account balances.

Percentage of Taxable Payroll – Chart 2 shows estimated annual revenue excluding interest and expenditures for the railroad retirement system expressed as percentages of taxable payroll. Expenditures decrease as a percentage of payroll except for very small increases in 2096 through 2100, noticeable if the percentages are carried out to additional decimal places. This is largely due to the projected decline in the number of annuitants per full-time employee. Sources of revenue generally vary as a percentage of payroll with the pattern shown driven by the level of tier II taxes. (See Chart 3c).

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



Sensitivity Analysis -- The projections of the future financial status of the railroad retirement system depend on many economic and demographic assumptions including rail employment, inflation, wage increase, investment return, age retirement, disability retirement, withdrawal, active service mortality, beneficiary mortality, spouse total termination, probability of spouse, remarriage, family composition, disability freeze, service patterns, and salary scales. Because perfect long-range projections are impossible, this section is included to illustrate the sensitivity of the long-range projections to changes in certain key assumptions that have the greatest impact on the results. All present values are calculated as of October 1, 2025, and are based on estimates of revenue and expenditures during the fiscal years 2026-2100 projection period.

Employment: History shows that railroad employment has generally declined over a long period of years but less quickly since the early 2000s. Railroad employment may vary more dramatically year to year and was particularly affected by the COVID-19 pandemic in 2020 and 2021. From its lowest point in January of 2021, employment increased slightly before leveling off and then decreasing again in January of 2022. Railroad employment steadily recovered during 2022 and 2023, assisted by Amtrak hiring supported by the Infrastructure Investment and Jobs Act, and stabilized at a little over 200,000 employees in the latter half of 2023 and the first half of 2024. Employment declined from 200,000 in the latter half of 2024 and continued to slowly decline in 2025, reaching 194,000 in the first few months of 2026.

Since employment is a key consideration, projections of revenue and expenditures using three different employment assumptions have been made. The SOSI uses employment assumption II, the moderate assumption, but this section compares results under the three assumptions. Employment assumptions I and II assume that (1) passenger employment will remain at the level of 48,000 and (2) the employment base, excluding passenger

employment, will decline at a reducing annual rate (starting at 0.2 percent for assumption I and 1.4 percent for assumption II) for 40 years and remain level thereafter. Employment assumption III differs from employment assumptions I and II by assuming that (1) passenger employment will decline by 400 per year until a level of 38,000 is reached and then remain level, and (2) the employment base, excluding passenger employment, will decline at a reducing rate starting at 2.6% over the next 40 years and remain level thereafter. Average employment for 2025 decreased to the level of 198,000 and has continued to decline slightly during 2026. Employment assumptions I, II, and III are intended to provide an optimistic, moderate, and pessimistic outlook, respectively.

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

Table 1
Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Three Employment Assumptions, 2026-2100
(in billions)

Employment Assumption	I	II	III
Present Value	$2.7	$2.3	$1.9
Average Tier II tax rate [a]	15.3%	16.4%	18.0%

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

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

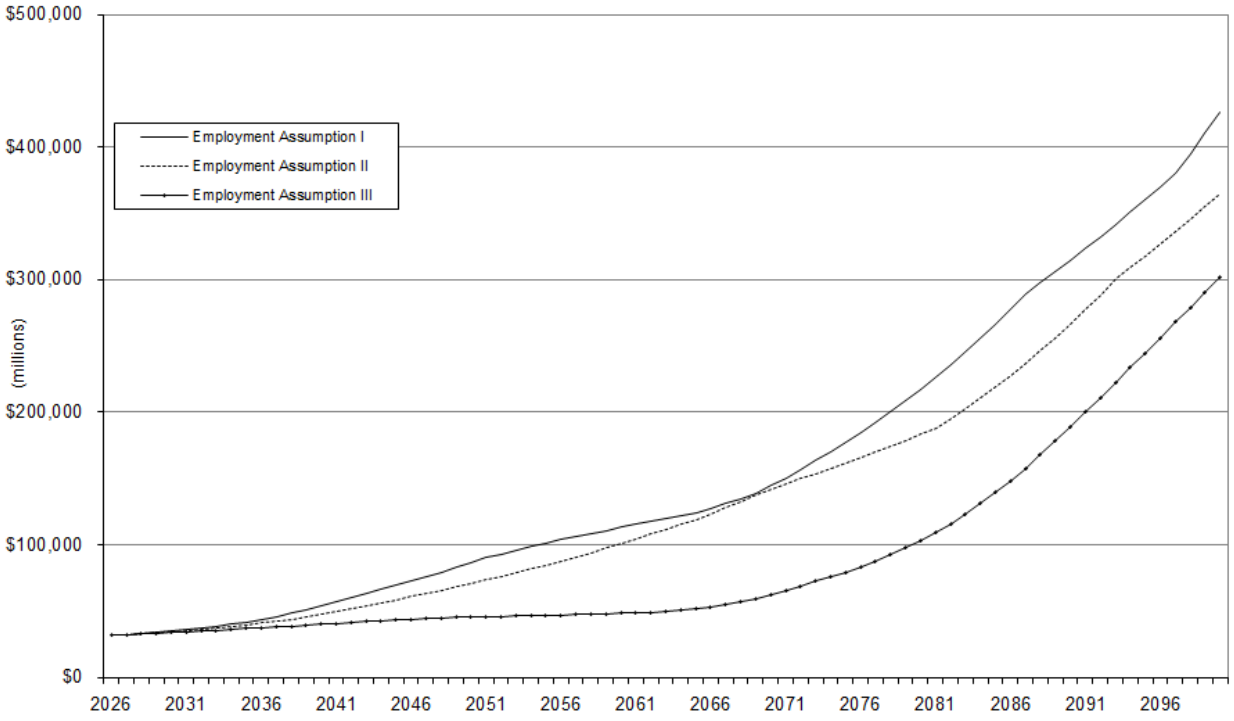


Chart 3a shows the combined balance of the accounts under each of the three employment assumptions. Note that the combined account balance is positive throughout the entire period for all three employment assumptions during the projection period.

Chart 3b shows the Accounts Benefit Ratio (ABR) under the three employment assumptions. The ABR is calculated by dividing the fair market value of the assets in railroad retirement system accounts other than the SSEBA as of the close of the fiscal year by the total benefits and administrative expenses paid from those specific accounts during that fiscal year. Under assumption I, the ABR increases from 2026 through 2054, decreases from 2055 through 2069, increases from 2070 through 2087, decreases again from 2088 through 2097, and increases through the last three years of the projection period. Under assumption II, the ABR increases from 2026 through 2070, except for a small drop in 2064, decreases from 2071 through 2081, and then increases again from 2082 through 2093 before decreasing from 2094 through the end of the projection period. Under assumption III, the ABR increases from 2026 through 2030, decreases slightly in 2031, increases from 2032 through 2035, decreases from 2036 through 2064, and increases from 2065 through the end of the projection period.

Chart 3b: Account Benefits Ratio under Three Employment Assumptions

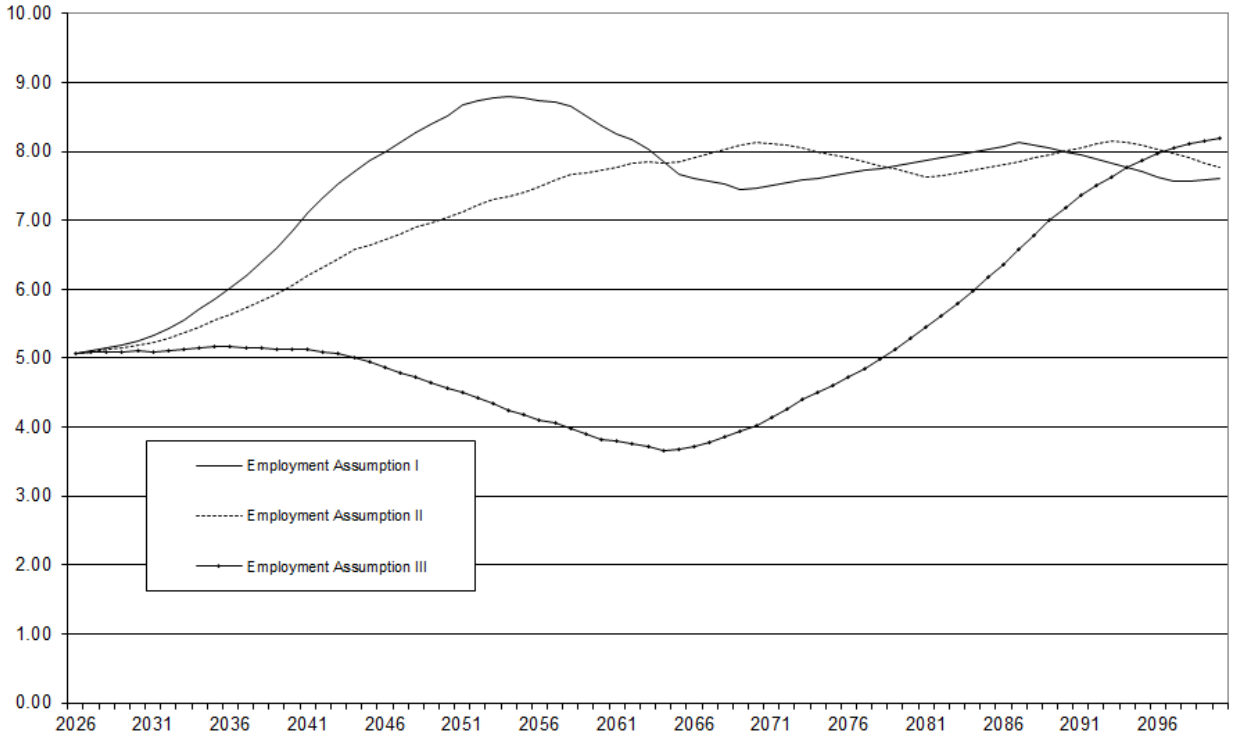
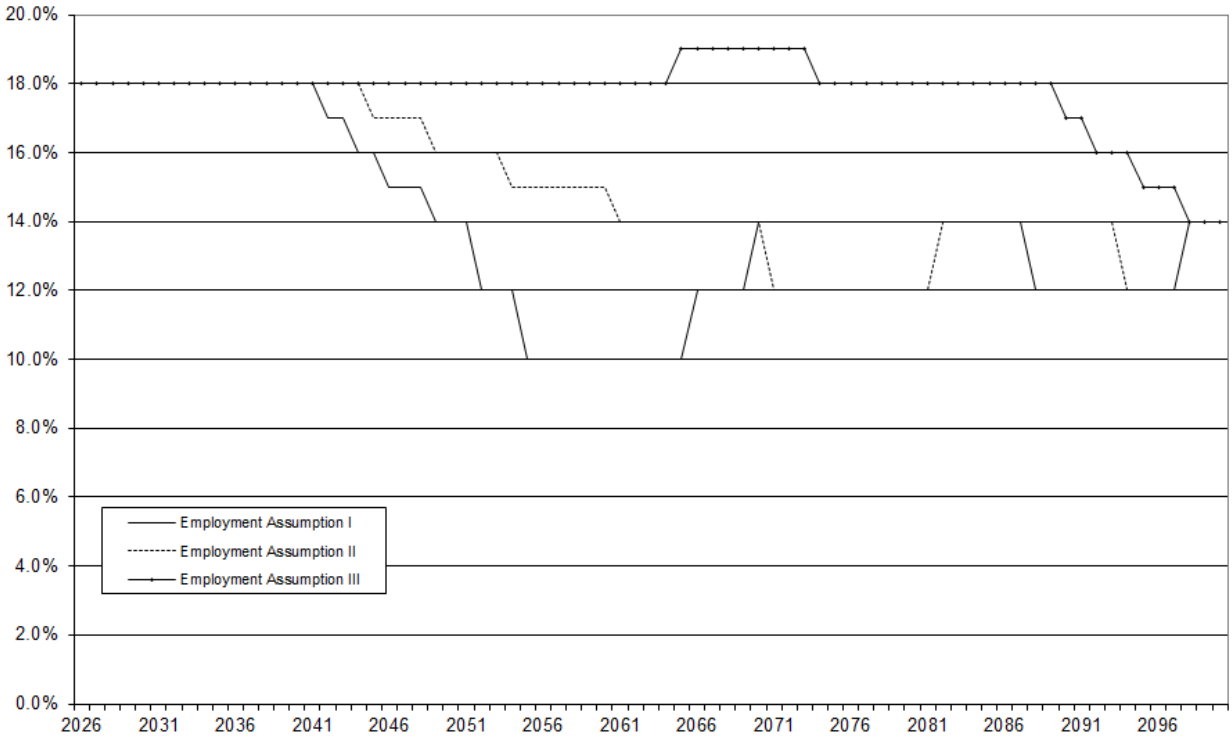


Chart 3c shows the tier II tax rate as determined by the 10-year average ABR under the three employment assumptions. Under employment assumption I, the current 18 percent tax rate remains until 2041, decreases to 17 percent in 2042 and continues decreasing gradually until reaching 10 percent in 2055 through 2065 before increasing to 12 percent again in 2066 through 2069, increasing again to 14 percent in 2070 through 2087, dropping back to 12 percent from 2088 to 2097, and finally increasing again to 14 percent for the remainder of the period. Under employment assumption II, the current 18 percent tax rate remains until 2044, after which it starts dropping until reaching 12 percent in 2071 and then increasing to 14 percent in 2082, where it remains through 2093 before dropping to 12 percent again in 2094, where it remains for the rest of the period. Under employment assumption III, the current 18 percent tax rate remains through 2064, increasing to 19 percent in 2065 through 2073~~,~~ dropping to 18 percent again in 2074 through 2089, and continuing to drop from 17 percent in 2090 until reaching 14 percent in 2098 through 2100.

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



The tier II tax rate for each year is determined by the average account benefits ratio (AABR), which is the average for the ten most recent fiscal years of the ratio of fair market value of assets in railroad retirement system accounts other than the SSEBA to the total benefits and administrative expenses paid from those specific accounts. Therefore, the tier II tax rate will be affected by the employment assumption. Tier II tax rate adjustment mechanism reduces but does not eliminate the risk of insolvency. The tier I tax rate does not vary by employment assumption.

Investment return: Since investments may include non-governmental assets such as equity and debt securities as well as governmental securities, it is worthwhile examining the effects of future rates of investment return. In addition to the investment return of 7 percent used for our projections, we show the effect on the combined accounts of an investment return of 5 percent, 6 percent, 8 percent, and 9 percent. Table 2 shows the excess of assets and the estimated present value of revenue over the estimated present value of expenditures for the five investment return assumptions. If the tier II tax rate were fixed, the actuarial surplus would increase with increasing investment return. However, the tier II tax rate adjusts to changing account balances, resulting in the highest average tax rate under the 5 percent scenario and the lowest average tax rate under the 9 percent scenario.

Table 2
Excess of Assets and Estimated Present Value of Revenue over Estimated Present Value of Expenditures for Five Investment Return Assumptions, 2026-2100
(in billions)

Investment Return Assumption	5.0%	6.0%	7.0%	8.0%	9.0%
Present Value	$7.1	$4.3	$2.3	$1.2	$1.1
Average Tier II tax rate [a]	18.2%	17.4%	16.4%	15.4%	14.5%

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

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

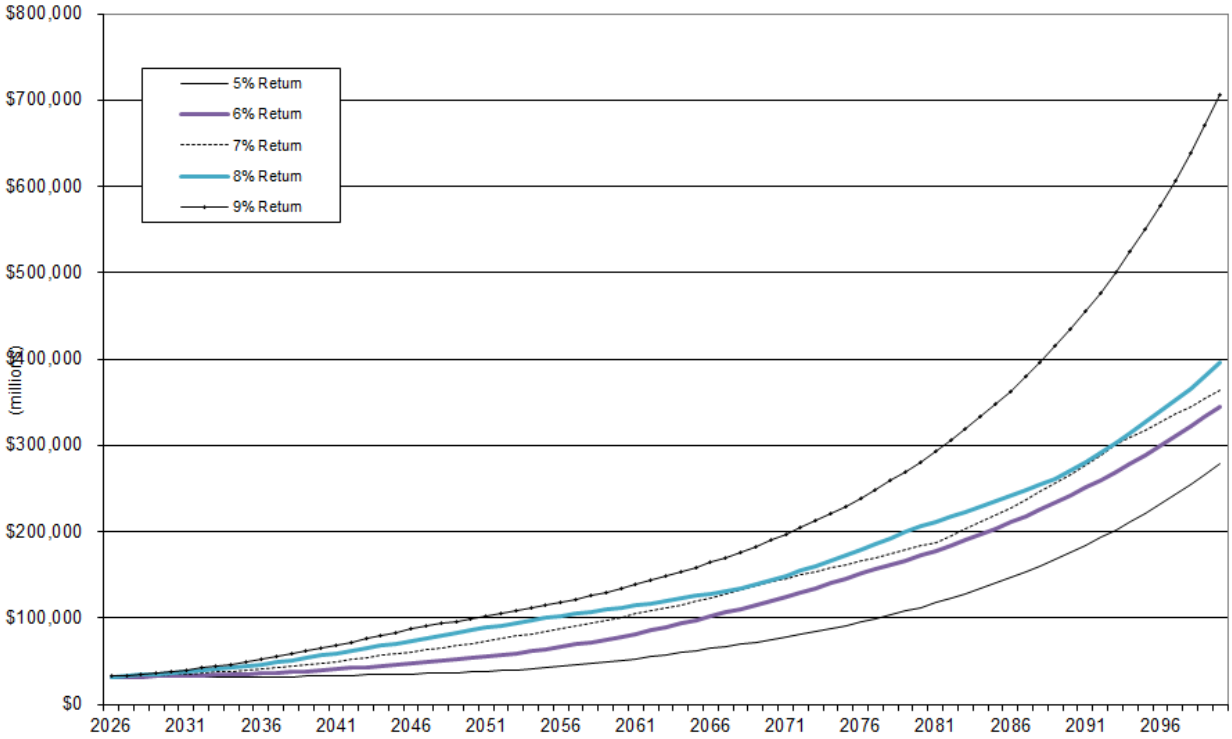


Chart 4a shows the combined account balance under the five investment return assumptions for the projection period. At a 5 percent 2031 investment return, the account balance reaches its lowest value in 2031 and then increases through the remainder of the projection period. With investment returns of 6 percent, 7 percent, 8 percent, and 9 percent, the account balance increases throughout the projection period. Although the 5 percent scenario shows the lowest account balance at the end of the projection period, the concurrent use of a 5 percent discount

rate results in the highest surplus on January 1, 2026, as shown in the table below (in $billions).

Investment Return	5%	6%	7%	8%	9%
Ending Account Balance	$ 257.4	$ 318.4	$345.1	$369.3	$ 653.2
discount factor	0.0258	0.0126	0.0063	0.0031	0.0016
PV Surplus	$ 6.6	$ 4.0	$ 2.2	$ 1.1	$ 1.0

Chart 4b shows the ABR under the same five investment return assumptions. When the return is 5 percent, the ABR decreases until 2051 and then increases throughout the remainder of the projection period. With a 6 percent return, the ABR decreases until 2032 and then increases until 2096 and then decreases throughout the remainder of the period. With a 7 percent return, the ABR increases through 2063, drops slightly in 2064, increases again through 2070, decreases through 2081, increases again through 2093, and then decreases again through the remainder of the period. With an 8 percent return, the ABR increases through 2054, decreases through 2068, except for a slight bump up in 2057, increases again through 2079, decreases again through 2089, and increases through the remainer of the period. With a 9 percent rate, the ABR increases through 2058, drops slightly in 2059 before increasing again through 2063, drops slightly in 2064, and then increases throughout the remainder of the period.

Chart 4c shows the tier II tax rate as determined by the 10-year average ABR under the same five investment return assumptions. With a 5 percent investment return, the tax rate is 18 percent through 2051, increases to 19 percent through 2066, and then drops back to 18 percent for the remainder of the period. With a 6 percent investment return, the tax rate is 18 percent through 2065 and decreases gradually from 17 percent in 2066 to 15 percent in 2077, where it remains for the rest of the period. With a 7 percent return, the tax rate is 18 percent through 2044, drops gradually until reaching 12 percent in 2071, and then increases to 14 percent in 2082, before decreasing again to 12 percent in 2094, where it remains for the rest of the period. With an 8 percent increase, the tax rate is 18 percent until 2039, decreases gradually until reaching 10 percent in 2055, and then increases to 12 percent from 2069 through 2079 before dropping back to 10 percent between 2080 and 2089 and increasing back to 12 percent for the remainder of the period. With a 9 percent return, the tax rate is 18 percent through 2036 before decreasing gradually until it reaches 8.2 percent in 2049, where it remains throughout the rest of the period. As mentioned above, because the tier II tax rate is determined based on the ratios of asset values to benefits and administrative expenses, it will be affected by investment return, but the tier I tax rate will not.

Chart 4b: Account Benefits Ratio under Five Investment Return Assumptions

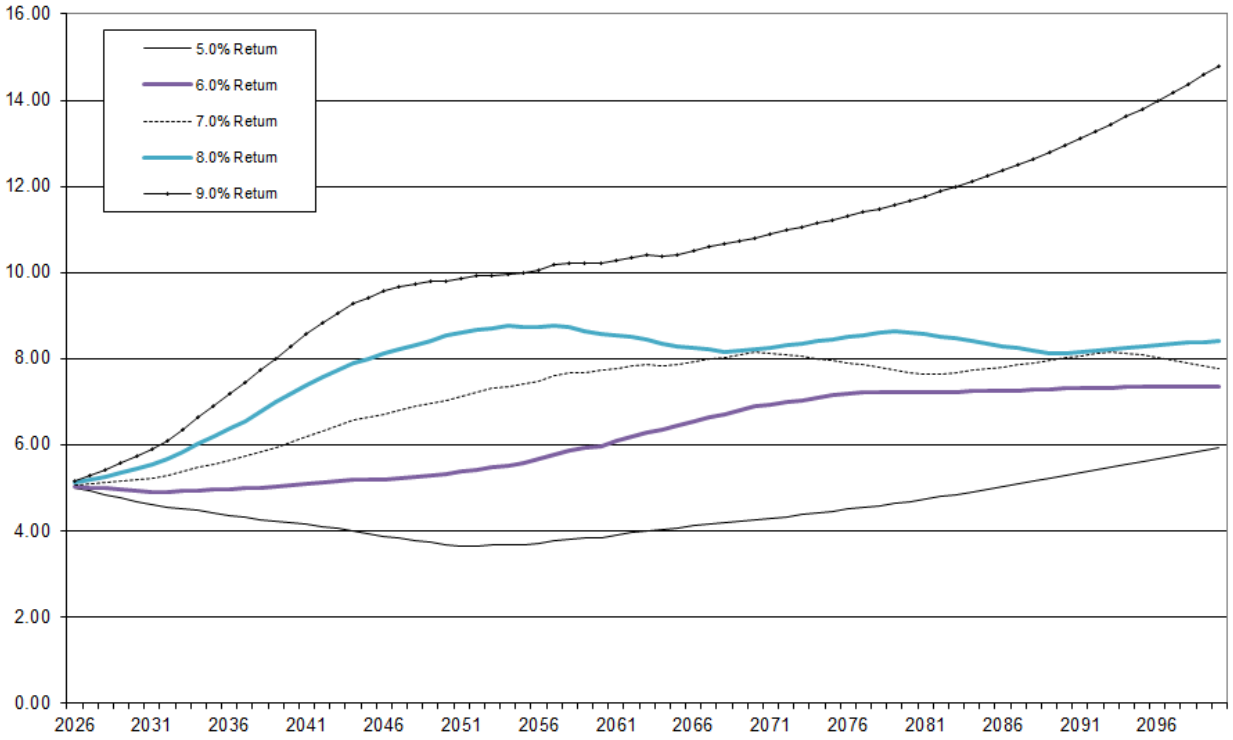
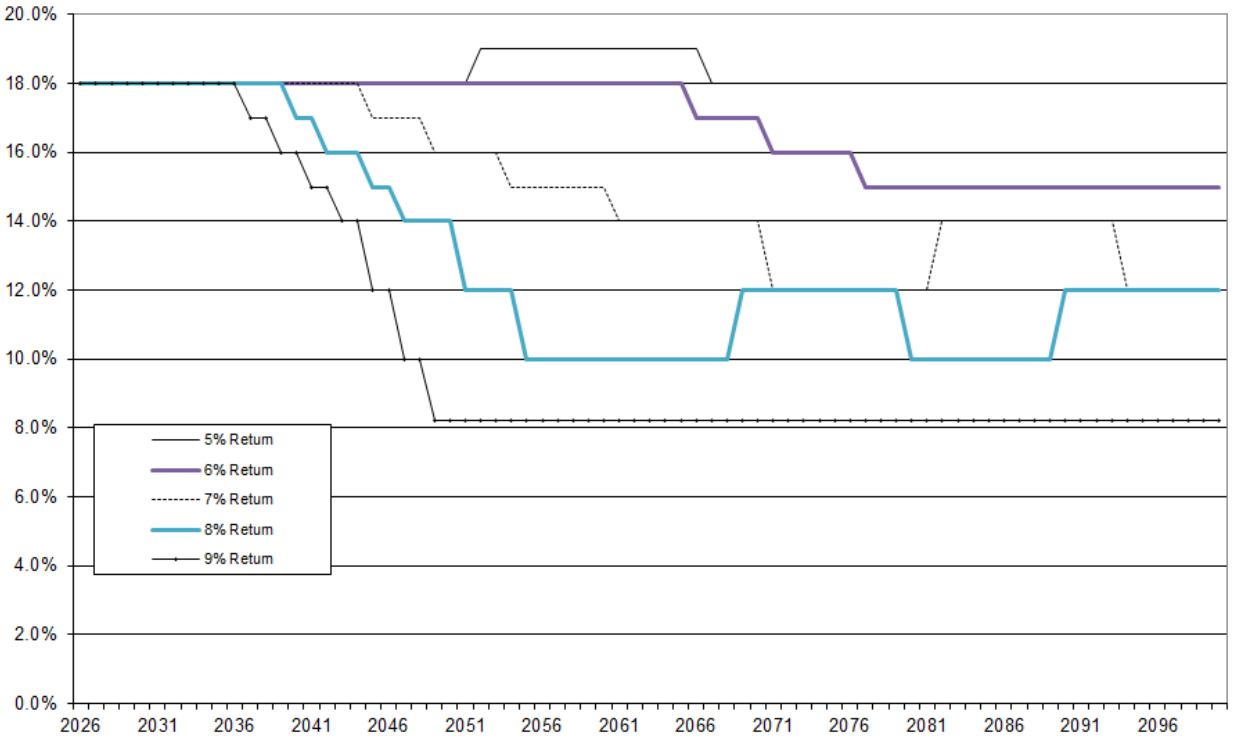
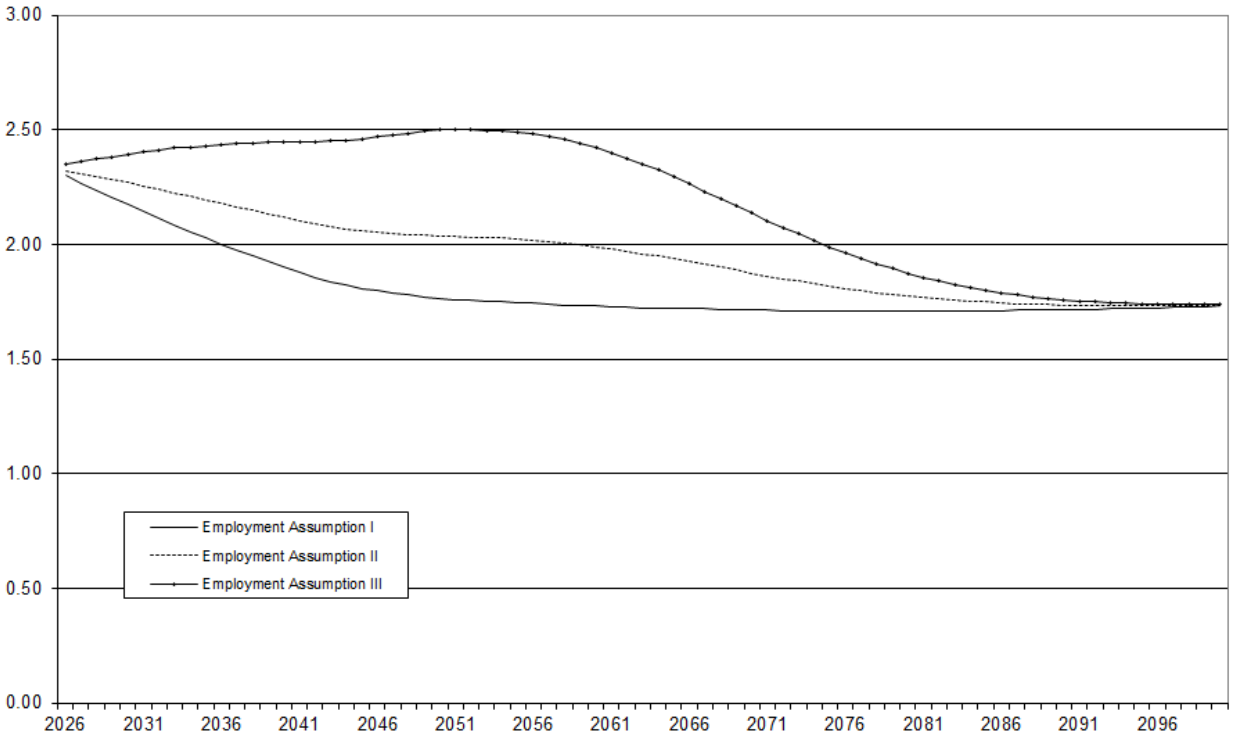


Chart 4c: Tier II Tax Rate under Five Investment Return Assumptions



Ratio of Beneficiaries to Workers: Chart 5 shows the estimated number of annuitants per full-time employee under all three employment assumptions. The average number of annuitants per employee for employment assumptions I and II is highest in 2026. For assumption III, the average number of annuitants per employee increases until 2050, except for a slight drop in 2040, and then decreases from 2051 through 2098, with very small increases in 2099 and 2100. For all three employment assumptions, the average number of annuitants per employee declines to between 1.73 and 1.74 at the end of the projection period. The convergence in number of annuitants per employee at the end of the projection period results primarily from level employment projected in the latter years under all three employment assumptions.

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



RAILROAD RETIREMENT BOARD
COMBINING STATEMENTS OF BUDGETARY RESOURCES
FOR YEAR ENDED SEPTEMBER 30,2026
(in thousands)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 10)	$43,101	$226,773	$5,198	$275,072
Appropriations (discretionary and mandatory)	10,537,288	157,915	(231)	10,694,972
Borrowing authority (discretionary and mandatory) (Note 12)	5,226,800	0	0	5,226,800
Spending authority from offsetting collections (discretionary and mandatory)	157,662	13,444	14,570	185,676
Total budgetary resources	**$15,964,851**	**$398,132**	**$19,537**	**$16,382,520**
Status of budgetary resources				
New obligations and upward adjustments (total)	$15,936,265	$140,123	$13,857	$16,090,245
Unobligated balance, end of year				
Apportioned, unexpired accounts	9,353	0	1,219	10,572
Exempt from Apportionment, Unexpired Accounts	0	258,009	0	258,009
Unapportioned, unexpired accounts	3,496	0	0	3,496
Unexpired unobligated balance, end of year	12,849	258,009	1,219	272,077
Expired unobligated balance, end of year	15,737	0	4,461	20,198
Unobligated balance, end of year (total)	28,586	258,009	5,680	292,275
Total budgetary resources	**$15,964,851**	**$398,132**	**$19,537**	**$16,382,520**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$15,775,792	$123,884	($1,247)	$15,898,429
Distributed offsetting receipts (-)	(6,663,750)	0	0	(6,663,750)
Agency outlays, net (discretionary and mandatory)	**$9,112,042**	**$123,884**	**($1,247)**	**$9,234,679**

RAILROAD RETIREMENT BOARD
COMBINING STATEMENTS OF BUDGETARY RESOURCES
FOR THE YEAR ENDED SEPTEMBER 30, 2025
(in thousands)

	COMBINED RAILROAD RETIREMENT PROGRAM	COMBINED RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM	LIMITATION ON THE OFFICE OF INSPECTOR GENERAL	COMBINED TOTALS
Budgetary Resources				
Unobligated balance from prior year budget authority, net (discretionary and mandatory) (Note 11)	$49,524	$270,095	$5,200	$324,819
Appropriations (discretionary and mandatory)	10,560,424	107,133	0	10,667,557
Borrowing authority (discretionary and mandatory) (Note 13)	5,215,600	0	0	5,215,600
Spending authority from offsetting collections (discretionary and mandatory)	159,136	15,356	14,500	188,992
Total budgetary resources	**$15,984,684**	**$392,584**	**$19,700**	**$16,396,968**
Status of budgetary resources				
New obligations and upward adjustments (total)	$15,954,920	$129,703	$14,271	$16,098,894
Unobligated balance, end of year				
Apportioned, unexpired accounts	15,211	0	1,225	16,436
Exempt from Apportionment, Unexpired Accounts	0	225,845	0	225,845
Unapportioned, unexpired accounts	156	0	0	156
Unexpired unobligated balance, end of year	15,367	225,845	1,225	242,437
Expired unobligated balance, end of year	14,398	37,035	4,204	55,637
Unobligated balance, end of year (total)	29,765	262,880	5,429	298,074
Total budgetary resources	**$15,984,685**	**$618,429**	**$19,700**	**$16,396,968**
Outlays, net				
Outlays, net (total) (discretionary and mandatory)	$15,774,127	$105,696	($1,691)	$15,878,132
Distributed offsetting receipts (-)	(6,304,423)	0	0	(6,304,423)
Agency outlays, net (discretionary and mandatory)	**$9,469,704**	**$105,696**	**($1,691)**	**$9,573,709**

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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

November 16, 2026

To the Board Members,

We contracted with the independent public accounting (IPA) firm of RMA Associates, LLC (RMA) to audit the financial statements of the Railroad Retirement Board (RRB), which included the consolidated balance sheets as of September 30, 2026 and 2025, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended, related notes to the consolidated financial statements, and the sustainability financial statements, which comprise the statement of social insurance as of October 1, 2025, October 1, 2024, October 1, 2023, October 1, 2022, and October 1, 2021, statement of changes in social insurance for the two-year period ended September 30, 2025, and related notes to the sustainability financial statements (collectively referred to herein as the consolidated financial statements). We also contracted with RMA to audit RRB's internal control over financial reporting as of September 30, 2026, based on criteria established in the *Standards for Internal Control in the Federal Government,* issued by the Comptroller General of the United States.

The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards (GAGAS), the Office of Management and Budget (OMB) audit requirements, the U.S. Government Accountability Office and the Council of the Inspectors General on Integrity and Efficiency's *Financial Audit Manual*, applicable American Institute of Certified Public Accountants professional standards, and other applicable OMB guidance.

In its audit of the RRB, RMA reported:

- in their opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the RRB as of September 30, 2026 and 2025, and its net cost, changes in net position, and combined budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America;

- in their opinion, the sustainability financial statements present fairly, in all material respects, the RRB's social insurance information as of October 1, 2025, October 1, 2024, October 1, 2023, October 1, 2022, and October 1, 2021, and its changes in social insurance amounts for the two-year period ended September 30, 2025, in accordance with accounting principles generally accepted in the United States of America;

- an adverse opinion on internal control over financial reporting because the RRB has not maintained effective internal control over financial reporting as of September 30, 2026, based on established criteria, as the RRB's information technology controls over financial reporting were not effective; and

- one instance of significant deficiency on noncompliance regarding a matter that was required to be recorded in accordance with applicable requirements.

RMA also identified one material weakness, which is described in Exhibit I of the attached auditor's report. For the material weakness identified in the report, RMA did not make any new recommendations, as the RRB was not issued new recommendations in the FY 2026 Federal Information Security Modernization Act of 2014 audit because prior year recommendations remain open. In addition, RMA identified one significant deficiency, which is described in Exhibit II of the attached auditor's report. For the one significant deficiency identified in the report, RMA did not make any new recommendations because a prior year recommendation remains open (RRB OIG Audit Report No. 26-02, Recommendation 1). In response to RMA's findings, RRB expressed concurrence. RRB provided a response to the entirety of the auditor's report agreeing with categorization of the findings. RRB expressed their commitment to continue collaborating with RMA and the Office of Inspector General to maintain open communication as they strive to resolve audit recommendations, strengthen internal controls, and strengthen financial reporting.

As required by GAGAS, RMA evaluated RRB's response. Based on the evaluation, RMA's findings remain unchanged.

RMA is responsible for the attached auditor's report dated November 16, 2026 and the conclusions expressed therein. We do not express opinions on RRB's financial statements, internal control over financial reporting, or conclusions on compliance and other matters.

We appreciate the assistance provided to our staff and the IPA firm's employees during the engagement. We look forward to the continued collaboration efforts by all parties.

Sincerely,

Shanon E. Holman Digitally signed by Shanon E. Holman
Date: 2026.11.16 14:06:55 -06'00'

Shanon E. Holman
Assistant Inspector General for Audit
Principal Deputy Performing the Duties of the Inspector General

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Independent Auditor's Report

To the Board Members and Inspector General of the Railroad Retirement Board:

Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Opinions on the Consolidated Financial Statements

We were engaged to audit the consolidated financial statements of the Railroad Retirement Board (RRB), which comprise the consolidated balance sheets as of September 30, 2026 and 2025, and the related consolidated statements of net cost, consolidated statements of changes in net position, and combined statements of budgetary resources for the fiscal years then ended, related notes to the consolidated financial statements, and the sustainability financial statements, which comprise the statement of social insurance as of October 1, 2025, October 1, 2024, October 1, 2023, October 1, 2022, and October 1, 2021, statement of changes in social insurance amounts for the two-year period ended September 30, 2025, and related notes to the sustainability financial statements (collectively referred to herein as the consolidated financial statements).

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the RRB as of September 30, 2026 and 2025, and its net cost, changes in net position, and combined budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Also, in our opinion, the sustainability financial statements present fairly, in all material respects, the RRB's social insurance information as of October 1, 2025, October 1, 2024, October 1, 2023, October 1, 2022, and October 1, 2021, and its changes in social insurance amounts for the two-year period ended September 30, 2025, in accordance with accounting principles generally accepted in the United States of America.

Adverse Opinion on Internal Control over Financial Reporting

We were also engaged to audit the RRB's internal control over financial reporting as of September 30, 2026, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. In our opinion, because of the effect of the material weakness described in the Basis for Adverse Opinion section on the achievement of the objectives of *Standards for Internal Control in the Federal Government*, the RRB has not maintained effective internal control over financial reporting as of September 30, 2026, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

Basis for Opinions on the Consolidated Financial Statements

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in the

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Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget (OMB) Bulletin No. 24-02, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the RRB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. The following material weakness has been identified:

A. Ineffective Information Technology (IT) Controls over Financial Reporting (Repeat)

We conducted our audit in accordance with GAAS and *Government Auditing Standards*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Internal Control Over Financial Reporting section of our report. We are required to be independent of the RRB and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Sustainability Financial Statements

As discussed in Note 18 to the consolidated financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements show the actuarial present value of the RRB's estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The Statements of Social Insurance and Changes in Social Insurance Amounts are based on income and benefit formulas in current law but assume that scheduled benefits will continue after any related trust funds are exhausted. The statements of long-term fiscal projections are based on the continuation of current policy. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable for the projection period under all circumstances.

In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures,

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and sustainability, for example, implementation of policy changes (in other words, benefit changes or payroll tax changes) to avoid trust fund exhaustion or unsustainable debt levels.

Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. The financial statements include Required Supplementary Information to assist in understanding the effect of changes in assumptions to the related information. Our opinion is not modified with respect to this matter.

Related Parties

The RRB discloses transactions with related parties in Note 21 to the consolidated financial statements. The Social Security Administration (SSA) and the RRB participate in an annual financial interchange. The financial interchange is intended to place the social security trust funds in the same position in which they would have been, had railroad employment been covered by the Social Security Act and Federal Insurance Contributions Act. In fiscal years 2026 and 2025, the RRB trust funds realized $6.3 billion and $6.0 billion through the financial interchange, respectively. The Centers for Medicare & Medicaid Services (CMS) participates in the annual financial interchange in the same manner as described for SSA. The RRB transferred $714 million and $716 million to CMS in fiscal years 2026 and 2025, respectively.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles (U.S. GAAP), and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance, and therefore is not a guarantee that audits of the consolidated financial statements and internal control over financial reporting conducted in accordance with GAAS, *Government Auditing Standards*, and OMB Bulletin No. 24-02 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in

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the aggregate, they would influence the judgment made by a reasonable user based on financial statements.

In performing audits of the consolidated financial statements and internal control over financial reporting in accordance with GAAS, *Government Auditing Standards*, and provisions of OMB Bulletin No. 24-02, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit and over financial reporting in order to design audit procedures that are appropriate in the circumstances, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the RRB's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with the U.S. GAAP. An entity's internal control over financial reporting includes those policies and procedures that:

(1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity;

(2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the U.S. GAAP, and that receipts

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and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and

(3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that supplementary information, such as management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with GAAS and *Government Auditing Standards*, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting on Internal Control

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We identified one material weakness described in Exhibit I.

A. Ineffective IT Controls over Financial Reporting (Repeat)

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We identified one significant deficiency described in Exhibit II.

A. Noncompliance with Treasury United States Standard General Ledger (USSGL) (Modified Repeat)

Material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the RRB's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The RRB's Response to Audit Findings

The RRB's comments can be found in Exhibit III. The RRB's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response. We have evaluated the RRB's response and noted that they concurred with the audit findings.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Other Reporting on Internal Control and the Report on Compliance and Other Matters sections is solely to describe the deficiencies we consider to be material weaknesses and the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

RMA Associates

Arlington, VA
November 16, 2026

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Exhibit I – Material Weakness

A. Ineffective IT Controls over Financial Reporting (Repeat)

The RRB's information security program is not effective based on the FY 2026 Federal Information Security Modernization Act of 2014 (FISMA) audit. As a result, its information technology (IT) controls over financial reporting were not effective. The FY 2026 FISMA Audit assessed the maturity of the RRB's information security program using the FY 2025 IG FISMA Reporting Metrics. Although the RRB continues to sustain its information security program, most National Institute of Standards and Technology Cybersecurity Framework functions were rated below Managed and Measurable (Level 4). Within the context of the maturity model, OMB believes that achieving a Level 4 or above represents an effective level of security.

The RRB relies extensively on IT systems to initiate, authorize, record, process, summarize, and report financial transactions in preparing its financial statements. Internal controls over these financial reporting systems are essential to ensure the integrity, confidentiality, and reliability of critical data while reducing the risk of errors, fraud, and other illegal acts. The RRB's IT controls were ineffective in the following areas:

- Security Management;
- Access Controls;
- Configuration Management;
- Segregation of Duties; and
- Contingency Planning.

According to GAO's *Standards for Internal Control in the Federal Government*, Control Activities, Principle 11 – Design General Controls Activities over Information Technology, Design of Appropriate Types of General Control Activities, "Management designs appropriate types of general control activities to mitigate information security risks. General control activities are the actions established through policies and procedures that apply to all or a large segment of an entity's information technology. General control activities include security management, logical and physical access, configuration management, segregation of duties, and contingency planning."

The RRB has not implemented the necessary IT internal controls over its financial reporting systems to mitigate the potential risk of material misstatement. Without effective IT controls over financial reporting, financial systems cannot be relied upon, and the RRB's financial statements may be materially misstated.

Recommendation

The RRB was not issued new recommendations in the FY 2026 FISMA audit because prior year recommendations remain open. Therefore, we are not issuing additional recommendations.

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Exhibit II – Significant Deficiency

A. Noncompliance with Treasury USSGL (Modified Repeat)

The RRB's Bureau of Fiscal Operations (BFO) did not record contributions receivable in accordance with OMB and Department of Treasury (Treasury) requirements.

Specifically, we observed that when recording the RRB's contributions receivable information, BFO used incorrect debit and credit combinations for four United States Standard General Ledger (USSGL) accounts. According to BFO, there may be multiple journal entries made in relation to contributions receivable transactions that may, in combination, agree to the USSGL transactions.

In January 2025, the Deputy Chief Financial Officer initiated discussions with Treasury and OMB to determine the proper accounting treatment for recording the monthly contributions received by the Department of Labor (DOL) on behalf of the RRB. In May 2026, the RRB provided responses to Treasury's questions related to the RRB's USSGL posting logic for contributions received by DOL on behalf of the RRB.

As of September 2026, the RRB is awaiting Treasury's decision and provided evidence of their ongoing correspondence with Treasury on the RRB's DOL contributions transaction.

According to OMB Circular No. A-123, Appendix D, *Management of Financial Management Systems – Risk and Compliance*, Section VII. Applicability/Scope, Part E, "Transactions are posted to the financial system in accordance with the standard general ledger accounting requirements published in the USSGL supplement to the Treasury Financial Manual to permit reporting in accordance with federal accounting standards promulgated by FASAB."

BFO could not provide sufficient evidential matter that supported its rationale related to recording contributions receivable. The RRB did not record its contributions receivable in accordance with the USSGL, which may result in (1) a material misstatement in the RRB's Combined Statement of Budgetary Resources, and (2) differences between budgetary and proprietary accounts when performing tie point reconciliations. As of June 30, 2026, the contributions receivable balance was $317 million.

Recommendation

RMA is not making any new recommendations, as the following recommendation in the RRB OIG's Audit Report 26-02 remains open.

In that report, dated December 2025, we recommended the RRB's Bureau of Fiscal Operations continue working with the Department of Treasury to determine the proper accounting treatment for unusual or RRB-specific transactions and provide supporting documentation of the discussions and decisions made with the Department of Treasury for auditor review (RRB OIG Audit Report 26-02, Recommendation 1).

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Exhibit III – Management's Response to Audit Report

UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-1275

OFFICE OF CHIEF FINANCIAL OFFICER

November 9, 2026

TO: Reza Mahbod
Engagement Partner
RMA Associates
4121 Wilson Blvd., Ste. 1100
Arlington, VA 22203

FROM: Shawna R. Weekley
Chair of the Executive Committee
Chief Financial Officer

SHAWNA WEEKLEY
Digitally signed by SHAWNA WEEKLEY
Date: 2026.11.09 15:22:53 -06'00'

SUBJECT: Bureau of Fiscal Operations Management Response – Draft Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting for Fiscal Year 2026

Thank you for the opportunity to review and comment on the independent auditor's draft "Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting" for fiscal year 2026 that was issued on November 9, 2026.

We acknowledge that RMA will issue an unmodified opinion on the RRB's consolidated financial statements and an adverse opinion on internal control of financial reporting (ICOFR). We further acknowledge that RMA identified one material weakness entitled "Ineffective Information Technology (IT) Controls over Financial Reporting", which is the basis for the adverse opinion on the ICOFR. The Bureau of Information Services, under the purview of the Chief Information Officer, will address the ineffective IT controls over financial reporting material weakness via a separate response.

I note that RMA did not make any new recommendations associated with the significant deficiency entitled "Noncompliance with Treasury United States Standard General Ledger (USSGL)" as the recommendation in the RRB OIG's Audit Report 26-02 remains open. The following is management's response and corrective plan to address the referenced significant deficiency:

Significant Deficiency: Non-Compliance with Treasury USSGL (Modified Repeat)

Management Response: I concur with this finding as written in the draft report.

Audit Report 26-02, Recommendation 1: We recommend the RRB's Bureau of Fiscal Operations continue working with the Department of Treasury to determine the proper

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accounting treatment for contributions received by Department of Labor on behalf of the RRB (i.e., contributions receivable) and provide supporting documentation of the discussions and decisions made with the Department of Treasury for auditor review.

Management Decision: Concur.

Planned Corrective Actions: Management will continue its work with the Department of Treasury (Treasury) to determine the proper accounting treatment for contributions received by Department of Labor (DOL) on behalf of the RRB. We developed the following milestones to facilitate implementation and resolution of this significant deficiency.

Milestone 1: The Deputy Chief Financial Officer (DCFO) will continue to follow-up monthly to determine whether Treasury concurs with the RRB's current method or provides new United States Standard General Ledger (USSGL) posting logic.

Milestone 2: The DCFO will update the auditors on discussions and decisions made with Treasury regarding proper accounting treatment for contributions received by DOL on behalf of the RRB.

Resource Requirements: To implement this recommendation, the BFO needs support from Treasury officials to obtain concurrence or guidance on the proper accounting treatment for contributions received by DOL on behalf of the RRB.

Target Completion Date: June 2027

We appreciate both RMA's efforts and the efforts of the OIG during this audit cycle. We will continue collaborating with RMA and the OIG to maintain open communication as we strive to resolve audit recommendations and strengthen our internal controls and financial reporting to the extent possible within our authority and in consideration of budgetary constraints.

cc: Mario Moreno, Deputy Chief Financial Officer
Danielle M. Clark, Director, Audit Affairs and Compliance Division
Elizabeth Plowiec, Accounting Officer

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UNITED STATES GOVERNMENT
MEMORANDUM

FORM G-115f (1-92)
RAILROAD RETIREMENT BOARD

November 9, 2026

TO: Reza Mahbod
Engagement Partner
RMA Associates
4121 Wilson Blvd., Ste. 1100
Arlington, VA 22203

FROM: Robert De Luca
Chief Information Officer ROBERT DE LUCA Digitally signed by ROBERT DE LUCA Date: 2026.11.10 08:58:49 -05'00'

SUBJECT: Bureau of Information Services Management Response – Draft Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting for Fiscal Year 2026

Thank you for the opportunity to review and comment on the independent auditor's draft "Report on the Audit of the Consolidated Financial Statements and Internal Control Over Financial Reporting" for fiscal year 2026 that was issued on November 9, 2026. The following is management's response and planned corrective actions to address the material weakness directed to the Bureau of Information Services (BIS).

Material Weakness IA: Ineffective IT Controls over Financial Reporting (Repeat)

Management Response: I concur with this finding as written in the draft report.

Planned Corrective Actions: As resources allow, the BIS will take corrective action to resolve findings and recommendations identified during the Federal Information Security Modernization Act (FISMA) audits. Specifically, the BIS will continue to work toward resolving identified deficiencies in the information security program to achieve a managed and measurable (Level 4) maturity rating. We developed the following milestones to support our efforts to resolve this material weakness.

Milestone 1: The BIS will define its resources needs to achieve a Level 4 maturity rating, to include federal or contracted personnel as well as any other relevant resources.

Milestone 2: Subject to funding availability and in consideration of other agency priorities, include the critical positions identified in milestone 1 on the staffing plan in accordance with the joint U.S. Office of Personnel Management and U.S. Office of Management and Budget (OMB) memo titled, "Guidance on Ensuring Continued Accountability in Federal Hiring".

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Milestone 3: Improve the agency's IT operational funding justification to OMB and the Congress to support increased funding for the staffing and other resources required to resolve deficiencies in the information security program. Additionally, the BIS will develop public facing FISMA-related metrics that will demonstrate the agency's progress, or lack thereof, toward improving its maturity level.

Resource Requirements: We need support from OMB and Congress to obtain the funding for resources needed to resolve identified deficiencies and achieve a Level 4 maturity rating. We will also need sufficient funding in future years to sustain the Level 4 maturity rating.

Target Completion Date: Until the BIS secures required staffing and funding resources, we are unable to establish a timeline to resolve this material weakness.

We appreciate our continued partnership with RMA and the Office of Inspector General. We will continue to work toward improving our information technology controls over financial reporting to the extent possible in consideration of our staffing and budgetary constraints.

cc: Shawna R. Weekley, Chief Financial Officer
Richard Kramer, Deputy Chief Information Officer
Jerry L. Gilbert, Chief Information Security Officer
Michael Dwyer, Senior Program Manager
Danielle M. Clark, Director, Audit Affairs and Compliance Division

OTHER INFORMATION

(Unaudited)

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UNITED STATES RAILROAD RETIREMENT BOARD

OFFICE OF INSPECTOR GENERAL

Management and Performance Challenges Facing the Railroad Retirement Board

Introduction

The Reports Consolidation Act of 2000 and the Office of Management and Budget (OMB) Circular A-136 require the Inspectors General to identify what they consider the most serious management challenges facing their respective agency and briefly assess the agency's progress in addressing these challenges.[1]

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement-survivor and unemployment-sickness benefit programs for the nation's railroad workers and their families.

In fiscal year 2025, the RRB paid retirement-survivor benefits of nearly $14.7 billion to about 475,000 beneficiaries and paid unemployment-sickness insurance benefits of approximately $82.0 million to about 27,000 claimants. During fiscal year 2025, the RRB also paid benefits on behalf of Social Security Administration (SSA) (for which the RRB is reimbursed) amounting to $2.7 billion to about 129,000 beneficiaries.[2]

This year's management challenges are:

- Improve Agency Disability Program Integrity
- Improve Information Technology Security
- Complete Information Technology Systems Modernization
- Strengthen Controls Over Representative Payees
- Ensure Reliable Financial Statements and Internal Controls over Financial Reporting
- Improve Human Capital Management

The challenges this year include items relating to prior Office of Inspector General (OIG) concerns or those identified in prior audits, and areas related to the RRB's core mission. Most of this year's challenges have been included in prior statements, and the main challenges remain consistent in fiscal year 2026.

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[1] Office of Management and Budget (OMB), *Financial Reporting Requirements*, Circular No. A-136 Revised (Washington, D.C.: May 29, 2026).
[2] Railroad Retirement Board, *Performance and Accountability Report, Fiscal Year 2025* (Chicago, IL: December 18, 2025)

Challenge 1 - Improve Agency Disability Program Integrity

RRB must ensure: (1) accurate and timely determinations of eligibility of an applicant for a disability annuity, and (2) annuitants remain eligible to continue benefits by careful and cost-effective monitoring.

History of this Challenge

Historically, the RRB's disability program has been a target for wrongdoers, as its occupational disability benefits have an attractive payout and less rigorous approval criteria than total and permanent disability cases.[3] In addition, the potential for fraud and abuse in the RRB's disability program remains high due to challenges in: (1) disability workloads and staffing levels, (2) timeliness of initial disability decisions, and (3) timely and effective continuing disability reviews (CDR).

The consequences of the untimely processing of disability applications could immediately impact railroad workers and their families who are unable to work and may struggle to pay essential living expenses (e.g., food, clothing, housing, and medical care). As of October 2026, the cost of the RRB's disability program is approximately $720 million. At the end of fiscal year 2025, 6,730 totally disabled annuitants received an average monthly total disability annuity of $2,870 and 7,740 occupationally disabled annuitants received an average monthly occupational disability annuity of $4,170.

What has Changed with this Challenge During Fiscal Year 2026

In regard to the timeliness of initial disability decisions, in their response to the IG statement for fiscal year 2025, RRB management acknowledged the IG's observation that the agency continues to fall short of its stated goal to make 70 percent of disability decisions within 100 days of the application file date. They also stated that this goal has not changed for many years despite the agency's significant, and increasing, resource challenges. For that reason, they clarified that completing 70 percent of initial disability decisions within 100 days of the application date is a longstanding aspirational goal and that RRB will not be able to substantially improve the timeliness of this work without increasing staffing levels or modernizing technology, which cannot be initiated without Congressional approval of additional agency funding. They further stated that, in the interim, the

[3] A railroad employee is considered occupationally disabled if the physical or mental condition precludes the employee from performing his or her regular railroad occupation, even though the employee may be able to perform other kinds of work.

agency will amend its stated timeliness goal to better align with current fiscal realities.

Although they emphasized agency accomplishments in decreasing the number of pending initial disability decisions, RRB management acknowledged the additional challenges posed by their Continuing Disability Review (CDR) workload. They stated that, as with timeliness, the RRB's ability to implement corrective action plans is constrained by insufficient resources, and they appreciate the OIG drawing attention to the fact that the RRB is unable to make substantial gains across disability workloads without additional resources and the support of OMB and the Office of Personnel Management (OPM).

During fiscal year 2026, OIG issued two reports that contained findings and recommendations related to disability program integrity. In OIG Report No. 26-08, we found that RRB did not consistently pay vendor invoices for medical exam orders, due to an oversight by disability examiners, which was exacerbated by a lack of adequate staffing and several other internal control weaknesses in the medical exam ordering process for disability determinations.[4] We made one recommendation to the Office of Programs to improve controls over the medical exam process. The Office of Programs concurred with this recommendation and planned to take corrective action.

In OIG Report No. 26-10, we found no exceptions in the RRB's Disability Benefits Division's adjudication and documentation of 146 CDR determinations completed during fiscal year 2023. However, due to insufficient staffing levels and weakened internal controls in the CDR process, we found that 82 percent of those 146 CDRs completed in fiscal year 2023 were backlogged cases from previous fiscal years. Moreover, the division took no action on 330 of the 444 (74 percent) cases that were scheduled for a CDR in fiscal year 2023. As a result, the RRB was at increased risk of improperly paying occupational disability benefits. In order for RRB to provide reasonable assurance that CDR activities are identified, assigned, monitored, completed, accurately recorded, and reported in a timely manner, we made eight recommendations. RRB management concurred with all eight recommendations and agreed to take corrective action.[5]

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue increasing the staffing levels or modernize its process to improve the timeliness of initial disability decisions and the effectiveness of the CDR program.
- The RRB needs to continue implementing corrective action plans.

[4] RRB OIG, *Audit of the Railroad Retirement Board's Financial Management Integrated Systems Business Process Controls*, Report No. 26-08 (Chicago, IL September 23, 2026).
[5] RRB OIG, *Audit of the Railroad Retirement Board's Continuing Disability Review Process*, Report No. 26-10 (Chicago, IL September 30, 2026).

- The RRB needs to work on reducing and eliminating the pending disability cases.
- The RRB needs to improve internal controls over the CDR process to reduce the risk of improperly paying occupational disability benefits.
- The RRB needs to work with OMB and the Office of Personnel Management to acquire the necessary resources to address its disability program weaknesses or make necessary organizational changes to overcome this challenge (refer also to Challenge 6).

Challenge 2 – Improve Information Technology Security

RRB must ensure that its information technology (IT) systems are secure and its sensitive data is protected.

History of this Challenge

To manage risk effectively, RRB implemented an automated solution in fiscal year 2024 using the Department of Justice's cybersecurity tool. Additionally, the RRB continued addressing open findings and also implemented an information security continuous monitoring strategy through the DHS. The RRB also developed a Zero Trust Architecture Strategy pursuant to Executive Order 14028, *Improving the Nation's Cybersecurity*, issued on May 12, 2021. The RRB's strategy will improve the RRB's cybersecurity posture for its cloud-computing environments and includes controls for multi-factor authentication, data encryption, and conditional access management.

However, for more than twenty years, auditors have concluded that the RRB's information security program was not effective. Secure IT systems are vital to support the RRB's ability to meet its core mission and to transform its core business processes and services while safeguarding information. RRB systems contain sensitive and personally identifiable information, such as social security numbers and medical records, which, if not protected, could be subject to inappropriate disclosures. Disruptions to the integrity or availability of RRB's information systems could dramatically impact its ability to serve the public and achieve its mission.

This remains a challenge because the RRB's overall assessment rating remains "not effective" for fiscal year 2026.

What has Changed with this Challenge During Fiscal Year 2026

The RRB continues to make steady progress in improving the information security program. In particular, the RRB has continued the implementation of the

Information System Risk Governance, Information Security Continuous Monitoring (ISCM) policies and procedures, and Ongoing System Authorization programs.

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue improving IT security to ensure it will eventually reach the overall maturity goal of Managed and Measurable (Level 4), thus an effective information security program.
- The RRB needs to continue implementing corrective action plans.
- The RRB needs to develop a Single Sign-On (SSO) with Role-Based Access to efficiently simplify its access control and streamline navigation through system consolidation.
- The RRB needs to work with OMB and OPM to acquire the resources required to safely secure its mission or make necessary organizational changes to overcome this challenge.

Challenge 3 – Complete Information Technology Systems Modernization

RRB must complete its ongoing initiatives to modernize its Information Technology (IT) systems to accomplish its mission, despite budget and resource constraints.

History of this Challenge

RRB formally adopted a strategic plan for IT modernization in fiscal year 2023. The agency aligned its goals and objectives with its focus on: enabling a mobile and distributed RRB workforce to improve the customer experience and secure and optimize IT operations to deliver a seamless digital experience. During fiscal year 2024, the RRB established a subcommittee focused on its IT modernization program that reports directly to the RRB's Executive Committee. They also updated its modernization plan to clarify the performance measures needed to address three areas of its modernization program: 1) technical management, 2) program management, and 3) agile performance.

This remains a challenge this year, because the RRB is severely under-resourced enterprise-wide. The loss of institutional knowledge, insufficient staffing levels, and outdated technology prevent full-scale application modernization, which would streamline business processes and improve customer service.

What has Changed with this Challenge During Fiscal Year 2026

While the RRB has been successful in stabilizing its infrastructure, it has become increasingly difficult to maintain the pace of modernization, as the agency lost

much of its institutional knowledge through the separation of a significant percentage of its workforce. The loss of a workforce familiar with the RRB systems environment has hindered the RRB's ability to provide daily operational support and begin application modernization. The mission of the RRB is supported by over 200 applications running on a mainframe, which adds to the complexity of modernization efforts. A risk to RRB's goals is the agency's current lack of resources. The RRB struggles yearly to fund operational cloud costs, as the early modernized components of the enterprise continue to require sustainment. The RRB anticipates it will need to purchase new cloud tools and services to create the necessary framework and governance around a modernized, unified data model and the appropriate resources to establish open-source platforms for application modernization. The RRB is currently not able to improve the quality of their customer data, which impacts program integrity efforts, as well as monitoring and reporting capabilities that allow for data-driven agency decisions and workload prioritization.

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue working on their IT modernization efforts.
- The RRB needs to continue implementing corrective action plans.
- The RRB needs to create a Cross-System Accountability Matrix. This matrix will cover its functional responsibilities for data entry including updates, reviews, approvals, and other tasks across all benefit systems.
- The RRB needs to establish a Unified Case Management Platform. This platform will serve to consolidate its data views from different legacy systems into a single user interface with workflow capabilities.
- The RRB needs to modernize its legacy applications incrementally and utilize modern interfaces with its COBOL systems to minimize disruption and cost and reduce complexity.
- The RRB needs to work with OMB and OPM to acquire additional resources directed towards an efficient modernization or make necessary organizational changes to overcome this challenge.

Challenge 4 – Strengthen Controls Over Representative Payees

RRB must ensure that its most vulnerable annuitants (e.g., its minor, aged, and disabled beneficiaries) are well protected and safeguarded from fraud, waste, and abuse.

History of this Challenge

A representative payee (rep payee) is appointed when an annuitant cannot properly manage or handle their own benefit payments due to a physical or mental

impairment. In fiscal year 2025, RRB OIG identified significant concerns potentially impacting the safety and welfare of RRB annuitants for which rep payees had been appointed to oversee the annuitants' finances.[6] Some of the concerns identified were inadequate monitoring of rep payee spending, not securing a vendor for a new background check system after the previous contract had expired, and not establishing a written policy for determining what would classify an applicant as a high-risk rep payee.[7] RRB was found to be not fully compliant with its required procedures, as rep payee documentation for its appointment and monitoring processes were not always complete or uploaded to its documentation [imaging] system.

These issues occurred primarily because RRB either lacked policies and procedures, did not adhere to them, or its rep payee monitoring process was inadequate. Limited RRB staffing resources and inadequate training also factored into the cause. RRB OIG issued numerous recommendations to address these issues. RRB management concurred with all of the recommendations.

In addition to the concerns outlined above, also in fiscal year 2025, RRB OIG determined that the RRB's Bureau of Field Service (BFS) transferred its rep payee monitoring responsibilities to RRB's Program Evaluation and Management Services (PEMS) during fiscal year 2022. This transition was not fully effective and the subsequent monitoring responsibilities were not performed timely. As a result, the RRB's program integrity for rep payee monitoring was negatively impacted, and there was an increased risk that annuitants' benefits could have been misused during fiscal year 2022.[8]

To address the weaknesses identified in this review, OIG made five recommendations related to the ineffective rep payee monitoring responsibility transition and four recommendations to improve rep payee monitoring timeliness.

RRB management concurred with all nine recommendations. At the time of the report, RRB management reported that they had implemented corrective actions for seven of the nine recommendations and planned to request closure for those seven recommendations. Additionally, they stated that they planned to take corrective action for the remaining two recommendations by December 31, 2025.

What has Changed with this Challenge During Fiscal Year 2026

For OIG Report No. 25-07, RRB management concurred with all 23 recommendations and has since completed corrective action on 8 of the

[6] RRB OIG, *Audit of the Railroad Retirement Board's Representative Payee Monitoring Program from Fiscal Year 2023 through Fiscal Year 2024*, Report No. 25-07 (Chicago, IL: June 12, 2025).
[7] Background checks are required to ensure the representative payee does not have a criminal record.
[8] RRB OIG, *Management Information Report – Railroad Retirement Board's Representative Payee Monitoring Progress and Status: Fiscal Year 2020-Fiscal Year 2022,* Report No. 25-06 (Chicago, IL: June 6, 2025).

23 recommendations. Fifteen of the 23 recommendations remain open. The corrective actions taken by the RRB strengthened applicable procedures, internal controls, and background checks.

For OIG Report No. 25-06, RRB management concurred with all nine recommendations and has since completed corrective action on six of the nine recommendations. Three recommendations remain open.

RRB management indicated that PEMS has since achieved 99 percent timeliness with its 120-day timeliness standard. RRB management has also made extensive revisions to reflect the separate PEMS and BFS' field office responsibility actions in the monitoring process. PEMS will also continue to utilize its intemal procedure guidelines when handling returned representative payee and parental monitoring forms. RRB management also indicated that all of its program integrity and evaluation specialists have now been provided with access to a third party system used to conduct background checks.

At the time of last year's statement, PEMS had six program integrity and evaluation specialists assigned to the representative payee project, which was considered the minimum amount of staff needed to timely handle the responsibilities. At that time, RRB management stated that they were closely monitoring staffing levels for rep payee monitoring, and they further stated that if just one employee was lost, adjustments in priorities or assistance from BFS would be needed. RRB management thanked the OIG for highlighting the fact that the RRB cannot make further enhancements to this workload without the necessary funding and the support of OMB and OPM.

What the Railroad Retirement Board Needs to Do

- The RRB needs to establish risk criteria to identify and closely monitor its high-risk representative payees to protect its most vulnerable annuitants.
- The RRB needs to work with OMB and OPM to acquire the adequate resources needed to ensure the safety of its annuitants and maintenance of its representative payee internal controls or make necessary organizational changes to overcome this challenge.

Challenge 5 – Ensure Reliable Internal Controls over Financial Reporting

RRB must maintain effective internal controls over financial reporting.

History of this Challenge

In fiscal year 2025, the RRB received an unmodified (clean) opinion on its annual agency wide financial statements, the first time since 2012. However, and the reason for this challenge, the RRB received an adverse opinion on internal control over financial reporting because the RRB has not maintained effective internal controls over financial reporting as of September 30, 2025, as corrective action plans were not developed for all outstanding externally identified findings. In addition, the independent public accounting firm noted one instance of significant deficiency on a matter that was required to be recorded in accordance with applicable requirements.

What has Changed with this Challenge During Fiscal Year 2026

The RRB received an unmodified (clean) opinion. During the fiscal year 2025 audit cycle, the RRB reduced the number of material weaknesses from five to two, closed two significant deficiencies, and had no reported instances of non-compliance. The RRB will continue strengthening internal controls and implementing corrective action plans to ensure a reliable financial reporting system and provide financial statements that present fairly the agency's financial condition.

For fiscal year 2026 financial statements, the final audit opinions have not been published because the audit of those financial statements and the audit of the internal controls over financial reporting are in progress. They will not be published until after November 15, 2026.

What the Railroad Retirement Board Needs to Do

- RRB needs to continue to strengthen its financial reporting quality assurance and clarify its proper accounting treatment for complex transactions.
- RRB needs to continue implementing its corrective action plans.

Challenge 6 - Improve Human Capital Management

To accomplish its mission, RRB must efficiently manage its human capital resources. RRB must hire, develop, and retain its employees in order to handle the persistent administrative workload and provide outstanding customer service.

History of this Challenge

As reported by the RRB, significant staff losses and inadequate staffing levels have created backlogs of initial disability decisions and post adjudicative actions. The increase in backlogs and extended processing delays have resulted in reduced customer satisfaction and an increase in phone inquiries, which exceed the

capacity of the RRB's field office employees. Lastly, insufficient staffing and job duty dependency across the agency have led the RRB to allocate resources to satisfy federal mandates or short-term agency priorities, rather than activities with long-term benefit or to satisfy a strategic goal. These challenges continue into this year.

Funding and Resource Planning Challenges

In the fiscal year 2027 budget justification to Congress, RRB management indicated that the President's fiscal year 2027 budget request included $127 million, which would support an estimated 668 full-time equivalents (FTEs). This budget request placed funding levels at an insufficient level for the fourth consecutive fiscal year. The 668 FTEs under the proposed $127 million budget request was 176 FTEs fewer than what is needed to sustain the agency's mission essential functions.

Impacted Bureaus and Offices

The RRB's Bureau of Information Services leads the agency's IT modernization program and manages all aspects of IT and information management. This bureau has experienced significant decreases in staffing since 2019, resulting in delays in necessary programming changes and modernization efforts.

The Bureau of Field Service (BFS) employees handle a myriad of customer inquiries regarding RRB programs, as well as Medicare and Social Security. Despite rising workloads, field office staffing levels have been declining since fiscal year 2017. In fiscal year 2026, there has also been a hiring freeze. Many of the 53 RRB's field offices are expected to reach critically low levels due to anticipated retirements. These field offices risk mission failure unless staffing levels are substantially increased.

Agencywide Impact

The RRB has experienced significant processing delays and backlogs. The backlog of pending workload items represents railroad retirement beneficiaries who have either been overpaid or underpaid for many years.

The RRB has explained that its administrative budget is identified as the single most important risk factor. The RRB's overburdened staff and loss of institutional knowledge has resulted in an environment where its remaining staff cannot efficiently perform statutorily required tasks. An estimated one third of the RRB's most knowledgeable employees could retire immediately or sometime between fiscal year 2026 through fiscal year 2030.

What has Changed with this Challenge During Fiscal Year 2026

The RRB has made progress in the management of its human capital and continues to aggressively pursue its necessary budgeting as described in the

following paragraphs. In RRB's Strategic Plan 2026-2030, RRB management outlined its planned efforts:

- To implement the key elements of the Federal Merit Hiring Plan.[9]
- To engage with the General Services Administration (GSA) to plan and design a new headquarters facility that meets current occupancy requirements.
- To develop an iterative plan that considers available budgetary resources to transition to a Low-Code No-Code platform.[10]
- To explore the use of effective, mission-enabling artificial intelligence to improve the effectiveness and efficiency of operations.

In response to fiscal year 2025's challenges, RRB management acknowledged its ongoing need to effectively manage human capital resources to hire, develop, and retain employees, and agreed with the IG's assessment. RRB management also stated that they are aware that a wave of retirements in critical positions increases succession risk, which in turn raises the potential for noncompliance with laws, regulations, or federal mandates. However, they did point out that human capital management is not a new challenge, as a significant number of employees have been retirement eligible for several years. Also, due to budgetary constraints in previous years, which look to continue into fiscal year 2026 and beyond, the RRB implemented a hiring freeze. In fiscal year 2025, this hiring freeze was compounded by a full-year continuing resolution that maintained the agency's budget at fiscal year 2024 levels. Looking ahead, RRB anticipated a flat budget for fiscal year 2026 as well, which remained significantly below the level needed to carry out the RRB's mission.

The Board requested approximately $185 million for its fiscal year 2027 limitation on administration appropriation. This request level would permit the RRB to improve rail industry services, coordinate benefits, and ensure its constituents continue to receive benefits. The agency's request level would fund approximately 844 FTEs and provide $10 million for its IT modernization efforts. The request is supported by the RRB's Human Capital Plan and the increased staffing would directly improve its services to the railroad community while addressing its strategic goals. The staffing investment would also serve to offset the RRB's delays in processing disabilities, post awards, and rate adjustments.

During fiscal year 2026, OIG issued 10 audit reports, many of which listed lack of adequate staffing as one of the causes for the identified audit findings.

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[9] In accordance with Executive Order 14170, *Reforming the Federal Hiring Process and Restoring Merit to Government Service and the Merit Hiring Plan (MHP)*, (Washington, D.C.: May 29, 2025).
[10] As outlined in Executive Order 14243, *Stopping Waste, Fraud, and Abuse by Eliminating Information Silos*, (Washington, D.C.: March 20, 2025).

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue updating the Human Capital Plan annually, including their hiring, succession, and training plans.
- The RRB needs to continue working closely with OMB and OPM to develop long-range plans for hiring.
- The RRB needs to proactively use available artificial intelligence tools to offset its staffing deficit and maximize the efficiency of its available FTEs in accordance with the President's executive orders.
- The RRB needs to consider the deployment of Robotic Process Automation bots to handle high-volume repetitive tasks freeing staff for higher-value activities.
- The RRB needs to collaborate with other federal agencies for resource-sharing in specialized roles like IT or claims validation.
- The RRB needs to establish a continuous improvement team to assess the cost-effectiveness of controls, using key performance indicators and return on-control metrics.
- The RRB needs to use government-approved cloud solutions (e.g., FedRAMP) to reduce infrastructure and maintenance costs.

Through audits, investigations, and other follow-up activities, we will continue our oversight of the challenges discussed in this letter.

(Original signed by)

Shanon E. Holman
Assistant Inspector General for Audit
Principal Deputy Performing the Duties of the Inspector General

October 16, 2026

MANAGEMENT'S COMMENTS

These are management's comments on the Management and Performance Challenges identified by the Railroad Retirement Board (RRB) Office of Inspector General (OIG) for fiscal year (FY) 2026.

Challenge 1 – Improve Agency Disability Program Integrity

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue increasing the staffing levels or modernize its process to improve the timeliness of initial disability decisions and the effectiveness of the Continuing Disability Review (CDR) program.
- The RRB needs to continue implementing corrective action plans.
- The RRB needs to work on reducing and eliminating the pending disability cases.
- The RRB needs to improve internal controls over the CDR process to reduce the risk of improperly paying occupational disability benefits
- The RRB needs to work with the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) to acquire the necessary resources to address its disability program weaknesses or make necessary organizational changes to overcome this challenge.

Management's Comments to Challenge 1:

We appreciate the OIG's assistance in identifying areas for improvement in our disability workloads. As observed in the above narrative, the RRB is struggling to address backlogged and incoming work as the direct result of understaffing brought on by years of underfunding. We note that the OIG recommends working with both OMB and the Office of Personnel Management (OPM) to acquire resources; the agency continues to pursue communications with both bodies.

Despite staffing deficits, we are pleased to report that, in fiscal year 2026, we achieved a 7.5 percent decrease in pending disability cases even though the agency concurrently received a more than 17 percent increase in applications. However, we lack the staff and technology needed to make gains across all workloads, particularly CDRs which are handled by examiners in a specialized subunit.

Due to attrition, staffing in the subunit responsible for CDRs dropped to one examiner by the end of FY 2026. Although 20 CFR 220.186(g) recognizes that CDRs may be delayed as the result of resourcing issues and other backlogs, we appreciate that such delay is undesirable and, as observed by the OIG, increases risk of improper payments. The agency will continue to make both OMB and OPM aware of staffing needs and workload challenges; we welcome support from the OIG.

Challenge 2 – Improve Information Technology Security

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue improving information technology (IT) security to ensure it will eventually reach the overall maturity goal of Managed and Measurable (Level 4), thus an effective information security program.

- The RRB needs to continue implementing corrective action plans.
- The RRB needs to develop a Single Sign-On (SSO) with Role-Based Access to efficiently simplify its access control and streamline navigation through system consolidation.
- The RRB needs to work with OMB and OPM to acquire the resources required to safely secure its IT systems or make necessary organizational changes to overcome this challenge.

Management's Comments to Challenge 2:

We appreciate OIG's thorough evaluation of our IT Security environment and acknowledgment of the improvement in our fiscal year 2026 core Federal Information Security Modernization Act (FISMA) results. The Inspector General metrics and efforts are used yearly to improve the RRB information security program. The RRB is fully aware and committed to working toward an overall maturity level of Managed and Measurable (Level 4) and the following are a few examples of our efforts toward this goal.

First, understanding that a fully integrated enterprise-wide Risk Management Program is required for the agency to manage risk effectively, in fiscal year 2026, the agency continued to utilize the Department of Justice's Joint Cybersecurity Authorization Management Governance, Risk, and Compliance tool (JCAM). This automated tool provides a centralized, enterprise-wide (portfolio) view of risks across the organization, including risk control and remediation activities, dependencies, risk scores/levels, risk management roles and responsibilities, an information security architecture strategy, an enterprise-wide configuration plan, and management dashboards.

RRB expanded our use of secure Single Sign-On (SSO) with Role-Based Access Control by leveraging Microsoft Entra ID as the primary identity provider, Active Directory Federation Services (ADFS) for legacy applications, and Zscaler as the Zero-Trust enforcement layer. Together, these components provide seamless authentication, centralized role management, and identity-driven access to internal and external applications. Microsoft Entra ID and ADFS have already been established, and the RRB is piloting Zscaler with Cybersecurity and Infrastructure Security Agency's Continuous Diagnostics and Mitigation advanced network protection solution.

Additionally, the RRB continued addressing open findings as well as implementing an information security continuous monitoring strategy through the Department of Homeland Security Cybersecurity and Infrastructure Security Agency Continuous Diagnostics and Mitigation Group F Program. These actions directly and positively impact our ability to improve the overall risk management posture for the agency. Further, through these efforts, we addressed and closed 36 Plans of Action and Milestones, which included 10 OIG findings during fiscal year 2026.

Preliminary Cyberscope audit results, a part of the fiscal year 2026 FISMA audit, indicate that OIG's contract auditor, Castro & Company, recognized the RRB is sustaining progress on all the core metrics from the prior year at consistently implemented (Level 3). Additionally, the RRB is continuing to refine its roadmap to successfully implement a full Zero-Trust architecture as well as maximize its performance against the measured FISMA controls as it continues to modernize its enterprise. The RRB's goal is to reach the overall maturity goal of Level 4 – Managed and Measurable. Subject to budgetary constraints and other agency priorities, the RRB may include pertinent Information Technology (IT) positions in its annual staffing plan pursuant to the OPM and OMB memorandum, Guidance on Ensuring Continued Accountability in Federal Hiring. However, increased funding and staffing resources are necessary to sustain our cybersecurity systems and overall security posture.

Challenge 3 – Complete Information Technology Systems Modernization

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue working on their IT modernization efforts.
- The RRB needs to continue implementing corrective action plans.
- The RRB needs to create a Cross-System Accountability Matrix. This matrix will cover its functional responsibilities for data entry including updates, reviews, approvals, and other tasks across all benefit systems.
- The RRB needs to establish a Unified Case Management Platform. This platform will serve to consolidate its data views from different legacy systems into a single user interface with workflow capabilities.
- The RRB needs to modernize its legacy applications incrementally and use modern interfaces with its COBOL systems to minimize disruption and cost and reduce complexity.
- The RRB needs to work with OMB and OPM to acquire additional resources directed towards an efficient modernization or make necessary organizational changes to overcome this challenge.

Management's Comments to Challenge 3:

We appreciate the OIG's recognition of the budget and staffing challenges the RRB is facing as the agency advances IT system modernization efforts. Critical funding is needed to obtain the resources to fully execute the modernization effort and address key findings. As outlined in our Strategic Plan, the focus of our current and near future projects reaffirms our commitment to improve overall mission support to the RRB and the rail community. Improving services for our constituents, enabling an agile workforce, and securing the enterprise are critical outcomes that will continue to move the agency forward in the years to come. To realize these outcomes, adequate funding will be paramount to our success. The absence of future funding to the agency's IT Modernization Program will effectively stop all modernization initiatives. Insufficient financial resources will render the agency unable to increase staffing and bring on new skillsets, such as artificial intelligence, or procure new tools and services to rapidly implement new cloud-based opportunities. A sufficient operating budget is needed to recruit for new skillsets as well as upskill our current staff and afford the RRB with opportunities to continue our modernization efforts as outlined within this document.

While the RRB has been successful in stabilizing its infrastructure, it has become increasingly difficult to maintain the pace of modernization as the agency lost much of its institutional knowledge through the separation of an overwhelming percentage of its workforce. The loss of our workforce has hindered our ability to provide daily operational support and begin application modernization. The mission of the RRB is supported by over 200 applications running on a mainframe, which adds to the complexity of modernization efforts. A risk to our goals is the agency's current lack of resources. We struggle yearly to fund our operational cloud costs, as we call "hybrid costs," as the early modernized components of our enterprise continue to require sustainment. We anticipate needing to purchase new cloud tools and services to create the necessary framework and governance around a modernized, unified data model and the appropriate resources to establish open-source platforms for application modernization. We are currently not able to improve the quality of our customer data, which impacts our program integrity efforts as well as monitoring and reporting capabilities that allow for data-driven agency decisions and workload prioritization. The agency is severely under-resourced enterprise-wide.

The loss of institutional knowledge, insufficient staffing levels, and outdated technology prevent full-scale application modernization, which would streamline business processes and improve customer service. Limited appropriations in FY 2024 and FY 2025 led the RRB to implement an agency-wide hiring freeze, constraining its ability to advance modernization efforts. In FY 2026, a significant increase in employee retirements prompted the RRB to resume hiring and successfully fill some of the most critical vacancies needed to support its benefit payment systems. However, these hires did not substantially increase overall staffing levels, and the agency remains unable to contract for essential expertise or acquire the technology needed to restart its modernization initiative.

Challenge 4 – Strengthen Controls Over Representative Payees

What the Railroad Retirement Board Needs to Do

- The RRB needs to establish risk criteria to identify and closely monitor its high-risk representative payees to protect its most vulnerable annuitants.
- The RRB needs to work with OMB and OPM to acquire the adequate resources needed to ensure the safety of its annuitants and maintenance of its representative payee internal controls or make necessary organizational changes to overcome this challenge.

Management's Comments to Challenge 4:

As 45 percent of the above narrative, including text in the "What has changed" section, remains identical to the OIG's prior year report on management challenges, the agency's response remains very similar. In this report, the OIG again observes that the RRB has been highly responsive to audit recommendations. OIG notes that RRB management extensively revised responsibility actions in the monitoring process as well as ensured that all program integrity and evaluation specialists had access to a third-party system to conduct background checks. In addition, the agency has achieved 99 percent timeliness in this workload.

In specific regard to Audit Report No. 25-07, the OIG states that management completed corrective action on just 8 recommendations and 15 remain open. However, we observe that, during FY 2026, the agency provided additional closure requests documenting agency completion of work on another 3 of the remaining recommendations. The agency awaits OIG feedback on those 3 pending closure requests.

Management remains appreciative of OIG's acknowledgement that the corrective actions already taken by the RRB strengthened applicable procedures, internal controls, and background checks. We again emphasize the OIG's conclusion that the agency requires additional resources in order to adequately ensure the safety of annuitants, maintain representative payee internal controls, or make organizational change. At the end of FY 2026, Policy, Evaluation and Management Services (PEMS) was staffed with just 26 employees, the lowest level since at least 2019; 11 of the 26 employees are retirement eligible. As representative payee work represents just a fraction of the responsibilities of the PEMS team, we thank the OIG for further drawing attention to the fact that the RRB is unable to make enhancements to this workload without additional funding and the support of OMB and OPM.

Challenge 5 – Ensure Reliable Internal Controls over Financial Reporting

What the Railroad Retirement Board Needs to Do

- RRB needs to continue to strengthen its financial reporting quality assurance and clarify its proper accounting treatment for complex transactions.
- RRB needs to continue implementing its corrective action plans.

Management's Comments to Challenge 5:

For the FY 2026 financial statement audit, RRB's financial statement auditors issued an unmodified audit opinion and reported that the RRB's consolidated financial statements presented fairly, in all material respects, the financial position of the RRB as of September 30, 2026 and 2025, and its net cost, changes in net position, and combined budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the United States.

The financial statement auditors continued to express an adverse opinion on the RRB's internal controls over financial reporting, due to one remaining material weakness entitled "ineffective information technology (IT) internal controls over financial reporting", which will require sufficient budgetary resources for staffing and contractor services to resolve. Of note, the RRB reduced the number of material weaknesses from two to one as RRB closed the OIG finding and associated recommendation related to corrective action plans. RRB will continue its coordination with the United States Department of the Treasury to ensure that the agency's complex transactions (i.e., contributions receivable as cited in the FY 2026 audit report) are recorded properly to resolve the remaining significant deficiency.

Challenge 6 - Improve Human Capital Management

What the Railroad Retirement Board Needs to Do

- The RRB needs to continue updating the Human Capital Plan annually, including its hiring, succession, and training plans.
- The RRB needs to continue working closely with OMB and OPM to develop long-range plans for hiring.
- The RRB needs to proactively use its available artificial intelligence tools to offset its staffing deficit and maximize the efficiency of its available Full-Time Equivalents (FTEs) in accordance with the President's executive orders.
- The RRB needs to consider the deployment of Robotic Process Automation bots to handle high-volume repetitive tasks freeing staff for higher-value activities.
- The RRB needs to collaborate with other federal agencies for resource-sharing in specialized roles like IT or claims validation.
- The RRB needs to establish a continuous improvement team to assess the cost-effectiveness of controls, using key performance indicators and return on-control metrics.
- The RRB needs to use government-approved cloud solutions (e.g., FedRAMP) to reduce infrastructure and maintenance costs.

Management's Comments to Challenge 6:

The RRB acknowledges its ongoing need to effectively manage human capital resources to hire, develop, and retain employees, and agrees with this assessment. The agency is also aware that a wave of retirements in critical positions increases succession risk, which in turn raises the potential for noncompliance with laws, regulations, or federal mandates. However, this is not a new challenge, as a significant number of employees have been retirement eligible for several

years. Limited appropriations in FY 2024 and FY 2025 led the RRB to implement an agency-wide hiring freeze. In FY 2026, a significant increase in employee retirements prompted the RRB to resume hiring and successfully fill some of the most critical vacancies needed to support its benefit payment systems. Looking ahead, without passage of the Railroad Retirement Board Stability Act, the RRB anticipates a flat budget for fiscal year 2027, which remains significantly below the level needed to effectively carry out its mission.

With a funding level of $126 million, the agency will be forced to severely limit hiring and internal promotions. Although the RRB received a modest increase to its administrative budget in 2022, it was not sufficient to restore needed staffing levels to meet operational demands. A decade of constrained funding has contributed to significant delays in service for rail employees and annuitants who have contributed to the railroad retirement system their entire careers. The RRB remains hopeful that executive and legislative action will result in increased funding to support the hiring necessary to deliver the levels of service its customers deserve.

As the RRB evaluates its current and future human capital needs, it is critical to implement strategies that recruit, develop, and retain a skilled and ready workforce. These strategies must align with the Administration's Merit Hiring Plan and support the agency's mission and commitment to the railroad community. Strategic workforce management is increasingly important, as the number of employees eligible to retire remains high and the agency has experienced an attrition rate above the governmentwide average for at least the past three years. Currently, 30 percent of our employees have 20 or more years of service, and 25 percent of the workforce was eligible to retire during fiscal year 2026.

RRB's policy requires each Executive Committee member to maintain a Human Capital Plan (HCP) for their organization, updated annually, which includes a Hiring Plan, Succession Plan, and Training Plan. The HCPs are developed using workforce analysis tools and data provided by the Bureau of Human Resources. The consolidated HCP incorporates input from offices and bureaus to prioritize workforce needs across the agency. The RRB recently completed a modified fiscal year 2026 HCP exercise in conjunction with the development of the RRB's Agency Reduction in Force and Reorganization Plan, summarizing workforce and succession planning data collected from each bureau and office.

RRB has been updating its procedures to comply with various new hiring requirements from the Administration such as implementing OPM's new Merit Hiring Plan, forming a Strategic Hiring Committee, and developing an Annual Staffing Plan to be submitted for approval by OPM and OMB.

To address the staffing deficit and maximize the efficiency of available FTEs, the RRB is exploring how artificial intelligence (AI) can support key operational areas. These tools are being evaluated for their potential to streamline office automation tasks and support the maintenance of legacy coding systems. The agency has not yet begun to assess how AI could assist with claims processing, automate document classification, or enhance fraud detection capabilities. However, the implementation of AI solutions remains contingent upon securing adequate funding and technical resources, which continue to be constrained under current budgetary conditions. In parallel, the RRB recognizes the value of Robotic Process Automation (RPA) in reducing the burden of high-volume, repetitive tasks such as data entry, benefit calculations, and compliance monitoring. This would allow staff to focus on higher-value activities, including customer service and policy development. However, implementing RPA solutions depends on securing adequate funding and technical resources, which remain constrained under current budgetary conditions. In addition, with the agency's IT modernization funds depleted, funding of hybrid cloud costs will now be absorbed into RRB's administrative budget, such that the RRB's ability to recruit and hire employees will be drastically constrained.

Given the specialized nature of roles such as IT and claims validation, the RRB is pursuing collaborative partnerships with other federal agencies to share expertise. These interagency efforts aim to reduce duplication, enhance service delivery, and ensure continuity in mission-critical functions despite staffing limitations.

Finally, the RRB continues to migrate eligible systems to government-approved cloud platforms, including FedRAMP-authorized solutions. This transition is essential for reducing infrastructure and maintenance costs, improving scalability, and strengthening the agency's cybersecurity posture. However, hybrid cloud costs and legacy system dependencies remain significant challenges without sustained financial investment.

Payment Integrity Information Act Reporting

The Payment Integrity Information Act (PIIA) of 2019 became law in 2020 and governs how the RRB identifies, estimates, reduces, and reports improper payments. PIIA revoked, reorganized, and revised several existing improper payments statutes including IPIA, IPERA, IPERIA, and the 2015 Fraud Reduction and Data Analytics Act (FRDAA) into a single subchapter in the U.S. Code. On March 5, 2021, a revised version of OMB Circular No. A-123 Appendix C (M-21-19) was released to implement the PIIA requirements and OMB Circular A-136, which is released annually, provides streamlined reporting requirements. As a result, much of the RRB's Payment Integrity information is collected separately by OMB through their Annual Data Call. Detailed results of this information can be found on www.PaymentAccuracy.gov.

The RRB has benefit paying and non-benefit paying programs. The benefit paying programs consist of railroad retirement and survivor benefit (RRA) payments and railroad unemployment and sickness insurance benefit (RUIA) payments. Non-benefit paying programs include vendor payments and employee payments. The RRB's benefit paying and non-benefit paying programs have consistently fallen below the statutory thresholds for "significant improper payments" as defined by the PIIA. As a result, these programs operate under Phase 1 guidance under OMB Circular A-123, Appendix C (M-21-19), which places them in a three-year risk assessment cycle unless there are major changes to the program that would require an earlier assessment.

The RRB's OIG found the agency compliant with the PIIA in their most recent audit, "The Railroad Retirement Board Complied with the Payment Integrity Information Act for Fiscal Year 2025 (26-07)." Additionally, during fiscal year 2026, the RRB implemented one of the recommendations from the fiscal year 2025 PIIA audit and created a new Payment Integrity assessable unit (AU) to consolidate payment integrity internal controls from the Bureau of Fiscal Operations (BFO) and the Office of Programs (OP) into a single AU. Going forward, this new AU will evaluate payment integrity risks and internal controls across both BFO and OP. The RRB is confident that this new AU will maintain and strengthen payment integrity for the agency.

The RRA program underwent its regularly scheduled risk assessment in FY 2026. The assessment reflected that the program continues to report estimates under the statutory thresholds of "significant improper payments" and should remain under Phase 1 guidelines. As a result, the next scheduled risk assessment for the RRA program will be in fiscal year 2029. In the interim, the program will continue to undergo monitoring which includes quality assurance and validation reviews. The RRA program also features monitoring and program integrity activities including representative payee monitoring, parental custody monitoring, disabled ineligible persons included (IPI) monitoring, super-aged monitoring, and the centenarian program.

In regard to the RUIA risk assessment, the program is not scheduled for its next regular assessment until FY 2028. However, the RRB considered whether passage of the Railroad Employee Equity and Fairness (REEF) Act, which permanently ended the 5.7% sequestration cut to RUIA and sickness benefits, constituted a major change to the RUIA program requiring an off-cycle assessment. OMB Circular A-123, Appendix C, indicates agencies have discretion to determine whether or not to proceed with such an assessment and should only do so if a particular factor (i.e. REEF) would be significant enough to "cause the program to become likely to make IPs and UPs that would collectively be above the statutory threshold." Because agency systems were reprogrammed to prevent sequestration cuts, and REEF required retroactive payments for known amounts resulting from claims previously paid, REEF would not cause the program to become likely to make future IPs and UPs. Therefore, the agency did not complete an off-cycle assessment in FY 2026.

Non-benefits-paying programs also conducted risk assessments in FY 2026, and results concluded that both vendor payments and employee payments continue to report under the statutory thresholds of $100 million or 10 million and1.5% of each program's outlays and should continue to report under Phase 1 guidelines. As a result, the vendor payments and employee payments programs are scheduled to conduct risk assessments in fiscal year 2029. Quality Assurance Reports (QARs) are performed by the Management Controls and Compliance Section and conducted annually during on-cycle and off-cycle years for Vendor and Employee Payment programs. QARs are used to validate the effectiveness and compliance of each program's internal processes and procedures. The new Payment Integrity AU will further strengthen payment integrity efforts for the vendor payment and employee payment programs.

CMS calculates and reports the Medicare FFS program improper payment rate as required by PIIA; the sample for the calculation includes Medicare FFS claims processed by all MACs, including the Railroad Medicare SMAC.

The agency has determined that our current business processes, data sources, and the Do Not Pay Initiative are effective in detecting and preventing benefit overpayments. As a benefits paying agency, the RRB receives pre-payment information regarding benefit entitlement at other agencies and wage information. We have ongoing data sources established and in use for this information, which includes benefit entitlement and wage data from SSA, employers, and our application process. We also receive post-payment wage information through established sources such as the State Wage Match program. In addition, we receive death data directly from SSA and CMS, which provides detailed and timely death information. Collectively, these data exchanges enable the RRB to verify eligibility prior to payment and to identify post-payment changes that may affect benefit amounts. When combined with internal business rules and review procedures, these data sources form a comprehensive framework for minimizing improper payments and maintaining payment accuracy. The RRB uses Do Not Pay Payment Verification services daily and monthly as a pre-payment control to screen benefit payments against multiple data sources, including the Death Master File (DMF). Current results indicate that Do Not Pay provides an additional layer of review and supports existing controls. Match rates to date remain below one percent of total payments; in FY 2026 to date, Do Not Pay screened 4.49 million RRB payments totaling $12.13 billion and matched 4.87 thousand in payments (totaling $12.71 million) via DMF data.

The report listed below is available for the RRB and can be accessed by navigating from the Resources page on PaymentAccuracy.gov to the Congressional Reports page and then selecting the relevant report from the dropdown list for the agency and fiscal year.

- Annual Risk Assessment Report required under 31 U.S.C. § 3352(a)(3)(C)

Summaries of Financial Statement Audit and Management Assurances

SUMMARY OF FINANCIAL STATEMENT AUDIT					
Audit Opinion	Unmodified				
Restatement	No				
Material/Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Ineffective Internal Control Program (Lack of Corrective Action Plans)	1		1		0
Ineffective Information Technology (IT) Controls over Financial Reporting	1				1
Total Material Weaknesses	**2**	**0**	**1**	**0**	**1**

SUMMARY OF MANAGEMENT ASSURANCES						
Effectiveness of Internal Control over Operations (FMFIA § 2)						
Statement of Assurance	Modified					
Material/Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Ineffective Internal Control Program (Lack of Corrective Action Plans)	1		1			0
Ineffective Information Technology (IT) Controls over Financial Reporting	1					1
Total Material Weaknesses	**2**	**0**	**1**	**0**	**0**	**1**
Conformance with Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Systems Conform					

Civil Monetary Penalty Adjustment for Inflation

The RRB published a notice regarding the 2026 civil monetary penalty inflation adjustment on May 21, 2026 (91 Fed. Reg. 29992). Because of the government shutdown in October 2025, the Bureau of Labor Statistics was unable to produce the needed Consumer Price Index information needed to update civil penalties for inflation for 2026. Therefore, the maximum civil penalty under the Program Fraud Civil Remedies Act remains $14,308, and the penalty range under the False Claims Act remains a minimum penalty of $14,308 and a maximum penalty of $28,618.

APPENDICES

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Appendices

Glossary of Acronyms and Abbreviations

B

BCA	Budget Control Act of 2011
BFO	Bureau of Fiscal Operations

C

CARES	Coronavirus Aid, Relief, and Economic Security
CDM	Continuous Diagnostics and Mitigation
CERT	Comprehensive Error Rate Testing
CMS	Centers for Medicare & Medicaid Services
COLA	Cost-of-Living Adjustment
COR	Contracting Officer's Representative

D

DBD	Disability Benefits Division (RRB)
DHS	Department of Homeland Security

E

EFT	Electronic Fund Transfer
ERS	Employer Reporting System

F

FR	Financial Report of the U.S. Government
FAR	Federal Acquisition Regulations
FBWT	Fund Balance With Treasury
FECA	Federal Employees' Compensation Act
FMFIA	Federal Managers' Financial Integrity Act
FI	Financial Interchange
FMIS	Financial Management Integrated System
FSIO	Financial Systems Integration Office
FTR	Federal Travel Regulations
FY	Fiscal Year

G

GAO	Government Accountability Office
GSA	General Services Administration

I

IT	Information Technology
IPERA	Improper Payments Elimination and Recovery Act

IPERIA	Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA	Improper Payments Information Act
IRS	Internal Revenue Service
L	
LMS	Learning Management System
M	
MCR	Management Control Review
N	
NRRIT	National Railroad Retirement Investment Trust
O	
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
P	
PAR	Performance and Accountability Report
R	
RBD	Retirement Benefits Division (RRB)
RESCUE	Recalculate for Service and Compensation Updated to EDM
ROC	Retirement On-Line Calculations
RR	Railroad Retirement
RRA	Railroad Retirement Act
RR Account	Railroad Retirement Account
RRB	Railroad Retirement Board
RRSIA	Railroad Retirement and Survivors' Improvement Act of 2001
RUI	Railroad Unemployment Insurance
RUIA	Railroad Unemployment Insurance Act
RUI Account	Railroad Unemployment Insurance Account
S	
SFFAS	Statement of Federal Financial Accounting Standards
SI	Sickness Insurance
SMAC	Specialty Medicare Administrative Contractor
SOSI	Statement of Social Insurance
SPEED	System Processing Excess Earnings Database
SPS	Secure Payment System
SSA	Social Security Administration

SSEB	Social Security Equivalent Benefit

T

Treasury	Department of the Treasury

U

UI	Unemployment Insurance
USC	United States Code

Railroad Retirement Board (RRB)
Board Members, Inspector General, and Executive Committee

Board Members

Chairman	Erhard R. Chorlé
Labor Member	John Bragg
Management Member	Thomas Jayne

Office of Inspector General

Inspector General	Vacant
Assistant Inspector General for Audit and Principal Deputy Performing the Duties of the Inspector General	Shanon E. Holman

Executive Committee

Chair of the Executive Committee/Chief Financial Officer	Shawna R. Weekley
Director of Administration	Jack Schreibman
Chief Actuary	Keith T. Sartain
Chief Information Officer	Robert De Luca
Director of Field Service	Mark E. Blythe
Director of Programs	Jebby Rasputnis
General Counsel	Ana M. Kocur

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