

# U.S. RAILROAD RETIREMENT BOARD



## *An Agency Overview*

[www.rrb.gov](http://www.rrb.gov)

**January 2004**

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, under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage.



***RRB headquarters, Chicago***

During fiscal year 2003, retirement-survivor benefits of nearly \$8.9 billion were paid to some 666,000 beneficiaries, while net unemployment-sickness benefits of \$94 million were paid to about 37,000 claimants. At the end of fiscal year 2003, the average annuity paid to retired rail employees was about \$1,610 a month, spouse benefits averaged \$600 a month, and benefits for aged widow(er)s averaged \$990 a month. The maximum biweekly rate for unemployment and sickness benefits was \$550.

## **Development of the Railroad Retirement and Unemployment Insurance Systems**

The RRB was created in the 1930's by legislation establishing a retirement benefit program for the nation's railroad workers. Private industrial pension plans had been pioneered in the railroad industry; the first industrial pension plan in America was established on a railroad in 1874. By the 1930's, pension plans were far more developed in the railroad industry than in most other businesses or industries; but these plans had serious defects which were magnified by the Great Depression.

**Retirement program.**--The economic conditions of the 1930's demonstrated the need for retirement plans on a national basis, because few of the nation's elderly were covered under any type of retirement program. While the social security system was in the planning stage, railroad workers sought a separate railroad retirement system which would continue and broaden the existing railroad programs under a uniform national plan. The proposed social security system was not scheduled to begin monthly benefit payments for several years and would not give credit for service performed prior to 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation was enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the social security program legislated in 1935. Such legislation, taking into account particular circumstances of the rail industry, was not without precedent. Numerous laws pertaining to rail operations and safety had already been enacted since the Interstate Commerce Act of 1887. Since passage of the Railroad Retirement Acts of the 1930's, numerous other railroad laws have subsequently been enacted.

While the railroad retirement system has remained separate from the social security system, the two systems are closely coordinated with regard to earnings credits, benefit payments, and taxes. The financing of the two systems is linked through a financial interchange under which, in effect, the portion of railroad retirement annuities that is equivalent to social security benefits is reinsured through the social security system. The purpose of this financial coordination is to place the social security trust funds in the same position they would be in if railroad service were covered by the social security program instead of the railroad retirement program.

Legislation enacted in 1974 restructured railroad retirement benefits into two tiers, so as to coordinate them more fully with social security benefits. The first tier is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier is based on railroad service only and is comparable to the pensions paid over and above social security benefits in other industries.

**Unemployment program.**--The railroad unemployment insurance system was also established in the 1930's. The Great Depression demonstrated the need for unemployment compensation programs, and State unemployment programs had been established under the Social Security Act in 1935. While the State unemployment programs generally covered railroad workers, railroad operations which crossed State lines caused special problems. Unemployed railroad workers were denied compensation by one State because their employers had paid unemployment taxes in another State. Although there were cases where employees appeared to be covered in more than one State, they often did not qualify in any.

A Federal study commission, which reported on the nationwide State plans for unemployment insurance, recommended that railroad workers be covered by a separate plan because of the complications their coverage had caused the State plans. Congress subsequently enacted the Railroad Unemployment Insurance Act in June 1938. The Act established a system of benefits for unemployed railroaders, financed entirely by railroad employers and administered by the RRB. Sickness benefits were added in 1946.

### **Railroad Retirement Act**

Under the Railroad Retirement Act, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Such annuities are also payable to workers with 5 years of service if performed after 1995.

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

Jurisdiction over the payment of retirement and survivor benefits is shared by the RRB and the Social Security Administration. The RRB has jurisdiction over the payment of retirement benefits if the employee had at least 10 years of railroad service, or 5 years if performed after 1995; for survivor benefits, there is an additional requirement that the employee's last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the employee's railroad retirement credits to the Social Security Administration, where they are treated as social security credits.

**Financing.**--Payroll taxes paid by railroad employers and their employees are the primary source of funding for the railroad retirement-survivor benefit programs. Railroad retirement taxes, which have historically been higher than social security taxes, are calculated, like benefit payments, on a two-tier basis. Railroad retirement tier I payroll taxes are coordinated with social security taxes so that employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels. Beginning with calendar year 2004, these tier II taxes are 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, and legislation enacted in 2001 allows for the investment of railroad retirement funds in non-governmental assets, as well as in governmental securities. This legislation also established the National Railroad Retirement Investment Trust, whose Board of seven trustees oversees these investments. The Board of Trustees is comprised of three members selected by rail labor to represent the interests of labor; three members likewise selected by rail management to represent management interests; and one independent member selected by a majority of the other six members.

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.

### **Railroad Unemployment Insurance Act**

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

***Benefit year.***--A new unemployment-sickness benefit year begins every July 1, with eligibility generally based on railroad service and earnings in the preceding calendar year. Up to 26 weeks of normal unemployment or sickness benefits are payable to an individual in a benefit year. Additional extended benefits are payable to persons with 10 or more years of service.

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

### **RRB Organization and Functions**

The RRB is headed by three members appointed by the President of the United States, with the advice and consent of the Senate. One member is appointed upon the recommendation of railroad employers, one is appointed upon the recommendation of railroad labor organizations and the third, who is the Chairman, is appointed to represent the public interest. The Board Members' terms of office are 5 years and are scheduled to expire in different years. The President also appoints an Inspector General for the RRB.

The primary function of the RRB is the determination and payment of benefits under the retirement-survivor and unemployment-sickness programs. To this end, the RRB must employ field representatives to assist railroad personnel and their families in filing claims for benefits, examiners to adjudicate the claims, and information technology staff, equipment and programs to maintain earnings records, calculate benefits and process payments.

The RRB also employs actuaries to predict the future income and outlays of the railroad retirement system, statisticians and economists to provide vital data, and attorneys to interpret legislation and represent the RRB in litigation. Internal administration requires a procurement staff, a budget and accounting staff, and personnel specialists. The Inspector General employs auditors and investigators to detect any waste, fraud, or abuse in the benefit programs.

### **The RRB and the Federal Government**

As an independent agency in the executive branch of the Federal Government, the RRB reports to the President on its operations and to Congress. Officials of the RRB testify at congressional hearings on proposed legislation to amend the Railroad Retirement and Railroad Unemployment Insurance Acts. Congress has jurisdiction over the amounts available to the railroad retirement system for benefit payments and for administration.

The RRB works closely with other Federal agencies and with some State agencies. Its dealings with some of these agencies, such as the President's Office of Management and Budget, the Office of Personnel Management, the U.S. General Accounting Office, and the Department of the Treasury, are similar to the dealings of other executive branch agencies with these units. The RRB's relations with certain others - principally, the Social Security Administration, the Centers for Medicare & Medicaid Services, the State employment security departments and, on a smaller scale, the Department of Labor - are related directly or indirectly to the various benefit programs.

### **The RRB and the Railroad Industry**

The administrative organization of the RRB fosters close relations with railroad employers, employees and their representatives. Two of the three Board Members are appointed on the recommendations of railway labor and management associations and labor and management officials have been active in the development of the railroad retirement and unemployment insurance programs since their inception.

In addition, the RRB relies on railroad employers and labor groups for assistance in keeping railroad personnel informed about the benefit programs. Informational programs are conducted for railroad management and labor officials to acquaint them with the details of the benefit programs, and these officials, in turn, educate railroad workers as to their benefit rights and responsibilities.

Railroad employers and railway labor groups also cooperate with the RRB in a joint placement program to find jobs for unemployed personnel. These joint placement efforts help to reduce the costs of the unemployment insurance program.

The RRB has direct contact with railroad employees through its field offices where its personnel explain benefit rights and responsibilities on an individual basis, assist employees in applying for benefits, provide related services for annuitants and answer any questions related to the benefit programs. The RRB maintains field offices in railroad locales across the United States.

The RRB's headquarters is located at 844 North Rush Street, Chicago, Illinois 60611-2092, Phone (312) 751-4500.

A list of the RRB's publications is provided on the following page.

**Information on the RRB is also available on the Internet at [www.rrb.gov](http://www.rrb.gov). Information is available on benefit requirements, customer service standards, field office locations, press releases and other topics.**

**Prepared by  
U.S. RAILROAD RETIREMENT BOARD  
Office of Public Affairs  
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## Publications

The following leaflets pertaining to benefits payable by the RRB are available at any RRB field office, or RRB headquarters at 844 North Rush Street, Chicago, Illinois 60611-2092. Most are also available on the RRB's Web site at [www.rrb.gov](http://www.rrb.gov).

- ***Railroad Retirement and Survivor Benefits***, RRB Form IB-2
- ***Guide to Railroad Retirement and Survivor Benefits*** (Spanish-language edition), RRB Form RB-4a
- ***Federal Income Tax and Railroad Retirement Benefits***, RRB Form TX-5
- ***Medicare for Railroad Workers and Their Families***, RRB Form RB-20
- ***Railroad Unemployment and Sickness Benefits***, RRB Form UB-9

The following publications pertain to administrative, financial, statistical, legal and other aspects of the railroad retirement and unemployment insurance systems and are distributed by various headquarters offices to officials of industry and government having an interest in RRB operations.

- ***Annual Reports*** on the RRB's operations are distributed to officials of railway management and labor, members of Congress, officials of the Federal Government, and requesting libraries.

- ***Railroad Retirement Handbook*** - a comprehensive single source of authoritative information on the development and character of the railroad retirement and railroad unemployment insurance systems, distributed to officials of railway labor, railway management, members of Congress, government officials and students of American social insurance.

- ***RRB News*** - periodic news releases distributed to editors of railway publications and major newspapers, officials of railway management and labor, and requesting agencies and organizations in and outside of the Federal Government.

- ***Railroad Retirement Information*** - questions and answers distributed monthly to editors of railway publications and officials of railway management and labor.

- ***Statistical Tables*** and ***Quarterly Benefit Statistics*** - distributed to officials of railway management and labor and requesting libraries.

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