



RAILROAD RETIREMENT BOARD STRATEGIC PLAN 2003-2008

	<u>Page</u>
I. Introduction	1
II. Mission	2
III. Vision for the Future	3
IV. Strategic Issues and Challenges	4
V. Strategic Goals and Objectives	8
A. Strategic Goal I – Provide Excellent Customer Service	8
B. Strategic Goal II – Serve as Responsible Stewards for Our Customers’ Trust Funds and Agency Resources	15
VI. Management Strategies	23
VII. Program Evaluations	31
VIII. Next Steps	34
Exhibit 1 Planning Framework	35
Exhibit 2 Railroad Retirement Board Customer Service Plan	38
Exhibit 3 Performance Goals, Indicators, Measures	41
Exhibit 4 Planning Assumptions	48
Exhibit 5 Key External Factors	50
Appendix 1 Profile of the RRB	53

I. INTRODUCTION

The Railroad Retirement Board (RRB) is proud to present this strategic plan for the years 2003 through 2008, a period of significant challenges and opportunities for the agency. This plan communicates our intentions for managing these challenges and exploiting these opportunities as we move into the future. The RRB has a long and distinguished tradition of excellence in serving our customers, and we will strive to continue that tradition in the coming years. In recent years, we have achieved extremely high levels of accuracy and timeliness in the processing of retirement and survivor claims. We have also embraced new technology, especially in areas where it can improve customer service and efficiency. We have achieved very high scores for customer service in independent assessments of initial railroad retirement applications and those receiving unemployment and sickness insurance benefits. The RRB's website (www.rrb.gov) has also been very well-received by the public and was recently rated in the top 10% of Federal government sites reviewed, excelling in help features, ease of use and accessibility.

In performing its mission, the RRB interacts with a number of other Federal agencies. Our primary Federal partner agencies are the Social Security Administration, the Centers for Medicare and Medicaid Services, and the Department of the Treasury, specifically the Internal Revenue Service and the Financial Management Service. We have numerous initiatives and ongoing programs involving these and other agencies. This plan describes the most important of these interactions in conjunction with the achievement of specific strategic goals and objectives. We provided these agencies with on-line web access to our strategic plan for their review and comment. We have also provided this plan to the National Railroad Retirement Investment Trust, which was created by the Railroad Retirement and Survivors' Improvement Act of 2001 in order to manage and invest Railroad Retirement assets. This plan now includes a strategic objective regarding the Trust and the RRB's responsibilities in conjunction with the activities of the Trust.

The strategic plan reflects input and feedback from our stakeholders, including various customers in the railroad community, Congressional committees, the Office of Management and Budget, other Federal agencies with whom we interact, and the National Railroad Retirement Investment Trust. This strategic plan meets the requirements of the Government Performance and Results Act.

II. MISSION



RAILROAD RETIREMENT BOARD MISSION STATEMENT

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.

III. VISION FOR THE FUTURE

The RRB of the future will continue to be customer-focused, quality-driven, and fiscally responsible. Our overall mission and responsibilities as a Federal agency will remain unchanged, even though our organization may be smaller in terms of staff and budget resources. We will use creativity, automation and innovation to continue to deliver best-in-class service while ensuring cost-effective, efficient operations.

Our customers will have a broad range of choices for conducting their business with the agency, including more Internet options that will allow for private, secure transactions from the customer's home at any time of the day. Railroad employers will be able to conduct most, if not all, of their routine transactions with the RRB through secure and efficient electronic systems. Direct customer feedback will shape our planning efforts and enhance our responsiveness. Our customer service levels will serve as a standard of excellence for the rest of the Federal community.

The agency's internal culture will reflect a strong commitment to its employees, and a drive to ensure continual learning at all levels. Given the large percentage of employees who will be eligible for retirement, senior employees will engage in knowledge transfer and sharing as a top priority.

Our ultimate measure of success will be the sustained satisfaction level of our customers and our ability to respond to their needs and concerns.

IV. STRATEGIC ISSUES AND CHALLENGES

In addition to continuing to fulfill our mandates, there are strategic issues we must face in the coming years. These, along with our continuing service goals, will serve as the basis for formulating our annual goals and budget requests.

Two overriding strategic issues for the upcoming planning period relate to customer service and trust fund stewardship. The **service issue** involves our ability to meet our customers' expectations for personal, high quality service as we have in the past, and our ability to position the agency to meet rising customer expectations for new and improved services in the future. The **stewardship issue** has multiple aspects, some of which arise from recent legislative changes to the Railroad Retirement Act, and others which relate to our ongoing ability to meet our program integrity responsibilities and to maintain effective, efficient and secure agency operations.

Two key variables in successfully addressing both of these issues will be the level of administrative funding the agency receives and how well we manage those resources. Anticipating that budgetary resources will be very limited during this planning period, the agency recognizes that it must develop innovative ways to operate effectively in a downsized environment.

To address these issues, we need to overcome major challenges in the areas described below. Each of these areas relates to specific strategic goals and objectives which are outlined and discussed in Chapter V of this plan.

- **Human Capital**

An important contributor to this agency's success in meeting our mission and goals in the past has been the quality and experience of our workforce. Turnover is relatively low, and approximately 88 percent of our employees have 10 or more years of service at the agency. Because of this strong experience base, we have not made significant investments in training, procedures, and other tools that support our front-line workers in recent years. However, as with other government agencies, the RRB will be facing a serious challenge during the planning period, as many of its most knowledgeable and experienced employees become eligible for retirement. Approximately 42% of our current workforce will be eligible for full retirement by 2008.

Planning for succession, training, knowledge transfer, and employee support will be critical to our ability to continue to achieve our mission. This will be especially challenging since our expected budget levels will not allow for large-scale hiring of replacement staff, much less having them fully

trained and functional before their predecessors leave. The impact on the work during this period of transition has the potential to manifest itself in lower quality and timeliness for both external and internal customers. Our challenge will be to develop processes, training and systems that can minimize that impact.

- **Information Technology**

Information technology is one of the essential means to achieving our mission. A key challenge is to use the enterprise architecture developed in recent years to identify cost-effective solutions for replacing outdated technology. Once specific solutions are planned and transition strategies are in place, we must commit a significant investment of both staff and budget in developing and implementing those solutions. As mentioned above, with the impending drain on human capital resources due to approaching retirements, another challenge will be to ensure the availability of sufficient staff with the necessary skills to complete these modernization projects.

Another critically important area of information technology is computer security. This represents a particular challenge and was identified as a material weakness during fiscal year 2002. Specifically, the identified weakness involved insufficient computer security awareness training for agency staff that have specific job roles and responsibilities for our major applications and general support systems. An action plan has been developed to correct this weakness and is targeted for completion in fiscal year 2004. Even with those improvements in place, however, we anticipate computer security to be a continuing, significant challenge over the course of the planning period. The increasing number of Internet and telecommunication services we plan to offer requires that we continue to employ effective risk management procedures and “best practices” for intrusion prevention to ensure the confidentiality, integrity, and availability of our mission critical assets.

- **Changing Role in Trust Fund Management**

Recent changes in legislation call for the transfer of railroad retirement funds from the Railroad Retirement Accounts to a new National Railroad Retirement Investment Trust, whose Board of seven trustees is empowered to invest Trust assets in non-governmental assets, such as equities and debt, as well as in governmental securities.

As a result, the role of the RRB and its staff in relation to the Railroad Retirement Accounts has fundamentally changed. The RRB no longer has

primary responsibility for the investment of railroad retirement trust fund monies, but continues to be responsible for ensuring that the new Trust complies with the provisions of the Railroad Retirement Act. The agency has the authority to bring civil action to enjoin any act or practice by the Trust, the Board of Trustees, or its employees or agents that violates any provision of the Railroad Retirement Act or to otherwise enforce the provisions of the Act. Our challenge will be to make this transition in a constructive and effective manner.

- **Changes in Disbursement of Railroad Retirement Payments**

The Railroad Retirement and Survivors' Improvement Act of 2001 includes a provision for the RRB to contract with a non-governmental disbursement agent for payment of railroad retirement and survivor benefits. The law specifies that until this transfer of function is completed, the RRB will continue to use the Department of the Treasury as its disbursing agent. During the initial procurement actions and analysis, several complex issues have surfaced concerning the costs and effectiveness of services available from non-governmental service providers. The RRB will address these issues during the coming years.

See Figure 1 for a summary of the Strategic Goals and Objectives resulting from these issues and challenges.

Figure 1

SUMMARY OF STRATEGIC GOALS AND OBJECTIVES

STRATEGIC GOAL I: Provide Excellent Customer Service.

STRATEGIC OBJECTIVE I-A: Pay benefits accurately and timely.

STRATEGIC OBJECTIVE I-B: Provide relevant, timely and accurate information which is easy to understand.

STRATEGIC OBJECTIVE I-C: Provide a range of choices in service delivery methods.

STRATEGIC OBJECTIVE I-D: Ensure efficient and effective business interactions with covered railroad employers.

STRATEGIC GOAL II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources.

STRATEGIC OBJECTIVE II-A: Ensure that trust fund assets are projected, collected, recorded, and reported appropriately.

STRATEGIC OBJECTIVE II-B: Ensure the integrity of benefit programs.

STRATEGIC OBJECTIVE II-C: Ensure effectiveness, efficiency, and security of operations.

STRATEGIC OBJECTIVE II-D: Effectively carry out the responsibilities of the Railroad Retirement Board under the Railroad Retirement and Survivors' Improvement Act of 2001 with respect to the activities of the National Railroad Retirement Investment Trust.

V. STRATEGIC GOALS AND OBJECTIVES

STRATEGIC GOAL I: *Provide Excellent Customer Service.*

We aim to satisfy our customers' expectations for quality service both in terms of service delivery options and levels and manner of performance. We have established four strategic objectives that focus on the specifics of achieving this goal.

STRATEGIC OBJECTIVE I-A: *Pay benefits accurately and timely.*

In fiscal year 2002, 99.7% of all initial railroad retirement benefit payments were accurate. The unemployment insurance accuracy rate was 99.12% and the sickness insurance benefit payment accuracy rate was 99.94%.

The RRB is committed to ensuring that we pay the right benefits to the right people in a timely manner. We have a number of measures in place to track the accuracy and timeliness of the actions we take in a year, both in Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA) programs.

The principal indicators of **accuracy** are the benefit payment and case accuracy rates in each program. Our performance goal is to ensure that we can continue to meet or exceed 99 percent payment accuracy in the payments we initiate or manually adjust in a given year. (Payment accuracy is defined as the percentage of dollars paid correctly as a result of the adjudication action performed.) We have also established case accuracy goals (the number of cases paid without material error/the number of cases paid) so that at least 94 percent of cases handled under the RRA are accurate, and that at least 97 percent of those paid under the RUIA are handled correctly. To accomplish these goals, we will:

- *Monitor payment and case accuracy and identify problems.*

We will continue monitoring the accuracy of award actions, looking at performance trends, and identifying problem areas. On an ongoing basis, we use that feedback to identify opportunities for process improvement, make recommendations for automation initiatives, and identify training needs.

- *Provide feedback and take additional preventive actions as appropriate.*

On an ongoing basis, we will also continue to provide constructive feedback to organizations for their use in enhancing and rewarding individual or group performance. We will also provide training, as appropriate, to prevent recurrence of human errors.

- *Ensure accurate, up-to-date, accessible instructions to support our front-line employees as they provide customer support.*

During the planning period, we expect to:

- review and consolidate procedures in an on-line environment;
 - develop on-line, interactive, technical courseware which will enable us to provide basic and refresher training in adjudication of our Acts; and
 - provide on-line links to detailed procedures at the desktop to support our employees in handling error-prone or unusual cases.
- *Inform our customers about their responsibilities.*

In all communications with our customers, we will provide clear guidance on their responsibilities to provide accurate, complete information. This will allow them to receive the maximum benefits to which they are legally entitled, while helping the agency avoid erroneous payments.

We measure the success of our efforts to make **timely** payments by looking at average processing times and our performance vis-à-vis our Customer Service Plan.

In fiscal year 2002, 94.7% of all employees and spouses received their initial railroad retirement annuity payment, or a decision, within 35 days of their annuity beginning date, if their application was filed in advance.

One performance goal for timeliness is to achieve the levels of service outlined in the Customer Service Plan. (See Exhibit 2.) Our Performance Budget sets yearly targets for the percentage of customers that will receive service in the time frame specified in the Customer Service Plan. These targets are revised annually based upon such

variables as projected workloads, process capabilities and available resources.

Another timeliness goal is to maintain acceptable workload balances and prevent backlogs from developing in key workload areas.

To improve our performance on our timeliness goals, we plan to:

- *Ensure that the Customer Service Plan is comprehensive and is revised when appropriate.*

Currently, the RRB's Customer Service Plan has a number of timeliness goals for the unemployment and sickness insurance programs, as well as initial retirement, survivor, and disability decisions and payments. A timeliness goal is also in place for handling customer inquiries. Progress against our goals is tracked quarterly and is reported to our customers

annually. Over the course of the planning period, we will be reviewing the standards in the plan to ensure that they cover all major aspects of our mission. We will also determine if standards for additional workloads or processes should be established and publicized to our customers. We will look at the plan to determine if it needs to be revised as a result of customer feedback or other factors.

- *Monitor key payment workloads.*

We will continue to monitor our performance on key payment-related workloads. We will aim to maintain the on-hand balances at the end of the fiscal year at or below the “normal working balance” -- that is, the number that can reasonably be worked off by existing staff within the timeliness standard set for that work.

STRATEGIC OBJECTIVE I-B: Provide relevant, timely, and accurate information which is easy to understand.

We responded to 98.9% of all written inquiries within 15 days of receipt, in fiscal year 2002.

In addition to making payments, we provide a variety of information to our customers. We provide general information through our website, publications, and our toll-free automated Help Line. We also provide information to individuals through annual statements of wages and compensation, annuity estimates, notices of annuity and benefit awards and changes, annual income tax statements, and answers to questions regarding benefits. It is important that we provide this information in a timely manner and in ways that are accessible and responsive to the individual’s needs. The information must also be meaningful to the customer and easy to understand. The timeliness of our information is measured by how well we succeed in achieving the levels of service designated in our Customer Service Plan and by acceptable workload balances. Customer feedback through American Customer Satisfaction Index (ACSI) surveys and directly from customers will help us determine if the information we are providing satisfies the customer’s needs and expectations.

To accomplish this, we will:

- *Listen to our customers to determine their expectations and whether those expectations are being met.*
 - We will continue to review feedback received during meetings with our customers. We also compile feedback we get from customer comment cards available in our field offices.
 - We will monitor customer complaints and inquiries to determine if our

publications and other communications with customers can be improved.

- We will use customer feedback to identify gaps in our employees' communication skills and provide our employees training opportunities for improving their speaking, listening and writing skills.
 - As funding allows, we will conduct customer satisfaction surveys which will give us feedback on this and other goals. We will consider on-line publication surveys, service follow-up questionnaires and the continued use of the ACSI, which is a survey instrument used by the President's Management Council to evaluate customer confidence in government and which has been used successfully by the agency in the past.
 - We will survey our employees who work with customers on a daily basis to get their perspective on what customers' needs and expectations are.
 - We will continue to conduct a variety of special studies/periodic measures, such as post service follow-ups, when problem areas are identified and as resources are available.
- *Adjust our Customer Service Plan or our processes, based on customer feedback.*

Using the feedback generated from our customer contacts, we will look for opportunities to improve our notices and publications. We will also review the Customer Service Plan based on feedback received and make revisions as appropriate to respond to our customers' requirements.

- *Monitor key informational workloads.*

We will continue to monitor our performance on key workloads, such as providing tax statements. We will aim to maintain workload levels at the end of the fiscal year that are at or below the "normal working balance" - that is, the number that can reasonably be worked off by existing staff within the timeliness standard set for that work.

- *Focus on interactive electronic solutions that provide immediate responses and intermediate status updates.*

We will continue to pursue interactive Internet and telephone solutions that provide verification and monitoring capabilities of requested information and claims. We will also address, when possible, the capability to be transferred to a personal contact representative from an electronic application.

- *Fully develop a Customer Care Support System.*

During the planning period we will more fully develop the rudimentary “Customer Care Support System” created to help us implement the Railroad Retirement and Survivors’ Improvement Act of 2001. This system enables agency staff to record information about a customer call or inquiry and maintain it on a database. This information is then accessible for retrieval and updating the next time that customer contacts us, no matter who takes the call. This enables our front-line employees to ensure that the customer is being given accurate, consistent information, and provides for continuity in servicing our customers.

STRATEGIC OBJECTIVE I-C: Provide a range of choices in service delivery methods.

In these days of rising expectations, in order to fulfill customers’ needs, we must provide high quality, accurate services on a timely basis, and in ways that are accessible and convenient to all our customers, including the elderly and those with impairments. Consistent with our vision statement, we strive to deliver service when, where and how our customers want it. Our customers have strongly indicated they want us to continue to provide personal service. We intend to do so through our nationwide network of local district offices. We will also take advantage of technological developments that will satisfy our customers.

Our level of performance will be measured by how well we succeed in providing the level of service our customers expect, and by the number of new electronic services we can provide in each program at reasonable cost. Our goal is to expand customer choice by offering alternative access to our major services.

To achieve this objective, over the course of the next 5 years, we plan to:

- *Provide our customers with information as well as the ability to apply for benefits over the Internet.*

The RRB is currently participating in Federal informational Internet sites such as the First-Gov Portal (FirstGov.gov) and its subsidiary sites, GovBenefits.gov, FedForms.gov and DisabilityInfo.gov. Based on feedback from our customers, and consistent with our plans under the Government Paperwork Elimination Act, we plan to expand our current service options to provide our customers the opportunity to conduct their business with us on-line.

- *Provide additional services through the interactive voice recognition telephone system.*

We will match the service options available on the agency's website using the same secure, password-protected access and personal identification numbers developed for our Internet services. We will also add a number of new services, including options for retirees to obtain information about their monthly payments, e.g., date of payment, amount, and method of payment, and information about Federal income tax withholding, e.g., amount of withholding and withholding election status.

We will consider using speech recognition technology, in addition to touch-tone service, and providing an option to route calls to local field service representatives. The option of routing calls to the local field service representative would enable us to provide the toll-free calling our customers have been requesting, while retaining the benefits that the customers associate with our network of local field offices.

- *Seek customers' service delivery preferences.*

We will consider ongoing input from meetings with our customers, customer satisfaction comment cards, feedback from our own employees and customer surveys such as the ACSI to obtain additional feedback about how our customers want their service delivered. As we expand our uses of newer technologies, we will ensure ease of use by providing clear and easy to understand instructions within a private and secure environment.

Our customers can choose to obtain service in-person, (both at field offices and through our customer outreach program) via telephone, via mail, or through advanced technology, such as electronic mail, the Internet, fax, and interactive voice response systems.

STRATEGIC OBJECTIVE I-D: Ensure efficient and effective business interactions with covered railroad employers.

To correctly pay benefits, the RRB must receive timely and accurate reports of the wages and service months of covered employees. It is the responsibility of the employer to provide these reports with respect to its employees. To ensure the receipt of accurate and timely annual reports, as well as the proper filing of other reports and forms, the RRB must strive for a system of reporting which is easily understood, places minimal burden on employers and ensures compliance with the applicable laws. To accomplish this, the RRB intends to:

Annual employer reports filed electronically, or on magnetic media, of wages and service months of covered employees now cover 97% of all employees. This reduces the reporting burden on covered employers, as well as helping to improve the accuracy and timeliness of the reports.

- *Continue to develop a system whereby the employer can conduct daily business transactions and file required reports over a secure website.*

We have identified 74 forms that we use to conduct business with covered employers. Our aim is to review all these business interactions and determine if we can be more efficient by providing the capacity to initiate and retrieve this information via Internet applications. During the past year, we have implemented the first phase of this project, and conducted a pilot of three forms under phase 2. During the planning cycle, we will continue our development of the Employer Reporting System.

A key feature of this system would provide employers with immediate feedback on receipt and acceptability of their submissions. As part of this initiative, we will look at ways to streamline the reporting process by consolidating and, thereby reducing, the number of forms requiring completion. To improve accuracy, we will offer on-line instructions and tutorials. We will continue to eliminate, consolidate, and develop Internet forms until we reach our goal of providing paperless, error-free reporting. We will measure our success in this area by the number of employers with Internet access who use the available feature of the new system.

- *Continue to look for ways to encourage employers to file accurate and timely annual service and compensation reports.*

We will continue our training programs and working with employers who need assistance. We will also consider a penalty schedule for employers who are continually delinquent in filing reports on time. We will measure our success in this area by the percentage of reports posted accurately and timely.

- *Monitor the number and types of protests by employees disputing the accuracy of their service and compensation records.*

We will look for problem areas and provide assistance to employers when needed. We will also monitor the percentage of employee protests that do not require a correction by the employer.

STRATEGIC GOAL II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources.

The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. We have established four objectives that direct our focus on this goal.

STRATEGIC OBJECTIVE II-A: Ensure that trust fund assets are projected, collected, recorded and reported appropriately.

The RRB is committed to prudent management of its trust funds. Our success in this objective is reflected through annual audited financial statements, actuarial valuations, our financial projections, debt collection, experience-based contribution rates, and payroll tax and railroad employee compensation reconciliations.

To accomplish this commitment, we will:

- *Continue to issue annual audited financial statements.*

The RRB has voluntarily published financial statements since calendar year 1987 (covering fiscal year 1986). The Accountability of Tax Dollars Act of 2002 made the annual issuance of audited financial statements mandatory for a number of Federal agencies, including the RRB. The RRB's fiscal year 2002 financial statements were prepared in accordance with the form and content prescribed by OMB and with the generally accepted accounting principles and standards prescribed by the Financial Accounting Standards Advisory Board.

- *Continue to perform the RRB's actuarial valuations and financial projections.*

The RRB will continue to monitor the solvency of its trust funds through a sound program of actuarial valuations and financial projections using different assumptions.

- *Continue to estimate the RRB's funding requirements for the Dual Benefits Payments Account.*

The RRB will ensure that the amount requested to be appropriated by the Congress each year to fund vested dual benefits is sufficient to pay vested dual benefit obligations for that year.

- *Continue to carry out the RRB's debt collection policy.*

The RRB has established a debt collection policy to implement the Debt Collection Act of 1982, as amended by the Debt Collection Improvement Act of 1996. This policy calls for aggressive collection of debts owed the trust funds where such debts are not subject to waiver under the Railroad Retirement Act or Railroad Unemployment Insurance Act. We will periodically review this policy and make changes when appropriate.

Since fiscal year 1996, we reduced the receivable balance from \$81.6 million to \$38.4 million at the close of fiscal year 2002 (including a reduction for the write-off of currently not collectible receivables as directed by OMB) -- a reduction of \$43.2 million, or 53 percent.

- *Continue to accurately and in a timely manner determine the experience-based contribution rates required under the unemployment and sickness insurance program.*

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

Each employer pays taxes at a rate which takes into consideration its employees' actual incidence of benefit usage. Under experience rating, employers whose employees have low incidences of unemployment and sickness pay taxes at a lower rate than those with higher benefit usage.

The agency needs to administer this system in a way that provides employers with useful information in a timely manner. In order to maintain employers' confidence in the system, we strive to ensure that our notices are released shortly after the end of the quarter. Recently, we have been working with some of our employers on the format of the notices to ensure that they provide enough information for employers to be able to project the amount of taxes they will need to budget for the coming year. During the planning period, we will continue to work with employers to ensure they understand the system, and the information we provide them.

- *Verify that payroll taxes are fully collected and properly recorded.*

We will perform monthly reasonableness tests comparing railroad retirement taxes deposited electronically, which represent over 99 percent of railroad retirement taxes, against tax receipts transferred to the RRB trust funds by the Department of the Treasury. These tests provide reasonable assurance the RRB trust funds are receiving the appropriate amount of taxes.

We will also complete annual compensation reconciliations at least 1 year before the statute of limitations expires. Compensation reconciliations involve a comparison of compensation reported by covered employers to the RRB for benefit calculation purposes with compensation reported to the IRS for tax purposes.

STRATEGIC OBJECTIVE II-B: Ensure the integrity of benefit programs.

As part of our fiduciary responsibilities to the rail community, we must ensure that the correct amount of benefits is being paid to the right people. We match our benefit payments against the Social Security Administration's earnings and benefits database, the Centers for Medicare and Medicaid Systems' utilization and death records, the Office of Personnel Management's benefit records, and State wage reports, usually via computer tapes, and administer other benefit monitoring programs to identify and prevent erroneous payments. We also refer some cases to the RRB's Office of Inspector General for investigation. After investigation, the Inspector General may pursue more aggressive collection methods, which includes civil and criminal prosecution.

In fiscal year 2002, the RRB invested almost 28 full-time equivalent employees at a cost of approximately \$1.86 million, in program integrity efforts. This resulted in \$9.7 million in recoveries, \$483,000 in benefits denied, and the referral of 135 cases to the Office of Inspector General for investigation. This is approximately \$5.48 in savings for each dollar invested in these activities.

We measure the effectiveness of the matching programs each year by comparing the dollars collected or saved through these initiatives to their cost.

To accomplish this objective, we will conduct comprehensive and integrated monitoring activities to identify and prevent erroneous payments:

- *Maintain established matching programs.*

Our plan is to continue our wage matches with all 50 States, the District of Columbia and Puerto Rico to ensure that employees are not working while drawing disability, unemployment or sickness insurance benefits. During fiscal year 2002, the State wage match program identified nearly \$1,412,813 in recoverable benefits and effected recovery of \$1,783,900 previously identified through the program. In addition, we will continue to coordinate our benefit payments with the Social Security Administration's Master Benefit Record to ensure the proper payment of benefits under both programs. We will continue to monitor our benefit payments against social security wage reports to ensure that our benefit payments are correctly

adjusted for post-retirement earnings. We will also continue to compare our beneficiary records with the Centers for Medicare and Medicaid Services' files to prevent incorrect payment of benefits after an annuitant's death.

- *Explore opportunities for additional matching programs where cost-effective.*

We will explore opportunities to expand matching programs with States and other organizations to ensure that we are paying the correct amount of benefits where this proves cost-effective. We will also explore utilizing the newly created National New Hire Directory, which SSA has used successfully in preventing overpayments. RRB access to this database would require legislative changes.

- *Continue our program integrity reviews.*

We will continue to seek information from annuitants through questionnaires and to conduct reviews to ensure correct payment of benefits. We will ensure that all annuitants continue to be entitled to benefits, through programs such as continuing disability reviews and other entitlement-monitoring initiatives. These efforts help us minimize the possibility of payments to ineligible beneficiaries consistent with the President's Management Agenda.

STRATEGIC OBJECTIVE II-C: Ensure effectiveness, efficiency, and security of operations.

How we do our business is a critical component of good stewardship. The RRB is committed to effective, efficient and secure internal operations. Many factors and programs contribute to this goal. We have ongoing programs which help us assess our performance in these areas. We use our management control review process as a means of reviewing critical agency processes in order to provide reasonable assurance of the effectiveness and efficiency of our programs and operations. If material weaknesses are detected, we take swift, aggressive corrective action. In addition we perform a variety of quality assurance activities to ensure that our benefit programs comply with established policies, standards and procedures. We consider the findings from these reviews as we make our automation plans.

In addition to these ongoing programs, during the planning period we will place special emphasis on our human capital, information technology and computer security, procurement, and performance management programs. We have set particular goals in these areas, which are described below.

- *Continue to develop an effective succession planning program.*

There is a wealth of institutional knowledge and practical experience among the current RRB staff. Effective succession planning will help to ensure that the benefit of this knowledge and experience can be passed on by our more senior employees before they retire. A critical aspect of succession planning involves the identification of core competencies needed for specific mission-critical positions. This is strategically significant at this time due to the high rate of retirements that we could experience in the coming years.

To address this need, we will:

- identify all mission-critical occupations and the core competencies needed for those occupations;
- assess the skill level of employees currently in those positions; and
- develop skills-enhancement programs to close any identified competency gaps.

Each year, we will establish specific, incremental targets, with the overall objective of covering all critical positions in the agency within the next 5 years.

- *Ensure the privacy and security of our customers' transactions with the RRB.*

We will provide close oversight to safeguard our customers' privacy and enable them to conduct business with the RRB in a secure environment with trust and confidence. The RRB has made notable progress in strengthening and improving the control and protection of information and is committed to addressing the material weakness that has been identified in the area of computer security. We will take action to:

- conduct periodic vulnerability assessments on critical assets;
- update our business continuity plan to ensure that essential functions continue during an emergency;
- deploy advanced security technologies and integrate security into our business processes to protect against physical and cyber-security threats; and
- provide security awareness training to sensitize all employees to potential security issues within their particular functional areas.

- *Improve our ability to control and monitor information technology investments.*

Information technology not only provides the underlying support for the agency's current day-to-day operations, but we also rely on it as a strategic means of improving the cost-effectiveness of our operations in the future.

Therefore, we are continually striving for improved ways to plan and control our information technology investments, to ensure that they perform as expected, provide a meaningful return, and are delivered on time and within budget. To achieve this, we plan to implement a new methodology that will successfully estimate, track and monitor total costs and time schedules for information technology investments throughout the project life cycle. The ideal methodology will incorporate both web-based and mainframe-based projects and investments.

- *Continue to seek ways to increase competitive sourcing opportunities.*

The RRB will continue to follow the requirements of the Federal Activities Inventory Reform Act of 1998 (the FAIR Act), which requires agencies to prepare and submit an inventory of their commercial activities performed by Federal employees. The RRB has inventoried its positions, identified those that are commercial in nature and published the report on the Internet, as required. As of the fiscal year 2002 report, 13 commercial activities, representing about 153 positions, or 14 percent of the agency's staff, were identified. Approximately 5.2 percent of our commercial activities were contracted out in fiscal year 2002. In the coming years, we will continue to explore competitive sourcing opportunities and will strive to reach the government-wide target levels established by OMB, without sacrificing our mission.

- *Make greater use of performance-based contracts.*

Performance-based services contracting (PBSC) emphasizes objectives and measures performance requirements and quality standards in developing statements of work, selecting contractors, and determining contract type and incentives.

In March 2001, OMB directed agencies to use performance-based techniques on at least 20 percent of all service contracts worth more than \$25,000 in fiscal 2002. The RRB awarded 35.5% of eligible service contracting fiscal year 2002 dollars using PBSC techniques. In the coming years, we will continue to establish specific PBSC objectives to meet the government's percentage goal for our eligible service contract funds.

- *Expand our participation in E-Government initiatives.*

The RRB currently uses electronic commerce to fulfill many of our operational requirements by publishing all required and many optional procurement notices via an Internet connection to the government-wide point-of-entry website (www.FedBizOpps.gov). These notices include pre-solicitation and award notices, as well as market surveys.

Also, we are participating in the Integrated Acquisition Environment (IAE), one of the 24 initiatives under the E-Government goal of the President's Management Agenda. The RRB has registered as a business partner to make use of electronic data exchange for intra-governmental ordering and billing to reduce payment and collection problems. We expect to begin using this system through the intra-governmental transaction portal starting October 1, 2003, the target date established by the Office of Management and Budget.

The RRB is also participating in the new Federal E-Payroll initiative, which will require us to migrate from our current independent payroll system to a consolidated payroll service provider as part of a government-wide cost-saving initiative.

STRATEGIC OBJECTIVE II-D: Effectively carry out the responsibilities of the Railroad Retirement Board under the Railroad Retirement and Survivors' Improvement Act of 2001 with respect to the activities of the National Railroad Retirement Investment Trust.

Although the RRB is no longer responsible for the investment of the trust fund monies, it continues to have responsibilities in ensuring that the new National Railroad Retirement Investment Trust, and its seven-member Board of Trustees, comply with the provisions of the Railroad Retirement Act. This responsibility will be fulfilled through review of the monthly reports submitted by the Trust, the annual management reports submitted by the Trust, and the review of the annual audit reports of the Trust's financial statements.

The RRB has authority to bring civil action should these reviews indicate any violation of the Railroad Retirement Act or non-compliance with any of the provisions of the Act.

VI. MANAGEMENT STRATEGIES

The RRB has committed to a number of management strategies that will guide our efforts to accomplish our stated strategic goals and objectives. These strategies will encompass many areas, but can be loosely categorized along the lines of the President's Management Agenda, which is designed to promote management improvements throughout the Federal government in five key areas:

- Expanded E-Government
- Budget and Performance Integration
- Improved Financial Performance
- Strategic Management of Human Capital
- Competitive Sourcing

A. Technology and Innovation, including E-Government

Our primary goal is to strategically align our information technology (IT) environment and investments to most effectively and efficiently support our business needs. The planned improvements in IT operations and procedures will enable us to respond rapidly to changing business requirements, such as legislative changes and technological advances. Our priorities in the coming years will include implementing a variety of E-Government initiatives within the framework of our overall information technology architecture, in a secure and stable electronic environment. At the same time, we will also focus on other business process improvements which may or may not require new systems or automation. Such improvements will include reengineered work processes and streamlined procedures. The key components of this strategy are outlined below:

E-Government

E-Government is a major technological advance that allows our customers the option of choosing to use the Internet for a variety of services. One of the principal components of the President's Management Agenda, E-Government has significant potential for improving customer service, since it gives the customer more independent control over his/her own business transactions, which can be conducted at any time and from any location where the customer has an Internet connection. In addition, E-Government promises a framework within which Federal agencies will be able to collaborate and align their efforts

to provide standard customer service features, to eliminate redundancy, and to take advantage of economies of scale in the development of new applications.

The RRB currently has several E-Government services available for our customers, and plans to expand the range of services even more. Examples of on-line services our customers will have in the future include:

- on-line status reports for claims and benefits;
- on-line filing of applications for benefits; and
- on-line input of change of address or direct deposit information.

Enterprise Architecture

The RRB has recently undertaken a major initiative to develop and implement an enterprise architecture as the foundation for its future information technology projects, initiatives and investments. The target architecture we have established defines the information technology environment to achieve our current and future business goals and objectives. The target environment is designed to:

- streamline business and technical processes and procedures;
- be flexible in consolidating similar or redundant internal and government-wide functions, applications, software and hardware;
- enable collaboration among all kinds of applications; and,
- promote reuse of data and processes, as a means of reducing development time and costs.

Initially, our primary challenges in moving toward this target will involve:

- developing sound strategies for reengineering or retiring our existing legacy systems, many of which are based on obsolete technology;
- converting our established databases, which contain vital information about our claimants, beneficiaries, and their transactions, to more modern systems; and
- ensuring the availability of sufficient staff with the necessary skills to accomplish these initiatives.

The RRB's Enterprise Architecture Strategy will guide the agency in moving toward our target. It involves establishing clear, detailed action plans over the next 7 years that will ensure we meet internal goals. In addition, it will incorporate OMB guidance through a capital planning and investment control process that provides a structured approach to assist us in reviewing, filtering, selecting and managing IT investments. This process will ensure that the RRB's investments in IT are well-designed, cost-effective, and support the mission

and business goals of the organization. For each IT investment, we will institute quantifiable measures to assist us in maximizing benefits and value as well as to manage risk.

Internal Operations/Process Improvements

Our focus will remain on simplifying the delivery of services and making it possible for our customers, businesses and government agencies to easily obtain information and service from the RRB. We will use several strategies over the course of the planning period in order to achieve these goals.

- “One and Done”

This is our way of describing our ideal service delivery method – one in which a single contact from the customer, including businesses and government agencies, results in the desired outcome, without internal handoffs or the need for multiple customer contacts. We will use this approach when designing internal processes and procedures for our claims examiners and contact representatives who deal with our customers. This philosophy has also been built into our enterprise architecture, and represents a key requirement in our overall architecture described above. This ensures that new systems will be designed to provide this kind of responsive customer service.

- Streamlining and reengineering

While we strive to meet the customer service and performance plan standards we set, we may not always be able to do that. We will review our performance data at least annually to identify areas that fall short of our goals. Through streamlining and reengineering studies, we will look for ways to make short-term improvements, and we will develop recommendations for longer-term projects. Finally, we will track our improvements to determine their effectiveness.

- Review of regulations, policies and procedures

To some extent regulatory, policy or procedural requirements may cause delays, inaccuracies or complexities. We will review and evaluate such requirements to determine if the changes would be warranted. If so, we will propose alternatives in order to reduce operational complexities and erroneous situations, and alleviate delays.

B. Budget and Performance Integration

Demonstrating the relationship between budgetary resources and performance is a key government-wide initiative in the President's Management Agenda. Since 1997, the RRB's annual performance plans have shown a direct link between expected performance, stated in terms of measurable results, and resources requested.

This linkage has been shown at the strategic goal level. At this level, specific performance targets are aggregated by strategic objective, and then aggregated to a general strategic goal. With this strategic plan, we have redefined our strategic objectives so that the linkage between budgetary resources and performance can now be shown at the strategic objective level. By more closely aligning resources and performance, this change will allow better planning by RRB managers. It will also facilitate analysis of our budget requests and performance plans and accomplishments by RRB staff and other interested parties.

C. Financial Management Improvements

The President's Management Agenda calls on Federal agencies to improve financial performance by providing accurate and timely information to support operating, budget, and policy decisions, and by reducing improper payments.

In January 2003, the RRB's Office of Inspector General (OIG) issued an unqualified ("clean") opinion on the RRB's 2002 financial statements. The RRB's 2001 financial statements also received an unqualified opinion from the OIG. In support of the President's initiative to improve financial performance, we will prepare and submit to the President and the Congress a combined Performance and Accountability Report, beginning with fiscal year 2003 results.

To provide more timely financial information, the RRB has already started issuing quarterly financial statements. Our first quarterly statements were completed ahead of schedule and promptly issued to OMB.

In order to meet the accelerated timetable for issuing annual financial statements, we have also undertaken a project that will allow us to generate the primary financial statements within a week after closing.

The President's Management Agenda also includes a government-wide initiative for improved financial performance through the reduction of improper payments. The General Accounting Office has identified the systematic

measurement of the extent of improper payments as a key step in addressing this problem. The RRB is working with the OIG in a collaborative effort to develop a methodology for estimating improper payments. Once this methodology is implemented, we can determine if the improper payments are significant enough to require corrective action, how much to cost-effectively invest in internal controls to correct the problem, and the impact of the actions taken to reduce improper payments.

D. Strategic Management of Human Capital

While we have great confidence in our proven track record and in our continued ability to successfully manage our human capital resources, we understand that work is still needed to maximize the principles that are embodied in successful human capital management. This is one of our highest priorities during this planning period. The President's Management Agenda calls for various human capital strategies. These are listed below with a brief description of the RRB's intentions regarding each one:

- *Strategic alignment with the agency's mission*

We will align our human capital policies to support the accomplishment of the agency's mission, vision, goals and objectives. This will include ensuring that all employees and organizational units can link their daily activities with the agency's mission.

- *Workforce planning and deployment*

We will recruit, hire, develop and retain a diverse workforce with the strategic competencies required for mission-critical positions.

- *Leadership and knowledge management*

We will foster a leadership environment that inspires, motivates and guides employees toward our strategic goals; coaches, mentors, and challenges staff; and, models high standards of honesty, integrity, trust, and respect for all individuals.

- *Results-oriented performance culture*

We will maintain a performance culture that effectively uses performance appraisal and incentive systems to distinguish between good and poor performers and encourages innovation, creativity and enthusiasm among our staff. We will also provide a flexible work environment, using programs such as family-friendly leave, compressed work schedules, telecommuting,

and other accommodations to allow employees to balance their family and work needs.

- *Talent*

We will encourage professionalism and productivity in our workforce through training, incentives, and effective performance appraisal systems. We will also promote knowledge-sharing and a climate of openness, continuous learning, and improvement. Through our succession planning efforts, we will strive to identify all mission-critical occupations and competencies and to close any identified competency gaps.

- *Accountability*

We will document our human capital management policies and guidelines through plans, procedures, handbooks and reports, and will use analytical data to aid our decision-making and to assess our overall progress in this area.

We recognize the constraints of our budgetary resources, however, and may be required to seek lower cost alternatives in some aspects of human capital management than we would prefer. Reductions in certain training resources and various employee benefit and incentive programs have been necessary recently, but we are striving to restore them to their original levels to the extent future budgets will allow.

E. Competitive Sourcing and Partnerships

Competitive sourcing involves conducting public-private competitions, or direct conversion to contractual services, for commercial activities currently performed by Federal employees. The RRB is committed to meeting the Federal goals and objectives for competitive sourcing, as described in Chapter V, Objective II-C. We will comply with the requirements of the Federal Activities Inventory Reform Act of 1998 (the "FAIR Act") and will meet any Federally-mandated percentages established for competing commercial-type activities. In addition to our competitive sourcing strategies, we will also be taking the following actions related to procurement and partnerships:

- *Ensure that the RRB consistently pays the lowest price for products and services commensurate with quality, service, delivery and reliability.*

This strategy will result in a first-class acquisition system based upon Federal Acquisition Regulations which apply to all Federal agencies. This system will require that contract award dates shall, at a minimum, meet

agency-mandated delivery schedules; solicitations shall include past performance of the contractor as an evaluation factor; contractor performance evaluations shall be conducted in accordance with the applicable Federal Acquisition Regulations; and, each purchase order and each contract file shall exhibit a positive vendor responsibility determination. To achieve this, the RRB will:

- *Pay the lowest price for products/services commensurate with quality, service, delivery, and reliability.*

We will promote full and open competition to the maximum extent practical when procuring products and services for the agency, and award purchase orders and contracts only to responsible contractors.

- *Closely manage solicitations and the resulting contracts.*

We will award contracts on time to ensure that the required product or service is delivered in time to meet agency requirements and ensure the delivery of quality products and services.

We will use the simplified acquisition process where appropriate. We will closely monitor products and service delivery schedules and take all necessary remedies to obtain products and services that satisfy agency requirements.

- *Use outside sources and partnerships, when appropriate, to accomplish our mission.*

As a small agency, it is not always economically feasible to retain staff expertise in specialized areas or to perform all activities in-house. We will evaluate our use of outside resources and partnerships through the cost and/or time savings we realize, improved effectiveness, and increased satisfaction with our program.

In keeping with this strategy, we will:

- *Make use of advisory and assistance services when appropriate.*
- *Keep abreast of current trends and opportunities.*
- *Work with other agencies and organizations to meet mutual goals.*

We currently have a number of agreements and working relationships with other Federal and State agencies as well as organizations such as universities. These range from matching agreements and system-to-system access between agencies to contracting for services. We are also entering

into and exploring new opportunities to facilitate Internet-based, cross-agency collaboration. We will strive to continue agreements we already have and expand them in mutually beneficial ways in order to meet our mission as efficiently and effectively as possible, and best serve our customers' needs.

VII. PROGRAM EVALUATIONS

The RRB considered the results of numerous program evaluations in preparing its strategic plan and will use program evaluations to revise it in the future. The most important of these are summarized below.

Program Evaluation Schedule

Program Evaluation	Methodology/ Scope	Issues Addressed	Schedule for Future Program Evaluations
Federal Managers' Financial Integrity Act reports and risk assessments	Analytical/RRB administration	Adequacy of internal controls	Annual
Triennial Actuarial Valuation	Actuarial/75-year financial projection	Railroad Retirement Act (RRA) revenue/expense projections	Triennial
Annual Actuarial Status Report of Railroad Retirement System	Actuarial/25-year financial projection	RRA revenue/expense projections	Annual
Annual Actuarial Status Report of Railroad Unemployment Insurance System	Actuarial/11-year financial projection	Railroad Unemployment Insurance Act (RUIA) revenue/expense projections	Annual

Program Evaluation	Methodology/ Scope	Issues Addressed	Schedule for Future Program Evaluations
Customer service performance reports	Analytical/RRA and RUIA benefit programs	Customer service	Quarterly
Quality assurance reports	Statistical sampling/RRA, RUIA benefits	Accuracy and timeliness of benefits	Periodic
A variety of client satisfaction surveys and feedback	Statistical evaluations (e.g., ACSI); comment cards/meetings with groups of RRB beneficiaries	Client satisfaction with RRB services/need to change standards or update customer service plan	Periodic
Annual Financial Statement Audit	Office of Inspector General audit of agency financial statements	Accuracy of financial statements	Annual
RRB Office of Inspector General audits	Audits/ agency-wide	Effectiveness and efficiency of agency operations	Periodic
Performance Budget monitoring	Longitudinal study/key agency performance goals	Customer service, stewardship, procurement, human resource and information technology issues	Semi-Annual

Program Evaluation	Methodology/ Scope	Issues Addressed	Schedule for Future Program Evaluations
Profile of debt study	Analytical/ compare RRA and RUIA debt with prior year data	Identify trends in erroneous payments that may require special studies	Annual
Variety of special studies done on demand	Special studies/benefit program administration	Quality, timeliness, efficiency and effectiveness of processes within benefit program administration	Periodic
Annual Enterprise Architecture assessment	Analytical/ samplings/ audits	Effectiveness of existing architecture	Annual
Computer security assessment	Internal and/or external assessments, audits, and evaluations	Adequacy of internal & external controls impacting computer access controls, vulnerabilities and overall security status	Annual

VIII. NEXT STEPS

COMMITMENT TO RESULTS

This plan continues a cooperative and intensive effort on the part of the agency's management and staff and reflects input from our customers and other stakeholders. It is a plan we are proud to present. However, a strategic plan is only that -- a plan. Unless the strategic goals and objectives are translated into action, they are meaningless. The plan itself will not provide excellent customer service or prudent stewardship. Unless these strategic goals are incorporated into the annual performance plans, budgets and day-to-day activities of the agency, they will not be achieved.

In order to ensure achievement of strategic goals, the Government Performance and Results Act provides that each agency will develop annual performance plans, which are submitted along with the agency's budget requests. The annual performance plan (also called the performance budget) demonstrates the linkage between the agency's strategic goals and our performance goals to be achieved during the budget year.

The RRB develops annual performance plans, based on its strategic goals, which are designed to make continual, measurable progress on our objectives. Annual performance plans are developed using the performance-based approach outlined in the Strategic Plan. Annual performance goals for key work areas are articulated in this Strategic Plan, along with our methods for measuring achievement of those goals. We will, of course, monitor our performance throughout the year and make adjustments, as needed, to achieve the desired results. The RRB submitted its most recent annual performance report, as required by the Government Performance and Results Act, in February 2003, 5 months after the close of fiscal year 2002.

In addition to developing our performance plan every year for inclusion with the budget, we will monitor our Strategic Plan annually and update it as needed. At a minimum, we will update our Strategic Plan every 3 years as required to project 5 years into the future.

The Railroad Retirement Board is proud of this plan and expects that it will guide us as we continue our long and distinguished tradition of excellence in service to our customers. The RRB has a proven track record of carrying out its plans and achieving results. We believe that this Strategic Plan, along with the annual performance plans and sufficient budget resources, will help us to achieve the results our customers need and deserve.

Exhibit 1 Planning Framework

This strategic plan is the cornerstone of a comprehensive set of interlocking plans that cover all major aspects of agency operations. In this plan, we have defined the strategic issues facing the agency and established broad goals and objectives to be achieved during the planning period. As a result, this plan serves as the foundation and guide for the specific functional plans required to manage the agency. Figure 2 illustrates the interrelationship among the following functional plans:

- The **Customer Service Plan**, which provides our pledge of service to our customers, states specifically the level of service the customers can expect from us. It is posted in each office of the RRB in order to communicate our standards of openness, accessibility and accountability to our public. Each year we provide a report card on how well we are meeting the standards we set for ourselves, and the level of service we provide our customers. The plan itself is reviewed annually, and updated periodically, as we gain more experience with it and as we compare our service with the best in business. This plan is included as Exhibit 2.
- The **Strategic Information Resources Management Plan** describes the agency's information resources mission and vision to support customer service through information technology. The purpose of this plan is to communicate clearly where the RRB is today in terms of information resources management, where the RRB wants to go in the next several years, and how the RRB intends to move from the present to the future. It mirrors the direction of the agency's strategic plan. The plan includes the agency's Enterprise Architecture Strategy and serves as a tool to make informed management decisions and to assist in capital planning, investments, and budgeting.
- The **Information Technology Capital Plan**, which is part of the Strategic Information Resources Management Plan, specifically describes the capital resources needed to support the initiatives described in the Strategic Information Resources Management Plan. It provides a schedule of when those resources will be needed. This plan is updated annually and is used to prepare the agency's budget submission.
- The **Performance Budget** provides detailed performance goals and performance indicators to guide agency managers as they implement this strategic plan. It also details the human and capital resources required to achieve the performance targets. We update the Performance Budget each year and include it as part of the agency's budget submission and justification. Each of the agency's strategic goals and objectives relates

directly to a performance goal in the Performance Budget. Exhibit 3 provides a matrix showing each of the agency's performance goals, the performance indicators associated with each of the goals, and the measure that will be used to determine how well we performed.

After each fiscal year, we will report on how well we achieved the performance goals set out in the Performance Budget which is included in the Performance and Accountability Report.

Figure 2

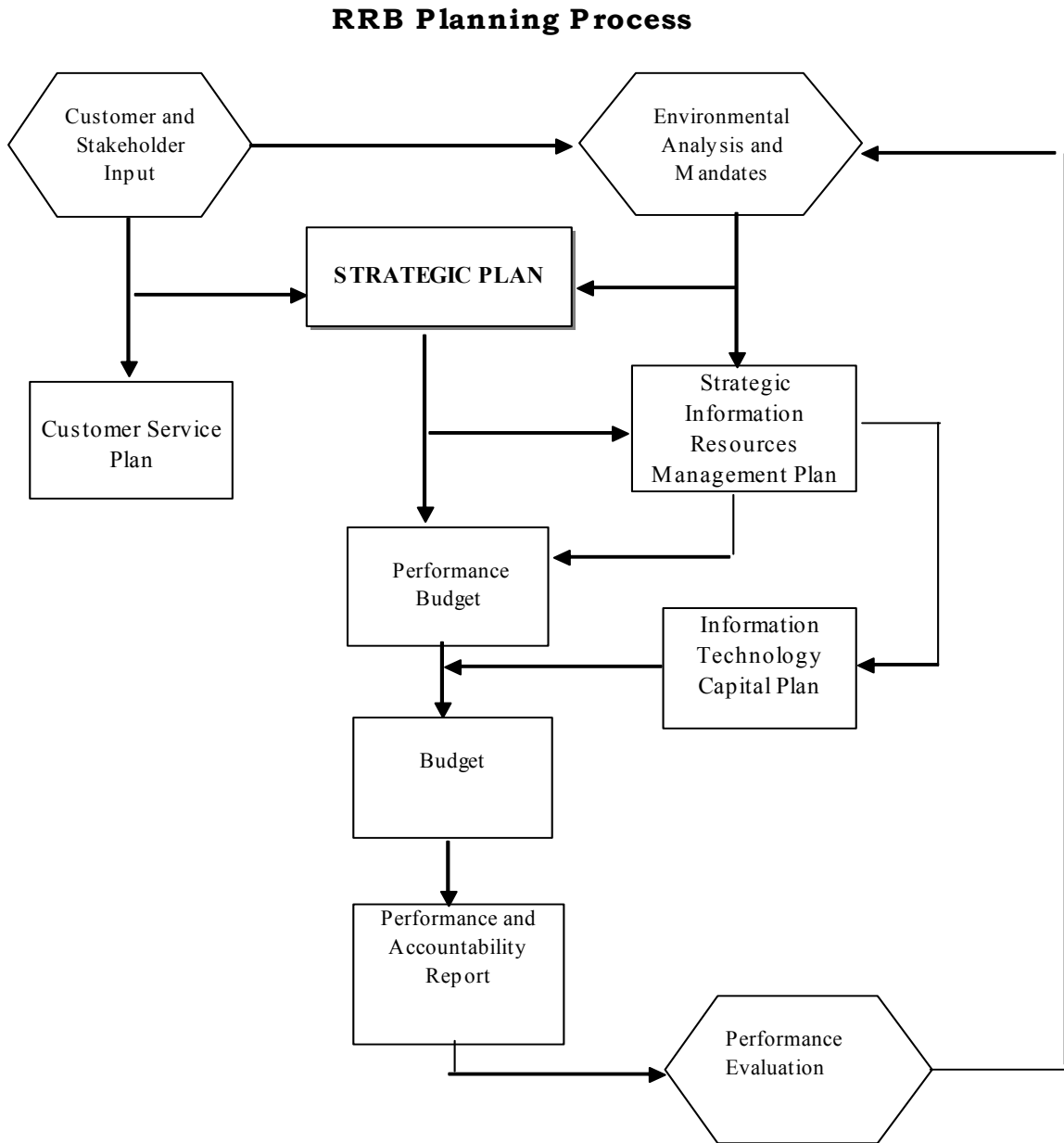


Exhibit 2 Railroad Retirement Board Customer Service Plan

The U.S. Railroad Retirement Board recognizes that all its services are financed by our customers: the nation's railroad workers and employers. They are entitled to expect high quality service, responsive to their needs, provided efficiently at a reasonable cost. This has been recognized in the agency mission statement:

In carrying out its mission, the RRB will pay benefits to the right people, in the right amounts, in a timely manner, and 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.

The Customer Service Plan is centered on the following principles of public service: standards; openness; accessibility; and accountability. In arriving at this plan, we have considered the findings of a customer satisfaction survey, the results of focus group research, and the responses received on point-of-service evaluation forms. This Customer Service Plan is published nationally and posted in each office of the RRB in order to communicate these standards to our customers and to reinforce them with our employees. There is a clear presumption that our service will progressively improve as our operations become more efficient. The plan will be reviewed and updated periodically as we gain more experience with it and as we compare our service with the best in the private sector.

Standards

- We will be courteous and treat you with respect every time you contact us.
- The information you provide us is protected under the provisions of the Privacy Act.
- When you inquire with us by letter, you will receive a reply within 15 days of the date we receive your inquiry. If for any reason we cannot reply within that time frame, we will acknowledge your letter and tell you how long it will be before we can answer your questions fully.
- If you filed for a railroad retirement employee or spouse annuity in advance, you will receive your first payment, or a decision, within 35 days of the beginning date of your annuity. If you have not filed in advance, you will receive your first payment, or a decision, within 65 days of the date you filed your application.

- If you filed for a railroad retirement survivor annuity or lump-sum benefit, you will receive your first payment, or a decision, within 65 days of the date you filed your application, or became entitled to benefits, if later. If you are already receiving a spouse annuity, you will receive your first payment, or a decision, within 35 days of the date we receive notice of the employee's death.
- If you filed an application for unemployment or sickness insurance benefits, you will receive a claim form, or a decision, within 15 days of the date you filed your application.
- If you filed a claim for unemployment or sickness insurance benefits, you will receive your payment, or a decision, within 15 days of the date we receive your claim form.
- If you filed for a railroad retirement disability annuity, you will receive a decision within 105 days of the date you filed your application. If you are entitled to disability benefits, you will receive your first payment within 25 days of the date of our decision, or earliest payment date, whichever is later.
- If you think we made the wrong decision about your benefits, you have the right to ask for review and to appeal. We will tell you about these rights each time we make an unfavorable decision about your benefits.
- Claims for some benefits may take longer to handle than others if they are more complex, or if we have to get information from other people or organizations. If this happens, we will give you an explanation and an estimate of the time required to make a decision.

Openness

- We will display in each office how well we are meeting the established standards.
- When you visit our offices, the staff you see will identify themselves by name.
- When you telephone us, we will identify ourselves by name.
- Our letters will be easy to understand, and, unless the letter is a computer notice, the person writing to you will give you his or her name

Accessibility

- When you telephone us, you will reach us on the first try.
- When visiting us, you will be helped within 5 minutes of your scheduled appointment.

- You will not have to wait more than 30 minutes if you do not have an appointment.
- If you cannot come to our office, we may be able to visit you at home or at one of our regularly scheduled service locations.

Accountability

- If things go wrong, at the very least you are entitled to a good explanation and an apology.
- A Customer Assessment Survey form is available in every office for you to tell us how we did and how we can improve our service.
- If you are not satisfied with our service, you may contact the manager of the office with which you have been dealing, or the Regional Director who is responsible for that office. Their names and addresses are available in each office.

For more information on the RRB and its programs, visit the agency's web site at www.rrb.gov. A toll-free automated Help Line is also available 24 hours a day, 7 days a week at 1-800-808-0772. Railroad employees can use the Help Line to obtain information on unemployment-sickness benefits or statements of creditable service and compensation, and railroad retirement beneficiaries can use it to verify their current monthly benefit rate or secure a replacement Medicare card. Information on the locations of the RRB's field offices is also available on the Help Line.

Exhibit 3 Performance Goals, Indicators, Measures

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
<i>STRATEGIC GOAL I: Provide Excellent Customer Service</i>		
STRATEGIC OBJECTIVE I-A: <i>Pay benefits accurately and timely.</i>		
1. Achieve a railroad retirement benefit payment accuracy rate of at least 99%.	% accuracy rate	Initial recurring payments: 99.97%
		Sample post recurring payments: 99.99%
2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate of at least 99%.	% accuracy rate	Unemployment: 99.12%
		Sickness: 99.94%
3. Review benefit payment programs in accordance with the Improper Payments Information Act of 2002 and initiate action required under the Act.	Yes/No	New indicator
4. Achieve a railroad retirement case accuracy rate of at least 94%.	% of case accuracy	Initial cases: 94.7%
		Post cases: 98.2%
5. Achieve a railroad unemployment/sickness insurance case accuracy rate of at least 97%.	% of case accuracy	Unemployment: 98.1%
		Sickness: 99.5%

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
6. Railroad retirement employee or spouse receives initial annuity payment, or a decision, within 35 days of annuity beginning date, if advanced filed.	% ≤ 30 processing days ¹	94.7%
7. Railroad retirement employee or spouse receives initial annuity payment, or notice of denial, within 65 days of the date the application was filed, if not advanced filed.	% ≤ 60 processing days ¹	96.0%
8. Survivor annuitant not already receiving a benefit receives initial payment, a decision, or notice of transfer to SSA within 65 days of the annuity beginning date, or date filed (whichever is later).	% ≤ 60 processing days ¹	81.4%
9. Survivor annuitant receiving benefits as spouse receives payment as survivor, notice of denial, or notice of application transfer to SSA, within 35 days of RRB receipt of the notice of employee's death.	% ≤ 30 processing days ¹	91.3%
10. Applicant for any railroad retirement death benefit receives payment, or notice of denial within 65 days of date filed.	% ≤ 60 processing days ¹	96.0%
11. Unemployed railroad worker receives UI claim form, or notice of denial, within 15 days of the date application filed.	% ≤ 10 processing days ¹	98.7%
12. Railroad employee unable to work due to temporary illness or injury, receives SI claim form, or notice of denial, within 15 days of the date application filed.	% ≤ 10 processing days ¹	99.3%
13. Railroad employee, unemployed or unable to work due to temporary illness or injury, receives a payment for unemployment or sickness insurance benefits, or a decision, within 15 days of claim receipt.	% ≤ 10 processing days ¹	99.7 %
14. Disabled applicant or family member receives notice of decision to pay or deny within 105 days of the date application for disability is filed.	% ≤ 100 processing days ¹	53.7%
15. Disabled applicant receives payment within 25 days of decision or earliest payment date (whichever is later).	% ≤ 20 processing days ¹	94.2%
16. Maintain an end-of-year normal carry-forward balance in targeted workload categories. (Balances are to be established annually, but are not to exceed 11,000.)	Number on hand at end of year	5,147

¹ Allows 5 days for customer receipt.

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
17. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Target levels are to be established annually; the target for fiscal year 2002 was 200 days.)	Average elapsed days	200
STRATEGIC OBJECTIVE I-B: <i>Provide relevant, timely, and accurate information which is easy to understand.</i>		
1. Inquirer receives answer or acknowledgment of written correspondence within 15 days of receipt.	% ≤ 10 Processing days ¹	98.9%
2. Achieve quality and accuracy of correspondence, publications, and voice communications.	Surveys and reviews; number of valid challenges to published data	Draft report completed in FY 2002, as scheduled.
3. Maintain the combined balance of unprocessed record corrections and cases requiring review for corrected tax statements below the end-of-year normal working level. (Balances are to be established annually, but are not to exceed 1,200.)	Number on hand at end of year	432
STRATEGIC OBJECTIVE I-C: <i>Provide a range of choices in service delivery methods.</i>		
1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems.	# of services available through electronic media	New indicator
STRATEGIC OBJECTIVE I-D: <i>Ensure efficient and effective business interactions with covered railroad employers.</i>		
1. Improve timeliness and efficiency in posting service and compensation data to agency records.	% of service and compensation records posted by April 15	New indicator
2. Improve accuracy in posting service and compensation data to agency records.	% of service and compensation records posted accurately	New indicator

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
3. Covered employer annual reports of employees filed electronically, or on magnetic media.	% of employee records filed electronically, or on magnetic media	98.2% (of employees) New indicator
4. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act.	% of employers who use the new on-line reporting process # of services available through electronic media	New indicator
5. Resolve problem situations with covered employers timely and appropriately.	% of reported problems resolved within 90 days	New indicator
<i>STRATEGIC GOAL II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources</i>		
<i>STRATEGIC OBJECTIVE II-A: Ensure that trust fund assets are projected, collected, recorded and reported appropriately.</i>		
1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs and a variety of other collection efforts. (Target percentages are to be established annually; the target for fiscal year 2002 was 49%.)	Percentage of funds collected to total debts outstanding	64%
2. Release quarterly and annual notices accurately and timely to employers regarding their experience rating based contributions.	Yes/No	New indicator
3. Complete compensation reconciliations at least 1 year before the statute of limitations expires. (Compensation reconciliations involve a comparison of compensation reported by railroad employers to the RRB for benefit calculation purposes with compensation reported to the IRS for tax purposes.)	% completed at least 1 year before the statute of limitations expires	100% of the 1999 reconciliations by 02/15/2002.

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
4. Perform monthly reasonableness tests comparing railroad retirement taxes deposited electronically, which represent over 99 percent of all railroad retirement taxes, against tax receipts transferred to the RRB trust funds by the Department of the Treasury (Treasury) to provide reasonable assurance the RRB trust funds are receiving appropriate tax funds.	Reasonableness test performed and anomalies reconciled with Treasury (Yes/No)	New indicator
5. Prepare annual Performance and Accountability Reports (including audited financial statements and other financial and performance reports) by the required due dates.	Yes/No	New indicator
6. Take prompt corrective action on audit recommendations. (Target percentages are to be established annually; the target for fiscal year 2002 was 80%.)	% of audit recommendations implemented by target date	94.4%
STRATEGIC OBJECTIVE II-B: Ensure the integrity of benefit programs.		
1. Achieve a return of at least \$3.60 for each dollar spent on program integrity activities.	\$ recoveries & savings per \$ spent	\$5.48 : \$1
2. Maintain active wage matches with all 50 States to ensure the accuracy of benefit payments.	# of States matching	50 States, plus Puerto Rico & Washington, DC
3. Ensure ongoing entitlement to disability by conducting continuing disability reviews.	Continuing disability reviews on hand at the end of year does not exceed normal working balance (Yes/No)	New indicator

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
<i>STRATEGIC OBJECTIVE II-C: Ensure effectiveness and efficiency of operations.</i>		
1. Continue succession planning by ensuring there is a cadre of highly skilled employees available for key positions.	# of position types (descriptions) for which core competencies have been defined # of employees whose skills have been assessed # of employees involved with skills-enhancement programs	New indicator New indicator New indicator
2. Annually assess/update all computer security, disaster recovery, and business resumption plans for the agency.	Yes/No	New indicator
3. Develop and implement new procedures for responding to and reporting computer security incidents.	Yes/No	New indicator
4. Assess computer security training requirements and implement an ongoing training program for agency staff.	Yes/No	New indicator
5. Implement a methodology to successfully estimate, track and monitor total costs and time schedules for information technology investments through the project life cycle, incorporating both web and mainframe investments.	Yes/No	New indicator
6. Assemble and publicize an annual inventory of RRB commercial activities on the RRB Website.	Yes/No	Yes
7. Complete public-private competitions or direct conversions on the required activities listed on the Federal Activities Inventory Reform (FAIR) Act inventory.	% of the FTE's listed on the FAIR Act inventory for which competitions or conversions completed	5%
8. Meet government percentage goal for use of performance-based contracting techniques for eligible service contract funds.	Yes/No	New indicator

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2002 Actual
9. Support government-wide procurement E-Government initiatives using the point of entry vehicle of www.FedBizOpps.gov for all eligible actions.	Yes/No	New indicator
10. Complete migration from the agency's current payroll system to the consolidated Federal E-Payroll system by September 30, 2004.	Yes/No	New indicator
11. Implement a methodology to determine unit costs of key production workloads.	# of key workloads with unit cost information	A methodology for disability processing has been developed.
12. Achieve specific goals for unit costs of key workloads for years subsequent to implementation of new methodology.	# of unit cost goals achieved	Deferred
STRATEGIC OBJECTIVE II-D: <i>Effectively carry out the responsibilities of the Railroad Retirement Board under the Railroad Retirement and Survivors' Improvement Act of 2001 with respect to the activities of the National Railroad Retirement Investment Trust.</i>		
1. Review monthly reports submitted by the Trust.	Yes/No	New indicator
2. Review annual management reports submitted by the Trust.	Yes/No	New indicator
3. Review annual audit reports of the Trust's financial statements.	Yes/No	New indicator

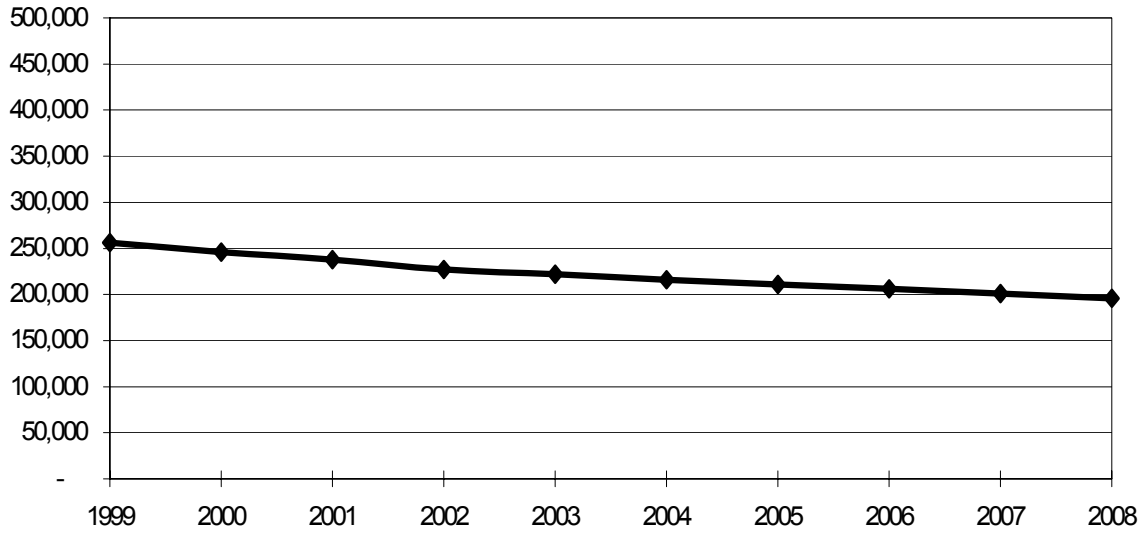
Exhibit 4 Planning Assumptions

An organization cannot plan for all contingencies, but must base its vision within the framework of given assumptions. The following assumptions were used in formulating this strategic plan.

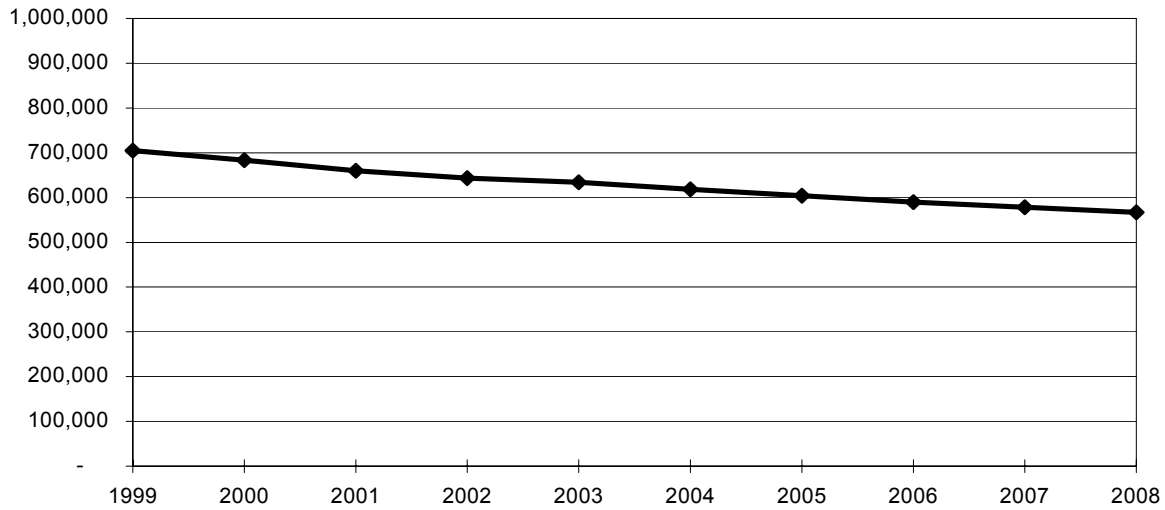
1. The RRB will continue as an independent agency in the executive branch of the Federal Government.
2. The mission of the RRB will not change during this planning period.
3. The benefit programs will not experience any funding crises during this period.
4. The public will expect continued excellent service.
5. Technological improvements will be necessary for the RRB to meet customer expectations and to operate within its budget.
6. Over the long term, claims processing workloads will decline as the railroad population declines. Figure 3 presents graphically the demographic forecasts for the next 5 years. (Note that as of December 31, 2001, there were another 69,389 people who are vested in the railroad retirement program but are not currently employed by railroads and have not retired. They will require services from our agency in the future.)
7. Maintenance workloads will decline, but reductions will be partly offset by increased initiatives in quality assurance and program integrity.
8. The primary service delivery will be through a structure of field offices that will remain relatively stable.
9. Legislative amendments will continue to be made, and may affect both processing and maintenance workloads.
10. Resources will decline during the planning period.
11. A large number of experienced employees will retire during the planning period, resulting in a significant loss of business expertise.

Figure 3

Average Railroad Employment
Calendar Years 1999 - 2008 ¹



Railroad Retirement Beneficiaries
Fiscal Years 1999 - 2008 ²



¹ - Calendar year 2002-2008 estimates from the 22nd actuarial valuation, employment assumption II.

² - June 2003-2008 estimates from the 2002 Section 502 Report.

Exhibit 5 Key External Factors

The RRB recognizes that there are several key factors external to the agency which could affect the achievement of our strategic goals and objectives. These factors are shown below.

Factor	Strategic Goal(s) Impacted	Likelihood	How Achievement of Goal Could Be Affected/Ways to Mitigate Impact
Significant reductions in our administrative budget.	Customer Service; Stewardship	Possible.	The Performance Budget will reflect, in detail, the projected impact of a significant reduction in funding on these goals. To date, the RRB has managed to improve some aspects of operations within budget constraints, using various streamlining initiatives and automation of manual work processes.
Lack of interagency cooperation or support for key operations (e.g., Department of the Treasury's issuance of our payments, Social Security Administration's wage and data exchange, and the Internal Revenue Service's tax collections).	Customer Service; Stewardship	Unlikely. As other agencies find themselves operating with fewer resources, there is a possibility that their reductions would impact our services.	The RRB depends heavily on interagency cooperation and support to carry out many of our functions and services. We will continue to maintain contacts with key agencies to ensure active coordination and support.

Factor	Strategic Goal(s) Impacted	Likelihood	How Achievement of Goal Could Be Affected/Ways to Mitigate Impact
Sudden, unanticipated and significant declines in railroad employment levels.	Customer Service; Stewardship	Possible. Payroll taxes are the primary source of financing for railroad retirement benefits. If economic conditions change significantly, rail industry employers may be required to substantially reduce staffing. Currently, we anticipate such action only under a pessimistic employment scenario.	In the past, declines in railroad employment have resulted in legislation to ensure the solvency of the railroad retirement system. A similar need for legislative changes may arise if there were a dramatic, sudden, unexpected decline in railroad employment. The impact could be mitigated if alternate sources of financing are identified.
Major, program-related legislative changes.	Customer Service; Stewardship	Possible.	The impact of any legislative changes on the strategic goals would have to be fully assessed.
Major, mission-related legislative changes.	Customer Service; Stewardship	Unlikely. There have been several proposals to change the structure of the agency, but none have been introduced into the Congress at this time.	Legislative changes dealing with the agency's fundamental mission are not anticipated, and their impact would have to be fully assessed if and when proposals are made.

Factor	Strategic Goal(s) Impacted	Likelihood	How Achievement of Goal Could Be Affected/Ways to Mitigate Impact
Loss of public confidence in the railroad retirement system and the ability of the agency to provide necessary services.	Stewardship	Unlikely. The continued confidence of both railroad employers and employees and the beneficiary population is a critical factor. As customer satisfaction remains high, a loss of public confidence is unlikely, provided administrative funding is not significantly reduced.	We will continue to monitor the solvency of the funds, and look for ways to ensure administrative efficiencies to keep costs low. We will also continue to monitor our customers' level of satisfaction.

In developing this plan, we recognized that there are a number of potential strategic issues that may arise during the coming years which relate to various external factors listed above. These include, but are not limited to, changes in basic program plan design, alternative sources of financing, transferring functions to other agencies, establishing performance-based organizations, and privatization. Issues of this nature could cause fundamental changes in the RRB's programs, operations, structure, and/or financing, and thereby directly impact this plan.

Appendix 1

PROFILE OF THE RAILROAD RETIREMENT BOARD

A. WHO WE ARE

The Railroad Retirement Board (RRB) is a Federal agency that administers comprehensive income security programs for the nation's railroad employees, retirees and their families. Legislation creating the RRB was enacted in the 1930's, with an initial focus on establishing a retirement benefit program for the nation's rail workers. At that time, the railroad industry had more highly developed pension plans than other businesses or industries, but these plans had defects that the Great Depression magnified. A short time later, the RRB was charged with administering an unemployment benefits program to address problems unique to interstate rail employment.

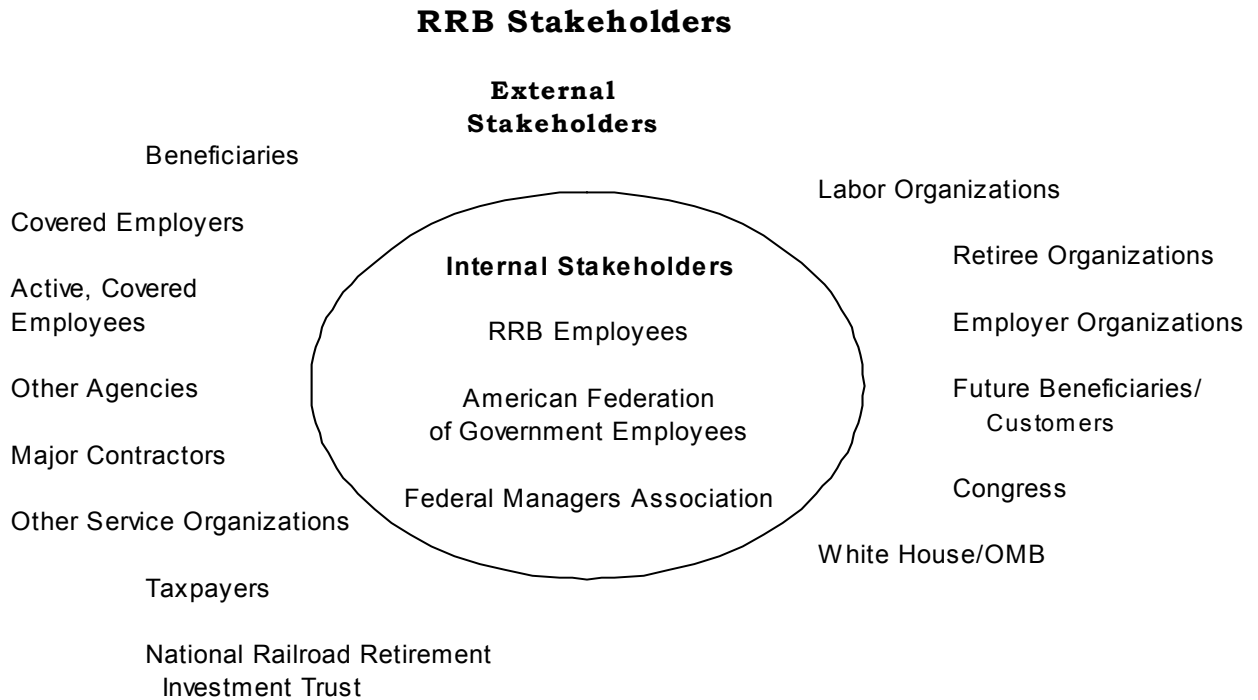
Three Board Members appointed by the President of the United States, with the advice and consent of the Senate, head the RRB. One member is appointed upon the recommendation of railroad employers, one is appointed upon the recommendation of railroad labor organizations and the third, the Chair, is appointed to represent the public interest. The Board Members all serve 5-year, staggered terms. The RRB currently employs about 1,100 full-time equivalent employees who work in its Chicago headquarters and in over 50 field offices around the country.

As an independent agency in the executive branch of the Federal Government, the RRB reports to the President and Congress. RRB officials work closely with the President's Office of Management and Budget with respect to the agency's budget and executive management initiatives. They also testify at congressional hearings on proposed changes to the RRB's enabling statutes and the annual appropriation for benefit payments and agency administrative expenses. (The agency's administrative expenses have traditionally averaged about one percent of benefit payments.)

The RRB also works closely with other Federal agencies and some State agencies. The principal ones, inasmuch as they relate to benefit administration, are the Social Security Administration, the Centers for Medicare and Medicaid Services, State employment security departments and, to a lesser extent, the Department of Labor. Other agencies with which the RRB interacts on a routine basis include the Department of the Treasury, the Office of Personnel Management, the General Services Administration and the General Accounting Office.

Figure 4 provides a graphic representation of our internal and external stakeholders.

Figure 4



B. WHO WE SERVE

Our primary customers are the employees and employers of the rail industry. They include, for example, train and engine service employees, maintenance of way employees, dispatchers, signalmen, computer specialists, sales personnel, lawyers and accountants. They also include the railroad employees who have retired on the basis of age and their spouses and dependents, as well as younger beneficiaries who have retired on the basis of disability, and employees who are not working because of layoffs, injuries or illness. Employers include the nation's Class I freight railroads as well as over 600 other employers, including short line and regional railroads, Amtrak, certain commuter roads and rail labor unions.

The RRB pays retirement benefits to railroad workers and their spouses, and survivor benefits to their families. A component of the retirement program also includes disability annuities – both permanent and occupational – for railroad employees, as well as providing Medicare Part B coverage through a nationwide contract. In fiscal year 2002, retirement and survivor benefits of about \$8.6 billion were paid to more than 684,000 beneficiaries. As the retiree population ages, the number of beneficiaries has been declining by about 20,000 annually in recent years. During fiscal year 2002, the RRB also paid about \$98 million in unemployment and sickness benefits to about 40,000 rail workers. The agency also works closely with rail employers to ensure that payroll taxes are credited properly for all active employees.

As the only Federal agency dedicated to providing income security and related programs to a specific industry, the RRB is a customer-centered organization. The agency has traditionally enjoyed a relationship with its customers based on cooperation, respect and service. This was confirmed by recent surveys of RRB customers performed as part of the American Customer Satisfaction Index (ACSI).

The ACSI represents an independent annual measure of national customer satisfaction with corporate and government services. In 2001, the RRB earned a score of 82 on the ACSI survey, 13 points higher than the overall score for the Federal government and 11 points higher than the comparable private-sector average. This ACSI survey focused on the RRB's core constituency of railroad workers who had recently retired and were receiving monthly benefits. The RRB scored highest (91) in the area of customer service, with respondents specifically praising the courtesy and professionalism of agency employees.

In addition, the agency earned a high confidence index score (87), indicating that customers are very satisfied with service provided by the agency and remain confident that they will continue to receive outstanding service in the future. The

agency also got high marks in the areas of overall quality (86), printed information (85) and the application process (84).

A second survey conducted in 2002 focused on rail workers who recently applied for and received unemployment or sickness benefits from the RRB. The agency earned a total score of 75 in that survey, 4 points higher than the overall score for the Federal government. The results showed the RRB scoring highest (88) in the area of customer service, with respondents offering particular praise for the courtesy and professionalism of agency employees.

The unemployment and sickness benefit claims process received a score of 84, while the RRB earned an overall quality score of 79. The responses did provide suggestions for improving the timeliness of obtaining needed forms and making informational materials easier to understand. The agency's confidence index was 83, indicating that its customers are satisfied with the service provided and confident that they will continue to be served well in the future.

C. WHAT WE DO

Our primary responsibility is to administer retirement, survivor, disability, unemployment and sickness insurance programs for railroad workers and their families as mandated by the Railroad Retirement Act and Railroad Unemployment Insurance Act. We also make certain payments under provisions of the Social Security Act and assist in providing Medicare coverage for our beneficiaries. In addition, we have administrative responsibilities under the Internal Revenue Code to withhold and report taxes in accordance with a variety of Internal Revenue Service requirements.

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 private pensions in other industries.

In terms of unemployment benefits, the State-administered programs enacted in the 1930's generally covered railroad employees. However, as railroad operations

crossed State lines, unemployed rail workers were sometimes denied compensation by one State because their employer had paid unemployment taxes to a different State. While there were cases in which rail employees appeared to be eligible for benefits in more than one State, they often did not qualify in any. A Federal study commission subsequently recommended a national plan for railroad workers, which passed in 1938. Sickness benefits were added in 1946.

As an agency in the executive branch of the Federal Government, we must comply with Federal requirements. They include those mandated by the budget and appropriations process and other laws and regulations governing fiscal activities, the collection of government debts, procurement, control of government property, civil service employment, equal employment opportunity, privacy, and security. As a member of the Federal community, we also participate in various efforts such as the Combined Federal Campaign, blood drives and other local community service volunteer programs, and various cultural diversity events.

D. STRENGTHS AND WEAKNESSES

One of the RRB's major strengths is the generally favorable financial condition of its benefit programs, including the railroad retirement, unemployment and sickness insurance systems. A number of legislative changes enacted in recent years, with the support of railroad labor and management, made this possible and helped guarantee solvency. Nevertheless, the long-term financial stability of these systems still depends to a large extent on future levels of railroad employment. A sudden, unanticipated and significant drop in the level of employment could change this picture and require a greater financial commitment by railroad employers and employees.

We have two other major strengths that are closely related – a tradition of outstanding customer service and a dedicated, talented workforce. Over the years, both internal and external surveys have consistently shown high customer satisfaction with the accuracy and timeliness of benefit payments and information, informational materials and service delivery options. A key aspect of this has been our employees' strong sense of mission and core values. Over the years, they have been extremely flexible in terms of reacting to legislative changes and budgetary pressures. Automation has been an important part of the RRB's ability to do more with less, as we have been able to provide improved service in the face of significant staff reductions.

The RRB is a relatively small agency, with about 1,100 employees, which can be both beneficial and detrimental. Because we are a small agency, our employees have the advantage of being able to readily communicate with one another in every office and division. It can also allow us to be more flexible and responsive in terms of addressing problems or implementing new programs. Conversely, our size poses a continuing challenge to retain staff expertise in

specialized areas, such as technology, financial management and actuarial services.

The agency has an aggressive, proactive stance to financial and management controls. For example, since the passage of the Federal Managers' Financial Integrity Act in 1982, the RRB has corrected all identified material weaknesses, except one for which corrective action is underway. Also, while the agency is not covered under the Chief Financial Officers Act of 1990, it set a goal to voluntarily comply with that law's provisions. Foremost among these was the requirement for audited financial statements, which the RRB has produced since fiscal year 1993.

In January 2003, the RRB's Office of Inspector General (OIG) issued an unqualified ("clean") opinion on the agency's fiscal year 2002 financial statements. In their evaluation of internal controls, the OIG noted two material weaknesses. One involved the agency's overall control environment and the other dealt with information security. RRB management has taken steps to improve the overall control environment through management reorganizations and related steps. As a result, it does not agree that a material weakness exists in this area. However, with regard to the second identified weakness, significant efforts are underway to improve information security training and access controls.

E. RECENT LEGISLATIVE ACTIVITY

The Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA), signed into law December 21, 2001, was the most significant railroad retirement legislation in almost 20 years, and the first in almost three decades not to involve tax increases or benefit reductions. The benefit and financing provisions of the legislation, like those of most previous railroad retirement legislation, were based on joint recommendations negotiated by a coalition of rail freight carriers and rail labor organizations.

The Act liberalized early retirement benefits for 30-year employees and their spouses, eliminated a cap on monthly retirement and disability benefits, lowered the minimum service requirement from 10 years to at least 5 years, provided the service was performed after 1995, and provided increased benefits for some widow(er)s. Financing sections in the law provided for the investment of railroad retirement funds in nongovernmental assets, adjustments in the payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax.

F. WHO GETS BENEFITS AND HOW MUCH THEY RECEIVE

Retirement-survivor benefits – Under the Railroad Retirement Act, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Beginning in 2002, such annuities are also payable to workers with 5 years of service if performed after 1995.

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.

The RRB and the Social Security Administration share jurisdiction over the payment of retirement and survivor benefits. The RRB makes the payment 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 case to the Social Security Administration, which treats the railroad retirement credits as regular social security credits.

At the end of fiscal year 2002, the average monthly annuity paid to career railroad workers was \$1,930 and \$1,495 for all retired rail employees. The average monthly annuity for spouses was \$580, and \$945 for aged and disabled widow(er)s.

Unemployment-sickness benefits – 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. 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.

The current maximum benefit rate is \$52 a day. Benefits are normally paid for the number of days of unemployment or sickness in excess of 4 in a 14-day registration period, making \$520 the maximum benefit amount for biweekly claims.

G. SOURCES OF FINANCING

Payroll taxes paid by railroad employers and their employees are the primary source of funding for the RRB's 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. Beginning with calendar year 2004, these tier II taxes will be based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses.

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.

Revenues in excess of benefit payments are invested to provide additional trust fund income, and the RRSIA legislation enacted in 2001 authorized investment of railroad retirement funds in non-governmental assets, as well as in governmental securities. This law also established a 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, three members likewise selected by rail management, and one independent member selected by a majority of the other six members.

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.

H. FINANCIAL STATUS OF RRB PROGRAMS

Railroad Retirement Accounts - As a result of transfers of \$1.5 billion to the National Railroad Retirement Investment Trust, the net position of the railroad retirement accounts decreased by \$1.1 billion in fiscal year 2002, to \$18.7 billion. In fiscal year 2003, we have transferred an additional \$17.75 billion to the Investment Trust.

In June 2002, we released the annual report on the railroad retirement system to Congress. The report, which reflects changes in benefit and financing provisions under the Railroad Retirement and Survivors' Improvement Act of 2001, addresses the 25-year period 2002-2026 and contains generally favorable information concerning railroad retirement financing. The report

included projections of the status of the retirement trust funds under three employment assumptions. These indicated cash flow problems only under a pessimistic employment assumption, and then not until calendar year 2022.

Railroad Unemployment Insurance Accounts - The equity balance of the railroad unemployment insurance accounts at the end of fiscal year 2002 was \$15.8 million, a decrease of \$24.3 million from the previous year. The RRB's latest annual report on the financial status of the railroad unemployment insurance system, issued in June 2002, was generally favorable. Even as maximum daily benefit rates increase 50 percent from \$50 to \$75 from 2001 to 2012, experience-based contribution rates maintain the system's solvency, except for small, short-term cash flow problems in 2002 and 2003, requiring a loan from the Railroad Retirement Account. However projections show quick repayment of the load even under the most pessimistic employment assumptions. We did not recommend any financing changes based on this report.