U.S. Railroad Retirement Board

Mission Statement

The Railroad Retirement Board'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 Railroad Retirement Board 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 Railroad Retirement Board will pay benefits to the right people, in the right amounts, in a timely manner, and safeguard our customers' trust funds. The Railroad Retirement Board will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

If you have any comments or suggestions regarding the presentation of information in this publication, please let us know. You can fax us at 312-751-7154, e-mail us at opa@rrb.gov or write us at the following address:
Office of Public Affairs, U.S. Railroad Retirement Board,
844 North Rush Street,Chicago, IL 60611-2092.

Visit the Railroad Retirement Board's Web Site at
www.rrb.gov

September 8, 1999

TO THE PRESIDENT OF THE UNITED STATES OF AMERICA:

Pursuant to the provisions of section 7(b)(6) of the Railroad Retirement Act and section 12(l) of the Railroad Unemployment Insurance Act, we have the honor to submit the 1999 report of the United States Railroad Retirement Board for the fiscal year ended September 30, 1998.

Respectfully,

Cherryl T. Thomas

V. M. Speakman, Jr.

Jerome F. Kever

UNITED STATES
RAILROAD RETIREMENT BOARD
1999 Annual Report

For Fiscal Year Ended September 30, 1998

THE REPORT IN BRIEF

Railroad retirement and unemployment insurance benefits totaling some $8.3 billion were paid by the Railroad Retirement Board to about 800,000 beneficiaries in Fiscal Year 1998. Financial reports issued in 1999 on the solvency of the railroad retirement and railroad unemployment insurance systems were favorable.

Benefits and Beneficiaries

Benefits paid under the Railroad Retirement and Railroad Unemployment Insurance Acts totaled some $8.3 billion in the fiscal year ending September 30, 1998. Retirement and survivor benefits were paid by the Railroad Retirement Board to 772,000 beneficiaries during the fiscal year, of whom 718,000 were on the Board's annuity rolls at the end of the year. Some 31,000 railroad employees were paid unemployment and/or sickness insurance benefits. About 4,000 beneficiaries received payments under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act.

Retirement and survivor benefit payments of $8.2 billion during the 1998 fiscal year were $41 million more than payments in the prior year. Employee and spouse annuitants were paid $6.2 billion, accounting for 75 percent of the total payments. Employees received $3.7 billion in age annuities, $1.3 billion in disability annuities and $79 million in supplemental annuities, while spouses and divorced spouses received $1.1 billion. Survivors were paid $2 billion in annuities and $6 million in lump-sum benefits. The total number of beneficiaries who received retirement and survivor benefits declined by some 27,000 from Fiscal Year 1997.

Gross unemployment and sickness benefits paid in Fiscal Year 1998 totaled $92.4 million. Net benefits totaled some $59.3 million after adjustment for recoveries of benefit payments, including injury settlements, some of which were made in prior years. Total gross and net benefit payments decreased by approximately $12 million and $13.6 million, respectively, from the preceding year. Gross unemployment benefits totaling $28.8 million ($25.9 million net) were paid to 11,000 claimants, while gross sickness benefits of $63.6 million ($33.4 million net) were paid to 21,000.

Financing

At the end of Fiscal Year 1998, the net position of all of the Railroad Retirement Board trust funds was almost $16.6 billion, with financing sources for the year exceeding costs by almost $1.2 billion. Investment earnings of almost $1.2 billion during the year, including capital gains of $198.1 million on the sale of investments, were a major portion of the increase in the net position of the trust funds.

The Board's 1999 railroad retirement financial report to Congress, which addressed the 25-year period 1999-2023, contained generally favorable information concerning railroad retirement financing. It indicated that no cash-flow problems arise over the 25-year projection period. This was an improvement over the previous year's report and reflected continued favorable employment experience in the railroad industry. However, like previous reports, the 1999 report indicated that the long-term stability of the system, under its current financing structure, is still dependent on future railroad employment levels.

The Board's 1999 railroad unemployment insurance financial report was also favorable, indicating that even as maximum benefit rates increase 43 percent from $44 to $63 from 1998 to 2009, experience-based contribution rates are expected to keep the unemployment insurance system solvent, except under the Board's most pessimistic employment assumption. Even then, projections show only a small, short-term cash-flow problem with quick repayment of the loans. The average employer contribution rate remains well below the maximum throughout the projection period.

No financing changes were recommended by the Board for the railroad retirement or unemployment insurance systems. The 1999 railroad retirement and railroad unemployment insurance financial reports are reprinted at the back of this *Annual Report.*

Officials

Cherryl T. Thomas continues to serve as Chair of the Railroad Retirement Board. V. M. Speakman, Jr. continues to serve as Labor Member and Jerome F. Kever continues to serve as Management Member.

In December 1998, the Board announced several executive appointments and the expansion of its Executive Committee as part of an administrative reorganization.

Legislation

Public Law 105-33, enacted August 5, 1997, clarified that non-resident aliens are eligible for benefits under the Railroad Retirement and Railroad Unemployment Insurance Acts. Public Law 105-277, enacted October 21, 1998, provided for the restoration of annuities to certain divorced spouses of workers whose widows previously elected to receive lump-sum payments.

Legal Rulings

Twelve cases involving the Railroad Retirement Board were resolved by the courts during Fiscal Year 1998. Eight were decided in the Board's favor and four were dismissed. A number of significant legal opinions were issued. Four legal opinions described in the *Legal Rulings* section of this Report dealt with earnings restrictions applicable to annuities paid under the Railroad Retirement Act.

Service

The Board updated its Customer Service Plan in Fiscal Year 1998, revising several of the plan's service standards. The agency met its standards in most categories. In response to a White House initiative, the Board also participated in *Conversations with America*, a national effort to engage customers in an ongoing dialogue about improving customer service in the Federal Government.

Approaching the Year 2000, all of the Board's mission-critical computer systems were Y2K-compliant at the beginning of 1999. The agency's most important information exchange systems are with the Department of the Treasury and the Social Security Administration. The Board exchanges data with the Department of the Treasury in order to issue benefit payments, and the Board's staff expects a smooth transition in that area. The Board also coordinates benefit payments with the Social Security Administration, and these systems have already been tested to ensure that the data exchanges will function correctly.

During Fiscal Year 1998, the Board procured and installed a new mainframe processor as part of the agency's data center modernization plan. The new mainframe provides considerable cost savings because it requires significantly less air conditioning, electrical power, and floor space than the old equipment.

Estate Gift of $1.9 Million Left to Railroad Retirement Account

Frank Bartz, who died in 1993 at age 100, and his wife Mary, who died in 1998 at age 97, left $1.9 million to the Railroad Retirement Account as part of their estate. Mr. Bartz worked for the Detroit, Toledo and Ironton Railroad for 40 years. He was a freight agent and teletype operator at a depot in Napoleon, Ohio. Mrs. Bartz also worked at the depot. Mr. and Mrs. Bartz were not survived by children or close relatives. This estate gift is one of the largest ever received by the account.

Office of Inspector General

During Fiscal Year 1998, the Board's Office of Inspector General continued its efforts to assist management in increasing the efficiency of agency programs. Twenty-three audits and evaluations issued during the year contained findings for improvement in both administrative and program operations. Investigative activities resulted in 100 criminal convictions, 73 civil judgments, 42 indictments/informations, and $1.98 million in court-ordered restitutions, fines, recoveries, and prevention of overpayments. The Office of Inspector General also continued to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. Thirty-three civil judgments under this program were entered by Federal district courts which will result in the return of $304,504 to the Railroad Retirement Board's accounts when the funds are collected.

Selected Data on Benefit Operations

Retirement-Survivor	Fiscal Year 1998	Fiscal Year 1997
Employee age annuities		
Number awarded	6,800	7,400
Number being paid at end of period	245,900	255,700
Average being paid at end of period	$1,264	$1,223
Employee disability annuities		
Number of total disability annuities awarded	1,300	1,300
Number of occupational disability annuities awarded	3,400	3,600
Number of total disability annuities being paid at end of period	20,600	20,700
Number of occupational disability annuities being paid at end of period	58,400	58,400
Average total disability annuity being paid at end of period	$888	$845
Average occupational disability annuity being paid at end of period	$1,508	$1,450
Supplemental employee annuities		
Number awarded	4,400	4,500
Number being paid at end of period	149,300	155,700
Average being paid at end of period	[1]$43	$43
Spouse and divorced spouse annuities		
Number awarded, total	8,700	9,200
Number being paid to divorced spouses at end of period	3,700	3,700
Number being paid at end of period, total	174,500	181,400
Average being paid to divorced spouses at end of period	$312	$303
Average being paid at end of period, total	$502	$487
Survivor annuities		
Number awarded to aged widow(er)s	9,600	9,900
Number awarded, total	12,000	12,300
Number being paid to aged widow(er)s at end of period	190,200	197,400
Number being paid at end of period, total	227,300	234,900
Average being paid at end of period to		
Aged widow(er)s	$768	$740
Disabled widow(er)s	$672	$650
Widowed mothers (fathers)	$957	$916
Remarried widow(er)s	$531	$507
Divorced widow(er)s	$546	$526
Children	$646	$627
Lump-sum survivor benefits awarded		
Number of lump-sum death benefits	5,800	5,800
Average lump-sum death benefit	$887	$877
Number of residual payments	100	100
Average residual payment	$3,382	$3,424

Selected Data on Benefit Operations (Continued)

Employees and Earnings[2]	Fiscal Year 1998		Fiscal Year 1997
Average employment	256,000		253,000
Creditable earnings, Railroad Retirement Act (billions):			
Tier I	$13.14		$12.31
Tier II	$11.74		$11.02
Creditable compensation, Railroad Unemployment Insurance Act (billions)	$2.90		$2.76
Unemployment-Sickness	**Benefit Year 1997-1998**		**Benefit Year 1996-1997**
Qualified employees	276,600		284,800
Unemployment benefits			
Net amount paid (millions)	$27.0	[3]($25.9)	$38.2
Beneficiaries	11,300	[3](11,300)	15,300
Number of payments	71,500		105,500
Normal benefit accounts exhausted	2,100		2,700
Average payment per 2-week registration period	$375.04		$357.69
Sickness benefits			
Net amount paid (millions)	$33.1	[3]($33.4)	$32.5
Beneficiaries	20,500	[3](20,800)	20,500
Number of payments	147,500		154,600
Normal benefit accounts exhausted	4,300		4,300
Average payment per 2-week registration period	$385.40		$372.03

[1] Supplemental annuities awarded under the 1974 Act, which averaged $42, constituted 95 percent of all supplemental annuities being paid, up from 94 percent a year earlier.

[2] Except for fiscal year 1997 employment, all figures in this section are preliminary.

[3] Data in parentheses are for the fiscal year (October 1, 1997 - September 30, 1998).

A REVIEW OF OPERATIONS

During Fiscal Year 1998, benefits totaling some $8.3 billion were paid under the Railroad Retirement and Railroad Unemployment Insurance Acts. Retirement and survivor benefits accounted for almost all of this amount. Net unemployment and sickness benefits totaled some $59.3 million.

RAILROAD RETIREMENT AND SURVIVOR PROGRAM

FINANCIAL OPERATIONS

Railroad retirement and survivor benefit programs are financed through five accounts. Financing sources for the five accounts exceeded costs by almost $1.2 billion during Fiscal Year 1998 and the net position of the retirement trust funds increased by almost $1.2 billion to almost $16.5 billion during the year.

The Social Security Equivalent Benefit (SSEB) Account, established in Fiscal Year 1985, pays the portion of railroad retirement benefits equivalent to a social security benefit from various income sources related to these benefits. The Railroad Retirement (RR) Account funds retirement, survivor and disability benefits, in excess of social security equivalent benefits, from payroll taxes on employers and employees and other income sources. A Railroad Retirement Supplemental (RRS) Account, funded by payroll taxes on employers, pays supplemental annuities to career rail employees; and the Dual Benefits Payments (DBP) Account and Federal Payments Account (FPA), funded by congressional appropriations from general revenues, finance the phase-out costs of certain vested dual benefits and interest on unnegotiated checks, respectively. The five accounts together incurred $8.3 billion in benefit obligations, net of recoveries (excluding $1.1 billion in social security benefits which were reimbursed by the Social Security Administration) during Fiscal Year 1998.

Financial information (except when the term "paid" or "collected" is used) is presented on the accrual basis of accounting instead of the cash basis of accounting. However, benefit operations data presented on pages 14-25 for the railroad retirement and survivor program and pages 29-32 for the railroad unemployment and sickness insurance program are on a cash basis of accounting.

The primary difference between the two bases of accounting is that the accrual basis recognizes revenue when it is earned and expenditures when they are incurred. The cash basis, on the other hand, recognizes revenue and expenditures only when cash is received or paid.

Railroad Retirement and Survivor Program

Consolidated Financing Sources, Costs and Net Position (Millions)[1]

For the Fiscal Year Ended September 30	**1998**	**1997**
Financing Sources:		
Payroll Taxes	$ 4,683.4	$ 4,399.4
Financial Interchange	3,385.8	3,353.5
Interest on Investments	984.7	992.2
Gain on Sale of Securities	198.1	10.0
Federal Income Taxes	302.0	248.0
General Appropriations	188.9	206.7
Other	12.0	14.9
Total Financing Sources	9,754.9	9,224.7
Costs:		
Benefit Payments	8,256.9	8,218.4
Interest Expense	243.9	244.6
Salaries and Expenses[2]	94.0	94.5
Other	2.9	3.2
Total Costs	8,597.7	8,560.7
Financing Sources over Costs	1,157.2	664.0
Net Position - Beginning of Period	15,322.2	14,660.8
Non-operating Adjustments	(1.6)	(2.6)
Net Position - End of Period	$ 16,477.8	$15,322.2

[1] Prepared on an accrual basis of accounting. [2] Includes unemployment and sickness insurance salaries and expenses of $14.9 million and $14.8 million for Fiscal Years 1998 and 1997, respectively.

Note.--The form and content of this table have changed effective Fiscal Year 1998 because certain items have been reclassified in accordance with the provisions of Office of Management and Budget (OMB) Bulletin 97-01, *Form and Content of Agency Financial Statements*, and standards issued by the Federal Accounting Standards Advisory Board. Generally, revenues and expenses are now classified as financing sources and costs, and some reimbursements are now classified as offsets to costs, rather than as financing sources. For comparability purposes, Fiscal Year 1997 figures were restated into the new format, and, accordingly, some figures reported for Fiscal Year 1997 in this report differ from those published in the 1998 *Annual Report*. The principal differences are: (1) interest expense previously included in the financial interchange has been reclassified as interest expense: (2) Social Security Administration (SSA) reimbursements and SSA benefit payments have been excluded from financing sources and costs and are classified as custodial activities: (3) Health Care Financing Administration and certain Office of Inspector General (OIG) reimbursements have been excluded as financing sources, and are classified as offsets to "other costs;" (4) transfers made to the OIG for salaries and administrative expenses are no longer treated as expenses and are treated as offsets against other financing sources; (5) uncollectible debt expenses are now added to benefit payments rather than being classified as "other costs;" and (6) certain other miscellaneous expenses have been reclassified as salaries and expenses, or as "other."

Financing Sources

For Fiscal Year 1998 as compared to Fiscal Year 1997, total financing sources for the railroad retirement and survivor program increased by a net of $530.2 million (5.75 percent) to almost $9.8 billion.

Payroll Taxes

The primary source of income to the railroad retirement and survivor program is payroll taxes levied on covered employers and their employees. Payroll taxes amounted to almost $4.7 billion, 48 percent of total financing sources and $284 million more than in Fiscal Year 1997.

Railroad employees and employers pay tier I taxes which, by law, are the same as social security taxes. The rate of 7.65 percent is divided into 6.20 percent for retirement and 1.45 percent for Medicare hospital insurance. The maximum amount of earnings subject to the 6.20 percent rate in Calendar Year 1998 was $68,400, and all earnings were subject to the 1.45 percent Medicare tax. In Calendar Year 1997, the maximum amount subject to the 6.20 percent tax was $65,400, with all earnings subject to the 1.45 percent Medicare tax. Both employees and employers also pay a tier II tax to finance railroad retirement benefit payments over and above social security levels. This tax, on earnings up to $50,700 in 1998 and $48,600 in 1997, was 4.9 percent on employees and 16.1 percent on employers.

Tier I and tier II taxes for Fiscal Year 1998 amounted to $2 billion and $2.5 billion, respectively. Total payroll taxes also included $122.8 million in supplemental annuity taxes. These taxes finance a supplemental annuity program for career rail employees, financed on a pay-as-you-go basis by a cents-per-hour tax levied solely on railroad employers.

Financial Interchange Transfers

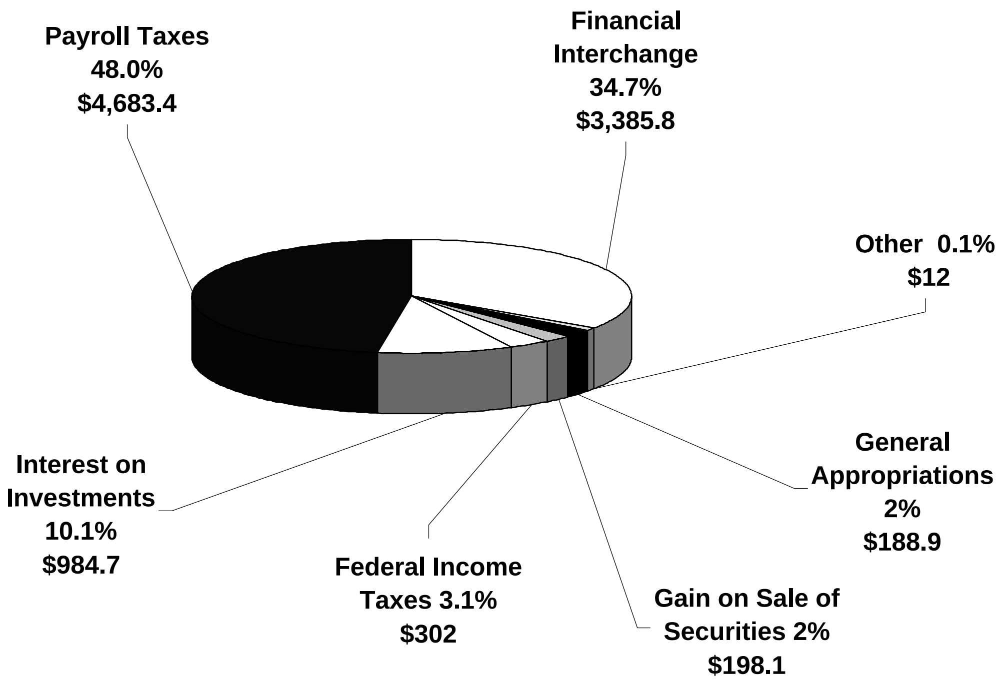
The second major source of income to the railroad retirement and survivor program consists of transfers from the social security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the Social Security Old-Age, Survivors and Disability Insurance (OASDI) and Hospital Insurance (HI) Trust Funds in the same position in which they would have been had railroad employment been covered by the Social Security and Federal Insurance Contributions Acts. This involves computing the amount of social security taxes that would have been collected on railroad employment, and computing the amount of additional benefits which social security would have paid to railroad retirement beneficiaries during the same fiscal year.

In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the Social Security Trust Funds to the SSEB Account. If

RETIREMENT AND SURVIVOR PROGRAM

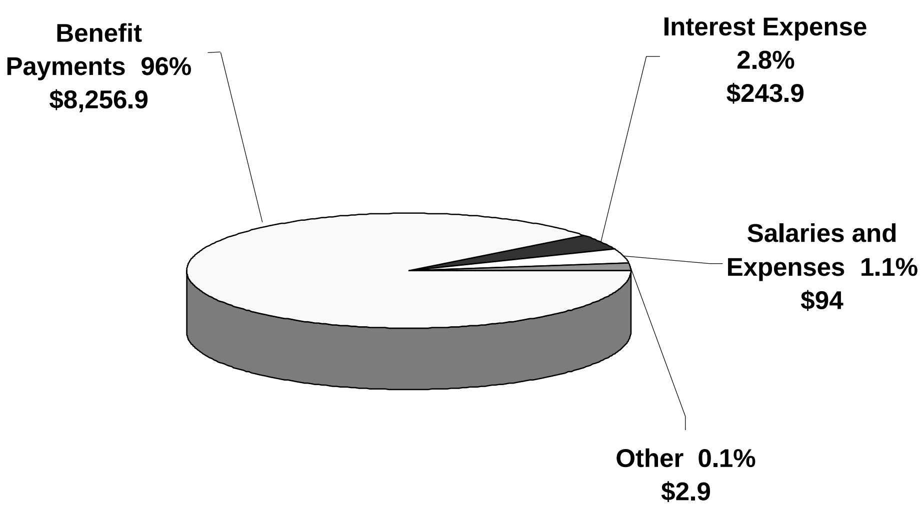
Financing Sources - Fiscal Year 1998 (In Millions)

TOTAL: $9,754.9



Costs - Fiscal Year 1998 (In Millions)

TOTAL: $8,597.7



taxes exceed benefit reimbursements (this has not happened since 1951), a transfer would be made in favor of the Social Security Trust Funds. The net financial interchange transfer to the SSEB Account during Fiscal Year 1998 amounted to almost $3.4 billion.

Interest and Gain on the Sale of Investments

All railroad retirement funds not needed for immediate payment of benefits are invested in special issues of the U.S. Treasury. Currently, the Railroad Retirement Board purchases three types of special issues: market-based specials, par value specials and market-based zero-coupon bonds. A market-based special may be any marketable Treasury bill, note or bond, except that notes and bonds within 6 months of maturity are not currently available to the Railroad Retirement Board. The price is the same as the market price, but purchases and sales are made directly with the U.S. Treasury so as not to affect the securities market. Par value specials are securities issued by the U.S. Treasury maturing on the first business day of the month following the month of issue. Their yield rate each month is the average yield rate, computed as of the last day of the previous month, of marketable Treasury notes with maturity dates not less than 3 years away. Market-based zero-coupon bonds are nonmarketable securities that will mature at least 10 years from the date of issue on a date that is the same as the maturity date of a marketable Treasury STRIPS security (the principal and interest component of Treasury bonds that have been stripped through the Treasury Separate Trading of Registered Interest and Principal of Securities Program).

In Fiscal Year 1998, the average yield on all holdings of the retirement trust funds was 6.31 percent, and interest on investments was $984.7 million. In addition to this amount, $198.1 million of capital gains was realized in 1998 from the sale of securities prior to maturity. It is anticipated that investing these sale proceeds in other special issues will result in a higher yield than if held to maturity.

Federal Income Tax Transfers

Legislation enacted in 1983 subjecting social security and railroad retirement benefits to Federal income taxes also provided for a transfer of the tax revenues to the social security and railroad retirement systems for the payment of benefits. Revenue from income taxes on social security equivalent railroad retirement benefits is transferred to the SSEB Account.* Revenue derived from taxing regular railroad retirement benefits in excess of social security equivalent benefits is transferred to the RR Account. Revenue from taxing the vested dual benefits funded by the general revenue appropriations previously described is transferred to the DBP Account.

* Legislation enacted in 1993 subjected a larger amount of social security benefits and social security equivalent railroad retirement benefits to Federal income tax for taxpayers in higher income brackets. This provision was effective beginning with taxable year 1994, and the additional revenue raised is transferred to the Federal Hospital Insurance Trust Fund.

Federal Income Tax Transfers by Recipient Account and Benefit Component, Taxable Years 1989-1998 (Millions)

Taxable year	Revenue from taxes on: RRA benefits treated as SSA benefits — SSEB tier I benefits — SSEB Account[2]	RRA benefits treated as private or public pensions — Tier II & non-SSEB tier I[1] — RR Account	RRA benefits treated as private or public pensions — Vested dual benefits — DBP Account[3]
Transfers during the year			
1989	$36	[4]$177	$20
1990	39	[5]184	19
1991	44	191	24
1992	48	[6]198	22
1993	56	[6]192	20
1994	52	[6]197	19
1995	50	191	16
1996	57	192	14
1997	61	195	12
1998	74	196	12
Reconciliation adjustments [7]			
1989 (1991)	+3	+3	+3
1990 (1992)	+6	+2	+4
1991 (1993)	+3	-5	-2
1992 (1994)	-2	-14	-4
1993 (1995)	-9	-12	-3
1994 (1997)	-4	-12	-3
1995 (1999)	+9	+27	. . .

1 Includes non-SSEB portion of tier I.
2 Receives taxes on social security equivalent benefit (SSEB) portion of tier I.
3 Receives taxes on vested dual benefit component beginning October 1, 1988.
4 Includes $44 million for October-December 1989 transferred in January 1990.
5 Includes $46 million for October-December 1990 transferred in January 1991.
6 Includes amounts transferred in August 1994 under the Social Security Independence and Program Improvements Act: $49 million for October-December 1992; $192 million for 1993; and $148 million for January-September 1994.
7 The year in parentheses is the year the adjustments were made.

At the beginning of each quarter, income tax transfers are made from Treasury general funds to the SSEB, RR and DBP Accounts. These transfers are estimates of expected tax revenues for the quarter. Adjustments are made later to reconcile the estimates for a taxable year with actual tax revenues for the year. Original tax transfers for Fiscal Year 1998 amounted to $266 million during the year. Original transfers for Fiscal Year 1997 totaled $267 million. There were no reconciliation adjustments in Fiscal Year 1998. Net income tax transfers after adjustments were $248 million for Fiscal Year 1997.

The table on the previous page shows income tax transfers to the Accounts for taxable years 1989 through 1998, including reconciliation adjustments through 1995.

General Appropriations

General revenue appropriations were provided by the Railroad Retirement Act of 1974 to fund the phase-out costs of certain dual railroad retirement/social security benefits considered vested prior to 1975 and by the Railroad Retirement Solvency Act of 1983 to fund interest on unnegotiated checks. The total amounts appropriated by the Congress for vested dual benefits were $205.5 million for Fiscal Year 1998 and $223 million for Fiscal Year 1997. These amounts include $12 million and $10 million in Federal income tax transfers, respectively, and unexpended appropriations of $4.6 million for Fiscal Year 1998 and $6.6 million for Fiscal Year 1997. The amount appropriated for Fiscal Year 1998 was 7.8 percent less than Fiscal Year 1997, reflecting the continuing decrease in eligibility for these benefits which are not increased for the cost of living. The total amounts appropriated by the Congress for interest on unnegotiated checks were $50,000 for Fiscal Years 1998/1999 and $300,000 for Fiscal Years 1997/1998.

Other Financing Sources

Other financing sources consisted of $0.6 million in interest, penalties and handling costs charged on program accounts receivables as well as collection agency fees, $7.3 million to be provided by the Office of Personnel Management to pay future retirement benefits to Railroad Retirement Board employees, and $13.8 million in transfers-in for salaries and expenses from the railroad unemployment trust funds. These financing sources were offset by $5.2 million in interest on carriers' refunds and uncashed checks and transfers-out of $4.5 million for salaries and expenses of the Board's Office of Inspector General.

Costs

The Railroad Retirement Board pays all salaries and expenses under a single administrative fund (Limitation on Administration) for both the railroad retirement and survivor program and the unemployment and sickness insurance program. Consequently, about $14.9 million of the amount shown on page 8 for salaries and expenses and about $1.2 million of the amount shown for other financing sources for Fiscal Year 1998 are for the unemployment and sickness insurance program. The

Fiscal Year 1997 amount included about $14.8 million in salaries and expenses and about $1.3 million in other financing sources for the unemployment and sickness insurance program.

Excluding $16.1 million from total costs of $8,597.7 million for Fiscal Year 1998 and $16.1 million from total costs of $8,560.7 million for Fiscal Year 1997, total costs for the railroad retirement and survivor program for Fiscal Year 1998 increased $37 million or 0.4 percent.

Benefit Payments

During Fiscal Year 1998, railroad retirement benefit payments increased $38.5 million or 0.5 percent to almost $8.3 billion, including $200.9 million in vested dual benefits and $78.3 million in supplemental annuities.

Interest Expense

Interest expense included interest on the financial interchange advances made by the U.S. Treasury of $243.9 million.

Salaries and Expenses

Excluding unemployment and sickness insurance salaries and expenses of $14.9 million and $14.8 million for Fiscal Years 1998 and 1997, respectively, salaries and expenses for the railroad retirement and survivor program were about $79.1 million for Fiscal Year 1998 and about $79.7 million for Fiscal Year 1997, a $0.6 million or 0.8 percent decrease. Adjusted by the $14.9 million in salaries and expenses and $1.2 million in other costs for the unemployment and sickness insurance program, Fiscal Year 1998 administrative expenses for the railroad retirement and survivor program were about 0.9 percent of total costs.

Other Costs

Other costs consist primarily of post-retirement benefits for Railroad Retirement Board employees of $6.1 million for the railroad retirement and survivor program and $1.2 million for the unemployment and sickness insurance program. They were offset by a $4 million reimbursement from the Health Care Financing Administration for Part B Medicare costs and an approximately $0.4 million reimbursement from the Board's Office of Inspector General for Board-incurred expenses.

BENEFIT OPERATIONS

Retirement and survivor benefits paid, including vested dual benefits and supplemental employee annuities, totaled $8.2 billion in Fiscal Year 1998, $41 million more than in Fiscal Year 1997. Benefits were paid to some 772,000 beneficiaries in Fiscal Year 1998. Approximately 718,000 beneficiaries were being paid at the end of the year. The table on the next page presents retirement and survivor benefit payments for Fiscal Years 1998 and 1997, by type of benefit, and the percent changes in payments between the 2 years.

Type of benefit	Amount (in millions) Fiscal Year 1998	Fiscal Year 1997	Percent change
Retirement benefits			
Employee annuities			
Age	$3,747.3	$3,749.8	-0.1
Disability	1,305.2	1,258.8	+3.7
Supplemental	78.6	82.4	-4.6
Spouse and divorced spouse annuities	1,067.9	1,075.3	-0.7
Total	6,199.0	6,166.3	+0.5
Survivor benefits			
Annuities	2,041.9	2,033.8	+0.4
Lump-sum benefits	5.6	5.5	+1.2
Total	2,047.5	2,039.4	+0.4
Grand total	$8,246.6	$8,205.7	+0.5

Note.-- Detail may not add to total due to rounding.

Under the two-tier railroad retirement formulas, the tier I annuity portion approximates a social security benefit and increases by the cost-of-living percentage applied to social security benefits. The tier II portion, which is comparable to retirement benefits paid over and above social security benefits to workers in other industries, increases by 32.5 percent of the social security percentage. Effective December 1996, tier I portions increased by 2.9 percent while tier II portions increased by 0.9 percent. Increases of 2.1 percent for tier I and 0.7 percent for tier II were effective December 1997. The December 1996 and December 1997 cost-of-living increases provided additional benefit payments of approximately $136 million in Fiscal Year 1998, compared to payments in Fiscal Year 1997.

Monthly retirement and survivor benefits being paid numbered about 876,000 at the end of the 1998 fiscal year, about 31,000 less than at the end of the prior year. Monthly beneficiaries on the rolls declined by 24,000 over the year, from 742,000 to 718,000. The number of monthly benefits paid is always greater than the number of beneficiaries on the rolls, since many annuitants receive more than one type of benefit. Although the second benefit is usually a supplemental employee annuity, some employees also receive a spouse or widow(er)'s annuity.

Regular employee annuities in payment status at the end of Fiscal Year 1998 numbered 325,000, nearly 10,000 less than at the end of the previous fiscal year. The number of age annuities being paid dropped from 256,000 to 246,000 over the year, while disability annuities remained the same at some 79,000. Supplemental annuities being paid dropped some 6,000, numbering 149,000 at the end of the year. The number of divorced spouse annuities being paid remained the same at 3,700. Spouse and divorced spouse annuities together declined by nearly 7,000, totaling 174,000 at year-end. Some 227,000 monthly survivor benefits were being paid at the end of Fiscal Year 1998, a decrease of 8,000 from the previous year.

Retirement

Regular employee annuities

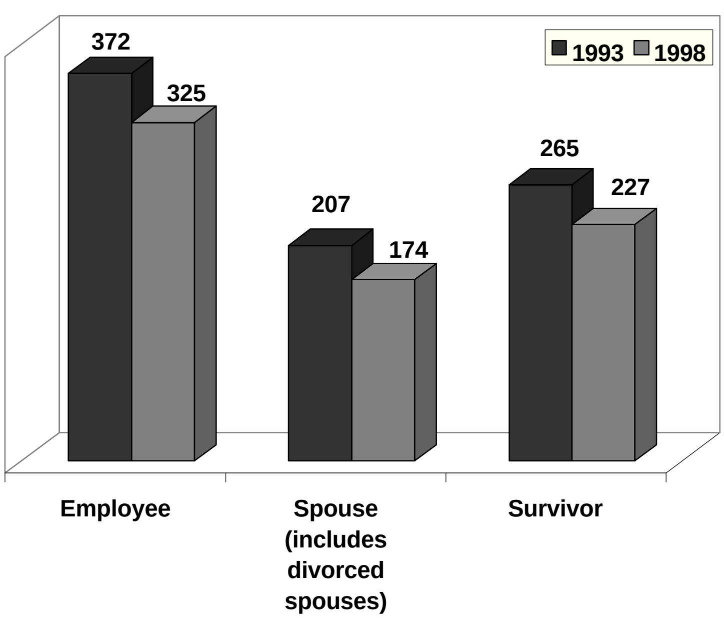
Awards of regular employee annuities numbered 11,400 in Fiscal Year 1998, 900 fewer than in Fiscal Year 1997. Data by type of annuity awarded during the year are given in the table on this page.

Employee annuities awarded in Fiscal Year 1998	Number	Per-cent	Average: Monthly amount	Average: Years of service	Average: Age at retire-ment
Age					
Beginning at age 65 or over	1,200	10	$1,296	22.0	66.5
Unreduced, beginning at ages 62-64	2,400	21	2,147	37.9	62.6
Reduced, beginning at ages 60-64	3,200	28	1,254	24.0	62.0
Disability	4,600	41	1,649	23.6	52.4
Total	11,400	100	$1,608	26.5	58.7

Note.-- Detail may not add to total due to rounding.

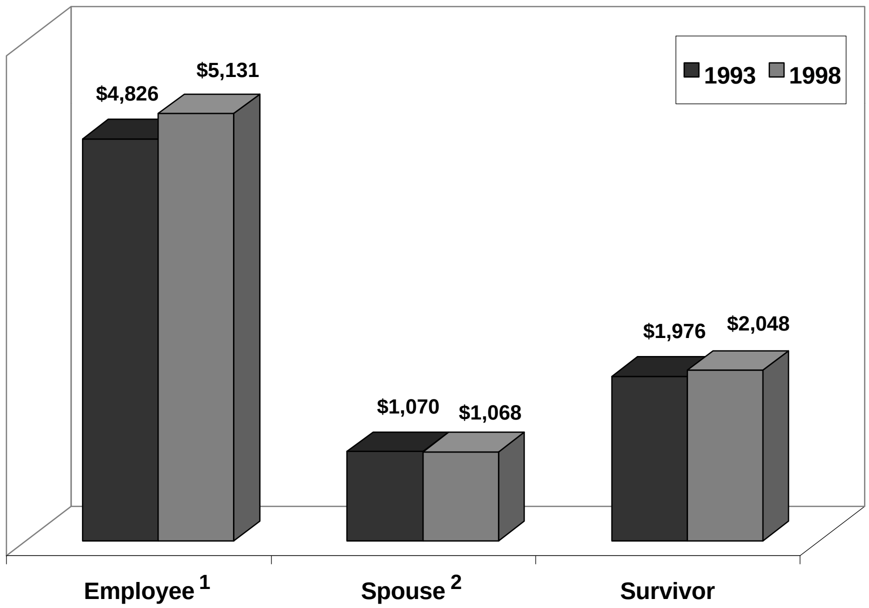
Railroad employees with 10 to 29 years of creditable service are eligible for regular annuities based on age and service at age 62. Early retirement annuity reductions are applied to such annuities awarded before age 65, currently the normal retirement age. The reduction for early retirement is currently computed as 1/180 of the full annuity amount for each month the employee is under age 65 when the annuity begins.

Number of monthly beneficiaries, September 30, 1993, and 1998 (Thousands)



Rail employees with 30 or more years of service are eligible for regular annuities based on age and service at age 60. Certain early retirement reductions are applied to such annuities awarded before age 62 unless the employee attained age 60 and completed 30 years of service prior to July 1, 1984, but these age reductions are applied only to the tier I annuity portion. No age reductions are applied to the annuities of 30-year employees retiring at age 62 or older. Employees who retire at ages 60-64 with at least 30 years of railroad service are referred to as 60/30 retirees.

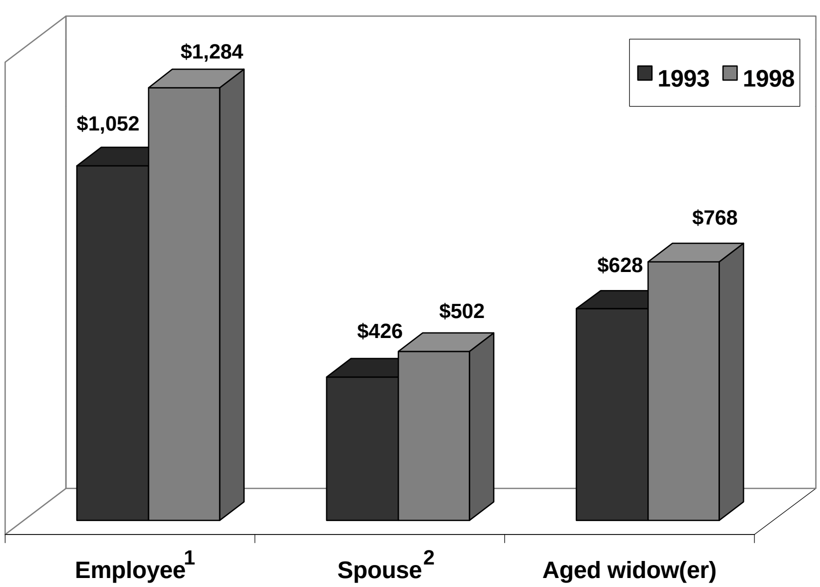
Amount of benefits paid, Fiscal Years 1993 and 1998 (Millions)



[1] Includes $98 million in Fiscal Year 1993 and $78.6 million in Fiscal Year 1998 for supplemental annuities.
[2] Includes divorced spouses.

The 3,200 reduced age annuities awarded during Fiscal Year 1998 included 1,100 reduced 60/30 awards and 2,100 awards where the employee had less than 30 years of service. Average monthly annuity amounts for the two groups were $1,812 and $955, respectively, while railroad service averaged 36 years and 18 years.

Average monthly amount, September 30, 1993, and 1998



[1] Without supplemental annuity.
[2] Includes divorced spouses.

Disability awards are based either on total disability or on occupational disability. A *total disability* annuity is based on disability for all employment and is payable at any age to employees with at least 10 years of railroad service. An employee is considered totally disabled if medical evidence shows that a permanent physical or mental condition exists which prevents the performance of any regular work. A condition is considered to be permanent if it has lasted or may be expected to last for at least 12 months. An *occupational disability* annuity is based on disability for the employee's regular railroad occupation and is payable to employees with a current connection with the rail industry at age 60 if the employee has 10 years of service, or at any age if the employee has at least 20 years of service. An employee is considered occupationally disabled if the physical or mental condition is such that the employee is permanently disabled for work in his or her regular railroad occupation, even though the employee may be able to perform other kinds of work.

Of the year's 4,600 disability awards, 1,200 averaging $1,162 per month were for total disability and 3,400 averaging $1,832 were for occupational disability. Many employees who are disabled for all employment but are otherwise qualified for an occupational disability annuity are initially awarded occupational disability annuities in order to expedite payment.

An estimated three-fifths of all employees awarded disability annuities will meet the medical criteria for a disability freeze determination. The standards for freeze determinations follow social security law and are comparable to the criteria for granting total disability. Also, an employee granted a disability freeze may qualify for early Medicare coverage and lower Federal income taxes on his or her annuity.

Of the employees who were awarded regular annuities in Fiscal Year 1998, about 7,400, or 65 percent, last worked for a railroad either in the calendar year their annuity began or in the preceding year. Such retirements are termed “immediate,” while those that occur 2 or more calendar years after the year of last railroad employment are called “deferred.” As a group, immediate retirees represent career railroad employees who worked in the industry until retirement. Awards based on immediate retirement averaged $1,912 per month, compared to $1,032 for the 3,900 awards based on deferred retirement. Immediate retirees averaged 31 years of railroad service, considerably more than the average of 19 years for deferred retirees. Of the year's awards, some 46 percent of normal age retire-

Employee annuities in current-payment status on September 30, 1998	Number	Percent	Average monthly amount	Percent immediate retirements
Age				
Beginning at age 65 or over	46,400	14	$ 958	52
Unreduced, beginning at ages 60-64	101,500	31	1,641	95
Reduced, beginning at ages 60-64	98,000	30	1,019	41
Disability	79,000	24	1,346	79
Total	324,900	100	$ 1,284	69

Note. --Detail may not add to total due to rounding.

ments were immediate. While 83 percent of all 60/30 retirements were immediate, only 20 percent of the reduced age awards to employees with less than 30 years of service were immediate. Immediate retirements accounted for 77 percent of the year's disability awards.

The 325,000 retired employees on the rolls as of September 30, 1998, were being paid regular monthly annuities averaging $1,284. The table on the previous page gives data by type of annuity for these benefits.

Of the 79,000 disability annuities being paid, 21,000 were for total disability and 58,000 for occupational disability. The two types of disability annuities averaged $888 and $1,508, respectively. In Fiscal Year 1998, some $224 million was paid in total disability annuities and $1,081 million in occupational disability annuities.

Some 223,000 employees on the rolls at the end of Fiscal Year 1998 were immediate retirees and their regular annuities averaged $1,545 per month. Annuities of the 102,000 deferred retirees averaged $712. Although their average railroad retirement annuity was much lower, a greater proportion of the deferred annuitants also received social security benefits--45 percent compared to 9 percent for the immediate retirees. Moreover, the average social security benefit paid to deferred retirees was higher than that paid to immediate retirees. Combined railroad retirement and social security benefits to deferred retirees who were dual beneficiaries averaged $1,015, while combined benefits to immediate retirees averaged $1,320. The table on this page gives numbers of beneficiaries and average benefit amounts for employees on the rolls who were receiving social security benefits, and for those who were not, by type of retirement.

Regular employee annuities consist of as many as three components: tier I, tier II, and a vested dual benefit. Reductions for early age retirement are made in all components in cases where the employee retired before age 65 with less than 30 years of railroad service, but are made only in the tier I component of 60/30 annuities awarded before age 62. The tier I component is based on the employee's combined railroad and social security covered earnings, and is reduced by the amount of any social security benefit that the employee receives. The gross tier I amounts of employees on the rolls at the end of Fiscal Year

Dual benefit status	Total	Type of retirement: Immediate	Deferred
Receiving social security benefit			
Number	67,000	21,100	45,900
Average monthly amount:			
Railroad retirement (regular)	$441	$862	$247
Social security	671	458	769
Combined benefit	1,112	1,320	1,015
Not receiving social security benefit			
Number	257,900	202,000	55,900
Average monthly amount	$1,503	$1,617	$1,094

Note. --Detail may not add to total due to rounding.

1998 averaged $1,060 per month. Tier I amounts of some 9,000 employees were completely offset by social security benefits. Tier I amounts being paid averaged $907.

The employee tier II component is based solely on railroad earnings. Tier II amounts being paid at the end of Fiscal Year 1998 averaged $378. Employees are eligible for vested dual benefits if, based on their own earnings, they met certain vesting requirements and qualified for both railroad retirement and social security benefits at the end of 1974, or, in some cases, at the end of an earlier year of last railroad service. About 89,000 retirees were receiving vested dual benefits averaging $152 at the end of the fiscal year.

Supplemental employee annuities

Nearly 4,400 supplemental annuities were awarded in Fiscal Year 1998, 100 fewer than in Fiscal Year 1997. About 3,200 of the awards (72 percent) began concurrently with the employee's regular annuity, while the remaining 1,200 were to employees already receiving a regular annuity. Supplemental annuity awards averaged about $41 per month; 82 percent were at the current maximum rate of $43. Supplemental annuities are reduced for any part of a private railroad pension attributable to employer contributions. During the fiscal year, 1,000 supplemental annuities were not awarded because they were entirely offset by private pensions. Fewer than 50 of the year's awards were partially offset by pensions. For a small number of awards, the supplemental annuity was not offset because the pension was reduced. There were no cases in which both the private pension and the supplemental annuity were reduced.

Supplemental annuities were being paid to some 149,000, or 46 percent, of the retired employees on the rolls at the end of the 1998 fiscal year. These annuities averaged $43; fewer than 8,000 of them were paid under 1937 Act amendments, which stipulated a maximum rate of $70.

Spouse and divorced spouse annuities

Annuity awards to spouses and divorced spouses of retired employees numbered 8,700 in Fiscal Year 1998, 400 less than in the previous year. The table on the next page presents numbers and average amounts of spouse and divorced spouse annuities awarded during the year and being paid at the end of the year, by type of annuity and whether subject to age reduction.

If an employee retires with 10-29 years of railroad service and the employee is at least age 62, the employee's spouse is eligible for an annuity at age 62. Early retirement reductions are applied to the spouse annuity if the spouse retires before age 65, currently the full retirement age. The reduction for early retirement is currently 1/144 for each month the spouse is under age 65 when the annuity begins.

If an employee retires with at least 30 years of service and the employee is at least age 60, the employee's spouse is eligible for an annuity at age 60. Certain early retirement reductions are applied to the tier I component of such a spouse annuity if the employee retires before age 62, unless the employee attained age 60 and completed 30 years' service prior to July 1, 1984. If a 30-year employee retires at age 62, no age reduction applies to the spouse annuity.

Monthly spouse benefits	Awarded in Fiscal Year 1998		In current-payment status on September 30, 1998	
	Number	Average amount	Number	Average amount
Beginning at age 65 or over	1,600	$293	27,100	$286
With minor or disabled child in care	300	646	1,500	634
Unreduced, beginning at ages 60-64	2,300	862	72,500	679
Reduced rate	4,100	485	69,700	410
Total	8,300	559	170,800	506
Divorced spouse annuities	500	306	3,700	312
Grand total	8,700	$545	174,500	$502

Note.-- Detail may not add to total due to rounding.

A spouse of an employee qualified for an age and service annuity is eligible for a spouse annuity at any age if caring for the employee's unmarried child, and the child is under age 18 or the child became disabled before age 22.

Of the 4,100 reduced spouse annuities awarded in Fiscal Year 1998, 1,800 averaging $687 per month were to spouses of 30-year employees and 2,300 averaging $321 were to spouses of employees with less than 30 years of service.

At the end of Fiscal Year 1998, about 171,000 spouse annuities averaging $506 per month were being paid. Approximately 4,000 divorced spouse annuities averaging $312 per month were also being paid. Families with an employee and spouse on the rolls were paid combined railroad retirement benefits averaging $1,897. This included $1,391 in regular and supplemental employee annuities and $506 in spouse annuities.

Some 70,000, or 40 percent, of the spouses and divorced spouses on the rolls were also receiving social security benefits. Combined railroad retirement and social security benefits to these annuitants averaged $756 per month, including $215 in railroad retirement benefits and $541 in social security benefits. Railroad retirement annuities to the 102,000 spouses not receiving social security benefits averaged $701, while railroad retirement annuities to the 2,000 divorced spouses not receiving social security benefits averaged $450.

Like regular employee annuities, spouse annuities consist of up to three components. The tier I component equals one-half of the employee's tier I amount before any reduction for the employee's social security benefit. The spouse tier I amount is reduced for the spouse's receipt of a social security benefit and may be reduced for a spouse's public service pension. The tier I portion may also be reduced if the spouse receives a railroad retirement employee annuity, but this reduction is usually restored through an addition to the spouse tier II amount. Divorced spouses receive only a tier I benefit.

The spouse tier II component equals 45 percent of the employee's tier II amount. Railroad retirement amendments in 1981 precluded further awards of vested dual benefits to spouses.

There is a ceiling on the total amount of monthly benefits, excluding vested dual benefits, payable to an employee and spouse at the time the employee's annuity begins. The ceiling is normally geared to the employee's final creditable earnings, but is subject to a minimum of $1,200. Reductions required by the railroad retirement maximum are made, as necessary, only in the tier II components or supplemental employee annuity.

Of the 171,000 spouses on the rolls at the end of Fiscal Year 1998, 127,000 were being paid tier I amounts averaging $423 per month. The tier I amounts of 44,000 spouses were completely offset by other benefits also due. Spouse tier II amounts averaged $193. In about 13,000 cases, the tier II component was reduced an average of $70 for the railroad retirement maximum. Vested dual benefits averaging $116 were being paid to 15,000 spouses. The 4,000 divorced spouses on the rolls at the end of Fiscal Year 1998 were being paid tier I amounts averaging $319 per month.

Lump-sum retirement benefits

A lump-sum benefit may be payable at retirement to employees who received separation or severance payments after 1984. This benefit approximates the tier II payroll taxes deducted from separation or severance payments that did not yield additional service credits for retirement. About $1.8 million was paid in separation/severance lump-sum benefits during Fiscal Year 1998.

Employees who have at least 10 years of railroad service and are not entitled to a vested dual benefit may be eligible for a dual retirement tax refund if they had concurrent railroad retirement and social security earnings within the period 1951-74. The refund is equal to the social security taxes that the employee paid on the combined railroad and social security earnings in excess of the annual railroad retirement creditable earnings maximum. During the 1998 fiscal year, the Board paid nearly 3,900 dual retirement tax refunds averaging $97. Most of the payments were to employees retiring during the year. Some 200 refunds were to survivors, mostly widows, of employees who died before receiving the refund. Employees entitled to dual retirement tax refunds for years after 1974 may claim them on their Federal income tax returns.

Survivor

Monthly benefits

Annuity awards to survivors of deceased railroad employees numbered 12,000 during Fiscal Year 1998, 300 less than the previous year. Some 227,000 survivor annuities were being paid at the end of the fiscal year, including 300 temporarily paid at spouse or divorced spouse annuity rates pending recomputation to widow(er)s' rates. Some 190,000, or 84 percent, of the survivor annuities were to aged widows and widowers. The table on this page presents numbers and average monthly amounts of survivor annuities, by type, for those awarded in the year and those being paid at the end of the year. Some of the survivor option annuities, which were being paid under laws in effect before August 1946, were to widows also receiving aged widows' annuities.

Monthly survivor benefits	Awarded in Fiscal Year 1998		In current-payment status on September 30, 1998	
	Number	Average amount	Number	Average amount
Aged widow(er)s'	9,600	$920	190,200	$768
Disabled widow(er)s'	200	810	6,000	672
Widowed mothers' (fathers')	200	908	1,400	957
Remarried widow(er)s'	400	642	6,000	531
Divorced widow(er)s'	700	599	9,100	546
Children's:				
Under age 18	600	831	3,700	822
Student	100	894	200	886
Disabled	200	710	10,500	580
Parents'	*	680	100	570
Survivor option	. . .	. . .	*	82
Total	12,000	. . .	227,300	. . .

*Fewer than 50.
Note.-- Data may not add to total due to rounding.

Survivor annuities, like regular employee and spouse annuities, consist of as many as three components: tier I, tier II and, for widows and widowers only, a vested dual benefit. As with spouses, legislation in 1981 precluded new awards of vested dual benefits to widow(er)s.

The tier I component is computed according to social security formulas and is based on the deceased employee's combined railroad and social security earnings. A reduction is made for the survivor's receipt of a social security benefit. There may also be a tier I reduction if the survivor receives a railroad retirement employee annuity or public pension. Remarried and divorced widow(er)s receive a tier I benefit only. A dependent parent receives only a tier I amount if another family member is also receiving benefits or if the parent has remarried.

Survivor tier II amounts are figured as a percentage of an employee tier II benefit--50 percent for a widow(er), 15 percent for a child, and 35 percent for a parent. The total tier II amount for a survivor family is subject to a minimum of 35 percent and a maximum of 80 percent of the employee tier II benefit, and all survivor tier II amounts are proportionately adjusted when either limit applies. Widows and widowers are guaranteed a total tier I and tier II amount not less than what they were paid as a spouse, any necessary increase being added to tier II.

Aged widow(er)s, who are eligible for benefits at age 60, have their tier I and tier II amounts reduced if the annuity begins before age 65, currently the full retirement age. The current reduction is 19/40 of one percent for each month the widow(er) is under age 65 when the annuity begins, with a maximum reduction of 36 months, or about 17 percent. Excluding some 300 annuities temporarily paid at spouse or divorced spouse rates, aged widow(er)s' annuities being paid at the end of the 1998 fiscal year included 87,000 which were reduced for age. Aged widow(er)s' tier I amounts being paid averaged $680 per month. In about 15,000 cases, the tier I amount was wholly offset by reductions for other benefits. Approximately 83,000 aged widow(er)s were also receiving social security benefits, and these averaged $534. Tier II amounts averaged $138. About 14,000 vested dual benefits averaging $58 were being paid to aged widow(er)s.

The tier I and tier II amounts of disabled widow(er)s' annuities, which begin at ages 50-59, are reduced 28-1/2 percent for age. Tier I amounts being paid to disabled widow(er)s on the rolls at the end of Fiscal Year 1998 averaged $576 (in some 300 cases, the tier I amount was wholly offset by reductions). Social security benefits paid to 1,700 disabled widow(er)s averaged $510. Tier II amounts averaged $121, while the 600 vested dual benefits being paid averaged $74.

Tier I amounts paid to widowed mothers and fathers (widows and widowers caring for children) generally equal 75 percent of the full amount payable to an aged widow(er) before any reductions, similar to a social security mother's or father's benefit. Eligible children and grandchildren are paid this same tier I amount. However, if the sum of the tier I amounts of all members of a survivor family exceeds the social security family maximum, then tier I amounts are proportionately reduced so that the total equals the maximum. Reductions for the family maximum usually occur when the family includes three or more beneficiaries. Tier I amounts being paid as of the end of Fiscal Year 1998 averaged $773 for widowed mothers and fathers and $584 for children. Fewer than 50 mothers (fathers) and nearly 2,600 children received social security benefits averaging $627 and $389, respectively. Tier II amounts paid mothers (fathers) and children averaged, respectively, $192 and $78. None of the widowed mothers received a vested dual benefit.

Lump-sum survivor benefits

A lump-sum death benefit can be payable at the time of an employee's death only if there are no survivors immediately eligible for monthly benefits. For survivors of employees who had at least 10 years of railroad service before 1975, the lump-sum death benefit is based on the employee's earnings through 1974, with a maximum amount of approximately $1,200. If the employee completed the 10th year of service after 1974, the lump-sum death benefit is limited to $255, the maximum benefit payable under social security law, and only the living-with widow or widower is eligible for the benefit. Some 5,800 lump-sum death benefits averaging $887 were awarded during Fiscal Year 1998. Over 700 benefits were to widow(er)s, while 5,100 were to other individuals who paid the funeral expenses, mostly adult children of the employee.

Another lump-sum survivor benefit, the residual payment, can be made if no other benefits based at least in part on an employee's railroad service will be payable in the future, and the total of prior benefit payments is less than what the employee paid in pre-1975 railroad retirement taxes. The 120 residual payments awarded in the 1998 fiscal year averaged $3,382. Widow(er)s and parents who elected to waive future monthly benefits in order to receive a residual benefit were awarded about 20 of the payments. The remaining awards were to widow(er)s of employees not insured for monthly benefits under the Railroad Retirement Act, other relatives, designated beneficiaries, or the employee's estate.

Medicare Enrollments

The Medicare program provides health insurance to persons aged 65 and older, as well as persons under age 65 who have been entitled to monthly benefits based on total disability for at least 24 months or who suffer from chronic kidney disease requiring hemodialysis or transplant. In addition to the basic hospital insurance, or Part A, plan, which is financed through payroll taxes, there is an elective supplementary medical insurance, or Part B, plan for which monthly premiums are charged.

Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the Railroad Retirement Board are automatically enrolled under both plans, but Part B may be declined. Eligible nonretired persons must apply in order to obtain Medicare coverage. The Board automatically enrolled approximately 25,000 beneficiaries for Medicare during Fiscal Year 1998. As of the end of the fiscal year, some 659,000 persons were enrolled in the Part A plan, and about 645,000 (98 percent) of them were also enrolled in Part B.

Except for benefits for services in Canada, which are paid from the Railroad Retirement Account, railroad enrollees are paid Part A benefits from the Federal Hospital Insurance Trust Fund, the same as persons covered under the social security system. Part B benefits are paid from the Federal Supplementary Medical Insurance (SMI) Trust Funds. The carrier for Part B claims of railroad Medicare enrollees made payments totaling $673 million in the 1998 fiscal year.

The regular monthly premium for medical insurance during Fiscal Year 1998 was $43.80. The Board generally withholds Medicare premiums for annuitants from their benefit payments, and at the end of the fiscal year, almost 610,000 annuitants were having their premiums withheld. Of the remaining Part B enrollees, some 8,000 were paying premiums to the Board, either directly or through an intermediary, and 27,000 had their premiums paid by State agencies. The Board periodically transfers premiums to the SMI Trust Funds.

RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

FINANCIAL OPERATIONS

Financing sources for the railroad unemployment and sickness insurance program during Fiscal Year 1998 exceeded costs by $17.5 million and the net posi-

(text continues on p. 28)

Unemployment and Sickness Insurance Program

Consolidated Financing Sources, Costs and Net Position (Millions)[1]

For the Fiscal Year Ended September 30	**1998**	**1997**
Financing Sources:		
Employer Payroll Taxes	$ 86.5	$ 29.4
Interest Income	4.6	6.9
Other	(14.4)	(14.8)
Total Financing Sources	76.7	21.5
Costs:		
Benefit Payments:		
Unemployment	25.8	35.8
Sickness	33.4	36.3
Total Costs	59.2	72.1
Financing Sources over Costs	17.5	(50.6)
Net Position - Beginning of Period	85.0	137.5
Non-operating Adjustments	0.0	(1.9)
Net Position - End of Period	$102.5	$ 85.0

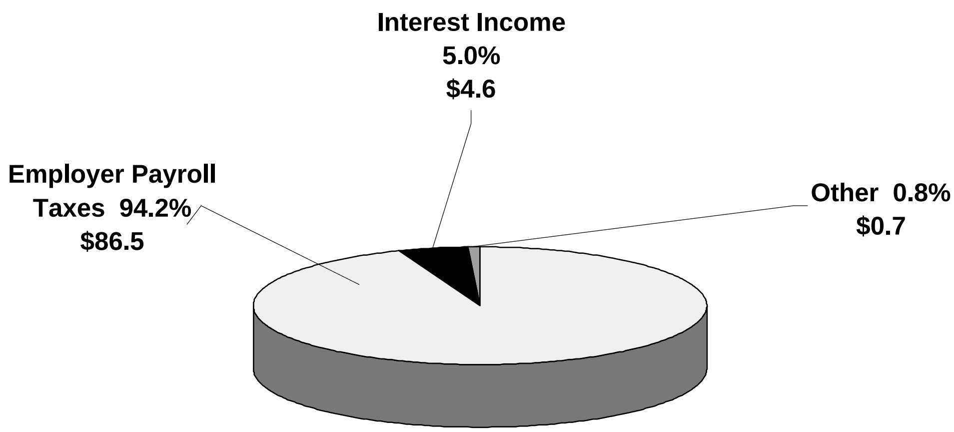
[1] Prepared on an accrual basis of accounting.

Note.–The form and content of this table have changed effective Fiscal Year 1998 because certain items have been reclassified in accordance with the provisions of Office of Management and Budget (OMB) Bulletin 97-01, *Form and Content of Agency Financial Statements*, and standards issued by the Federal Accounting Standards Advisory Board. Generally, revenues and expenses are now classified as financing sources and costs, and some reimbursements are now classified as offsets to costs, rather than as financing sources. For comparability purposes, Fiscal Year 1997 figures were restated into the new format, and, accordingly, some figures reported for Fiscal Year 1997 in this report differ from those published in the 1998 *Annual Report*. The principal differences are: (1) uncollectible debt expenses are now added to benefit payments rather than being classified as "other costs;" and (2) transfers made to the single administrative account and Office of Inspector General for salaries and administrative expenses are no longer treated as expenses and are treated as offsets against other financing sources.

UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

Financing Sources - Fiscal Year 1998 (In Millions)

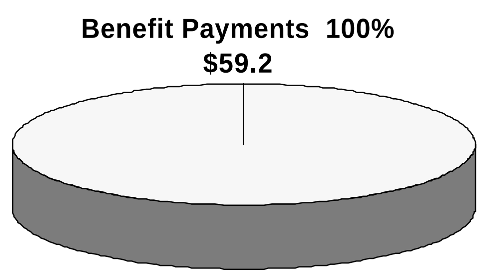
GROSS TOTAL $91.8



Net of Transfer = $76.7

Costs - Fiscal Year 1998 (In Millions)

TOTAL $59.2



tion increased by $17.5 million from $85 million at the end of Fiscal Year 1997 to $102.5 million at the end of Fiscal Year 1998. For Fiscal Year 1998 as compared to Fiscal Year 1997, total financing sources for the railroad unemployment and sickness insurance program increased by $55.2 million (256.7 percent) to $76.7 million.

Financing Sources

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 levels of benefit usage. Each employer's rate also has a component for administrative expenses and a component to cover costs shared by all employers. The rate applies to monthly earnings up to an indexed maximum. In Calendar Year 1998, the taxable earnings base was the first $925 of each employee's monthly earnings. The earnings base is indexed each year by a rate which is equal to approximately two-thirds of the annual rate of increase in the maximum base for railroad retirement tier I taxes.

In 1998, the basic tax rates on railroad employers, including covered commuter railroads, ranged from a minimum of 0.65 percent to a maximum of 12 percent. A surcharge of 1.5 percent was added to the basic rate as the unemployment account balance was less than $100 million on June 30, 1997. Most employers were assessed the minimum rate in 1998. New employers in 1998 paid an initial rate of 1.18 percent; the surcharge did not apply to them.

Employer Payroll Taxes

Payroll taxes by employers totaled $86.5 million during Fiscal Year 1998. This was an increase of 194.2 percent or $57.1 million over the previous year. The increase was the result of the imposition of the 1.5 percent surcharge described above and an increase in the monthly wage base.

Interest

Cash not needed immediately for unemployment and sickness insurance benefits or operating expenses is held in the Federal Unemployment Insurance Trust Fund and invested by the Secretary of the Treasury. The fund earned an average rate of return of 6.78 percent in Fiscal Year 1998, of which the Railroad Retirement Board earned $4.6 million as its pro rata share.

Other Financing Sources

Other financing sources consist of interest, penalties and handling costs charged on program accounts receivables of $0.7 million for both Fiscal Years 1998 and 1997, cash transfers of $13.8 million and $14.3 million to the Limitation on Administration Account to fund salaries and expenses for the unemployment and sickness insurance program for Fiscal Years 1998 and 1997, respectively, and cash transfers of $1.3 million and $1.2 million to fund administrative expenses of the Board's Office of Inspector General for Fiscal Years 1998 and 1997, respectively. OMB Bulletin 97-01 requires that transfers-in and transfers-out be shown as offsets to financing sources.

Costs

Total costs for the railroad unemployment and sickness insurance program decreased by $12.9 million (17.9 percent) to $59.2 million.

Benefit Payments

During Fiscal Year 1998, unemployment insurance benefit payments decreased by $10 million (27.9 percent) to $25.8 million. Sickness insurance benefit payments decreased $2.9 million (8.0 percent) to $33.4 million.

BENEFIT OPERATIONS

Net unemployment and sickness benefits totaling $60.1 million were paid in the 1997-1998 benefit year, $10.6 million less than in the prior year. Beneficiaries numbered 31,000 in comparison to the previous year's total of some 34,000. Approximately 1,200 employees received both unemployment and sickness benefits during the 1997-1998 benefit year. The number of unemployment benefit claimants decreased by almost 26 percent, while sickness benefit claimants stayed the same. Total unemployment benefit payments decreased by 29 percent, while net sickness benefits increased by about 2 percent. The number of employees qualified for benefits under the Railroad Unemployment Insurance Act fell 3 percent to 276,600.

Prior to October 1996 legislation, no benefits were payable for the first claims for unemployment and sickness in a benefit year, generally resulting in a 2-week waiting period. As a result of the legislation, benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year. During Benefit Year 1997-1998, there were 9,000 and 14,000 unemployment and sickness benefit waiting period claims, respectively. The average number of waiting period non-compensable days was 3.0 for both unemployment and sickness, down 2.0 days and 3.9 days, respectively, from the prior benefit year.

NOTE.--Railroad unemployment and sickness benefits are paid on the basis of benefit years beginning July 1 and ending June 30 of the following year. Consequently, operational data in this "Benefit Operations" section are generally presented for this time span, rather than fiscal years beginning October 1 and ending September 30.

Unemployment

Some 11,300 railroad workers were paid $27 million in unemployment benefits during the 1997-1998 benefit year. The number of benefit claimants decreased by over 3,900 from the prior year total of 15,300, while the benefit amount fell $11.2 million from the year-earlier total of $38.2 million. The average number of compensable days per unemployment benefit claimant was 60 in Benefit Year 1997-1998 as compared to 63 in the previous benefit year.

The mid-month unemployment count in the 1997-1998 benefit year began with a July count of 2,600 claimants. The count peaked at 5,100 in January, and dropped to 1,600 in June 1998. For the 1997-1998 benefit year as a whole, the weekly number of claimants averaged 3,000 in comparison to an average of 4,700 in the previous benefit year. The overall unemployment benefit claimant rate, measured in relation to numbers of employees qualified to receive benefits under the Railroad Unemployment Insurance Act during a particular time period, decreased to 4 per 100 qualified from

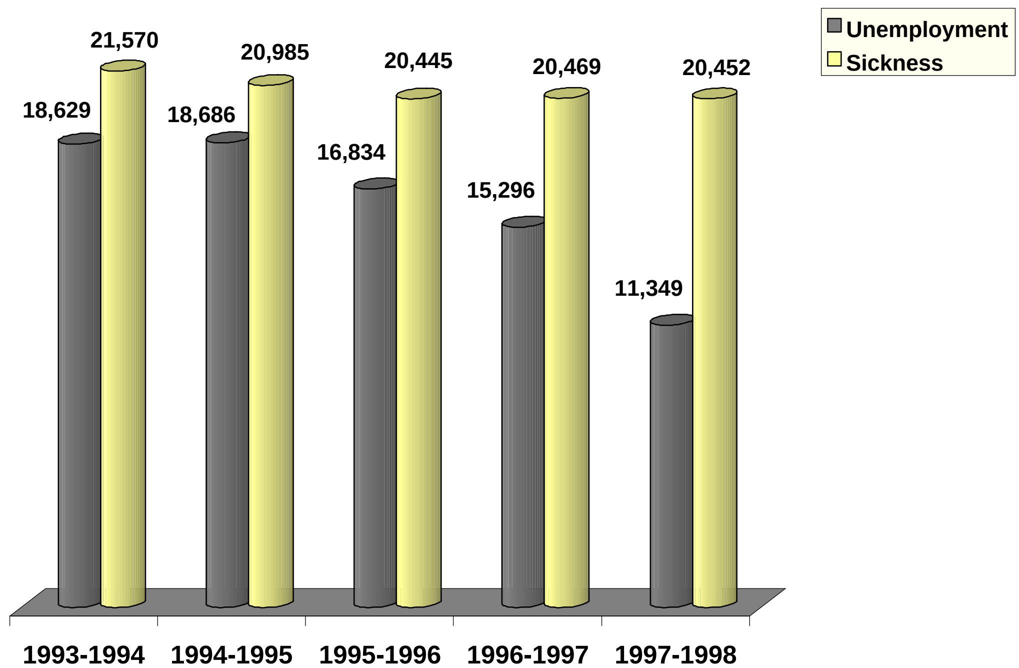
(text continues on p. 32)

Major unemployment and sickness benefit operations, Benefit Years 1997-1998 and 1996-1997

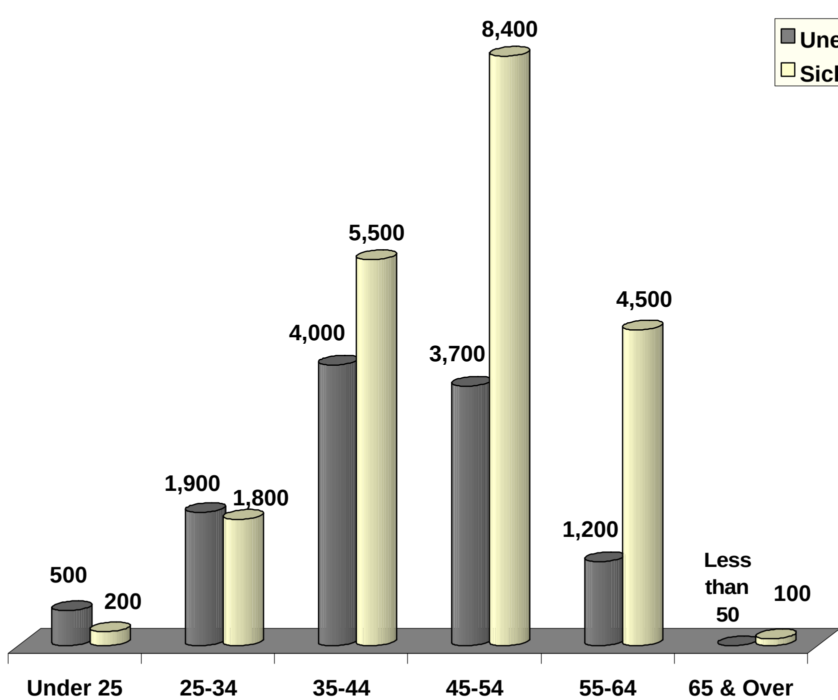
	Benefit Year 1997-1998			Benefit Year 1996-1997		
Item	Total	Unemployment	Sickness	Total	Unemployment	Sickness
Applications	40,300	13,700	26,600	47,000	19,500	27,400
Claims	257,900	86,800	171,100	314,500	130,200	184,300
Beneficiaries	[1]30,600	11,300	20,500	[1]34,400	15,300	20,500
Net amount of benefits	$60,092,400	$27,034,200	$33,058,200	$70,723,600	$38,248,700	$32,474,900
Number of payments						
Normal	191,200	63,000	128,100	221,700	90,800	130,800
Extended	27,800	8,400	19,400	38,400	14,600	23,800
Total	219,000	71,500	147,500	260,100	105,500	154,600
Average amount per 2-week registration period						
Normal	$384.09	$375.04	$388.66	$367.17	$358.21	$373.66
Extended	365.69	375.04	361.77	359.66	354.13	362.94
Total	381.97	375.04	385.40	366.10	357.69	372.03

[1]Benefits for both unemployment and sickness were paid to approximately 1,400 employees in Benefit Year 1996-1997 and 1,200 employees in Benefit Year 1997-1998. Those claimants who had only a non-compensable waiting period are not included in the beneficiary counts since no benefits were paid.

Beneficiaries under the Railroad Unemployment Insurance Act, Benefit Years 1993-1994 through 1997-1998



Unemployment and Sickness Benefit Claimants By Age, Benefit Year 1997-1998



NOTE.--Data partially estimated.

the previous year's level of 5 per 100 qualified. The last time the rate was lower was in Benefit Year 1944-1945. The median age of all unemployment benefit claimants was 43 years, the same as the previous benefit year.

New jobs were found for 40 unemployed railroad workers during the 1997-1998 benefit year as a result of cooperative placement activities by railroad management, railroad labor organizations, State employment service offices and the Railroad Retirement Board.

Sickness

The number of sickness benefit claimants during the 1997-1998 benefit year was 20,500, about the same as in the previous year. Gross sickness benefits of $63.4 million were paid, $2.8 million more than in the prior benefit year. Net sickness benefits totaled $33.1 million, reflecting repayment of a large amount of benefits following settlements of suits for injuries. Benefits payable for an injury are recoverable if the claimant is awarded damages or receives a settlement for the injury. Net benefits increased by $0.6 million in comparison with the previous year.

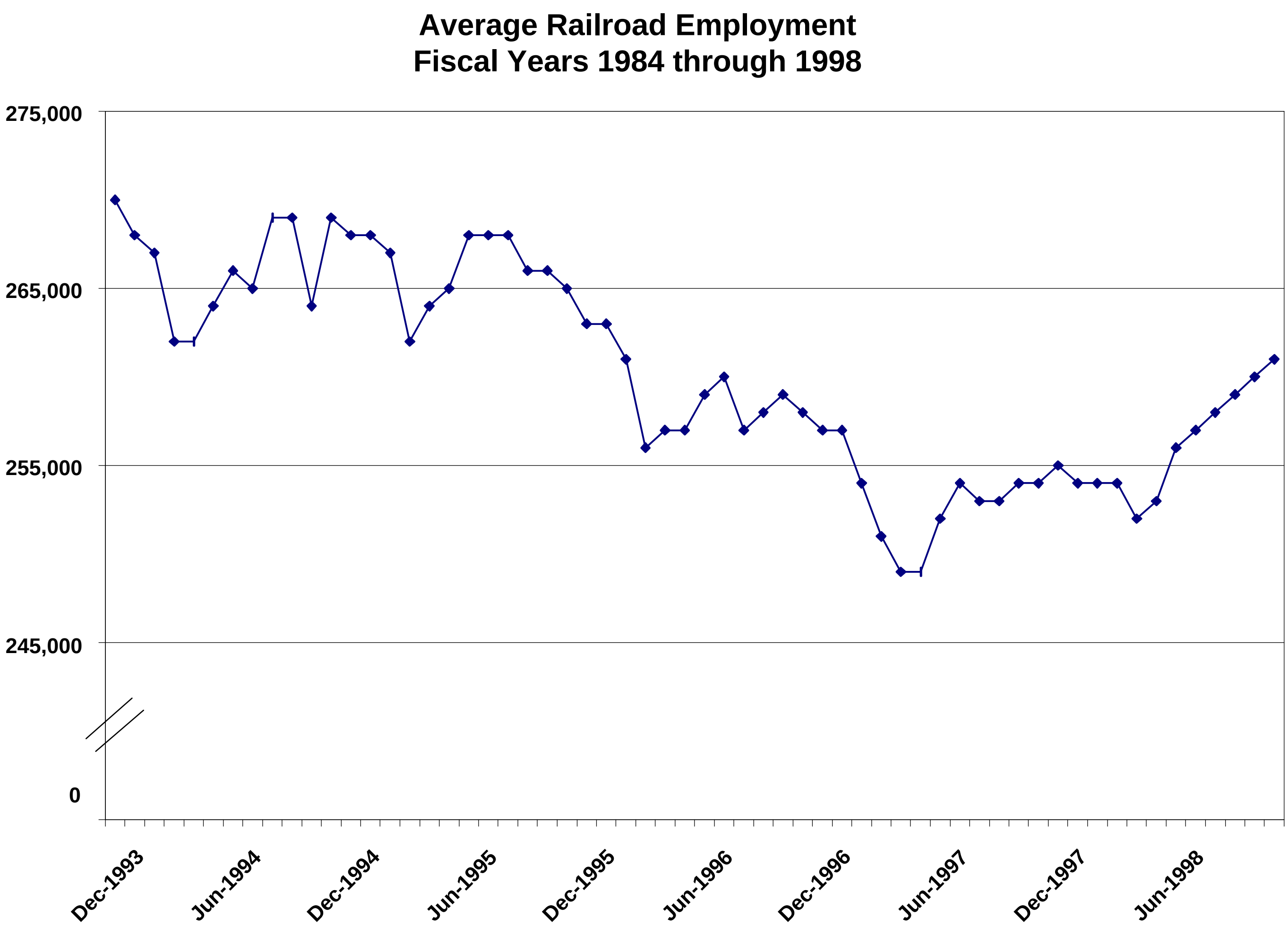
Benefit Year	Utilization Per 100 Qualified Employees	Average Compensable Days
1995-1996	7.1	74
1996-1997	7.2	70
1997-1998	7.4	69

Despite a decrease in the number of qualified employees, the number of sickness claimants has remained unchanged for the last 3 benefit years. This reflects a modest increase in the utilization rate. In contrast, however, the average duration of sickness declined during this period.

Among the most common causes of sickness were injuries other than fractures (affecting 20 percent of beneficiaries), mental disorders, including drug and alcohol addictions (12 percent), heart disease (8 percent) and fractures (8 percent). The median age of all sickness benefit claimants was 48 years, one higher than the previous benefit year.

RAILROAD EMPLOYMENT

Average monthly railroad employment in Fiscal Year 1998 rose 1.2 percent to 256,000 from the 253,000 average of the previous year. This is the first time average employment has increased since 1979. September 1998 had the highest level of employment in Fiscal Year 1998 with 261,000 and February 1998 had the low of 252,000.


Average Railroad Employment
Fiscal Years 1984 through 1998
275,000
265,000
255,000
245,000
0
Dec-1993
Jun-1994
Dec-1994
Jun-1995
Dec-1995
Jun-1996
Dec-1996
Jun-1997
Dec-1997
Jun-1998

Legislative and Administrative Developments

The Railroad Retirement Board continued efforts to improve agency operations and better serve its customers. The following describes some major issues addressed in 1998 and 1999.

Customer Service

The Board updated its Customer Service Plan in Fiscal Year 1998, revising several of the plan's service standards. The plan promotes the principles and objectives of customer-driven quality service agency-wide and states specifically the level of service that customers can expect. An important part of the plan is a pledge to keep beneficiaries informed of how well the Board is meeting the plan's standards.

The Customer Service Plan provides that persons who filed for a railroad retirement employee or spouse annuity in advance will receive the first payment, or a decision, within 35 days of the beginning date of the annuity. Persons who did not file in advance will receive the first payment, or a decision, within 65 days of the date the application was filed. Of the cases processed during Fiscal Year 1998, 92 percent of employee and 95.5 percent of spouse applicants who filed in advance received a payment, or a decision, within 35 days of their annuity beginning date. Also, of the cases processed, 95.7 percent of employee and 87.5 percent of spouse applicants who had not filed in advance received a payment, or a decision, within 65 days of their filing dates.

The plan provides that those filing for a railroad retirement disability annuity will receive a decision within 105 days of the date the application was filed. If entitled to disability benefits, the first payment will be received within 25 days of the date of the Board's decision, or the earliest possible payment date, whichever is later. Of the cases processed during Fiscal Year 1998, 28.1 percent of disability applications met the decision standard and 84.2 percent met the payment standard.

Those filing for a railroad retirement survivor annuity or a lump-sum benefit will receive their first payment, or a decision, within 65 days of the date they filed their application, or became entitled to benefits, if later. If already receiving a spouse annuity, the person will receive the first payment, or a decision, within 35 days of the date the Board receives notice of the employee's death. Of the cases processed during Fiscal Year 1998, 76.5 percent of the applicants for a survivor annuity were issued a payment or a decision within 65 days. In addition, 91 percent of the applicants for a lump-sum benefit were issued a payment or a decision within 65 days. In cases where the survivor was already receiving a spouse annuity, 90 percent of the applicants were issued a payment or a decision within 35 days of the Board being notified of the employee's death.

Persons filing an application for unemployment or sickness insurance benefits will receive a claim form, or a decision, within 15 days of the date they filed their application. If they file a claim for subsequent biweekly unemployment or sickness insurance benefits, they will receive a payment, or a decision, within 15 days of the date the Board receives their claim form. During Fiscal Year 1998, 97.1 percent of unemployment benefit applications processed and 99.2 percent of sickness applications processed met the Board's standard. In addition, 99.2 percent of subsequent claims processed for unemployment and sickness benefits met the standard.

In Fiscal Year 1998, 98.2 percent of all correspondence the Board received was responded to, either with an acknowledgement or with a final reply, within the agency's 15-day standard.

Year 2000 Project

At the beginning of 1999, all of the Board's mission-critical computer systems were Year 2000 (Y2K)-compliant.

The Board's computer systems process benefit payments, issue informational notices, enroll beneficiaries in Medicare, withhold Federal income tax and perform other functions essential to the Board's ongoing operations and service to the railroad public. Having met the Y2K goal, the Board began a series of comprehensive tests of its mission-critical systems to ensure that all interfaces, connections, and links between the various systems remain in sync and are fully functional. The Board also plans to complete work on those systems that are not mission-critical by September 30, 1999.

The agency's most important information exchange systems are with the Department of the Treasury and the Social Security Administration. The Board exchanges data with the Department of the Treasury in order to issue benefit payments, and the Board's staff expects a smooth transition in that area. The Board also coordinates benefit payments with the Social Security Administration, and these systems have already been tested to ensure that the data exchanges will function correctly in the year 2000.

Executive Appointments

Cherryl T. Thomas continues to serve as Chair of the Railroad Retirement Board. V. M. Speakman, Jr. continues to serve as Labor Member and Jerome F. Kever continues to serve as Management Member.

In December 1998, the Board announced several executive appointments and the expansion of its Executive Committee as part of an administrative reorganization.

John L. Thoresdale was appointed Director of Administration and was also appointed to serve for 2 years as the Chair of the Board's Executive Committee. The Chair position will then be rotated among the Executive Committee members. Mr. Thoresdale, who previously served as Director of Policy and Systems, succeeded Kenneth P. Boehne, who was named Chief Financial Officer. Steven A. Bartholow, who was Deputy General Counsel, was appointed General Counsel.

These three executives, along with Director of Programs Bobby V. Ferguson and Chief Information Officer Robert T. Rose, serve on the expanded agency Executive Committee. The committee is responsible for the day-to-day operations of the agency and for making recommendations to the three-member Board on agency-related policy issues. The reorganization also provided for the Board's Chief Actuary, Frank J. Buzzi, to report directly to the Board Members.

Legislative Developments

Public Law 105-33, enacted August 5, 1997, clarified that non-resident aliens are eligible for benefits under the Railroad Retirement and Railroad Unemployment Insurance Acts. Public Law 105-277, enacted October 21, 1998, provided for the restoration of annuities to certain divorced spouses of workers whose widows previously elected to receive lump-sum payments.

House Concurrent Resolution 52 was a non-binding resolution which urged all parties of the railroad community, including rail labor, rail management and railroad retiree organizations, to begin open discussions for the purpose of adequately funding an amendment to the Railroad Retirement Act to increase benefits for widows and widowers. A hearing on this resolution was held on September 17, 1998, before the Subcommittee on Railroads of the House Committee on Transportation and Infrastructure, but the bill was not considered by the House or Senate prior to adjournment.

Key Initiatives

The Railroad Retirement Board implemented various initiatives during 1998 and 1999 to improve agency operations and provide the best possible service to its customers.

Data Center Improvements

During Fiscal Year 1998, the Board procured and installed a new mainframe processor, the IBM System 390 Multiprise 200/C5. The new mainframe provides considerable cost savings because it requires significantly less air conditioning, electrical power, and floor space than the old equipment. The new mainframe was the second step in the agency's overall data center modernization plan. The first step, installation of DASD (direct access storage devices) with RAID (redundant array of independent disks) equipment was completed during Fiscal Year 1997. The next major step in the plan is installation of new tape storage and handling equipment to replace aging cartridge tape equipment during Fiscal Year 1999.

Communications Vendor

The Board selected Sprint to provide long-distance telephone, data and other telecommunications services. The services are provided through the General Services Administration contract called FTS 2001, which retains many key features of FTS 2000, in particular, aggressive price competition. Over the past 10 years, telecommunications services have gone from a national average of 27 cents per minute in 1988 to 5.5 cents per minute under FTS 2000. Prices under FTS 2001 start at about 4 cents per minute and drop to less than 1 cent per minute by the end of the contract.

Medicare Plus Choice

The Railroad Retirement Board worked with the Health Care Financing Administration in Fiscal Year 1998 to ensure that railroad retirement beneficiaries were informed about their new health care options under the Medicare Plus Choice program. This program, provided by the Balanced Budget Act of 1997, created new health plan options for Medicare beneficiaries. In addition to the traditional fee-for-service arrangements and Health Maintenance Organizations, qualified beneficiaries can elect to receive their health care benefits from a Provider Sponsored Organization, a Preferred Provider Organization, a Health Maintenance Organization with a Point of Service Option, a Private Fee-For-Service Plan, or under a Medical Savings Account plan. Medicare Plus Choice information was mailed to all railroad retirement Medicare beneficiaries in November 1998.

Legal Information Available on Internet

The Board has begun the process of placing its legal information on the Internet. The Board's Web site, www.rrb.gov, has links to an index of all Board Legal Opinions from 1982 and the text of all Board Legal Opinions issued since January 1, 1997. There are also links to the various laws administered by the Board and the regulations promulgated by the agency. The full text of all Board Coverage Decisions issued since 1993 is available. Finally, there is a link to the "Attorney's Guide to the Partition of Railroad Retirement Annuities," which provides helpful information in connection with the property division of railroad retirement benefits in a divorce proceeding.

Office of Equal Opportunity

The Board's Office of Equal Opportunity published a "Guide to the Prevention of Sexual Harassment" for distribution to all agency employees and also conducted training on the prevention of sexual harassment for managers, supervisors and team leaders. The Director of Equal Opportunity coordinated the Chicago Federal Executive Board's *Make-A-Difference Day Welfare to Work Clothing Drive*, conducted at the

Board's headquarters facility and three other Chicago-area Federal facilities. Federal employees donated approximately 4,000 men's and women's garments and accessories during the 2-day drive.

Public Information Activities

The Board maintains direct contact with railroad retirement beneficiaries through its field offices located across the country. Field personnel explain benefit rights and responsibilities on an individual basis, assist railroad employees in applying for benefits and answer any questions related to the benefit programs. The Board also relies on railroad labor groups and employers for assistance in keeping railroad personnel informed about its benefit programs.

At informational conferences sponsored by the Labor Member of the Board for railroad labor union officials, Board representatives describe and discuss the benefits available under the railroad retirement-survivor, unemployment-sickness and Medicare programs, and the attendees are provided with comprehensive informational materials. During 1998, 2,210 railroad labor union officials attended 46 informational conferences held in cities throughout the United States. In addition, railroad labor unions frequently request that a Board representative speak before their meetings, seminars and conventions. In 1998, the Labor Member's Office was represented at 16 union gatherings attended by 4,646 railroad labor officials. Field personnel addressed 141 local union meetings with 8,766 members in attendance.

At seminars for railroad executives and managers, Board representatives review programs, financing, and administration, with special emphasis on those areas which require cooperation between railroads and Board offices. The Board also conducts informational seminars on benefit programs for employees at the request of railroad management. During 1998, the Board's Management Member's Office conducted 11 seminars for railroad officials. It also conducted pre-retirement counseling seminars attended by railroad employees and their spouses, and benefit update presentations.

In response to a White House initiative, the Board in 1998 participated in *Conversations with America*, a national effort to engage customers in an ongoing dialogue about improving customer service in the Federal Government. As part of this initiative, the Board is systematically gathering and analyzing feedback from its customers to discover what is important to them and what can be done to meet their expectations. Upcoming *Conversations with America* events are posted on the Board's Web site at www.rrb.gov.

Office of Inspector General

During Fiscal Year 1998, the Office of Inspector General continued its efforts to assist management in increasing the efficiency of agency programs. Twenty-three audits and evaluations issued during the year contained findings for improvement in both administrative and program operations. Two audit reports will have an estimated financial impact of $2.4 million when Board management completes necessary corrective actions. Reviews were conducted of significant activities which included the status of the conversion of information systems to ensure compliance with the Year 2000, the investment of agency trust funds, and agency progress in meeting the requirements of the Government Performance and Results Act. Auditors concluded that project management was adequately directing the Year 2000 implementation project, but the Office of Inspector General again expressed concern regarding the lack of experience of the agency's Investment Committee members and their increased trading of trust fund monies. As a result, management was provided with recommendations for improvement.

The Office of Inspector General completed its first independent audit of the agency's financial statements and related internal controls for the period October 1, 1996, through September 30, 1997. This audit included a disclaimer of opinion for the fifth consecutive year because of problems with the financial interchange, the annual funds transfer between the Railroad Retirement Board and the Social Security Administration. Auditors also cited additional weaknesses concerning the overall control environment at the agency, the accuracy of benefit payments and the lack of controls to ensure the proper crediting of railroad retirement tax deposits to the railroad retirement trust funds.

The Office of Inspector General continued its efforts to ensure the integrity of the benefit programs administered by the Railroad Retirement Board through the identification and referral for prosecution of those individuals who defraud the agency's benefit programs. Substantial effort was devoted to more complex fraud schemes involving collusion between railroad employers, retired railroad workers and third party employers. These schemes have a substantial impact on the agency's trust funds because the retirees are receiving benefits to which they are not entitled and, at the same time, the employers are not submitting contributions to the trust funds as required.

Investigative activities resulted in 100 criminal convictions, 73 civil judgments, 42 indictments/informations, and $1.98 million in court-ordered restitutions, fines, recoveries, and prevention of overpayments. The Office of Inspector General also continued to pursue prosecution of cases under the Department of Justice's Affirmative Civil Enforcement Program. Thirty-three civil judgments under this program were entered by Federal district courts which will result in the return of $304,504 to the Railroad Retirement Board's trust funds when the funds are collected.

LEGAL RULINGS

Twelve cases involving the Railroad Retirement Board were resolved by the courts during Fiscal Year 1998 and a number of significant legal opinions were issued.

Court Cases

Ten cases of various types involving petitions for review of decisions of the Railroad Retirement Board were pending in the courts at the beginning of Fiscal Year 1998, and fifteen cases were opened during the fiscal year. Twelve cases were resolved during Fiscal Year 1998; eight were decided in the Board's favor and four were dismissed. Thirteen cases were pending at the end of the fiscal year. The following describes the cases of most significance to railroad employers and employees.

In *Reed* v. *Railroad Retirement Board,* the Board had found that no additional service credit under the Railroad Retirement Act could be granted for separation payments made to the employee after the date of his resignation from the railroad. The petitioner argued that the payments he had received after the date of resignation were taxable under the Railroad Retirement Tax Act and should give him additional creditable railroad service. The United States Court of Appeals for the District of Columbia Circuit affirmed the decision of the Board.

In *Wakefield* v. *Railroad Retirement Board,* the Board had found that the petitioner had been overpaid under the Railroad Unemployment Insurance Act. He sought judicial review after the 90-day limit set forth in the Act. The United States Court of Appeals for the Eleventh Circuit held that the time limit for seeking judicial review of a decision of the Board can be extended in an appropriate case. Under the facts of this case, however, where the petitioner had been provided with accurate, written information regarding the procedures for filing his appeal, it was not appropriate to extend the time limit for seeking judicial review of the Board's decision.

Legal Opinions

The following Legal Opinions are presented here because of their special significance or interest. Four of the selected Legal Opinions dealt with various earnings restrictions applicable to annuities paid under the Railroad Retirement Act.

Legal Opinion L-97-37 concerned an individual who planned to apply for a spouse annuity. The spouse had retired from Payless ShoeSource in April 1994. In addition, for the last 3 years the spouse had worked as a part-time secretary for the Kansas legislature for the first 3-1/2 months of each year. Finally, the spouse had also worked at Eddie Bauer stores part-time over the Christmas holiday. The spouse inquired as to whether she would be able to work for the Kansas legislature and the Eddie Bauer stores and still be eligible for a spouse annuity.

The Railroad Retirement Act provides for the reduction in the tier II annuity component of $1 for every $2 earned, up to a maximum reduction of 50 percent of the tier II annuity component, from the employee's or spouse's "last pre-retirement nonrailroad" employer.

The Board's regulations provide that employment which an individual stops within 6 months of the date on which the individual files for an annuity will be presumed, in the absence of evidence to the contrary, to be service from which the individual resigned in order to receive an annuity and, thus, to be last pre-retirement nonrailroad employment. With respect to seasonal employment, the Board's Bureau of Law has held that the rendition of such services will not be considered last pre-retirement nonrailroad employment where the following conditions are met: (1) the employee possesses no re-employment rights and must reapply for each year for the position; (2) the employment relationship is terminated at the end of each period of employment; and (3) such employment has terminated prior to the annuity beginning date for some reason not related to the application for an annuity under the Railroad Retirement Act.

The Legal Opinion concluded that the work for Eddie Bauer stores may be considered to be seasonal employment so long as the spouse was not working in such employment when the spouse's annuity began, the spouse had no re-employment rights for the position each Christmas season, and the spouse had to reapply each year in order to have a job for the Christmas season. If the spouse's annuity began, as planned, in February 1998, and the spouse was then working for or had just stopped working for the Kansas legislature, that work would not fall under the category of seasonal employment. Instead, such work would fall under the definition of last pre-retirement nonrailroad employment.

Legal Opinion L-97-47 dealt with the issue of whether work for the WIC program constitutes work for the spouse's last pre-retirement nonrailroad employer. The WIC program is a special supplemental nutrition program for women, infants, and children ("WIC Program") sponsored by the U.S. Department of Agriculture. Prior to her annuity beginning date in 1988, the spouse worked as a nurse for the Crawford County Health Department. In 1989, she was asked to work for the Labette County WIC program. Labette County later subcontracted with Crawford County to operate Labette County's WIC program. All payments under the WIC program are Federal funds, rather than the funds of the spouse's past employer, Crawford County, Kansas. The Legal Opinion concluded that the spouse was not in compensated service to Crawford

County after her annuity beginning date. Although she was nominally employed by Crawford County, she was not paid by Crawford County. All funds for her position were paid by the Federal Government. Therefore, she was not in compensated service to Crawford County, her last pre-retirement nonrailroad employer.

Legal Opinion 98-4 concerned the effect of royalties from inventions on receipt of a railroad retirement annuity. Section 2(f)(1) of the Railroad Retirement Act (45 U.S.C. § 231a(f)(1)) provides that a portion of a railroad retirement annuity shall be subject to deductions on account of work pursuant to section 203 of the Social Security Act (42 U.S.C. § 403). This section in turn requires a reduction in benefits if an individual's wages and earnings from self-employment in a given year exceed an exempt amount. The Board's General Counsel advised that royalties paid for a license to use or market an invention are not paid for services performed, and therefore would not be included in earnings subject to work deductions.

The question as to whether earnings received under the VISTA (Volunteers in Service to America) program would affect the annuity of a person who is in receipt of a disability annuity under the Railroad Retirement Act was addressed in *Legal Opinion L-98-5.* The Act provides that no disability annuity may be paid in any month in which an annuitant earns over $400. The annuitant in this case was an employee under the VISTA program who would be paid more than $600 per month for his VISTA service.

In accord with the Domestic Volunteer Service Act of 1973, the Social Security Administration has determined that VISTA payments may not be used to determine substantial gainful activity under the disability provisions of the Social Security Act. Based on this same provision, the Legal Opinion concluded that VISTA payments are not to be included in the term "earnings" under section 2(e)(4) of the Railroad Retirement Act, unless the Director of VISTA has made a determination that the level of earnings equals or exceeds the minimum wage. Barring such a determination, VISTA payments will have no effect on a disability annuity.

Legal Opinion L-97-38 dealt with the crediting of military service in the Army National Guard as creditable railroad service under the Railroad Retirement Act. The Act permits the crediting of military service during any "war service period" as railroad service. However, only active duty service may be credited under the Act. Because service in the U.S. Army National Guard is reserve service and is not active military duty, it is not creditable under the Railroad Retirement Act.

Legal Opinion L-97-40 concluded that payments made from a tax exempt trust as an incentive to resign could be considered separation payments for purposes of disqualification for unemployment benefits under section 4(a-1)(iii) of the Railroad Unemployment Insurance Act, but were not otherwise creditable compensation under the Railroad Unemployment Insurance Act and the Railroad Retirement Act.

The purpose of the separation allowance disqualification is to preclude paying unemployment benefits to individuals who lack an economic need for such benefits due to the fact that they received a monetary incentive from their employer to resign. The fact that an employee receives what is tantamount to a separation payment from a tax exempt trust rather than from the employer's payroll should not dictate whether the separation disqualification applies. When viewed from this standpoint, the Legal Opinion concluded there was nothing inconsistent in determining that the payments in question were separation payments for purposes of the disqualification, but were not creditable compensation under the Railroad Retirement Act or Railroad Unemployment Insurance Act.

Legal Opinion L-97-42 concerned whether an employee may qualify to have his annuity increased under the overall minimum computation if he adopts a child. The overall minimum provision of the Railroad Retirement Act provides that the total monthly benefits paid to a disabled or retired railroad employee and his/her spouse will not be less than the amount that would have been payable to the employee's family, including minor children, under the Social Security Act if the employee's earnings had been creditable under that Act rather than the Railroad Retirement Act. The employee in this case was granted a period of disability effective February 1, 1989, and his annuity began to accrue November 1, 1989. The employee's annuity had not previously been paid under the overall minimum.

The Board's regulations provide that a child adopted after the employee's annuity beginning date can be included in the overall minimum if the overall minimum is payable in the month before the month the adoption takes place. In addition, a child adopted after the annuity beginning date can be included in the overall minimum if the child meets the dependency requirements set forth in the Board's regulations.

Given the facts in this case, it was concluded that the child could not be included under the overall minimum at this time. However, the employee may qualify for the overall minimum in the future when he attains age 62.

Legal Opinion L-97-49 dealt with the question of the continuing entitlement of a full-time student who attains age 19 in the summer months of June, July and August. The Board's regulations provide that a student who attains age 19, but has not completed requirements for a high school diploma, will continue to be eligible for benefits until the first day of the first month following the end of the quarter or semester in which he or she is then enrolled. The Board's regulations further provide that a child is deemed to be in full-time attendance at an elementary or secondary school during a period of non-attendance which lasts for 4 months or less, if the child intends to return to school at the end of the period of non-attendance. Therefore, under the Board's regulations, the student who attains age 19 during the summer months may be deemed to be in full-time school attendance, if the student intends to return to school at the end of the summer.

In *Legal Opinion L-97-53*, the Board's General Counsel advised that on October 31, 1997, the U.S. Senate ratified a protocol which amended the Tax Convention between the United States and Canada so as to provide that social security and railroad retirement social security equivalent benefits paid to Canadians are taxable only in the recipient's resident country.

Appeals

Any claimant for benefits under the Railroad Retirement or Railroad Unemployment Insurance Acts may appeal a determination he or she feels is not justified. This appeal must be filed within certain time frames. Appeals are heard and decided by the Bureau of Hearings and Appeals. An appellant who is dissatisfied with the decision on his or her appeal may further appeal the case to the three-member Board within a prescribed period of time.

Railroad Retirement Act

During Fiscal Year 1998, 1,189 appeals were filed with the Bureau of Hearings and Appeals under the Railroad Retirement Act, and the Bureau rendered decisions in 1,370 appeals. The initial or reconsidered decision was sustained in 405 cases and reversed in 859 cases. One hundred six appeals were dismissed and 530 were pending at the end of the year.

Two hundred eight appeals were filed with the Board in Fiscal Year 1998, which, added to the 40 appeals carried over from the previous year, brought the total to be considered to 248. Of 171 decisions, 154 sustained previous rulings of the appeals referee, nine were remanded to the Bureau of Hearings and Appeals, one to the Office of Programs, and seven were dismissed. At the end of the year, 77 appeals were pending before the Board.

Railroad Unemployment Insurance Act

During Fiscal Year 1998, 92 appeals under the Railroad Unemployment Insurance Act were filed with the Bureau of Hearings and Appeals, and the Bureau rendered decisions in 97 appeals. The original decision was sustained in 29 cases and reversed in 54 cases. Fourteen appeals were dismissed, and 51 were pending at the end of the year.

Fifteen appeals were filed with the Board in Fiscal Year 1998, which, added to the five carried over from the previous year, brought the total to be considered to 20. The Board rendered decisions in 13 cases of appeals from the decision of the referee, affirming the decision in 11 of them, vacating one, and dismissing one. At the end of the year, seven appeals were pending before the Board.

STATISTICAL TABLES

Table 1.--Beneficiaries and benefits paid under the Railroad Retirement Act and the Railroad Unemployment Insurance Act, by fiscal year, 1989-1998

Fiscal year	Total[1]	Retirement[2]	Survivor[2]	Unemployment	Sickness
BENEFICIARIES (in thousands)					
1989......	1,024	659	322	33	31
1990......	1,002	650	315	29	28
1991......	980	638	307	30	23
1992......	956	626	301	25	23
1993......	935	615	298	20	22
1994......	912	599	288	21	22
1995......	879	582	282	16	21
1996......	849	565	272	17	20
1997......	830	549	263	15	21
1998......	800	530	254	11	21
BENEFIT PAYMENTS (in millions)					
1989......	$7,027.8	$5,140.9	$1,797.6	$58.8	$30.4
1990......	7,289.3	5,357.0	1,837.6	59.0	35.7
1991......	7,570.9	5,593.2	1,897.6	60.2	19.9
1992......	7,771.7	5,754.0	1,939.9	[3]54.6	23.2
1993......	7,941.6	5,896.0	1,976.2	[3]47.7	21.7
1994......	8,044.9	5,978.9	1,999.9	[3]40.9	25.1
1995......	8,120.6	6,042.9	2,016.3	35.7	25.8
1996......	8,179.1	6,089.1	2,024.4	40.7	24.9
1997......	8,278.6	6,166.3	2,039.4	37.5	35.4
1998......	8,305.9	6,199.0	2,047.5	25.9	33.4

[1] Benefit payments include a small amount of payments for hospital insurance benefits for services in Canada.

[2] Retirement benefits include vested dual benefit and supplemental annuity payments. Survivor benefits include vested dual benefit payments.

[3] Includes extended unemployment benefits paid to claimants with less than 10 years of service and additional extended benefits to those with 10-14 years.

NOTE.-- Number of beneficiaries represents all individuals paid benefits in year. In total number for each year, beneficiaries are counted only once, even though they may have received more than one type of benefit. In fiscal year 1998, 12,500 individuals received both retirement and survivor benefits, 1,000 employees received both unemployment and sickness benefits, and 3,900 employees received benefits under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These figures are partly estimated, and totals for earlier years are similarly adjusted.

Table 2.--Status of the Railroad Retirement, Social Security Equivalent Benefit, Supplemental, and Dual Benefits Payments Accounts, by fiscal year, 1989-1998 (In millions)

	Receipts					Expenditures					
Fiscal year	Tax transfers[1]	Interest and profit on investments	Transfers under financial interchange[2]	Dual benefit transfers[3]	Advances against financial interchange[4]	Benefit payments	Net transfers to administration	Transfers under financial interchange[2]	Repayments of advances against financial interchange	Interest on advances against financial interchange	Balance at end of period[5]
RAILROAD RETIREMENT ACCOUNT											
1989............	[6]$2,447.5	$699.1	....	....	....	[7]$2,477.5	$28.3	....	....	....	[8]$7,879.6
1990............	[9]2,478.1	[9] 734.2	$19.0	....	....	2,523.0	35.2	....	....	....	8,644.8
1991............	2,491.4	810.5	....	....	....	2,618.3	41.0	....	....	....	9,284.7
1992............	2,605.6	1,157.0	....	....	....	2,715.7	49.2	....	....	....	10,270.5
1993............	2,334.2	754.1	....	....	....	2,799.4	49.5	....	....	....	[10]10,692.2
1994............	[11]2,619.1	879.0	....	....	....	2,847.6	49.7	....	....	....	11,286.1
1995............	[12]2,523.9	[13] 1,071.0	....	....	....	[14]2,906.1	50.5	....	....	....	11,926.4
1996............	[15]2,474.7	[16] 913.0	....	....	....	2,854.5	50.8	....	....	....	12,352.5
1997............	2,518.7	[17] 1,348.9	....	....	....	[17]2,225.5	47.1	....	....	....	13,972.3
1998............	2,660.8	1,730.2	....	....	....	2,888.3	49.5	....	....	....	15,451.2
SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT[18]											
1989............	[6]$1,790.6	$52.9	$2,933.5	....	$2,502.6	[19]$4,003.4	$23.5	$378.8	$2,422.8	$235.8	[8]$821.2
1990............	1,754.4	62.2	3,030.1	....	2,577.4	4,223.8	33.7	367.4	2,499.4	256.5	864.2
1991............	1,797.8	70.9	3,456.7	....	2,764.9	4,434.8	25.0	352.2	2,594.3	260.6	1,287.1
1992............	1,895.7	119.2	3,206.4	....	2,907.9	4,571.0	28.5	374.5	2,762.6	261.8	1,417.6
1993............	1,850.8	73.4	3,435.4	....	2,939.9	4,685.3	25.3	400.5	2,914.5	250.8	1,440.6
1994............	[11]1,849.5	76.2	3,525.5	....	3,019.3	4,768.0	24.1	412.9	2,920.8	232.5	1,552.6
1995............	[12]1,924.3	[13] 75.2	4,120.1	....	3,077.9	[14]4,811.3	26.7	396.1	3,023.7	226.8	2,265.0
1996............	[15]1,918.3	[16] 123.3	3,556.3	....	3,150.1	4,939.4	23.3	401.3	3,081.1	248.4	2,319.4
1997............	2,046.5	[17](116.2)	3,747.2	....	3,183.9	[17]5,681.4	25.3	419.1	3,154.8	244.2	1,656.1
1998............	2,208.7	90.7	3,819.1	....	3,145.1	5,078.8	26.2	419.4	3,183.9	246.1	1,965.2

See footnotes at end of table.

Table 2.--Status of the Railroad Retirement, Social Security Equivalent Benefit, Supplemental, and Dual Benefits Payments Accounts, by fiscal year, 1989-1998 (In millions) - Continued

	Receipts					Expenditures					
Fiscal year	Tax transfers[1]	Interest and profit on investments	Transfers under financial interchange[2]	Dual benefit transfers[3]	Advances against financial interchange[4]	Benefit payments	Net transfers to administration	Transfers under financial interchange[2]	Repayments of advances against financial interchange	Interest on advances against financial interchange	Balance at end of period[5]
RAILROAD RETIREMENT SUPPLEMENTAL ACCOUNT											
1989.............	[6]$112.1	$3.6	....	....	....	$111.8	$1.9	....	....	....	[8]$47.9
1990.............	105.8	3.7	....	....	....	108.0	2.4	....	....	....	47.0
1991.............	95.0	3.0	....	....	....	106.0	2.0	....	....	....	37.1
1992.............	100.0	2.3	....	....	....	102.1	2.3	....	....	....	34.9
1993.............	112.6	2.0	....	....	....	98.5	2.3	....	....	....	48.7
1994.............	[11]88.1	1.5	....	....	....	94.0	2.3	....	....	....	42.1
1995.............	[12]77.0	[13]1.1	....	....	....	90.3	2.3	....	....	....	27.6
1996.............	[15]68.3	[16](20.5)	....	....	....	86.2	2.2	....	....	....	41.2
1997.............	103.6	(0.9)	....	....	....	82.4	2.2	....	....	....	35.3
1998.............	118.1	0.7	....	....	....	78.6	2.0	....	....	....	41.0
DUAL BENEFITS PAYMENTS ACCOUNT[20]											
1989.............	....	....	....	$350.7	....	$345.9	....	....	....	....	$4.8
1990.............	....	....	....	340.0	....	339.8	....	....	....	....	0.2
1991.............	....	....	....	[21]337.4	....	331.8	....	....	....	....	5.6
1992.............	....	....	....	319.1	....	305.0	....	....	....	....	14.1
1993.............	....	....	....	294.0	....	289.2	....	....	....	....	4.9
1994.............	....	....	....	277.0	....	269.4	....	....	....	....	7.6
1995.............	....	....	....	254.0	....	251.5	....	....	....	....	2.5
1996.............	....	....	....	239.0	....	233.4	....	....	....	....	5.3
1997.............	....	....	....	223.0	....	216.4	....	....	....	....	6.6
1998.............	....	....	....	205.5	....	200.9	....	....	....	....	4.6

See footnotes at end of table.

Table 2.--Status of the Railroad Retirement, Social Security Equivalent Benefit, Supplemental, and Dual Benefits Payments Accounts, by fiscal year, 1989-1998 (In millions) - Continued

[1] Includes Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended. In fiscal years 1989-1994, the Railroad Retirement Account includes repayment taxes under Chapter 23A of the Internal Revenue Code, as amended, applied against outstanding loans due from the Railroad Unemployment Insurance Account.

[2] Transfers to or from OASDHI Trust Funds under section 5(k)(2) of the 1937 Railroad Retirement Act and section 7(c)(2) of the 1974 Railroad Retirement Act. Fiscal year 1990 includes reversal of prior year transfers between the Railroad Retirement and Social Security Equivalent Benefit Accounts representing adjustments for years for which the interchange was with the Railroad Retirement Account.

[3] Transfers from U.S. Treasury under section 15(d) of the Railroad Retirement Act of 1974. Beginning fiscal year 1989, includes Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended.

[4] Advances, including interest, from U.S. Treasury to offset lag in receipt of financial interchange funds under section 7(c)(4) of the 1974 Railroad Retirement Act as amended.

[5] Through fiscal year 1995, all Account balances include liabilities for uncashed check credits received from U.S. Treasury. Beginning in fiscal year 1996, only the Railroad Retirement Account balance reflects these credits. The Railroad Retirement Account balance also reflects (a) the current net difference between Board payments of social security benefits and the receipt of reimbursements for such payments, (b) credits for undistributed payment returns and recoveries, and (c) loans to and repayments from the Railroad Unemployment Insurance or the Supplemental Accounts. Beginning fiscal year 1996, the Supplemental Account balance reflects loans from and repayments (including interest) to the Railroad Retirement Account. The Dual Benefits Payments Account balance does not carry over to the following year.

[6] Includes positive adjustments for payroll tax errors in fiscal years 1986 through 1988: Railroad Retirement Account $50.8 million, Social Security Equivalent Benefit Account $41.1 million, Supplemental Account $2.9 million.

[7] Includes $45.9 million in adjustments for fiscal years 1985 through 1987.

[8] Reflects adjustments for prior years.

[9] Net of adjustments for payroll tax refunds for prior years: $27.8 million in taxes and $56.9 million in interest.

[10] Reflects payment during the year of the entire debt balance from the Railroad Unemployment Insurance Account, $83.1 million in principal and $97.1 million in interest.

[11] Reflects adjustments for current and prior fiscal years for carrier refunds and misclassified taxes: +$26.3 million for the Railroad Retirement Account, -$6.5 million for the Social Security Equivalent Benefit Account and +$5.9 million for the Supplemental Account. The Railroad Retirement Account also includes an income tax transfer adjustment of +$193 million for fiscal year 1993.

[12] Net of U.S. Treasury adjustments for payroll tax refunds to certain carriers and their employees for prior years: Railroad Retirement Account $19.3 million, Social Security Equivalent Benefit Account $9.9 million, and Supplemental Account $0.8 million.

[13] Net of interest on U.S. Treasury adjustments for payroll tax refunds: Railroad Retirement Account $28.5 million, Social Security Equivalent Benefit Account $10.0 million, and Supplemental Account $1.1 million. Also reflects interest on benefit payment adjustments for fiscal years 1985 through 1994: Railroad Retirement Account +$28.4 million, and Social Security Equivalent Benefit Account -$28.4 million.

[14] Reflects transfers between the Railroad Retirement and Social Security Equivalent Benefit Accounts for benefit payment adjustments for fiscal years 1985 through 1994: Railroad Retirement Account +$53.7 million, Social Security Equivalent Benefit Account -$53.7 million.

[15] Net of U.S. Treasury adjustments for payroll tax refunds to certain carriers and their employees for prior years: Railroad Retirement Account $36.4 million, Social Security Equivalent Benefit Account $26.8 million, and Supplemental Account $29.9 million. Reflects adjustment for misclassified supplemental annuity tax refunds for fiscal year 1996 and prior fiscal years: Railroad Retirement Account -$13.4 million, Social Security Equivalent Benefit Account -$14.5 million, and Supplemental Account +$27.9 million.

[16] Net of interest on U.S. Treasury adjustments for payroll tax refunds: Railroad Retirement Account $11.3 million, Social Security Equivalent Benefit Account $8.0 million, and Supplemental Account $22.5 million. Reflects adjustment for misclassified supplemental annuity tax refunds for fiscal year 1996 and prior fiscal years: Railroad Retirement Account -$11.0 million, Social Security Equivalent Benefit Account -$10.8 million, and Supplemental Account +$21.8 million.

[17] Reflects adjustment in benefit payments (Railroad Retirement Account -$676.8 million, Social Security Equivalent Benefit Account +$676.8 million) charged to the Social Security Equivalent Benefit Account for October 1984 - December 1995, as compared to actual financial interchange benefits, with interest (Railroad Retirement Account +$241.6 million, Social Security Equivalent Benefit Account -$241.6 million) through August 1, 1997.

[18] Established October 1, 1984, to keep track of the financing and payment of social security level portions of railroad retirement benefits.

[19] Net of $62.1 million in adjustments for fiscal years 1985 through 1988.

[20] Established October 1, 1981, to keep track of the financing and payment of vested dual benefits.

[21] Includes $10.5 million in interest on the invested appropriation.

Table 3-Status of the Railroad Unemployment Insurance Account, by fiscal year, 1994-1998 (In thousands)

Item	Fiscal year 1994	1995	1996	1997	1998
RECEIPTS					
Taxes	$8,781	$5,806	$6,232	$11,194	$49,797
Interest	17,077	[1]14,587	11,015	7,008	4,539
Transfer from Administration fund under sec. 11(d) of the RUI Act	....	538	689	694	2,993
Undistributed recoveries of benefit payments[2]	(513)	309	(84)	(339)	354
Loan repayment tax transfer from RR Account	32,733	....	....	....	....
Total	$58,078	$21,240	$17,851	$18,557	$57,683
EXPENDITURES					
Benefit payments	[3]$65,967	$61,440	$65,576	$72,868	$59,317
Funding for Office of Inspector General	1,426	1,218	1,186	1,030	1,089
Net transfer to SMIF	165	59	21	....	....
Total	$67,557	$62,717	$66,783	$73,898	$60,406
Cash balance end of period	[1]$211,608	$173,608	$124,676	$69,335	$66,611

[1] The cash balance at the beginning of fiscal year 1995 was increased $3,478,000 to $215,085,000 and fiscal year 1995 interest was decreased $3,478,000 due to a fiscal year 1994 audit adjustment.

[2] Net of distributed payments.

[3] Includes benefits under Title V of the Emergency Unemployment Compensation Act of 1991, as amended, which provided extended unemployment benefits to claimaints with less than 10 years of service and additional extended benefits to those with 10-14 years.

Table 4-Status of the RUIA Administration Fund, by fiscal year, 1989-1998 (In thousands)

Fiscal year	Taxes and interest	Administrative expenditures[1]	Transfer to Railroad Unemployment Insurance Account under Sec. 11d[2]	Balance at end of period
1989....................................	$15,646	$13,584	....	$4,388
1990....................................	17,398	15,559	$1,412	6,227
1991....................................	18,482	18,892	3,762	5,817
1992....................................	18,560	20,331	3,572	4,046
1993....................................	16,703	17,716	1,064	3,034
1994....................................	17,416	16,484	....	[3]3,965
1995....................................	[3]17,597	16,462	538	4,634
1996....................................	17,373	16,497	689	4,821
1997....................................	16,891	16,136	694	4,883
1998....................................	19,081	13,123	2,993	7,849

[1] Expenditures for each year included encumbrances as of end of year.

[2] Transfers to the Railroad Unemployment Insurance Account are based on an accrual balance of $6,000,000 on September 30.

[3] The cash balance at the beginning of fiscal year 1995 was increased $72,000 to $4,037,000 and fiscal year 1995 interest was decreased $72,000 due to a fiscal year 1994 audit adjustment.

Table 5-Number and average amount of retirement and survivor annuities in current-payment status at end of year, by type of annuitant and fiscal year, 1989-1998

Fiscal year	Total[1]	Retired employees: Age	Retired employees: Disability	Retired employees: Supple-mental	Spouses and divorced spouses	Aged widow(er)s[2]	Disabled widow(er)s	Widowed mothers (fathers)[2]	Children	Remarried widow(er)s	Divorced widow(er)s[2]
NUMBER AT END OF YEAR											
1989	1,111,630	321,420	81,035	197,610	220,483	253,318	7,296	2,191	16,461	5,453	6,258
1990	1,094,112	316,049	79,996	194,615	218,475	246,892	7,229	2,078	16,330	5,649	6,700
1991	1,074,199	309,535	79,192	190,650	215,733	241,032	7,058	1,956	16,082	5,783	7,082
1992	1,050,546	302,184	78,474	186,146	212,036	233,809	6,904	1,829	15,910	5,785	7,382
1993	1,024,439	293,454	78,282	180,603	206,967	227,087	6,799	1,786	15,722	5,925	7,731
1994	996,280	284,168	78,183	174,505	201,327	220,021	6,620	1,735	15,463	6,023	8,152
1995	967,175	274,603	78,566	168,231	195,082	212,639	6,525	1,617	15,302	6,071	8,457
1996	936,428	265,030	78,647	161,806	188,281	204,969	6,371	1,525	14,960	6,066	8,690
1997	906,741	255,664	79,063	155,721	181,399	197,447	6,202	1,462	14,665	6,064	8,976
1998	875,905	245,900	79,017	149,260	174,467	190,222	6,031	1,427	14,347	6,045	9,116
AVERAGE AMOUNT											
1989	....	$860	$811	$46	$355	$521	$480	$526	$465	$328	$360
1990	....	909	869	45	372	546	501	554	487	350	383
1991	....	964	936	45	393	578	528	596	514	376	410
1992	....	1,010	996	45	410	604	549	626	532	399	430
1993	....	1,052	1,052	44	426	628	568	734	550	419	448
1994	....	1,091	1,108	44	441	652	586	804	567	441	468
1995	....	1,133	1,171	44	456	680	607	844	589	463	487
1996	....	1,175	1,228	43	471	708	628	882	608	484	505
1997	....	1,223	1,291	43	487	740	650	916	627	507	526
1998	....	1,264	1,346	43	502	768	672	957	646	531	546

[1] Includes annuities to parents. On September 30, 1998, there were 73 parents' annuities in current-payment status averaging $570.

[2] Numbers include annuities temporarily being paid at spouse annuity rates, pending final adjudication of survivor annuities.

NOTE.--Data exclude survivor (option) annuities. On September 30, 1998, there were 9 survivor (option) annuities in current-payment status averaging $82.

Table 6-Number and average amount of retirement and survivor annuities awarded during year, by type of annuitant and fiscal year, 1989-1998

Fiscal year	Total[1]	Retired employees: Age	Retired employees: Disability	Retired employees: Supple-mental	Spouses and divorced spouses	Aged widow(er)s	Disabled widow(er)s	Widowed mothers (fathers)	Children	Remarried widow(er)s	Divorced widow(er)s
NUMBER AWARDED											
1989	66,572	16,375	4,494	9,534	19,583	13,540	265	318	1,113	566	775
1990	60,743	14,497	4,489	8,703	17,036	12,793	299	338	1,199	562	815
1991	55,181	12,446	4,566	7,422	15,641	12,232	267	277	1,087	471	762
1992	52,298	11,645	4,553	7,079	14,442	11,700	251	269	1,092	490	764
1993	49,014	9,965	4,849	5,877	12,719	12,529	272	272	1,023	601	900
1994	44,378	9,000	4,885	5,320	11,847	10,631	229	241	909	469	836
1995	42,072	7,962	5,094	4,715	10,407	11,021	297	222	1,074	419	853
1996	38,635	7,415	4,878	4,414	9,576	9,979	233	204	825	365	737
1997	38,293	7,422	4,872	4,494	9,175	9,868	240	222	855	381	757
1998	36,508	6,756	4,620	4,399	8,739	9,566	248	236	851	360	727
Cumulative 1937-1998	4,563,956	1,359,689	462,848	409,426	1,044,275	928,231	15,642	83,095	229,649	12,312	15,299
AVERAGE AMOUNT											
1989	....	$992	$1,124	$42	$342	$570	$531	$523	$507	$388	$378
1990	....	1,062	1,188	41	385	620	575	579	546	408	420
1991	....	1,124	1,252	41	419	676	595	630	602	417	462
1992	....	1,202	1,323	41	439	707	659	652	625	454	478
1993	....	1,223	1,354	41	448	740	676	843	664	483	496
1994	....	1,277	1,431	41	464	784	713	869	686	521	527
1995	....	1,346	1,504	41	482	820	737	927	713	541	537
1996	....	1,435	1,527	41	505	858	770	955	741	594	564
1997	....	1,506	1,593	41	521	888	782	868	760	607	564
1998	....	1,579	1,649	41	545	920	810	908	805	642	599

[1] Includes annuities to parents. Fiscal year 1998 total includes 6 annuities to parents averaging $680. Cumulative total includes 3,490 annuities to parents

NOTE.--Cumulative figures reflect adjustments not made in yearly data, but average amounts for each year include effects of changes in rates made by the end of the year.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 1998, by class and state (Amounts in thousands)

State[1]	Total		Retirement benefits[2]		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Alabama	13,800	$10,908	9,800	$ 7,902	4,100	$ 3,005
Alaska	300	179	200	135	100	44
Arizona	15,200	11,466	11,800	8,923	3,500	2,543
Arkansas	12,600	10,086	9,300	7,725	3,200	2,362
California	52,700	39,044	39,000	29,233	13,700	9,810
Colorado	11,300	8,966	8,300	6,697	3,000	2,269
Connecticut	4,700	3,553	3,400	2,628	1,300	925
Delaware	2,600	2,090	1,800	1,516	700	574
Washington DC	1,200	725	900	506	300	219
Florida	47,300	35,666	36,300	27,947	11,000	7,719
Georgia	20,900	16,546	15,300	12,484	5,600	4,062
Hawaii	400	173	300	128	100	46
Idaho	6,800	5,397	5,300	4,231	1,500	1,166
Illinois	56,900	43,569	42,600	33,011	14,300	10,558
Indiana	24,100	19,258	17,900	14,571	6,200	4,688
Iowa	14,100	10,793	10,600	8,165	3,500	2,628
Kansas	20,600	16,501	15,700	12,708	4,900	3,793
Kentucky	21,000	17,098	15,400	12,894	5,500	4,204
Louisiana	12,100	9,561	8,900	7,036	3,300	2,525
Maine	4,800	3,829	3,600	2,889	1,200	940
Maryland	16,100	12,722	11,800	9,469	4,200	3,253
Massachusetts	8,500	5,970	6,100	4,271	2,400	1,698
Michigan	22,000	17,389	16,900	13,587	5,100	3,802
Minnesota	25,800	20,031	19,700	15,429	6,100	4,602
Mississippi	8,500	6,614	6,100	4,897	2,400	1,717
Missouri	29,500	22,452	21,900	16,914	7,600	5,538
Montana	9,200	7,474	7,200	5,869	2,000	1,605
Nebraska	14,900	12,211	11,400	9,510	3,400	2,701
Nevada	4,800	3,747	3,800	2,983	1,000	764
New Hampshire	1,500	1,061	1,100	750	400	311
New Jersey	16,300	12,582	11,800	9,299	4,600	3,283
New Mexico	7,200	5,511	5,500	4,176	1,800	1,335
New York	38,400	28,357	27,500	20,833	10,900	7,524
North Carolina	14,500	11,280	10,700	8,508	3,900	2,772
North Dakota	5,000	4,062	3,700	3,086	1,200	976

See footnotes at end of table.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 1998, by class and state (Amounts in thousands) - Continued

State[1]	Total		Retirement benefits[2]		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Ohio	47,400	$37,554	34,700	$27,719	12,700	$ 9,835
Oklahoma	7,800	5,948	5,600	4,405	2,100	1,544
Oregon	13,400	10,348	10,300	8,019	3,100	2,329
Pennsylvania	67,400	53,377	48,500	38,744	18,900	14,634
Rhode Island	1,100	726	700	507	300	219
South Carolina	8,600	6,836	6,300	5,127	2,300	1,709
South Dakota	1,900	1,429	1,400	1,039	500	390
Tennessee	17,300	13,271	12,100	9,572	5,200	3,699
Texas	48,200	37,938	35,500	28,199	12,700	9,739
Utah	8,900	7,008	6,700	5,284	2,200	1,725
Vermont	1,700	1,208	1,300	877	500	331
Virginia	26,400	21,442	19,200	16,124	7,200	5,318
Washington	17,200	13,657	13,200	10,644	4,000	3,013
West Virginia	15,700	12,706	11,500	9,421	4,200	3,286
Wisconsin	16,600	12,678	12,600	9,738	4,000	2,940
Wyoming	4,500	3,632	3,500	2,811	1,000	821
Outside United States:						
Canada	4,500	2,462	3,100	1,515	1,400	947
Mexico	700	458	400	253	300	205
Other	1,000	643	500	350	500	293
Total	875,900	$680,196	648,600	$511,258	227,300	$168,937

[1] State of residence of beneficiary on September 30, 1998.

[2] Includes 149,300 supplemental annuities to employees receiving regular annuities. In a relatively small number of cases, employees were also receiving spouse or widow(er)'s benefits.

NOTE.--Retirement benefits include regular and supplemental employee annuities, spouse annuities and divorced spouse annuities. Survivor benefits include annuities to aged and disabled widow(er)s, widowed mothers and fathers, remarried and divorced widow(er)s, children, parents, survivor (option) annuities, and widow(er)s annuities temporarily being paid at spouse annuity rates pending final adjudication of survivor annuities. Benefit amounts exclude social security payments to dual beneficiaries.

Table 8- Principal administrative data for the unemployment and sickness benefit programs, benefit years 1993-1994 through 1997-1998

Item	1993-1994	1994-1995	1995-1996	1996-1997	1997-1998
Qualified employees................................	302,053	294,764	289,048	284,826	276,628
Maximum daily benefit rate......................	$33	$36	$36	$42	$43
UNEMPLOYMENT BENEFITS					
Net amount of benefits paid (thousands)	[1]$40,441	$37,357	$40,678	$38,249	$27,034
Payments:[2]					
Number...	158,700	129,900	134,800	105,500	71,500
Average amount per two week claim period..	$293.38	$312.84	$314.31	$357.69	$375.04
Beneficiaries...	18,600	18,700	16,800	15,300	11,300
Applications received...............................	22,600	23,700	22,400	19,500	13,700
Claims received..	187,700	158,000	162,400	130,200	86,800
Normal benefit accounts exhausted........	4,000	2,900	3,400	2,700	2,100
Non-compensable waiting period only[3]..	1,400	1,200	1,900	1,400	200
SICKNESS BENEFITS					
Net amount of benefits paid (thousands)	$25,437	$24,198	$25,759	$32,475	$33,058
Payments:[2]					
Number...	170,000	163,000	162,900	154,600	147,500
Average amount per two week claim period..	$312.94	$336.36	$337.84	$372.03	$385.40
Beneficiaries...	21,600	21,000	20,400	20,500	20,500
Applications received...............................	30,900	29,100	28,000	27,400	26,600
Claims received..	205,100	196,200	194,100	184,300	171,100
Normal benefit accounts exhausted........	4,700	4,300	4,400	4,300	4,300
Non-compensable waiting period only[3]..	3,100	2,900	2,700	1,300	200

[1] Includes benefits under Title V of the Emergency Unemployment Compensation Act of 1991, as amended, which provided extended unemployment benefits to claimants with less than 10 years of service and additional extended benefits to those with 10-14 years.

[2] Not adjusted for recoveries or settlements of underpayments.

[3] Prior to the October 1996 legislation, no benefits were payable for the first claim in a benefit year, generally resulting in a 2-week waiting period. As a result of the legislation, benefits are payable for each day of unemployment or sickness in excess of 7 during the first 14-day registration period in a benefit year.

NOTE.--Data covered program activities during the year, regardless of when unemployment or sickness occurred.

Table 9.-- All employees, new entrants, employees qualified for RUIA benefits, and related data, by employer, 1997

Class or name of employer	All employees				New entrants		Creditable Compensation (thousands)		
	Total	With 12 Months of service in 1997	With 10 or more years of service	Qualified for RUIA benefits	Total	Qualified for RUIA benefits	Tier I	Tier II	RUIA
CLASS OF EMPLOYER									
Class I railroads……………………………………..	228,674	189,409	171,980	218,627	11,605	6,473	$ 10,020,359	$ 8,999,704	$2,238,134
Class II railroads…………………………………….	11,249	8,450	6,749	10,417	1,085	640	420,276	391,826	103,980
Class III railroads…………………………………..	32,732	25,240	18,989	30,150	2,723	1,446	1,343,224	1,200,527	304,500
Switching and terminal companies………………	7,011	5,320	4,679	6,171	484	181	261,894	242,651	63,137
Car-loan companies…………………………………	2,975	2,516	1,405	2,882	130	74	111,010	106,065	29,505
Miscellaneous employers[1]…………………………	4,823	3,556	2,772	4,197	513	218	193,244	166,871	41,732
Total…………………………………………………	287,464	234,491	206,574	272,444	16,540	9,032	$12,350,006	$11,107,644	$2,780,988
SELECTED EMPLOYERS									
Burlington Northern and Santa Fe Ry. Co.........	50,537	42,131	35,409	48,722	3,474	2,337	2,318,176	2,051,262	498,961
Consolidated Rail Corp. (Conrail)……………….	22,188	18,491	18,984	21,338	197	100	992,315	888,138	216,200
CSX Transportation Inc……………………………	31,741	26,457	27,426	30,617	1,177	604	1,390,963	1,267,430	313,452
Grand Trunk Western RR. Co……………………..	2,605	2,060	2,157	2,526	24	15	110,787	100,312	25,385
Illinois Central Gulf RR. Co………………………..	3,509	2,926	3,000	3,313	135	80	159,821	140,378	34,087
Kansas City Southern Ry. Co……………………..	2,650	2,271	1,822	2,563	147	95	119,265	106,486	26,436
Soo-Kansas City Southern Joint Agency……….	149	123	112	145	6	3	6,058	5,765	1,496
National Railroad Passenger Corp. (Amtrak)…..	26,112	20,360	15,657	24,580	1,968	1,025	947,524	892,430	249,012
Norfolk Southern Corp……………………………..	25,272	21,425	18,970	24,288	1,494	917	1,067,647	978,571	250,069
Soo Line RR. Co……………………………………..	3,994	2,974	2,902	3,782	158	57	163,197	150,478	37,755
Union Pacific RR. Co………………………………..	59,917	50,191	45,541	56,753	2,825	1,240	2,744,606	2,418,455	585,280

[1] Includes labor organizations, lessor companies, employer associations and miscellaneous carrier affiliates.

NOTE.--Tier I compensation excludes miscellaneous compensation taxable at the tier I tax rate.