Railroad Retirement System

Annual Report Required by Railroad Retirement Act of 1974 and Railroad Retirement Solvency Act of 1983

U.S. Railroad Retirement Board
Bureau of the Actuary

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ANNUAL ACTUARIAL REPORT REQUIRED BY RAILROAD RETIREMENT ACT OF 1974 AND RAILROAD RETIREMENT SOLVENCY ACT OF 1983

I. INTRODUCTION

Section 22 of the Railroad Retirement Act of 1974 requires the Railroad Retirement Board to prepare an annual report containing a five-year projection of revenues to and payments from the Railroad Retirement Account and to submit the report to the President and the Congress by July 1. The report must also contain a five-year projection of the account benefits ratio and average account benefits ratio. If the five-year projection indicates that funds in the Railroad Retirement Account will be insufficient to pay full benefits, (1) representatives of railroad employees, railroad carriers and the President must submit proposals to the Congress to preserve the financial solvency of the Railroad Retirement Account, and (2) the Railroad Retirement Board must issue regulations to reduce annuity levels during any fiscal year in which there would be insufficient funds to make full payments.

Section 502 of the Railroad Retirement Solvency Act of 1983 requires the Railroad Retirement Board to prepare an annual report on the actuarial status of the railroad retirement system and to submit the report to the Congress by July 1. The report must contain recommendations for any financing changes which might be advisable, including (1) changes in the tax rates, and (2) whether any part of the taxes on employers should be diverted to the Railroad Unemployment Insurance Account to aid in the repayment of its debt to the Railroad Retirement Account.

This report is intended to meet the requirements of Section 22 and Section 502 for 2004.

II. RAILROAD EMPLOYMENT

Over the years, the main source of income to the railroad retirement system has been a payroll tax on railroad employment. The amount of income that the tax produces is directly dependent on the number of railroad employees covered under the system.

An abbreviated history of average railroad employment from 1955 through 2000 is shown in the following table.

Year	Average employment for year	Average annual rate of decline for the 5-year period ending with the year
1955	1,239,000	
1960	909,000	6.0%
1965	753,000	3.7

1970	640,000	3.2
1975	548,000	3.1
1980	532,000	0.6
1985	372,000	6.9
1990	296,000	4.5
1995	265,000	2.2
2000	246,000	1.5

Between 1955 and 2000, the average annual rate of decline was 3.5 percent. Since 2000, average employment and rates of decline have been as follows:

Year	Average employment for year	Annual rate of decline from previous year
2001	238,000	3.3%
2002	229,000	3.8
2003	223,000	2.6

Two things become clear from the figures shown -- (1) railroad employment has continued to decline over a long period of years, and (2) the rate of decline has been irregular.

Three employment assumptions were used in the 22nd actuarial valuation, which served as the 2003 annual report required by Section 502. Employment assumptions I and II were based on a model developed by the Association of American Railroads, and assumed that (1) passenger employment would remain at the level of 44,000, and (2) the employment base, excluding passenger employment, would decline at a constant annual rate (1.5 percent for assumption I and 3.0 percent for assumption II) for 25 years, at a reducing rate over the next 25 years, and remain level thereafter. Employment assumption III differed from employment assumptions I and II by assuming that (1) passenger employment would decline by 500 per year until a level of 35,000 was reached and then remain level, and (2) the employment base, excluding passenger employment, would decline at a constant annual rate of 4.5 percent for 25 years, at a reducing rate over the next 25 years, and remain level thereafter.

The projected average employment for 2003, based on the three employment assumptions used in the 2003 report, ranged from 224,000 to 218,000. The actual average employment for 2003 was 223,000 (subject to later adjustment), which is within the range of projected amounts. Passenger employment at the end of calendar year 2003 was estimated to be 42,000. Based on this result, it was decided to use 2003 average employment as a starting point in this year's report and continue the use of the rates of decline used in the 22nd valuation. In this year's report, for employment assumptions I and II, passenger employment is assumed to remain level at 42,000. For employment assumption III, passenger employment is assumed to decline by 500 per year until a level of 35,000 is reached and then remain level. These assumptions are shown in Table 1.

III. RESULTS

Projections were made for the various components of income and outgo under each employment assumption for the 25 calendar years 2004-2028. The projections of these components were combined and the investment income calculated to produce the projected balances in the accounts at the end of each projection year. The results are summarized in Table 2 and Figure 1.

Table 2 consists of three tables, one for each of employment assumptions I, II and III. The tables show, for the Social Security Equivalent Benefit Account (SSEBA) and the combined National Railroad Retirement Investment Trust (NRRIT) and Railroad Retirement Account (RRA), (1) the various elements of income and outgo, (2) the account balance on December 31, and (3) the account benefits ratio[1] (ABR) and average account benefits ratio (AABR).

Table 2 indicates that cash flow problems arise only under employment assumption III, and not until 2026. The results shown in Table 2 will be discussed separately for the SSEBA and the combined NRRIT and RRA.

A. Social Security Equivalent Benefit Account

The SSEBA pays the social security level of benefits and administrative expenses allocable to those benefits, and it receives as income the social security level of taxes. The SSEBA also receives or pays the financial interchange transfers between the railroad retirement and social security systems. The financial interchange transfer, subject to the qualification in the next paragraph, should be enough to offset any surplus or deficit for the year. The SSEBA can thus be regarded as automatically funded, the financial interchange being the mechanism for correcting any surplus or deficiency.

The qualification mentioned in the preceding paragraph arises because, in a relatively small number of cases, the railroad retirement system does not pay benefits when the social security system would. In these cases, mainly dependent children of retired railroad employees, the SSEBA collects an amount through the financial interchange but does not pay a corresponding benefit. This imbalance between outgo and income is small in any particular year.

The SSEBA must from time to time transfer to the NRRIT or RRA amounts not needed to pay current benefits and administrative expenses in such a manner as to maximize investment return to the Railroad Retirement system.

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[1] At the end of each fiscal year (September 30), an Account Benefits Ratio (ABR) is calculated by dividing the fair market value of the assets in the RRA and of the NRRIT (and for years before 2002, the SSEBA) as of the close of such fiscal year by the total benefits and administrative expenses paid from the RRA and the NRRIT during such fiscal year. The Average Account Benefits Ratio (AABR), with respect to any calendar year, is then calculated as the average of the account benefits ratios for the 10 most recent fiscal years ending before such calendar year. If the AABR is not a multiple of 0.1, it is increased to the next highest multiple of 0.1. The tier 2 tax rate is determined from a tax rate table based on the AABR.

The SSEBA is assumed to maintain a target balance of approximately 1.5 months of benefit payments in order to meet benefit obligations and contingencies, and transfer any excess to the NRRIT. However, if the NRRIT runs into cash flow problems, the SSEBA is assumed to transfer enough of its accumulated funds to the NRRIT to provide for benefit payments until the SSEBA is exhausted. Thereafter, the SSEBA is assumed to transfer to the NRRIT any excess of income over outgo, maintaining a zero balance.

The projected balance in the SSEBA falls below 1.5 months of benefits in 2006 and periodically thereafter due to expected quinquennial transfers to social security for pre-1957 military service benefit costs required by P.L. 88-133.

B. Railroad Retirement Account and National Railroad Retirement Investment Trust

The RRA receives tier 2 payroll taxes and income taxes on tier 2 and excess tier 1 benefits. The RRA is required to pay administrative expenses and transfer amounts in excess of the amount needed for administrative expenses to the NRRIT. The NRRIT is required to receive transfers from the RRA and SSEBA, and pay tier 2, excess tier 1 and supplemental annuity benefits, and administrative expenses.

The tier 2 payroll tax rate is determined from a tax rate table based on the AABR. The combined employer and employee tier 2 tax rate is 18% for values of the AABR between 4.0 and 6.0, inclusive. A maximum rate of 27% is reached when the AABR falls below 2.5 and a minimum rate of 8.2% is reached when the AABR reaches 9.0. Since the AABR is a 10-year average of the ABR's, whether the AABR in a given year increases or decreases from the prior year depends solely on whether the ABR in the prior year is greater or less than the ABR 10 years earlier.

Under employment assumption I (Table 2-I), the combined NRRIT and RRA balance grows through 2010 and then begins to decline. After reaching a minimum in 2022, the balance increases through the end of the projection period. The combined employer and employee tier 2 tax rate decreases to 16% in 2007-2013, and then increases to 18% in 2016-2028.

Under employment assumption II (Table 2-II), the combined NRRIT and RRA balance grows through 2009 and then declines. The ABR and AABR fall below 4.0 in 2018 and 2024, respectively. The tier 2 tax rate decreases to 16% in 2007-2013 and then increases until reaching a level of 23% in 2028.

Under employment assumption III (Table 2-III), the combined NRRIT and RRA balance grows through 2008 and then declines. The ABR declines throughout the projection period, falling below 4.0 and 2.5 in calendar years 2016 and 2020, respectively. Due to the effect of 10-year averaging, the AABR first increases to 6.7 in 2009-2010, and then declines throughout the remainder of the projection period, falling below 4.0 and 2.5 in 2022 and 2026, respectively. As a result, the tier 2 tax rate first decreases to 16% in

2007-2012, then increases reaching the maximum rate of 27% in 2026. The increase in tax rate is not sufficient to offset the decline in account balance, and cash flow problems occur in 2026.

C. Analysis of Results

Under employment assumptions I and II, no cash flow problems occur throughout the 25-year projection period, and the ABR remains above 0.5 in each year. Under employment assumption III, cash flow problems occur in 2026. In order to maintain an ABR of at least 0.5 throughout the projection period under employment assumption III, the increase in tier 2 tax rate to 27% would need to be accelerated to calendar year 2020. Alternatively, increasing the tier 2 tax rate to 18.8% beginning in calendar year 2005 would also maintain an ABR of at least 0.5 throughout the projection period.

The overall conclusion is that, barring a sudden, unanticipated, large decrease in railroad employment or substantial investment losses, the railroad retirement system will experience no cash flow problems for at least 22 years. The long-term stability of the system, however, is still questionable. Under the current financing structure, actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary.

D. Comparison of Results with 2003 Report

The projected account balances are higher due primarily to the actual investment return of approximately 22.6% significantly exceeding the expected investment return of 6% in calendar year 2003. Projected benefit amounts are slightly lower due in part to the lower assumed cost of living increases in 2004 and 2005 in this year's report. Projected tax income differs primarily due to projected changes in tax rates resulting from higher account balances.

IV. RECOMMENDATIONS

As stated in the introduction, this report must contain recommendations with regard to (1) tax rates and (2) whether any part of the taxes on employers should be diverted to the Railroad Unemployment Insurance Account to aid in the repayment of any debt to the RR Account.

A. Tax Rates

This report recommends no change in the rate of tax imposed on employers and employees. The tax adjustment mechanism will automatically increase or decrease tax rates in response to changes in fund balance. Even under a pessimistic employment assumption, this mechanism is expected to prevent cash flow problems for at least 22 years.

B. Diversion of Taxes to Railroad Unemployment Insurance Account

No diversion of taxes from the Railroad Retirement Account to the Railroad Unemployment Insurance Account is recommended at this time. There are currently no loans outstanding from the Railroad Retirement Account to the Railroad Unemployment Insurance Account.

Table 1. Employment, inflation and interest assumptions

Calendar year	Average employment (thousands)			Percentage increase over prior year		Interest rate
	I	II	III	Earnings	Cost of living	
2003	223	223	223	3.0%	1.4%	22.6%
2004	221	218	215	4.0	2.1	8.0
2005	218	213	206	4.0	2.5	8.0
2006	215	208	198	4.0	3.0	8.0
2007	213	203	191	4.0	3.0	8.0
2008	210	198	184	4.0	3.0	8.0
2009	208	193	177	4.0	3.0	8.0
2010	205	189	170	4.0	3.0	8.0
2011	203	184	163	4.0	3.0	8.0
2012	200	180	157	4.0	3.0	8.0
2013	198	176	151	4.0	3.0	8.0
2014	196	172	146	4.0	3.0	8.0
2015	193	168	140	4.0	3.0	8.0
2016	191	164	135	4.0	3.0	8.0
2017	189	160	130	4.0	3.0	8.0
2018	187	157	126	4.0	3.0	8.0
2019	184	153	122	4.0	3.0	8.0
2020	182	150	118	4.0	3.0	8.0
2021	180	147	114	4.0	3.0	8.0
2022	178	144	111	4.0	3.0	8.0
2023	176	141	107	4.0	3.0	8.0
2024	174	138	104	4.0	3.0	8.0
2025	172	135	101	4.0	3.0	8.0
2026	170	132	98	4.0	3.0	8.0
2027	168	129	95	4.0	3.0	8.0
2028	166	127	92	4.0	3.0	8.0

Table 2-I. Progress of the Combined National Railroad Retirement Investment Trust (NRRIT) and Railroad Retirement (RR) Account, and Social Security Equivalent Benefit (SSEB) Account under Employment Assumption I
(Dollar amounts in millions)

				Combined NRRIT and RR Account				SSEB Account				
Calendar year	Account benefits ratio[a]	Average account benefits ratio[b]	Tier 2 tax rate	Benefits and administration	Tax income[c]	Other income[d]	Balance, end year	Benefits and administration	Tax income[c]	Other income and expense[e]	Balance, end year	Combined balance, end year
2004	7.12	5.90	18.0%	$3,729	$2,515	$2,164	$26,358	$5,362	$2,169	$3,130	$667	$27,025
2005	7.03	6.20	17.0%	3,884	2,452	2,135	27,061	5,465	2,227	3,251	680	27,741
2006	6.93	6.30	17.0%	4,024	2,514	2,101	27,652	5,599	2,286	3,238	605	28,257
2007	6.75	6.50	16.0%	4,200	2,446	2,137	28,035	5,731	2,345	3,483	702	28,737
2008	6.55	6.70	16.0%	4,393	2,510	2,240	28,392	5,876	2,404	3,501	731	29,123
2009	6.34	6.70	16.0%	4,580	2,574	2,274	28,661	6,052	2,466	3,608	753	29,414
2010	6.13	6.70	16.0%	4,765	2,641	2,292	28,829	6,250	2,531	3,743	778	29,607
2011	5.90	6.70	16.0%	4,957	2,710	2,211	28,793	6,458	2,599	3,779	699	29,492
2012	5.65	6.60	16.0%	5,152	2,782	2,202	28,625	6,676	2,671	4,119	812	29,437
2013	5.41	6.50	16.0%	5,338	2,856	2,261	28,404	6,909	2,747	4,209	859	29,263
2014	5.20	6.40	17.0%	5,518	3,089	2,269	28,245	7,151	2,827	4,354	890	29,135
2015	5.00	6.20	17.0%	5,689	3,173	2,257	27,985	7,398	2,902	4,526	920	28,905
2016	4.82	6.00	18.0%	5,836	3,423	2,136	27,708	7,651	2,983	4,599	851	28,559
2017	4.67	5.80	18.0%	5,956	3,515	2,117	27,384	7,903	3,068	4,968	983	28,367
2018	4.55	5.60	18.0%	6,055	3,611	2,205	27,145	8,146	3,158	5,018	1,013	28,158
2019	4.45	5.40	18.0%	6,132	3,709	2,193	26,915	8,375	3,252	5,152	1,042	27,957
2020	4.37	5.20	18.0%	6,188	3,810	2,184	26,720	8,583	3,350	5,260	1,068	27,788
2021	4.30	5.10	18.0%	6,226	3,913	2,039	26,446	8,771	3,451	5,282	1,030	27,476
2022	4.26	4.90	18.0%	6,246	4,019	2,099	26,318	8,938	3,556	5,463	1,111	27,429
2023	4.25	4.80	18.0%	6,260	4,128	2,164	26,349	9,086	3,663	5,442	1,130	27,479
2024	4.26	4.60	18.0%	6,278	4,238	2,175	26,484	9,221	3,770	5,468	1,146	27,630
2025	4.28	4.50	18.0%	6,298	4,349	2,193	26,728	9,349	3,879	5,486	1,162	27,890
2026	4.29	4.50	18.0%	6,317	4,463	2,059	26,934	9,477	3,989	5,487	1,162	28,096
2027	4.35	4.40	18.0%	6,338	4,580	2,225	27,401	9,606	4,102	5,535	1,194	28,595
2028	4.42	4.40	18.0%	6,373	4,700	2,284	28,012	9,740	4,217	5,540	1,210	29,222

a The fair market value of the assets in the RR Account and NRRIT as of the close of the fiscal year (September 30) divided by the total benefits and administrative expenses paid from the RR Account and NRRIT during the fiscal year.

b The average of the account benefits ratios for the 10 most recent fiscal years ending before the calendar year.

c Includes payroll taxes and income taxes on benefits.

d Includes investment income and transfers from SSEB Account.

e Other income includes financial interchange income, advances from general revenues, and interest income. Other expense includes repayment of advances from general revenues and transfers to the NRRIT.

Table 2-II. Progress of the Combined National Railroad Retirement Investment Trust (NRRIT) and Railroad Retirement (RR) Account, and Social Security Equivalent Benefit (SSEB) Account under Employment Assumption II
(Dollar amounts in millions)

				Combined NRRIT and RR Account				SSEB Account				
Calendar year	Account benefits ratio[a]	Average account benefits ratio[b]	Tier 2 tax rate	Benefits and administration	Tax income[c]	Other income[d]	Balance, end year	Benefits and administration	Tax income[c]	Other income and expense[e]	Balance, end year	Combined balance, end year
2004	7.11	5.90	18.0%	$3,729	$2,501	$2,163	$26,343	$5,362	$2,156	$3,142	$667	$27,010
2005	7.02	6.20	17.0%	3,884	2,414	2,132	27,005	5,465	2,192	3,286	680	27,685
2006	6.90	6.30	17.0%	4,024	2,453	2,094	27,528	5,599	2,230	3,294	605	28,133
2007	6.71	6.50	16.0%	4,200	2,365	2,124	27,818	5,731	2,265	3,563	702	28,520
2008	6.48	6.60	16.0%	4,393	2,403	2,218	28,046	5,876	2,299	3,606	731	28,777
2009	6.24	6.70	16.0%	4,579	2,441	2,241	28,150	6,052	2,335	3,739	753	28,903
2010	5.99	6.70	16.0%	4,764	2,480	2,244	28,111	6,249	2,372	3,902	778	28,889
2011	5.71	6.70	16.0%	4,956	2,521	2,145	27,821	6,457	2,411	3,967	699	28,520
2012	5.41	6.50	16.0%	5,150	2,563	2,115	27,349	6,675	2,452	4,335	812	28,161
2013	5.12	6.50	16.0%	5,335	2,606	2,149	26,769	6,906	2,497	4,457	859	27,628
2014	4.84	6.30	17.0%	5,514	2,789	2,126	26,169	7,147	2,544	4,632	889	27,058
2015	4.57	6.10	17.0%	5,684	2,837	2,077	25,399	7,391	2,586	4,836	919	26,318
2016	4.30	5.80	18.0%	5,830	3,029	1,913	24,511	7,642	2,631	4,941	850	25,361
2017	4.04	5.60	18.0%	5,948	3,081	1,843	23,487	7,890	2,679	5,343	981	24,468
2018	3.80	5.30	18.0%	6,044	3,135	1,874	22,452	8,128	2,731	5,426	1,011	23,463
2019	3.57	5.10	18.0%	6,118	3,189	1,796	21,319	8,351	2,785	5,593	1,039	22,358
2020	3.35	4.80	18.0%	6,170	3,246	1,713	20,108	8,551	2,842	5,734	1,063	21,171
2021	3.10	4.50	18.0%	6,203	3,303	1,485	18,692	8,729	2,901	5,789	1,025	19,717
2022	2.87	4.30	18.0%	6,218	3,361	1,452	17,288	8,885	2,962	6,003	1,105	18,393
2023	2.64	4.00	18.0%	6,226	3,420	1,413	15,895	9,020	3,023	6,015	1,121	17,016
2024	2.43	3.80	19.0%	6,236	3,645	1,315	14,619	9,140	3,083	6,071	1,136	15,755
2025	2.22	3.50	19.0%	6,247	3,708	1,218	13,298	9,249	3,143	6,119	1,150	14,448
2026	2.00	3.30	20.0%	6,255	3,943	965	11,953	9,355	3,203	6,150	1,147	13,100
2027	1.80	3.10	20.0%	6,263	4,010	1,005	10,706	9,460	3,264	6,224	1,175	11,881
2028	1.66	2.80	23.0%	6,282	4,618	949	9,991	9,566	3,325	6,254	1,188	11,179

a The fair market value of the assets in the RR Account and NRRIT as of the close of the fiscal year (September 30) divided by the total benefits and administrative expenses paid from the RR Account and NRRIT during the fiscal year.

b The average of the account benefits ratios for the 10 most recent fiscal years ending before the calendar year.

c Includes payroll taxes and income taxes on benefits.

d Includes investment income and transfers from SSEB Account.

e Other income includes financial interchange income, advances from general revenues, and interest income. Other expense includes repayment of advances from general revenues and transfers to the NRRIT.

Table 2-III. Progress of the Combined National Railroad Retirement Investment Trust (NRRIT) and Railroad Retirement (RR) Account, and Social Security Equivalent Benefit (SSEB) Account under Employment Assumption III
(Dollar amounts in millions)

				Combined NRRIT and RR Account				SSEB Account				
Calendar year	Account benefits ratio[a]	Average account benefits ratio[b]	Tier 2 tax rate	Benefits and administration	Tax income[c]	Other income[d]	Balance, end year	Benefits and administration	Tax income[c]	Other income and expense[e]	Balance, end year	Combined balance, end year
2004	7.11	5.90	18.0%	$3,729	$2,484	$2,163	$26,325	$5,362	$2,142	$3,157	$667	$26,992
2005	7.00	6.20	17.0%	3,884	2,371	2,129	26,941	5,465	2,152	3,326	680	27,621
2006	6.87	6.30	17.0%	4,024	2,382	2,085	27,385	5,599	2,164	3,359	605	27,990
2007	6.65	6.50	16.0%	4,199	2,272	2,109	27,566	5,731	2,173	3,655	702	28,268
2008	6.39	6.60	16.0%	4,392	2,282	2,192	27,648	5,876	2,180	3,726	731	28,379
2009	6.12	6.70	16.0%	4,578	2,291	2,203	27,564	6,052	2,186	3,888	753	28,317
2010	5.83	6.70	16.0%	4,763	2,300	2,189	27,290	6,249	2,193	4,080	777	28,067
2011	5.50	6.60	16.0%	4,954	2,310	2,071	26,717	6,456	2,201	4,176	698	27,415
2012	5.14	6.50	16.0%	5,147	2,320	2,017	25,906	6,673	2,211	4,575	811	26,717
2013	4.81	6.40	17.0%	5,332	2,451	2,026	25,052	6,903	2,222	4,728	859	25,911
2014	4.46	6.20	17.0%	5,510	2,462	1,974	23,978	7,142	2,236	4,936	889	24,867
2015	4.12	5.90	18.0%	5,679	2,594	1,891	22,784	7,384	2,242	5,172	919	23,703
2016	3.76	5.60	18.0%	5,823	2,605	1,685	21,252	7,631	2,252	5,310	848	22,100
2017	3.40	5.30	18.0%	5,939	2,619	1,563	19,495	7,876	2,265	5,742	980	20,475
2018	3.04	5.00	18.0%	6,032	2,637	1,534	17,633	8,107	2,283	5,853	1,008	18,641
2019	2.67	4.70	18.0%	6,103	2,655	1,389	15,574	8,323	2,304	6,045	1,035	16,609
2020	2.29	4.30	18.0%	6,150	2,676	1,230	13,330	8,515	2,329	6,210	1,059	14,389
2021	1.87	4.00	18.0%	6,179	2,698	918	10,766	8,682	2,354	6,289	1,019	11,785
2022	1.46	3.60	19.0%	6,188	2,844	798	8,221	8,826	2,381	6,523	1,097	9,318
2023	1.05	3.20	20.0%	6,189	2,994	671	5,696	8,947	2,408	6,554	1,112	6,808
2024	0.68	2.90	23.0%	6,192	3,399	491	3,394	9,049	2,434	6,628	1,125	4,519
2025	0.29	2.50	23.0%	6,194	3,427	311	939	9,138	2,459	6,690	1,136	2,075
2026	0.09	2.10	27.0%	6,190	3,972	1,111	(168)	9,221	2,484	5,602	-	(168)
2027	-0.26	1.70	27.0%	6,188	4,006	(27)	(2,377)	9,300	2,509	6,791	-	(2,377)
2028	-0.63	1.40	27.0%	6,196	4,041	(202)	(4,734)	9,376	2,534	6,842	-	(4,734)

a The fair market value of the assets in the RR Account and NRRIT as of the close of the fiscal year (September 30) divided by the total benefits and administrative expenses paid from the RR Account and NRRIT during the fiscal year.

b The average of the account benefits ratios for the 10 most recent fiscal years ending before the calendar year.

c Includes payroll taxes and income taxes on benefits.

d Includes investment income and transfers from SSEB Account.

e Other income includes financial interchange income, advances from general revenues, and interest income. Other expense includes repayment of advances from general revenues and transfers to the NRRIT.

Figure 1. Combined NRRIT, RRA and SSEBA Balance
(In millions)