FROM THE DESK OF

WALTER A. BARROWS
LABOR MEMBER

U.S. RAILROAD RETIREMENT BOARD

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RRB Financial Reports

The Railroad Retirement Board (RRB) is required by law to submit annual financial reports and triennial actuarial valuations to Congress on the financial condition of the railroad retirement system, as well as annual financial reports on the railroad unemployment insurance system. These reports must also include recommendations for any financing changes which may be advisable in order to ensure the solvency of the systems. In June, the RRB submitted its 25th Actuarial Valuation of the railroad retirement system's assets and liabilities, and its financial report on the railroad unemployment insurance system.

The following questions and answers summarize the findings of these reports.

1. What were the assets of the railroad retirement and railroad unemployment insurance systems last year?

As of September 30, 2011, total railroad retirement system assets, comprising assets managed by the National Railroad Retirement Investment Trust and the railroad retirement system accounts at the Treasury, equaled $23.6 billion. The Trust was established by the Railroad Retirement and Survivors' Improvement Act of 2001 to manage and invest railroad retirement assets. The cash balance of the railroad unemployment insurance system was $58.7 million at the end of fiscal year 2011.

2. What was the conclusion of the 25th Actuarial Valuation of the financial condition of the railroad retirement system?

The conclusion was that, barring a sudden, unanticipated, large drop in railroad employment or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the next 23 years. The long-term stability of the system, however, is not assured. Under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether additional corrective action is necessary.

3. What methods were used in forecasting the financial condition of the railroad retirement system?

The valuation projected the various components of income and outgo of the railroad retirement system under three employment assumptions, intended to provide an optimistic, moderate and pessimistic outlook, for the 75 calendar years 2011-2085. The projections of these components were combined and the investment income calculated to produce the projected balances in the railroad retirement accounts at the end of each projection year.

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Projecting income and outgo under optimistic, moderate and pessimistic employment assumptions, the valuation indicated no cash-flow problems occur throughout the 75-year projection period under the optimistic and moderate assumptions. Cash-flow problems do occur under the pessimistic assumption, but not until 23 years from now in 2035.

4. How do the results of the 25th Actuarial Valuation compare with financial reports of previous years, including the 24th Actuarial Valuation?

The 24th Actuarial Valuation, issued in 2009, addressed railroad retirement financing for the 75 calendar years 2008-2082 and concluded that cash-flow problems arose only under the pessimistic assumption, and then not until 2031.

The 2010 financial report addressed the 25 calendar years 2010-2034 and indicated that cash-flow problems occur in 2033, but only under the pessimistic assumption.

The 2011 report, covering the 25 calendar years 2011-2035, also indicated cash-flow problems occur only under the pessimistic assumption, but not until 2034.

5. Did the 25th Actuarial Valuation of the railroad retirement system recommend any railroad retirement payroll tax rate changes?

The report did not recommend any change in the rate of tax imposed by current law on employers and employees.

6. What were the findings of the 2012 report on the financial condition of the railroad unemployment insurance system?

The RRB's 2012 railroad unemployment insurance financial report was also generally favorable. Even as maximum benefit rates increase 44 percent (from $66 to $95) from 2011 to 2022, experience-based contribution rates are expected to keep the unemployment insurance system solvent, except for small, short-term cash flow problems in fiscal year 2015 under the pessimistic assumption. However, projections show quick repayment of any loans by the end of fiscal year 2016.

Unemployment levels are the single most significant factor affecting the financial status of the railroad unemployment insurance system. However, the system's experience-rating provisions, which adjust contribution rates for changing benefit levels, and its surcharge trigger for maintaining a minimum balance help to ensure financial stability in the advent of adverse economic conditions.

Under experience-rating provisions, each employer's contribution rate is determined by the RRB on the basis of benefit payments made to the railroad's employees. Even under the report's most pessimistic assumption, the average employer contribution rate remains well below the maximum throughout the projection period.

While a 1.5 percent surcharge is in effect in calendar year 2012, the report predicts no surcharge in calendar years 2013 and 2014. A surcharge of 1.5 percent is likely in calendar year 2015.

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7. What methods were used to evaluate the financial condition of the railroad unemployment insurance system?

The economic and employment assumptions used in the unemployment insurance report corresponded to those used in the 25th Actuarial Valuation of the retirement system. Projections were made for various components of income and outgo under each of the three employment assumptions, but for the period 2012-2022, rather than a 75-year period.

8. Did the 2012 report on the railroad unemployment insurance system recommend any financing changes to the system?

No financing changes were recommended at this time by the report.

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The RRB's 2012 financial reports on the retirement and unemployment insurance systems are available in their entirety on the agency's website at www.rrb.gov. Information on the National Railroad Retirement Investment Trust, including its quarterly and annual reports, is also available on the site.