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Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits

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Summary

The Railroad Retirement Board (RRB), an independent federal agency, administers retirement, survivor, disability, unemployment, and sickness insurance for railroad workers and their families. During FY2018, the RRB paid nearly $12.7 billion in retirement, disability, and survivor benefits to approximately 540,000 beneficiaries and paid $92.6 million in unemployment and sickness benefits to approximately 25,000 claimants. Of the total $12.7 billion benefit payments in the same fiscal year, 61.0% was paid to retired workers, 7.4% to disabled workers, 14.4% to spouses, and 16.7% to survivors.

The Railroad Retirement Act (RRA) authorizes retirement, disability, and survivor benefits for railroad workers and their families. RRA is financed primarily by payroll taxes, financial interchanges from Social Security, and transfers from the National Railroad Retirement Investment Trust (NRRIT). Railroad retirement payroll taxes have two tiers: the Tier I tax is essentially the same as the Social Security payroll tax and the Tier II tax is set each year based on the railroad retirement system's asset balances, benefit payments, and administrative costs. In FY2018, the gross RRA funding was about $13.3 billion.

Railroad retirement annuities are also divided into two tiers. Tier I annuities are designed to be nearly equivalent to Social Security benefits and are based on both railroad retirement and Social Security-covered employment. However, Tier I annuities are more generous than Social Security benefits in certain situations. For example, at the age of 60, railroad workers with at least 30 years of covered railroad work may receive unreduced retirement annuities. Tier II annuities are similar to private pensions and based solely on covered railroad service. Tier II annuities are paid in addition to Tier I annuities.

Railroad disability annuities may be payable to totally disabled railroad workers who are permanently disabled from all work and occupational disabled workers who are found to be permanently disabled from their regular railroad occupations. Eligible spouses and survivors of railroad workers may receive a certain portion of Tier I and Tier II benefits, but divorced spouses and surviving divorced spouses are eligible for only a certain portion of Tier I benefits.

The Railroad Unemployment Insurance Act (RUIA) authorizes unemployment and sickness benefits for railroad workers. RUIA is financed solely by railroad employers, whose contributions are based on the taxable earnings of their employees. Eligibility for railroad unemployment and sickness benefits is based on recent railroad service and earnings. The maximum daily unemployment and sickness benefit payable in the benefit year that began July 1, 2019, is $78, and the maximum benefit for a biweekly claim is $780. Normal benefits are paid for up to 26 weeks in a benefit year. The railroad unemployment and sickness system remains affected by sequestration, as unemployment benefits will continue to be reduced through at least September 30, 2020.

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Introduction

The Railroad Retirement Board (RRB),[1] an independent federal agency, administers retirement, survivor, disability, unemployment, and sickness insurance for railroad workers and their families under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA).[2] These acts cover workers who are employed by railroads engaged in interstate commerce and related subsidiaries, railroad associations, and railroad labor organizations. Lifelong railroad workers receive railroad retirement benefits instead of Social Security benefits; railroad workers with nonrailroad experience receive benefits either from railroad retirement or Social Security, depending on the length of their railroad service.

The number of railroad workers has been declining since the 1950s, although the rate of decline has been irregular and recent years have seen increases in railroad employment after reaching an all-time low of 215,000 workers in January 2010. Recently, railroad employment peaked in April 2015 to 253,000 workers, the highest level since November 1999, and then generally declined through October 2019, falling to 206,000 workers.[3] The total number of beneficiaries under the RRA and RUIA decreased from 623,000 in FY2008 to 563,000 in FY2018, and total benefit payments increased from $10.1 billion to $12.8 billion during the same time.[4] During FY2018, the RRB paid nearly $12.7 billion in retirement, disability, and survivor benefits to approximately 540,000 beneficiaries.[5] Almost $92.6 million in unemployment and sickness benefits were paid to approximately 25,000 claimants.[6]

This report explains the programs under RRA and RUIA, including how each program is financed, the eligibility rules, and the types of benefits available to railroad workers and family members. It also discusses how railroad retirement relates to the Social Security system. For a quick overview of this topic, see CRS In Focus IF10481, *Railroad Retirement Board: Retirement, Survivor, Disability, Unemployment, and Sickness Benefits*.

[1] The Railroad Retirement Board (RRB) consists of three members appointed by the President with the advice and consent of the Senate to staggered five-year terms. One member is appointed on the recommendation of the railroad industry, one on the recommendation of railroad labor, and the chair is appointed to represent the public.

[2] The RRB also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

[3] Railroad Retirement Board, *2019 Annual Report*, p. 33, at https://www.rrb.gov/sites/default/files/2019-11/2019%20ANNUAL%20REPORT_0.pdf; and RRB, *Average Railroad Employment by month (01-2018 to 10-2019)*, at https://www.rrb.gov/sites/default/files/2019-12/avgemp.pdf.

[4] RRB, *2019 Annual Report*, p. 48. The total number of beneficiaries counted each beneficiary only once, even though they may have received more than one type of benefit. In FY2009, there were 626,000 beneficiaries, mainly due to the increase in unemployment benefit payments.

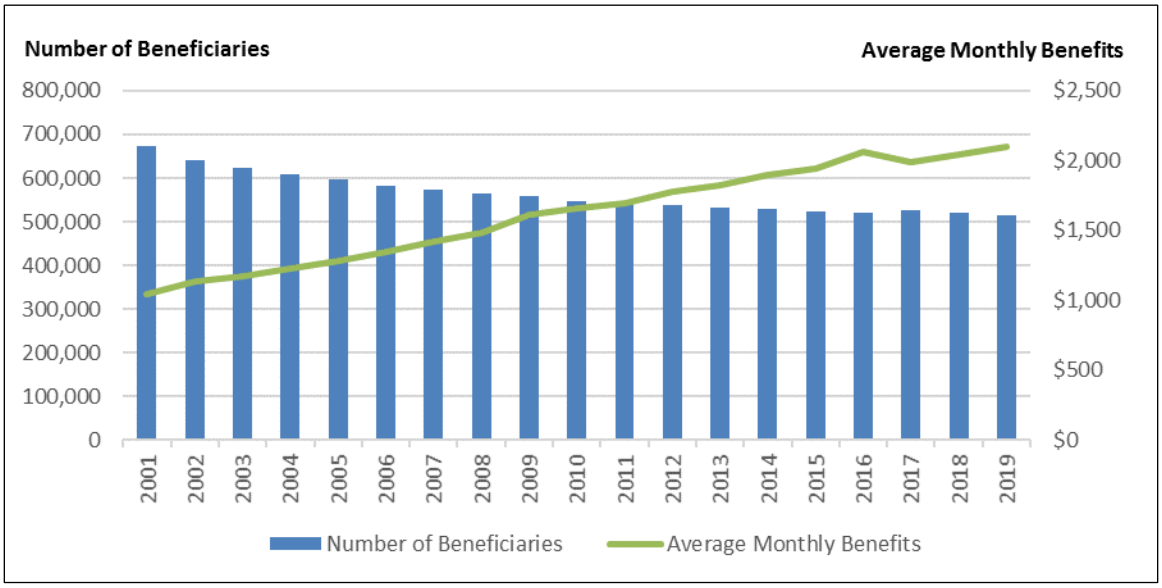
[5] Retirement, disability, and survivor benefits include age, disability, and supplemental annuities paid to employees, as well as annuities paid to spouses, divorced spouses, and survivors. Railroad Retirement Board, *2019 Annual Report*, pp. 1-2, at https://www.rrb.gov/sites/default/files/2019-11/2019%20ANNUAL%20REPORT_0.pdf.

[6] In FY2018, gross unemployment and sickness benefits totaled about $117.4 million. Net benefits to unemployment and sickness claims totaled almost $92.6 million after adjustment for recoveries of benefit payments, including injury settlements, some of which were made in prior years. Railroad Retirement Board, *2019 Annual Report*, p. 2, at https://www.rrb.gov/sites/default/files/2019-11/2019%20ANNUAL%20REPORT_0.pdf.

Railroad Retirement, Survivor, and Disability Benefits

The RRA authorizes retirement, survivor, and disability benefits for railroad workers and their families.[7] In September 2019, there were a total of 515,900 RRA beneficiaries, decreasing from 672,400 in 2001. This decline might partly result from the decline in railroad employment in the past five decades.[8] The average monthly benefit for each beneficiary was about $2,102 in 2019, which increased from $1,043 in 2001, reflecting the growth in average wages and prices (see **Figure 1**).

Figure 1. Number of RRA Beneficiaries and Average Monthly Benefits, 2001-2019



Source: Railroad Retirement Board, Bureau of the Actuary, Benefits and Beneficiaries, January 2001 to September 2019, Table 1.

Notes: The number of beneficiaries is beneficiaries in current-payment status at the end of each year. Average monthly benefits are estimated based on the number of beneficiaries and total amount of benefit payments in each year.

Financing

The railroad retirement, disability, and survivor program is mainly financed by payroll taxes, financial interchanges from Social Security, and transfers from the National Railroad Retirement Investment Trust (NRRIT) (see **Figure 2**), all of which accounted for 93.7% of the $13.3 billion gross funding of the RRA program during FY2018. The remaining 6.3% of the program was financed by federal income taxes levied on railroad retirement benefits,[9] interest on investment and other revenue, and general appropriations to pay the costs of phasing out vested dual benefits.

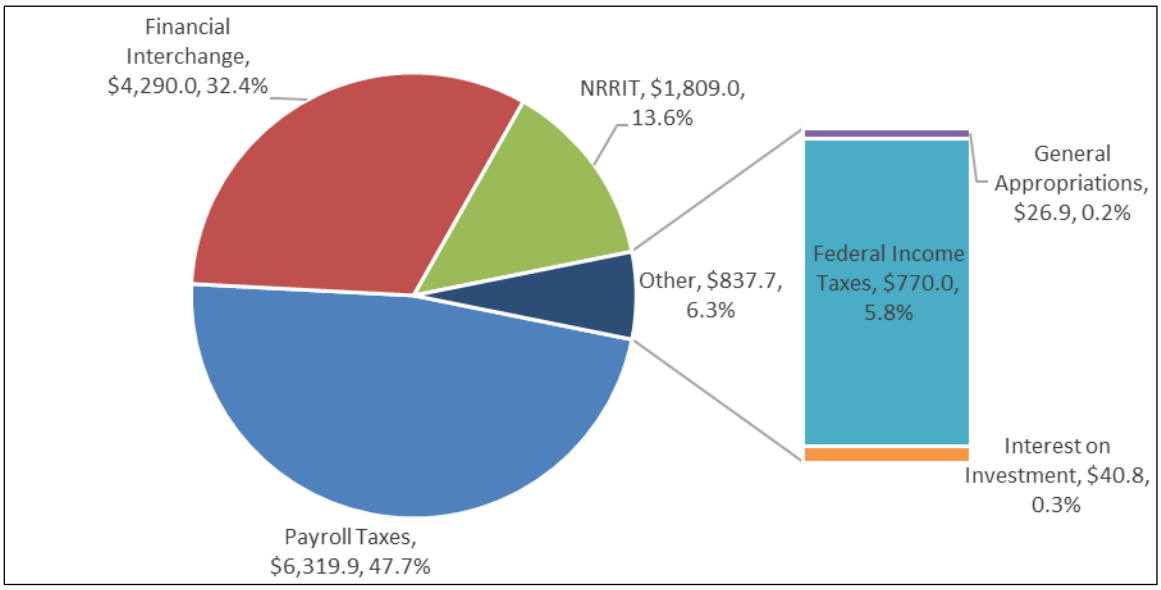
[7] 45 U.S.C. §§231 et seq.

[8] The railroads employed 617,000 workers in 1970, declined to 220,000 in 1997, and remained below 253,000 afterward. See https://www.railserve.com/employment.html.

[9] Regular railroad retirement annuities consisting of Tier I, Tier II, and vested dual benefit components have been

Figure 2. Financial Sources for Railroad Retirement, Disability and Survivor Program, FY2018

(Dollar amounts are in millions)



Source: Railroad Retirement Board, *2019 Annual Report*, page 8, at https://www.rrb.gov/sites/default/files/2019-11/2019%20ANNUAL%20REPORT_0.pdf.

Notes: Gross funding was $13.3 billion in FY2018. Numbers may not add due to rounding.

Payroll taxes, which provided 47.7% of gross RRA funding in FY2018, are the largest funding source for railroad retirement, survivor, and disability benefits.[10] Railroad retirement payroll taxes are divided into two tiers—Tier I and Tier II taxes. The Tier I tax is the same as the Social Security payroll tax: railroad employers and employees each pay 6.2% on earnings up to $137,700 in 2020.[11] The Tier II tax is set each year based on the railroad retirement system's asset balances, benefit payments, and administrative costs.[12] In 2020, the Tier II tax is 13.1% for

subject to U.S. federal income tax since 1984. Supplemental annuities have been subject to federal income tax since 1966. The portion of the Tier I component of railroad retirement annuity that is equivalent to Social Security benefits is treated the same as a Social Security benefit for federal income tax purpose. The non-Social Security equivalent benefit of the Tier I benefit, Tier II benefits, vested dual benefits, and supplemental annuity payments are treated like contributory pensions for federal income tax purposes. Only the amount of the contributory pension that exceeds the amount of contributions made by the wage earner is taxable. Railroad retirement annuities are not taxable by states in accordance with Section 14 of the Railroad Retirement Act (45 U.S.C. §231m). For more information, see "Tax Withholding and Railroad Retirement Payments," at https://www.rrb.gov/Benefits/IncomeTax/TXB-25.

[10] Gross RRA funding does not include funding sources offset by reductions in National Railroad Retirement Investment Trust (NRRIT) assets, salaries, and expenses for the RRB Office of the Inspector General, and reductions in contingency liability and unexpended appropriations.

[11] P.L. 111-312. During 2011 and 2012, Congress provided a temporary reduction of two percentage points in the Social Security payroll tax rate paid by employees, from 6.2% to 4.2%.

[12] Under the Railroad Retirement and Survivors' Improvement Act of 2001 (P.L. 107-90), Tier II taxes on both employers and employees are automatically adjusted according to the average account benefits ratio. The average account benefits ratio (ABR) is the average of the 10 most recent annual ABRs. The ABR is the ratio of the combined fair market value of Railroad Retirement Account (Tier II tax revenues) and NRRIT assets as of the close of the fiscal year to the total RRB benefits and administrative expenses paid from the Railroad Retirement Account and the NRRIT in that fiscal year. A higher average ABR will result in a lower Tier II tax rate and consequently lower future tax income, whereas a lower average ABR result in higher Tier II tax rates and income. For more information, see CRS

employers and 4.9% for employees on earnings up to $102,300. Tier II taxes are used to finance Tier II benefits, the portion of Tier I benefits in excess of Social Security retirement benefits (such as unreduced early retirement benefits for railroad employees with at least 30 years of railroad service), and supplemental annuities.[13]

Tier I payroll taxes are deposited in the Social Security Equivalent Benefit Account (SSEBA), which pays the Social Security level of benefits and administrative expenses allocable to those benefits. The SSEBA also receives or pays the financial interchange transfers between the railroad retirement and Social Security systems. The financial interchange with Social Security provided 32.4% of gross RRA funding in FY2018. The purpose of the financial interchange is to place the Social Security trust funds in the same position they would have been in, if railroad employment had been covered under Social Security since that program's inception.[14]

Tier II tax revenues that are not needed to pay current benefits or associated administrative costs are held in the National Railroad Retirement Investment Trust (NRRIT), which is invested in both government securities and private equities.[15] NRRIT transfers provide another revenue source for railroad benefits, and they were 13.6% of gross RRA funding in FY2018. Prior to the Railroad Retirement and Survivors' Improvement Act of 2001 (P.L. 107-90), surplus railroad retirement assets could only be invested in U.S. government securities—just as the Social Security trust funds must be invested in securities issued or guaranteed by the U.S. government. The 2001 act established the NRRIT to manage and invest the assets in the Railroad Retirement Account in the same way that the assets of private-sector and most state and local government pension plans are invested. The remainder of the railroad retirement system's assets, such as assets in SSEBA, continues to be invested solely in U.S. government-issued or -granted securities.

The combined fair market value of Tier II taxes and NRRIT assets is designed to maintain four to six years' worth of RRB benefits and administrative expenses. To maintain this balance, the Railroad Retirement Tier II tax rates automatically adjust as needed. This tax adjustment does not require congressional action, according to Section 204 of the 2001 act.

Eligibility and Types of Benefits

To be insured for railroad benefits, a worker must generally have at least 10 years of covered railroad work or 5 years performed after 1995 and "insured status" under Social Security rules (generally 40 earnings credits)[16] based on combined railroad retirement and Social Security-

Report RS22782, *Railroad Retirement Board: Trust Fund Investment Practices*.

[13] For information about supplemental annuities, see "Other Retired Worker Benefits: Supplemental Annuities and Vested Dual Benefits."

[14] The railroad retirement system and the Social Security system have been coordinated financially since 1951 (P.L. 82-234). The financial interchange involves computing the amount of Social Security taxes that would have been collected on railroad employment, and computing the amount of additional benefits that Social Security would have paid to railroad retirement beneficiaries during the same fiscal year. 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 Social Security Equivalent Benefits Account. If taxes exceed benefit reimbursements (this has not happened since 1951), a transfer would be made in favor of the Social Security trust funds.

[15] For additional information on the NRRIT, see CRS Report RS22782, *Railroad Retirement Board: Trust Fund Investment Practices*.

[16] A worker may earn up to four earnings credits per calendar year. In 2020, a worker earns one credit for each $1,410 of covered earnings, up to a maximum of four credits for covered earnings of $5,660 or more. Earnings credits are also called *quarters of coverage*. This amount increases each year to account for wage growth. For additional information, see CRS Report R43542, *How Social Security Benefits Are Computed: In Brief*.

covered earnings. An insured railroad worker's family may be entitled to receive railroad retirement benefits. If a worker does not qualify for railroad retirement benefits, his or her railroad work counts toward Social Security benefits. Of the total $12.7 billion benefit payments during FY2018, 61.0% (or $7.7 billion) were paid in retirement annuities to retired workers, 7.4% (or $0.9 billion) in disability annuities, 14% (or $1.8 billion) in spouse annuities, and 16.7% (or $2.1 billion) in survivor annuities.[17]

Tier I Retirement Annuities

Tier I annuities are designed to be nearly equivalent to Social Security Old Age, Survivors, and Disability Insurance benefits. Tier I annuities are calculated using the Social Security benefit formula and are based on both railroad retirement and Social Security-covered employment.[18] However, Tier I annuities are more generous than Social Security benefits in certain situations. For example, at the age of 60, railroad workers with at least 30 years of covered railroad work may receive unreduced retirement annuities.[19] At the full retirement age (FRA), which is gradually increasing from 65 to 67 for Social Security and railroad retirement beneficiaries, insured workers with fewer than 30 years of service may receive full retirement annuities.[20] Alternatively, workers with fewer than 30 years of service may, starting at the age of 62, receive annuities that have been reduced actuarially for the additional years the worker is expected to spend in retirement. Tier I benefit reductions for early retirement are similar to those in the Social Security system. As the FRA rises, so will the reduction for early retirement.[21] If a railroad employee delays retirement past FRA, Tier I annuities are increased by a certain percentage for each month up until the age of 70, which is identical to the benefit increase provided by Delayed Retirement Credits under the Social Security system.[22]

In general, Social Security benefits are subtracted from Tier I annuities, because work covered by Social Security is counted toward Tier I annuities. Beneficiaries insured by both systems receive a single check from the RRB. Railroad retirement annuities may also be reduced for certain pensions earned through federal, state, and local government work that is not covered by Social Security.[23] For early retirees who continue to work for a nonrailroad employer while receiving the retirement benefit during the year prior to FRA, Tier I benefits are reduced by $1 for every $2 earned above an exempt amount ($18,240 in 2020).[24] After Tier I benefits are first paid, they

[17] Less than 1% of the total railroad retirement, disability, and survivor benefits were paid for supplemental annuities and lump-sum death benefits.

[18] For additional information on the Social Security benefit formula, see CRS Report R43542, *How Social Security Benefits Are Computed: In Brief*.

[19] Early retirement reductions are applied in the Tier I annuity of 30-year employees who first became eligible for the annuity on July 1, 1984, or later and retired at the age of 60 or 61 before 2002.

[20] Full retirement age (FRA) is rising from 65 for those born before 1938 to 67 for those born after 1959. For additional information on the FRA, see CRS Report R44670, *The Social Security Retirement Age*.

[21] The reduction at the age of 62, Social Security's earliest eligibility age, is rising from 20% to 30% as the FRA rises from age 65 to age 67.

[22] For additional information on the Social Security benefit formula, see CRS Report R43542, *How Social Security Benefits Are Computed: In Brief*.

[23] For additional information, see CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*.

[24] If the employee or spouse has a Tier I reduction for Social Security benefits, the Tier I annuity is not reduced for excess earnings. During the calendar year that a retiree will reach the FRA, the formula for calculating the early retirement reduction changes: benefits are reduced $1 for every $3 earned above an exempt amount ($48,600 in 2020) until the beneficiary reaches FRA. Earnings while a Tier I annuitant may be used to recompute a beneficiary's annuity,

increase annually with a cost-of-living adjustment (COLA) in the same manner as Social Security benefits.[25]

Retirement annuities are not payable to workers who continue to work in a covered railroad job or who return to railroad work after retirement.

Tier II Retirement Annuities

Tier II retirement annuities are paid in addition to Tier I annuities and any private pension and retirement saving plans offered by railroad employers. They are similar to private pensions and based solely on covered railroad service. Tier II annuities for current retirees are equal to seven-tenths of 1% of the employee's average monthly earnings in the 60 months of highest earnings, times the total number of years of railroad service.[26] Tier II annuities are increased annually by 32.5% of the Social Security COLA.

Tier II annuities are not (in contrast to Tier I annuities) reduced if a worker receives Social Security benefits or a government pension that was not covered by Social Security. For railroad retirees and spouses who work for their last pre-retirement nonrailroad employer while receiving retirement benefits,[27] Tier II annuities are reduced by $1 for every $2 earned, capped at 50% of the Tier II annuity. There is no cap to the earnings-related reduction in railroad Tier I or Social Security benefits. In addition, the earnings-related reduction applies to all Tier II beneficiaries regardless of age, whereas for railroad Tier I and Social Security benefits, the earnings-related reduction applies only until the beneficiary reaches FRA.

Other Retired Worker Benefits: Supplemental Annuities and Vested Dual Benefits

Tier II payroll taxes also finance a supplemental annuity program. Supplemental annuities are payable to employees first hired before October 1981, aged 60 with at least 30 years of covered railroad service or aged 65 and older with at least 25 years of covered railroad service, and a current connection with the railroad industry.[28]

In addition, general revenues finance a vested dual benefit for those who were insured for both railroad retirement and Social Security in 1974 when the two-tier railroad retirement benefit structure was established.[29] Neither supplemental annuities nor vested dual benefits are adjusted for changes in the cost of living during retirement. Supplemental annuities are subject to the same

which may result in the beneficiary receiving a higher annuity after FRA due to these earnings. For additional information on the increase in Social Security benefits at FRA to account for benefits lost due to earnings, see CRS Report R41242, *Social Security Retirement Earnings Test: How Earnings Affect Benefits*.

[25] For additional information on the Social Security COLA, see CRS Report 94-803, *Social Security: Cost-of-Living Adjustments*.

[26] The formula for the gross Tier II amount is 0.007 × (total earnings in the 60 months of highest earnings ÷ 60) × Years of service. If the highest earnings in the 60 months are greater than the Tier II taxable maximum base, then the formula use the Tier II taxable maximum base instead.

[27] Work that begins on the same day as the annuity beginning date is not last pre-retirement nonrailroad employment.

[28] Workers have a current connection with the railroad industry if they worked in a covered railroad job for at least 12 months of the 30 months before death or receipt of a railroad annuity. The current connection is not broken during employment at certain U.S. government agencies or in other special circumstances.

[29] The payment of vested dual benefits depends on the time and amount of such appropriations. If the appropriation in a fiscal year is for less than the estimated total vested dual benefit payments, individual payments will be reduced.

earnings reductions as Tier II benefits; vested dual benefits are subject to the same earnings reductions as Tier I benefits.

Disability Annuities

Railroad workers may be eligible for disability annuities if they become disabled regardless of whether the disability is caused by railroad work. The RRB determines whether a worker is disabled based on the medical evidence provided during the application process. Railroad workers found to be totally and permanently disabled from *all work* may be eligible for Tier I benefits at any age if the worker has at least 10 years of railroad service.[30] Totally disabled workers may also receive Tier II benefits at the age of 62 if they have 10 or more years of service. Occupational disability annuities are also payable to workers found to be permanently disabled from their regular railroad occupations, if the worker is at least 60 years old with 10 years of service (or any age with 20 years of service), and with a current connection to the railroad industry. A five-month waiting period after the onset of disability is required before any disability annuity can be payable.

Disability annuities are not payable if a worker is currently employed in a covered railroad job. Disability benefits are suspended if a beneficiary earns more than a certain amount after deducting certain disability-related work expenses.[31] The Tier I portion of disability benefits may be reduced for the receipt of workers compensation or government disability benefits.

Spouse Annuities

In any month that a worker collects a railroad retirement or disability annuity, his or her spouse may also be eligible for a spousal annuity equal to or greater than the benefit he or she would have received if the worker's railroad work had been covered by Social Security. A spouse is eligible for a spousal annuity when he or she reaches the same minimum age required for the worker (i.e., either at the age of 60 or 62, depending on years of the worker's service). At any age, a spouse may be eligible for a spousal annuity if he or she cares for the worker's unmarried child under the age of 18 (or a child of any age that was disabled before the age of 22). An individual must have been married to the railroad worker for at least one year before he or she applies for the spousal annuities, with certain exceptions. A qualifying spouse receives 50% of the worker's Tier I benefit before any reductions (or, if higher, a Social Security benefit based on his or her own earnings). Spouses may also receive 45% of the worker's Tier II benefit before any reductions.

Divorced spouses of retired or disabled railroad workers may also be eligible for spousal annuities. A divorced spouse may receive 50% of the worker's Tier I benefit before reductions, but no Tier II benefits. To qualify, the former spouse must have been married to the worker for at least 10 years and must not currently be married (remarriages if any must have terminated); both the worker and former spouse must be at least 62 years old.[32]

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[30] Employees with five years to nine years of covered railroad service, if at least five years were performed after 1995, may qualify for Tier I benefits before retirement age only if they also meet certain Social Security earnings requirements. For information on Social Security disability insurance, see CRS In Focus IF10506, *Social Security Disability Insurance (SSDI)*.

[31] The earnings threshold is $990 in 2020 and is indexed to average national wage growth. Disability work restrictions cease when a disabled employee attains full retirement age, when disability annuities convert to retirement annuities. This transition is effective on earlier than FRA if the annuitant had 30 years of railroad service.

[32] A divorced spouse can receive an annuity even if the employee has not retired, provided they have been divorced for

For spouses, as for railroad workers, Social Security benefits are subtracted from Tier I annuities. The Tier I portion of a spouse annuity may also be reduced for receipt of any pension from government employment not covered by Social Security based on the spouse's own earnings.[33] Spouses are subject to reductions based on the primary worker's earnings as well as on their own earnings. For example, for early retirement, spouses are subject to different benefit reductions from workers.[34] Finally, spouse annuities are reduced by the amount of any railroad benefits earned based on their own work.

Survivor Annuities

After the worker's death, surviving spouses, former spouses, children, and other dependents may be eligible to receive survivor annuities, which are paid in addition to any private life insurance offered by railroad employers. To be insured for survivor annuities, the worker must have had a current connection with the railroad industry at the time of death. Railroad survivor annuities are generally higher than comparable Social Security benefits because railroad workers' families may be entitled to Tier II annuities as well as Tier I annuities (as noted above, Tier I annuities are equivalent to Social Security benefits). In cases where no monthly survivor annuities are paid, a lump-sum payment may be made to certain survivors.[35]

The widows and widowers of railroad workers may be eligible to receive survivor annuities. At FRA, a surviving spouse may be eligible for 100% of the worker's Tier I annuity (or his or her own Social Security or railroad retirement Tier I benefit, if higher). The widow(er) may also receive up to 100% of the worker's Tier II annuity. As early as the age of 60 (or age 50, if disabled), widows and widowers may receive reduced survivor annuities.[36] A qualifying widow(er) must have been married to the deceased railroad worker for at least nine months, with certain exceptions.[37] At any age, a widow(er) caring for a deceased worker's child under the age of 18 may receive a survivor annuity equal to 75% of the worker's Tier I annuity, as well as up to 100% of the worker's Tier II annuity. Widow(er)s who are the natural or adoptive parent of the deceased worker's child do not have to meet the length of marriage requirement.

Survivor annuities may also be payable to a surviving divorced spouse or remarried widow(er). To qualify for benefits, a surviving divorced spouse has to be married to the employee for at least

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a period of not less than two years, the employee and former spouse are at least age 62, and the employee is fully insured under the Social Security Act using combined railroad and Social Security earnings. Although a spouse is eligible for an annuity at any age if caring for the employee's unmarried child, who is under age 18 or disabled at any age who became disabled before age 22, a divorced spouse is not eligible for an annuity on such basis unless the employee is deceased.

[33] For spouses subject to the public pension reduction, the Tier I benefit is reduced by two-thirds of the amount of the public pension. For more information, see CRS Report RL32453, *Social Security: The Government Pension Offset (GPO)*.

[34] For spouses, the reduction at the age of 62 is gradually rising from 25% to 35% as the FRA increases from age 65 to 67, whereas for workers, the reduction is rising from 20% to 30%.

[35] A lump-sum death payment is made in cases in which the worker had at least 10 years of railroad service; if less than 10 years, at least five years of service after 1995 and a current connection to the railroad industry; and there is no person eligible for monthly survivors benefits either because there are no eligible survivors or the widow(er) has not reached the minimum age for benefits. The lump-sum death payment is limited to $255 if the employee did not have 120 months of service in the railroad industry before 1975.

[36] For widow(er)s, the reduction at the age of 60 (Social Security's earliest eligibility age for widowed spouses) is rising from 17.10% to 20.36% as the FRA increases from 65 to 67. For a disabled widow(er), the maximum reduction is 28.5%, even if the annuity begins at age 50.

[37] Exceptions are provided in some cases such as accidental death or death in the line of duty.

10 years and is unmarried or remarried after age 60 (age 50 for disabled surviving divorced spouse).[38] A surviving divorced spouse who is unmarried can qualify for benefits at any age if caring for the employee's child who is under age 16 or disabled.[39] Benefits are limited to the amounts Social Security would pay (Tier I only) and therefore are less than the amount of the survivor annuity otherwise payable.

Railroad workers' children may also receive survivor annuities. To qualify, a child must be unmarried and under the age of 18 (or 19 if still in high school). Disabled adult children may qualify if their disability began before the age of 22. Eligible children receive 75% of the worker's Tier I annuity and 15% of the worker's Tier II annuity.[40] In addition, if a worker's parent was dependent on the worker for at least half of the parent's support, he or she may receive 82.5% of the worker's Tier I annuity and 35% of the worker's Tier II annuity after reaching age 60.

Survivor annuities are not payable to a current railroad employee, and survivor annuities are reduced by any railroad retirement benefit the survivor has earned through his or her own railroad work. Survivors receive the same reductions as retired workers for Social Security benefit receipt; they also have reductions from government pension receipts that are not covered by Social Security.[41] A family maximum applies to survivor benefits, usually applicable when three or more survivors receive benefits on a worker's record (not counting divorced spouses).[42]

In summary, **Table 1** provides data on railroad retirement, survivor, and disability annuities as of September 2019.

Table 1. Railroad Retirement, Survivor, and Disability Annuities, September 2019

Type of Annuity	Number of Benefits[a]	Percentage of Total Benefits	Average Monthly Benefit ($)
Age-Based	188,372	29.7%	$2,912.3
Disability -Under Full Retirement Age (FRA)	22,552	3.6%	$2,821.5
Disability -At or Above FRA	48,475	7.6%	$2,563.8
Supplemental	117,831	18.6%	$41.5
Spouse	142,888	22.5%	$1,078.7
Divorced Spouse	5,275	0.8%	$685.2

[38] For a surviving divorced spouse or remarried widow(er), the maximum age reduction is 28.5%, which is the same as the maximum reduction for a disabled remarried widow(er) or disabled surviving divorced spouse even if the annuity begins at age 50.

[39] The 10-year marriage requirement does not apply to surviving divorced spouse with child in care.

[40] Social Security provides children's benefits when a railroad worker is totally disabled, retired, or deceased. The Railroad Retirement Act only provides children's benefits if the employee is deceased. However, under a special minimum guaranty provision, railroad families will not receive less in monthly benefits than they would have if railroad earnings were covered by Social Security. Therefore, if a retired railroad worker has children who would otherwise be eligible for a benefit under Social Security, the worker's retirement annuity would be increased to reflect what Social Security would pay for the family.

[41] For survivors subject to the public pension reduction, the Tier I benefit is reduced by two-thirds of the amount of the public pension. For more information, see CRS Report RL32453, *Social Security: The Government Pension Offset (GPO)*.

[42] Social Security Administration, "Formula for Family Maximum Benefit," see https://www.ssa.gov/OACT/COLA/familymax.html.

Type of Annuity	Number of Benefits[a]	Percentage of Total Benefits	Average Monthly Benefit ($)
Aged Widow(er)	81,959	12.9%	$1,780.4
Disabled Widow(er)	3,277	0.5%	$1,401.3
Widowed Mother and Father	576	0.1%	$1,942.0
Remarried Widow(er)	2,743	0.4%	$1,152.1
Divorced Widow(er)	9,764	1.5%	$1,168.4
Children	7,957	1.3%	$1,156.8
Partition Payments[b]	2,050	0.3%	$320.8
Total Benefits	633,719[c]	100.0%	$1,696.7[d]

Source: Railroad Retirement Board, Bureau of the Actuary, Quarterly Benefit Statistics, July-September 2019, Table 1, https://rrb.gov/sites/default/files/2020-01/stat_qbs0919.pdf.

Notes: Numbers may not add due to rounding.

a. Total number of benefits paid includes multiple benefits paid to individual beneficiaries. Benefits were paid to 506,566 beneficiaries.

b. The court-ordered partitioned portion of the Tier II, vested dual and supplemental benefit payments can be made to spouses and divorced spouses when the railroad worker is deceased or not otherwise entitled to an annuity.

c. The total number of benefits does not include the number of dependent parents' annuities, which was 23 in current payment status.

d. Estimated based on total number and amount of benefits.

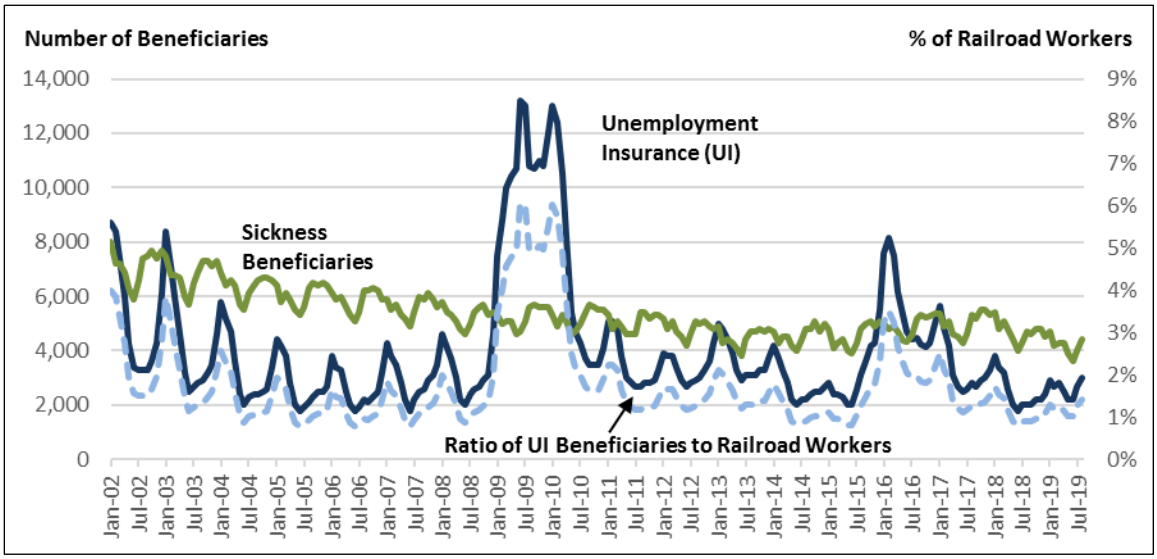
Railroad Unemployment and Sickness Benefits

Railroad workers may qualify for daily unemployment and sickness benefits under the Railroad Unemployment Insurance Act (RUIA).[43] These monetary benefits are paid in addition to any paid leave or private insurance an employee may have. For sickness benefits, a worker must be unable to work because of illness or injury. Sickness benefits are distinct from disability benefits because they are intended to cover a finite, temporary period of time. Workers may not earn any money while receiving unemployment or sickness benefits.

Figure 3 displays the monthly number of beneficiaries with unemployment and sickness benefits from January 2002 to August 2019, respectively. Although the number of sickness beneficiaries stayed relatively stable over time, the number of unemployment insurance beneficiaries increased significantly during and after the most recent economic recession from 2007 to 2009.

[43] 45 U.S.C. §§351-369.

Figure 3. Number of RUIA Beneficiaries, 2002-2019



Source: Railroad Retirement Board, Bureau of the Actuary, Benefits and Beneficiaries, January 2002 to August 2019, Table 2.

Financing

Railroad unemployment and sickness benefits are financed solely by railroad employers' payroll taxes, based on the taxable earnings of their employees. Employers' tax rates depend on the past rates of unemployment and employees' sickness claims. For calendar year 2020, the employer tax rate ranges from 0.65% to 12.00% on the first $1,655 of each employee's monthly earnings.

The payroll tax proceeds not needed immediately for unemployment and sickness insurance benefits or operating expenses are deposited in the Railroad Unemployment Insurance Account maintained by the Treasury. This account, together with similar unemployment insurance accounts for each state, forms a Federal Unemployment Insurance Trust Fund whose deposits are invested in U.S. government securities, and the Railroad Unemployment Insurance Account receives interest based on these deposits. During FY2018, payroll tax contributions from railroad employers totaled $133.8 million.[44]

The RUIA provides for employers to pay a surcharge if the Railroad Unemployment Insurance Account falls below an indexed threshold amount.[45] The surcharge is added to the employer's tax rate. However, the total tax rate plus the surcharge cannot exceed the maximum rate of 12.0%, unless the surcharge is 3.5%, in which case the maximum tax rate is increased to 12.5%. From 2004 through 2010, the surcharge was 1.5%. The surcharge in 2011 was 2.5% and 1.5% in 2012 with no surcharges in 2013 or 2014. The surcharge in 2019 was 1.5%, the same as the level in the past four years.[46]

[44] In FY2018, interest income of $2.5 million was offset by a similar amount in account receivables adjustments.

[45] 45 U.S.C. §358(a)(14).

[46] RRB, "Surcharge in RUIA Tax Rate for 2019," October 12, 2018, at https://www.rrb.gov/sites/default/files/2018-10/rrxr.pdf.

Eligibility and Benefits

Eligibility for railroad unemployment and sickness benefits is based on recent railroad service and earnings. The annual benefit year begins on July 1. Eligibility is based on work in the prior year, or the base year. To qualify in the benefit year beginning July 1, 2019, railroad workers must have base year earnings of $3,900 in calendar year 2018, counting no more than $1,560 per month.[47] New railroad workers must also have at least five months of covered railroad work in the base year. To receive unemployment benefits, a worker must be ready, willing, and able to work.

The maximum daily unemployment and sickness benefit payable in the benefit year that began July 1, 2019, is $78, and the maximum benefit for a biweekly claim is $780. However, due to sequestration pursuant to the Budget Control Act of 2011 (P.L. 112-25, as amended), the maximum daily benefit of $78 is reduced by 5.9% to $73.40 and the maximum biweekly benefit is reduced by 5.9% to $733.98 through September 30, 2020.[48] Railroad workers receive these benefits only to the extent that they are higher than other benefits they receive under the RRA, the Social Security Act, or certain other public programs, including workers compensation.

Unemployment and sickness beneficiaries may receive normal benefits for up to 26 weeks in a benefit year or until the benefits they receive equal their creditable earnings in the base year if sooner.[49] Employees with at least 10 years of covered railroad service may qualify for extended benefits for 13 weeks after they have exhausted normal benefits. **Table 2** displays the number and average weekly amount of RUIA benefits paid in September 2019.

Workers who apply for unemployment benefits are automatically enrolled in a free job placement service operated by railroad employers and the RRB.[50]

Table 2. Railroad Unemployment and Sickness Benefits, September 2019

Type of Benefits	Number of Normal Benefits	Number of Extended Benefits	Average Weekly Benefit
Unemployment	3,442	107	$363.25
Sickness	4,455	193	$363.25

Source: Railroad Retirement Board, Bureau of the Actuary, Quarterly Benefit Statistics, July-September 2019, Table 3, https://www.rrb.gov/sites/default/files/2020-01/stat_qbs0919.pdf.

[47] RRB, "Railroad Unemployment and Sickness Benefits," at https://www.rrb.gov/sites/default/files/2019-10/2019%20UB-9%20%28web%29.pdf.

[48] Railroad unemployment benefits are paid biweekly for up to 10 days of unemployment. Certain railroad sickness benefits are also subject to regular Tier I railroad retirement taxes, resulting in a further reduction of 7.65% (Social Security and Medicare payroll taxes). Applying the 5.9% reduction to these sickness benefits will result in a maximum two-week total of $677.83. The rate of reduction due to sequestration is set annually and may continue past September 30, 2020.

[49] There is essentially a one-week waiting period for unemployment and sickness benefits. There is a two-week waiting period for unemployment benefits if a worker participates in a legal strike.

[50] For more information, see RRB, "Free Placement Service," at https://www.rrb.gov/Free_Placement_Service.

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