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

Introduction

The Railroad Retirement Board (RRB) administers retirement, survivor, disability, unemployment, and sickness benefits for railroad workers and their families under the provisions of the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA). Work for railroads engaged in interstate commerce, railroad associations, and railroad labor organizations is covered by the railroad benefits system instead of Social Security or the federal-state unemployment compensation system.

During FY2023, the RRB paid \$14.0 billion in retirement and survivor benefits to approximately 508,000 beneficiaries. Unemployment and sickness benefits totaling \$92.9 million were paid to approximately 15,500 claimants. The number of railroad workers has been generally declining since the 1950s. In December 2024, about 199,000 railroad workers were employed.

The 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 is appointed on the recommendation of railroad labor organizations, and the chair is appointed to represent the public.

Retirement, Survivor, and Disability Benefits

Similar to Social Security, the RRB provides retirement, survivor, and disability benefits to covered employees and their families who meet insurance requirements by working in covered railroad employment and paying RRA payroll taxes (see **Table 1**).

Retirement Benefits

Tier I retirement annuities are designed to be nearly equivalent to Social Security retirement benefits and are calculated using the Social Security benefit formula. To be eligible for retirement benefits, a person must have at least 10 years of railroad service or at least five years after 1995 and a sufficient combination of railroad service and work covered by Social Security.

Tier I benefits are more generous than Social Security in that, at the age of 60, railroad workers with at least 30 years of covered railroad work may receive unreduced retirement annuities, unlike Social Security, which pays unreduced benefits only at full retirement age and pays reduced benefits at age 62. Because work covered by Social Security is counted toward tier I benefits, if a railroad retirement annuitant is also awarded Social Security benefits, those benefits are subtracted from tier I benefits.

Tier II retirement annuities are paid in addition to tier I benefits and any private pension and retirement savings plans offered by railroad employers. Tier II benefits are similar to private pensions and are based on the worker's 60 highest months of railroad earnings.

Table 1. Railroad Retirement, Survivor, and Disability Benefits, September 2024

Type of Benefit	Number of Benefits (% of Total Benefits)
Retirement	173,830 (30.7%)
Supplemental Annuities	97,437 (17.2%)
Disability	61,516 (10.9%)
Spouses	136,379 (24.1%)
Surviving Spouses	86,704 (15.3%)
Surviving Children	6,845 (1.2%)
Partition Payments ^a	3,030 (0.5%)
Total	565,741 (100.0%)

Source: Railroad Retirement Board, Bureau of the Actuary, Quarterly Benefit Statistics, July-September 2024, Table 1.

Notes: There were 459,629 beneficiaries in September 2024. Beneficiaries may be eligible for more than one type of benefit. The total number of benefits does not include the 9 dependent parents' annuities.

a. Partition payments are made to spouses pursuant to divorce rulings.

Supplemental annuities are paid to employees first hired in railroad work before October 1981 and who are age 65 or older with at least 25 years of railroad service or age 60 with at least 20 years of service. Workers must also have a *current connection* to the railroad industry (generally 12 months of railroad work in the previous 30 months prior to retiring). In addition, *vested dual benefits* are paid to those who were insured for both railroad retirement and Social Security in 1974 when the two-tier railroad retirement benefit structure was established.

Disability Benefits

Railroad workers may be eligible for disability benefits if they are unable to work because of physical or mental impairments. Total disability benefits are paid to workers who are permanently and totally disabled and unable to perform any work. Occupational disability benefits are paid to workers unable to perform their regular railroad occupations if they are age 60 or older with at least 10 years of railroad service or any age with at least 20 years of

service. A *current connection* to the railroad industry is also required for occupational disability benefits.

Spouse Benefits

Spouses of annuitants may receive benefits based on the worker's earnings. Unlike Social Security, children are not eligible for their own benefits based on the record of a living beneficiary but are factored into the eligibility of spouses for benefits, and the presence of a minor child or adult child disabled before age 22 may increase a worker's family annuity amount under the RRA's Special Guaranty provision.

Survivor Benefits

After the death of a covered worker, surviving spouses, former spouses, children, and other dependents may be eligible to receive survivor benefits if the worker had a current connection to the railroad industry at the time of death. Benefits for children stop when the child marries or reaches age 18 (age 19 if still enrolled in elementary or secondary school) unless the child has a disability that began before age 22, in which case the benefits continue for life or duration of disability.

Financing of Retirement, Survivor, and Disability Benefits

Payroll taxes are the largest funding source for railroad retirement, survivor, and disability benefits. 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 \$176,100 in 2025. The tier II tax is set each year based on the railroad retirement system's asset balances, benefit payments, and administrative costs. In 2025, the tier II tax is 13.1% for employers and 4.9% for employees on earnings up to \$130,800. Tier II taxes are used to finance tier II benefits, *excess* tier I benefits (the portion of tier I benefits that are more generous than Social Security retirement benefits), and supplemental annuities.

Tax revenues that are not needed to pay current tier I benefits in excess of Social Security benefits, tier II benefits, supplemental annuities, or associated administrative costs are held in the National Railroad Retirement Investment Trust, which is invested in both government securities and private equities, unlike the Social Security trust funds, which are invested only in government securities.

The railroad retirement system has received an annual *financial interchange* payment from the Social Security system. When benefit reimbursements exceed payroll and income taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the Social Security trust funds to RRB. The financial interchange is designed 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 Social Security's inception. In FY2023, the financial interchange

payment accounted for 34.8% of gross railroad retirement system revenue. The railroad retirement, survivor, and disability system is projected to remain solvent over at least the next 25 years.

Unemployment and Sickness Benefits

Railroad workers may qualify for daily unemployment and sickness benefits under the RUIA. These benefits are paid in addition to any paid leave or private insurance an employee may have. To receive unemployment benefits, a worker must be ready, willing, and able to work. 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 temporary period of time.

The maximum daily unemployment and sickness benefit payable in the benefit year that began July 1, 2024, is \$94, and the maximum benefit for biweekly claims is \$940. In the past, the benefit amount was subject to sequestration reduction as required by the Budget Control Act of 2011 (P.L. 112-25, as amended). The Continued Assistance to Rail Workers Act of 2020 (enacted under P.L. 116-260 on December 27, 2020), as amended by the Railroad Employee Equity and Fairness Act (enacted under P.L. 118-159 on December 23, 2024), exempts railroad unemployment and sickness insurance benefits from sequestration for payments beginning January 3, 2021.

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 prior year. There is generally a one-week waiting period for unemployment and sickness benefits. Employees with at least 10 years of covered railroad service may qualify for extended benefits for 13 weeks after they have exhausted normal benefits.

Financing of Unemployment and Sickness Benefits

Railroad unemployment and sickness benefits are financed solely by railroad employers. Employers' contributions are based on the taxable earnings of their employees. An employer's tax rates depend on the past rates of unemployment and sickness claims by its employees. For calendar year 2025, the tax rate ranges from 0.65% to 12.00% on the first \$2,065 paid to each employee per month, which includes no surcharge. A surcharge is assessed in any year in which the Railroad Unemployment Insurance Account falls below a threshold level.

Railroad unemployment and sickness funds not immediately needed are deposited into an account that is part of the national Unemployment Trust Fund, and the railroad account receives interest based on these deposits.

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