

United States Railroad Retirement Board

2017 Annual Report



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 will take appropriate action to 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 comments or suggestions regarding the information in this report, please let us know. You can call us at 312-751-4777, e-mail us at opa@rrb.gov or write us at the following address:

**Public Affairs
U.S. Railroad Retirement Board
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Chicago, IL 60611-1275**

UNITED STATES
RAILROAD RETIREMENT BOARD

2017 Annual Report

For Fiscal Year Ended September 30, 2016

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www.rrb.gov

THE REPORT IN BRIEF

Railroad retirement and unemployment insurance benefits totaling almost \$12.5 billion were paid by the Railroad Retirement Board (RRB) to about 583,000 beneficiaries in fiscal year 2016. Financial reports issued in 2017 on the solvency of the railroad retirement and railroad unemployment insurance systems were both favorable. Total railroad retirement system assets equaled \$26.5 billion as of September 30, 2016.

Benefits and Beneficiaries

Benefits paid under the Railroad Retirement and Railroad Unemployment Insurance Acts totaled approximately \$12.5 billion in the fiscal year ending September 30, 2016. Retirement and survivor benefits were paid by the RRB to about 553,000 beneficiaries during the fiscal year, of whom 522,000 were on the RRB's annuity rolls at the end of the year. Approximately 33,000 railroad employees were paid unemployment and/or sickness insurance benefits. Almost 2,000 beneficiaries received payments under both the Railroad Retirement Act and the Railroad Unemployment Insurance Act.

Retirement and survivor benefit payments of \$12.3 billion during fiscal year 2016 were \$173.0 million more than payments in the prior year. Employee and spouse annuitants were paid some \$10.2 billion, accounting for 83 percent of the total payments. Employees received over \$7.3 billion in age annuities (including \$1.2 billion to annuitants full retirement age and over originally awarded a disability annuity), \$1.1 billion in disability annuities and \$61.6 million in supplemental annuities, while spouses and divorced spouses received some \$1.7 billion.¹ Survivors were paid \$2.1 billion in annuities and \$2.7 million in lump-sum benefits. The total number of beneficiaries who received retirement and survivor benefits declined by about 6,000 from fiscal year 2015.

Note: Statistics are presented on the cash basis of accounting instead of the accrual basis of accounting for much of the Report. However, with the exception of the first paragraph on page 2, the Federal Income Tax Transfers section on page 9 and the accompanying table on page 10, which are also presented as cash, the information on pages 2, 6-14 and 26-28 is presented on the accrual basis of accounting. The primary difference between the two bases of accounting is that the cash basis recognizes revenue and expenditures only when cash is received and paid. The accrual basis, on the other hand, recognizes revenue when it is earned and expenses when they are incurred.

¹ In the Annual Reports for the years through 2014, annuitants who were full retirement age and over and who were originally awarded a disability annuity were included in the disability counts. Effective with the 2015 and later reports, annuitants full retirement age and over originally awarded a disability annuity are included in the employee age and service counts because a disability annuity converts to an age and service annuity when the annuitant attains full retirement age.

Gross unemployment and sickness benefits paid in fiscal year 2016 totaled about \$155.8 million. Net benefits totaled over \$133.3 million after adjustment for recoveries of benefit payments, including injury settlements, some of which were made in prior years. Total gross benefit payments increased by some \$51.7 million while net benefit payments increased by over \$50.1 million from the preceding year. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a sequestration reduction of 7.2 percent for days of unemployment and sickness after September 30, 2013, 7.3 percent for days after September 30, 2014, and 6.8 percent for days after September 30, 2015.

Gross unemployment benefits increased by 119 percent compared to the previous year due to an 8 percent decline in employment for fiscal year 2016 as railroad employers restructured their organizations and coal shipments fell. Gross unemployment benefits totaling \$80.2 million (\$77.6 million net) were paid to 17,200 claimants, while gross sickness benefits of \$75.6 million (\$55.7 million net) were paid to 16,500 claimants. This includes a total of \$0.2 million net recoveries in temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012.

Financial Reports

The RRB's 2017 railroad retirement financial report to Congress, which addressed the period 2017-2041, was generally favorable, concluding that, barring a sudden, unanticipated, large decrease in railroad employment, or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the 25-year projection period. The long-term stability of the system, however, is still uncertain. Under the current financing structure, actual levels of railroad employment and investment return over the coming years will determine whether corrective action is necessary.

The RRB's 2017 railroad unemployment insurance financial report was also generally favorable. Even as projected maximum benefit rates increase 46 percent (from \$72 to \$105) from 2016 to 2027, experience-based contribution rates maintain solvency. The report also predicted average employer contribution rates well below the maximum throughout the projection period. A 1.5 percent surcharge was imposed in calendar year 2017 in order to maintain a minimum account balance. Under all three employment assumptions, the report projects a 1.5 percent surcharge in 2018, and a 1.5 percent surcharge in 2019 under the optimistic and intermediate assumptions, with the possibility of a 2.5 percent surcharge under the pessimistic assumption. The report also finds a surcharge of 1.5 percent in 2020 likely under the intermediate and pessimistic assumptions, with intermittent surcharges of 1.5 percent in later years.

The National Railroad Retirement Investment Trust's annual management report for fiscal year 2016 showed that, as of September 30, 2016, the net asset value of the Trust-managed assets was \$25.1 billion. This represented an increase from \$24.5 billion in the previous year, with a net investment return for the year of 8.1 percent. The ending balance also reflects a transfer of \$1.4 billion to the U.S. Treasury for the payment of railroad retirement (tier II) benefits. Total railroad retirement system assets, including those maintained at the Treasury, equaled \$26.5 billion.

The 2017 railroad retirement and railroad unemployment insurance financial reports and the National Railroad Retirement Investment Trust's 2016 annual management report are available at www.rrb.gov.

Service Delivery

Customer Service Plan

In fiscal year 2016, customers received benefit services within the timeframes promised in the RRB's Customer Service Plan 98.9 percent of the time.

Service Enhancements

The RRB continued to improve its Employer Reporting System that allows employers to submit forms and information electronically, processed a cost-of-living adjustment for retirement and survivor benefits, took steps to further reduce improper payments, and enabled paperless processing for certain types of disability cases.

Office of Inspector General

During fiscal year 2016, the Office of Inspector General continued its independent oversight of agency operations and its efforts to combat fraud, waste, and abuse. This included the issuance of 10 audit reports that recommended improvements in agency operations.

Investigative activities resulted in 13 arrests, 32 indictments and/or informations, 36 convictions, 15 civil judgments, 45 referrals to the Department of Justice, and more than \$25.7 million in financial accomplishments. This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other Federal programs such as Medicare or social security which were identified during Office of Inspector General joint investigative work.

Selected Data on Benefit Operations

Retirement-Survivor	Fiscal Year 2016	Fiscal Year 2015
Employee age annuities		
Number awarded	10,200	10,100
Awarded Age Annuity		
Number being paid at end of period	190,800	190,100
Average being paid at end of period	\$2,675	\$2,625
Disability converted to age annuity ¹		
Number being paid at end of period	44,700	43,100
Average being paid at end of period	\$2,358	\$2,322
Employee disability annuities		
Number of total disability annuities awarded	700	800
Number of occupational disability annuities awarded	900	900
Number of total disability annuities being paid at end of period	10,300	11,000
Number of occupational disability annuities being paid at end of period	21,000	23,500
Average total disability annuity being paid at end of period	\$1,911	\$1,892
Average occupational disability annuity being paid at end of period	\$3,053	\$3,025
Supplemental employee annuities²		
Number awarded	5,900	6,200
Number being paid at end of period	123,000	123,000
Average being paid at end of period	\$42	\$42
Spouse and divorced spouse annuities		
Number awarded, total	11,400	11,300
Number being paid to divorced spouses at end of period	4,900	4,700
Number being paid at end of period, total	145,900	143,900
Average being paid to divorced spouses at end of period	\$622	\$610
Average being paid at end of period, total	\$991	\$975
Survivor annuities		
Number awarded to aged widow(er)s	5,300	5,500
Number awarded, total	6,700	7,100
Number being paid to aged widow(er)s at end of period	90,900	94,300
Number being paid at end of period, total	116,800	120,700
Average being paid at end of period to		
Aged widow(er)s	\$1,618	\$1,576
Disabled widow(er)s ³	\$1,307	\$1,285
Widowed mothers (fathers)	\$1,883	\$1,835
Remarried widow(er)s	\$1,050	\$1,036
Divorced widow(er)s	\$1,055	\$1,040
Children	\$1,066	\$1,055
Partition payments⁴		
Number being paid at end of period	1,500	1,400
Average being paid at end of period	\$307	\$308
Lump-sum survivor benefits awarded		
Number of lump-sum death benefits	2,800	3,100
Average lump-sum death benefit	\$921	\$927
Number of residual payments	5/	5/
Average residual payment	\$5,516	\$2,684

Selected Data on Benefit Operations (Continued)

Employees and Earnings ⁶	Fiscal Year 2016	Fiscal Year 2015
Average employment	229,000	249,000
Creditable earnings, Railroad Retirement Act (billions):		
Tier I	\$18.91	\$20.12
Tier II	\$17.31	\$18.50
Creditable earnings, Railroad Unemployment Insurance Act (billions)	\$3.99	\$4.33

Unemployment-Sickness ⁷	Benefit Year 2015-2016	Benefit Year 2014-2015
Qualified employees	254,200	248,200
Unemployment benefits		
Net amount paid (millions)	\$71.7 ⁸	(\$77.6) ⁹
Beneficiaries	16,400	(17,200) ⁹
Number of payments	112,300	52,100
Normal benefit accounts exhausted	3,300	1,900
Average payment per 2-week registration period	\$591	\$578
Sickness benefits		
Net amount paid (millions)	\$54.5	(\$55.7) ⁹
Beneficiaries	16,000	(16,500) ⁹
Number of payments	109,700	102,700
Normal benefit accounts exhausted	3,100	2,800
Average payment per 2-week registration period	\$592	\$572

¹ A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. Consequently, these annuitants are receiving age and service annuities. Full retirement age is age 65 for those born before 1938 and gradually increases to age 67 for those born 1960 and later.

² Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions. In fiscal year 2016, there were no supplemental annuities awarded under the 1937 Act.

³ Average in current-payment status includes annuities to disabled widow(er)s age 60 and over now payable as aged widow(er)s' annuities.

⁴ Limited to partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Partition payments from employees on the rolls are included with the employees' annuities.

⁵ Fewer than 50.

⁶ Except for fiscal year 2015 employment, all figures in this section are preliminary.

⁷ In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a sequestration reduction of 9.2% for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, and 6.8% for days after September 30, 2015.

⁸ Benefit years 2014-2015 and 2015-2016 include -\$0.3 million and -\$0.2 million, respectively, in temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013.

⁹ Data in parentheses are for fiscal year (October 1, 2015 – September 30, 2016). Unemployment benefits include -\$0.2 million in temporary extended unemployment benefits.

A REVIEW OF OPERATIONS

At the end of fiscal year 2016, total railroad retirement system assets equaled \$26.5 billion. During fiscal year 2016, benefits totaling approximately \$12.5 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 \$132.3 million.

RAILROAD RETIREMENT AND SURVIVOR PROGRAM

As of September 30, 2016, total railroad retirement system assets, including those maintained in U.S. Treasury accounts and those maintained by the National Railroad Retirement Investment Trust (the “Trust” or “NRRIT”), equaled \$26.5 billion, an increase of \$0.2 billion during the fiscal year. Amounts in the (RR) Account not needed to pay current administrative expenses and amounts in the Social Security Equivalent Benefit (SSEB) Account not needed to pay current benefits and administrative expenses are transferred to the NRRIT, whose Board of seven trustees is empowered to invest Trust assets in non-governmental assets, such as equities and debt, as well as in governmental securities.

FINANCIAL OPERATIONS - U.S. TREASURY ACCOUNTS

During fiscal year 2016, railroad retirement and survivor benefit payments were financed through four U.S. Treasury accounts.

The 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 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. Supplemental benefit payments are also paid from the RR Account. The Dual Benefits Payments (DBP) Account and Federal Payments (FP) Account, funded by congressional appropriations from general revenues, finance the phase-out costs of certain vested dual benefits and interest on unnegotiated checks, respectively. The four accounts together incurred \$12.4 billion in benefit obligations (excluding \$1.5 billion in social security benefits which were reimbursed by the Social Security Administration) during fiscal year 2016.

Financing Sources

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 \$5.9 billion, representing 48.2 percent of total financing sources (excluding an increase of \$774 million, mostly due to a change in NRRIT net assets) and \$505.1 million less than in fiscal year 2015.

Railroad employees and employers pay tier I taxes which, by law, are the same as social security taxes. The 2016 rate of 7.65 percent was split between 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 2016 was \$118,500, and all earnings were subject to the 1.45 percent Medicare tax.

Since 2013, employees pay an additional 0.9 percent Medicare tax on earnings above \$200,000 (for those who file an individual return) or \$250,000 (for those who file a joint return). This additional tax rate is not reflected in the tax rates shown above.

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 \$88,200 in both 2016 and 2015, was 4.9 percent on employees in both years. It was 13.1 percent on employers in both 2016 and 2015.

Tier I and tier II taxes for fiscal year 2016 amounted to \$2.8 billion and \$3.1 billion, respectively.

Financial Interchange Transfers

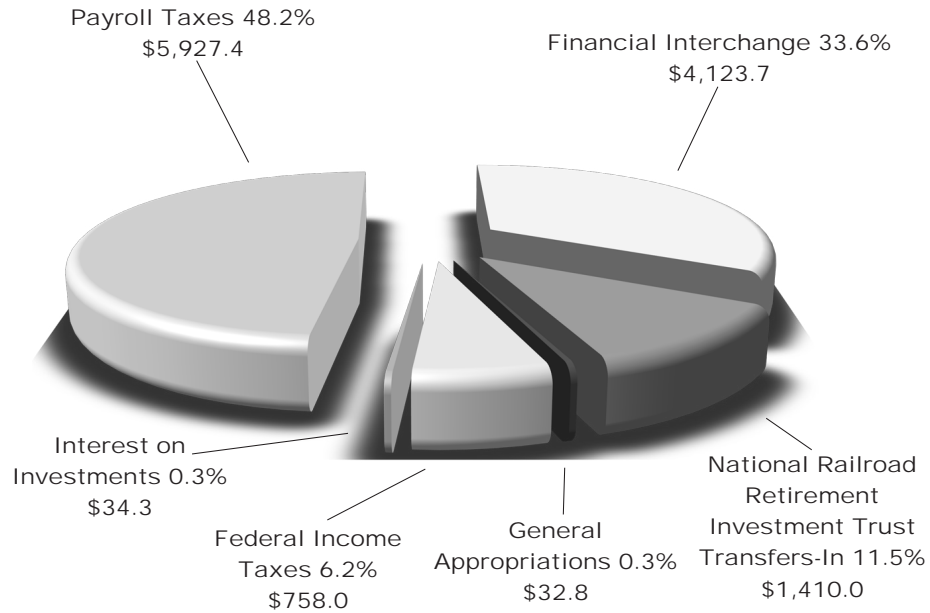
The second major source of income to the railroad retirement and survivor program consists of transfers from the social security trust funds under a financial interchange between the two systems. The financial interchange is intended to place the Social Security Old-Age, Survivors and Disability Insurance and Hospital Insurance 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 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 2016 amounted to \$4.1 billion.

(text continued on page 9)

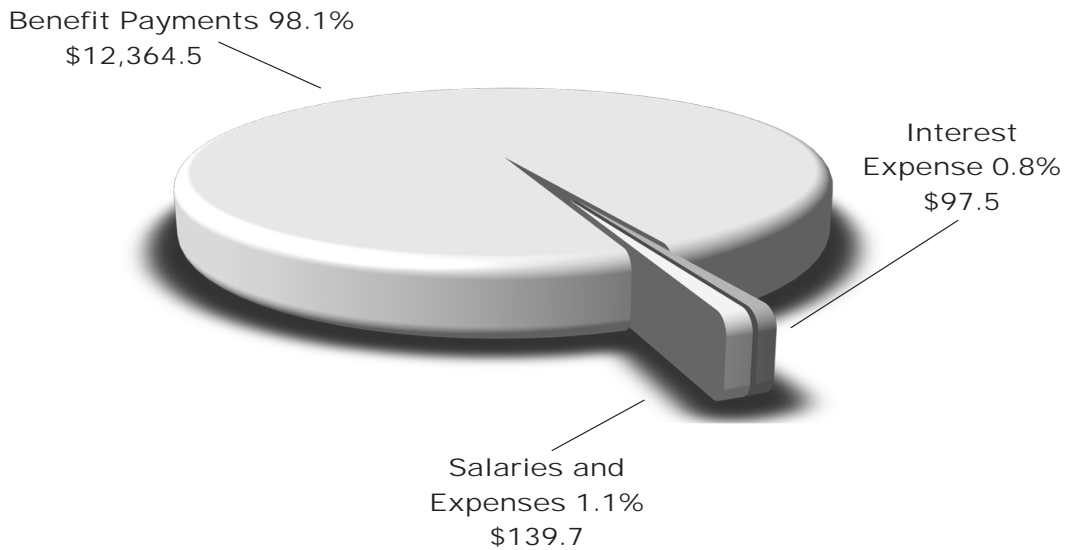
RETIREMENT AND SURVIVOR PROGRAM

Financing Sources - Fiscal Year 2016 (In Millions)
GROSS TOTAL: \$12,286.2¹



¹Excludes -\$774.0 million as shown under Other Financing Sources on page 11.

Costs - Fiscal Year 2016 (In Millions)
TOTAL: \$12,601.7



Note.--Percentages may not add to 100 due to rounding.

Interest on Investments and Other Revenue

Interest revenue decreased from \$41.4 million in fiscal year 2015 to \$34.3 million in fiscal year 2016. Interest revenue was also earned from financial interchange advances.

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. Most of the revenue from income taxes on social security equivalent railroad retirement benefits is transferred to the SSEB Account, although a portion attributable to higher-income taxpayers is transferred to the Federal Hospital Insurance Trust Fund. 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.

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. On a cash basis, original tax transfers for fiscal year 2016 amounted to \$683 million during the year. Original transfers for fiscal year 2015 totaled \$639 million. Net income tax transfers after adjustments were \$759 million for fiscal year 2016, including a \$76 million adjustment for calendar year 2012. Net transfers in fiscal year 2015 were \$720 million, including \$81 million in reconciliation adjustments.

The information in the preceding paragraph is on a fiscal year basis, while the table on page 10 shows income tax transfers to the Accounts for taxable (calendar) years 2007 through 2016, including reconciliation adjustments through 2012.

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 for fiscal years 2016 and 2015 were \$28.0 million and \$32.0 million, respectively. These amounts include Federal income tax transfers for 2016 and 2015. The amount appropriated for fiscal year 2016 was 12.5 percent less than fiscal year 2015, reflecting the continuing decrease in eligibility for these benefits, which are not increased for the cost of living. The total amount appropriated by the Congress for interest on unnegotiated checks was \$150,000 for fiscal years 2015-2016, and also \$150,000 for fiscal years 2014-2015.

(text continued on page 13)

**Federal Income Tax Transfers by Recipient Account and
Benefit Component, Taxable Years 2007-2016 (Millions)**

<u>Taxable year</u>	Revenue from taxes on		
	RRA benefits treated as SSA benefits	RRA benefits treated as private or public pensions	
	SSEB tier I benefits	Tier II and non-SSEB tier I benefits ¹	Vested dual benefits
	<u>SSEB Account²</u>	<u>RR Account</u>	<u>DBP Account³</u>
Original transfers during the year			
2007	\$135	\$334	\$6
2008	144	325	5
2009	144	304	3
2010	159	315	3
2011	160	300	3
2012	194	318	4
2013	199	333	3
2014	250	348	2
2015	263	386	2
2016	281	412	2
Reconciliation adjustments⁴			
2007 (2012)	35	-64	1
2008 (2012)	24	-69	1
2009 (2013)	20	2	1
2010 (2013)	23	16	1
2011 (2015)	32	49	--
2012 (2016)	17	60	-1

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 The year in parentheses is the year the adjustments were made.

Railroad Retirement and Survivor Program

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

For the Fiscal Year Ended September 30	2016	2015
Financing Sources:		
Payroll Taxes	\$5,927.4	\$6,432.5
Financial Interchange	4,123.7	4,057.0
Interest on Investments and Other Revenue	34.3	41.4
Federal Income Taxes	758.0	718.0
General Appropriations	32.8	36.8
Other	774.0	(1,566.1)
Transfers to the National		
Railroad Retirement Investment Trust	0.0	0.0
Transfers from the National		
Railroad Retirement Investment Trust	1,410.0	1,191.0
	<hr/>	<hr/>
Total Financing Sources	13,060.2	10,910.6
Costs:		
Benefit Payments	12,364.5	12,199.7
Interest Expense	97.5	101.1
Salaries and Expenses ²	139.7	139.1
Other	(25.1)	(29.7)
	<hr/>	<hr/>
Total Costs	12,576.6	12,410.2
Financing Sources over Costs	483.6	(1,499.6)
Net Position - Beginning of Period	25,147.8	26,647.4
	<hr/>	<hr/>
Net Position - End of Period	<u>\$25,631.4</u>	<u>\$25,147.8</u>

¹ Prepared on an accrual basis of accounting.

² Includes unemployment and sickness insurance salaries and expenses of approximately \$18.4 million and \$18.1 million for fiscal years 2016 and 2015, respectively.

National Railroad Retirement Investment Trust (NRRIT) **Fiscal Year 2016 Summary**

Market value of assets managed
by NRRIT on September 30, 2016 \$25.1 billion

Rate of return of investment portfolio
managed by NRRIT for full year
ended September 30, 2016 8.13%

Source: *NRRIT*

All NRRIT annual management reports and quarterly updates are available on the RRB's website at www.rrb.gov.

Other Financing Sources

Other financing sources consisted of \$6.2 million to be provided by the Office of Personnel Management to pay future retirement benefits to RRB employees and \$29.3 million from the railroad unemployment trust funds in transfers-in for current budget fiscal year salaries and expenses. These financing sources were offset by an increase in NRRIT net assets of \$632.9 million, transfers-out of \$7.3 million for salaries and expenses of the RRB's Office of Inspector General, a gain on contingency liability of \$0.1 million, and a \$7.5 million decrease in unexpended appropriations.

Costs

The RRB 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, of the \$139.7 million and \$139.1 million shown on page 11 for salaries and expenses in fiscal years 2016 and 2015, respectively, about \$18.4 million for fiscal year 2016 and \$18.1 million for fiscal year 2015 were for the unemployment and sickness insurance program. About \$0.8 million in other costs for fiscal year 2016 and \$0.9 million for fiscal year 2015 were for the unemployment and sickness insurance program.

Excluding \$17.6 million from total costs of \$12.6 billion for fiscal year 2016 and \$19.0 million from total costs of \$12.4 billion for fiscal year 2015, total costs for the railroad retirement and survivor program for fiscal year 2016 increased \$167.9 million, or 1.4 percent.

Benefit Payments

In fiscal year 2016, railroad retirement benefit payments increased \$164.9 million, or almost 1.4 percent, to about \$12.4 billion on an accrual basis, including \$27.5 million in vested dual benefits.

Interest Expense

Interest expense of \$97.5 million represents interest on the financial interchange advances made by the U.S. Treasury during the fiscal year.

Salaries and Expenses

Excluding unemployment and sickness insurance salaries and expenses of \$18.4 million for fiscal year 2016 and \$18.1 million for fiscal year 2015, salaries and expenses for the railroad retirement and survivor program were about \$121.3 million for fiscal year 2016 and about \$121.0 million for fiscal year 2015, a \$0.3 million or 0.2 percent increase. Adjusted by the \$18.4 million in salaries and expenses and \$0.8 million in other costs for the unemployment and sickness insurance program, fiscal year 2016 administrative expenses for the railroad retirement and survivor program were about 0.96 percent of total costs.

Other Costs

Other costs consisted primarily of post-retirement benefits (pensions, health and life insurance) for RRB employees of \$5.4 million for the railroad retirement and survivor program and \$0.8 million for the unemployment and sickness insurance program. In addition, carrier refunds of \$0.1 million were incurred. These costs were offset by approximately \$30.9 million in reimbursements from the Centers for Medicare & Medicaid Services for Part B Medicare costs, reimbursement of approximately \$0.4 million from the RRB's Office of Inspector General for RRB-incurred expenses, and various other revenues of approximately \$24,500.

NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST OPERATIONS

Funds not needed immediately for benefit payments or administrative expenses are invested through the NRRIT. The Trust was established pursuant to section 105 of the Railroad Retirement and Survivors' Improvement Act of 2001 for the sole purpose of investing railroad retirement assets. The Act authorizes the Trust to invest the assets of the RR Account in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the Act, investment of RR Account assets was limited to U.S. Government securities. Although the Trust was created by Congress to hold and invest Federal assets, it is not an agency or instrumentality of the Federal government. It is a tax-exempt entity governed by a seven-member Board, three selected by rail management, three selected by rail labor and one independent trustee selected by the six rail trustees.

During fiscal year 2016, the net asset value of Trust-managed assets increased from \$24.5 billion on October 1, 2015, to \$25.1 billion on September 30, 2016. This includes \$1.4 billion that the Trust transferred to the U.S. Treasury for the payment of railroad retirement benefits during the year. The rate of return on Trust-managed assets for the year (net of fees) was 8.1 percent.

Total railroad retirement system assets (Trust-managed assets and reserves held in Treasury accounts) grew from \$20.7 billion in 2002 to \$26.5 billion as of the end of fiscal year 2016, after net transfers for benefit payments of approximately \$19.2 billion over the same time frame.

Trust operations are described in detail in the NRRIT Annual Management Report for fiscal year 2016, which is available on the RRB's website at www.rrb.gov.

BENEFIT OPERATIONS

Retirement and survivor benefits paid, including vested dual benefits and supplemental employee annuities, totaled \$12.3 billion in fiscal year 2016, \$173 million more than in fiscal year 2015. Benefits were paid to about 552,500 beneficiaries in fiscal year 2016, and nearly 522,000 beneficiaries were being paid at the end of the year.

The table shown here presents retirement and survivor benefit payments for fiscal years 2016 and 2015, by type of benefit, and the percent changes in payments between the 2 years.

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 2016, tier I benefits increased by 0.3 percent due to a cost-of-living adjustment, while tier II benefits increased by 0.1 percent. There was no cost-of-living increase effective in December 2015.

Monthly retirement and survivor benefits being paid numbered about 654,100 at the end of the 2016 fiscal year, some 2,700 less than at the end of the prior year. Monthly beneficiaries on the rolls declined by approximately 2,800 over the year, from 524,800 to 522,000. 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 2016 numbered 266,900, about 900 less than at the end of the previous fiscal year. The number of age annuities being paid, including 44,700 disability annuities converted to age, rose slightly from 233,300 to 235,600 over the year, while disability annuities decreased from 34,500 to 31,300. Supplemental annuities being paid to employees declined by nearly 100, numbering 123,000 at the end of the year. The number of divorced spouse annuities being paid rose approximately 200, to 4,900. Spouse and divorced spouse annuities together increased by almost 2,000, totaling 145,900 at year-end. About 116,800 monthly survivor benefits were being paid at the end of fiscal year 2016, a decrease of 3,900 from the previous year. Approximately 1,500 partition payments to spouses and divorced spouses where the employee

Type of benefit	Amount (in millions)		Percent change
	Fiscal year 2016	Fiscal year 2015	
Retirement benefits			
Employee annuities			
Age ¹	\$7,309.2	\$7,086.7	+3.1
Disability	1,106.2	1,197.0	-7.6
Supplemental ²	61.6	61.1	+0.7
Spouse and divorced spouse annuities	1,725.5	1,667.4	+3.5
Total	10,202.4	10,012.2	+1.9
Survivor benefits			
Annuities	2,136.5	2,153.9	-0.8
Lump-sum benefits	2.7	3.0	-10.1
Total	2,139.2	2,156.9	-0.8
Partition payments³	5.4	5.0	+9.1
Grand total	\$12,347.0	\$12,174.1	+1.4
¹ A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. FY 2016 and FY 2015 include \$1,227.7 million and \$1,161.2 million, respectively, in payments to annuitants full retirement age and over originally awarded a disability annuity.			
² Excludes partition payments to spouses and divorced spouses where the employee is deceased.			
³ Limited to partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Partition payments from employees on the rolls are included with the employees' annuities.			
Note.--Detail may not add to total due to rounding.			

is deceased or not otherwise entitled to an annuity were being paid at the end of fiscal year 2016, an increase of nearly 200 from the prior year.

Retirement

Regular employee annuities

Awards of regular employee annuities numbered 11,900 in fiscal year 2016, nearly 200 more than in fiscal year 2015. Data by type of annuity awarded during the year are given in the table shown here.

Railroad employees with 10 to 29 years of creditable service, or 5 to 9 years of service if at least 5 years were after 1995, are eligible for regular annuities based on age and service at age 62. Early retirement annuity reductions are applied to annuities awarded before full retirement age (the age at which an employee can receive full benefits with no reduction for early retirement). This ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as under social security. If an employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65. The reduction for early retirement is 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins and 1/240 for each additional month.

Employee annuities awarded in fiscal year 2016	Number	Percent	Average		
			Monthly amount	Years of service	Age at retirement
Age					
Beginning at full retirement age or over	1,700	15	\$2,484	21.3	67.4
Unreduced, beginning at age 60 to under full retirement age	5,900	49	3,912	37.2	60.9
Reduced, beginning at age 62 to under full retirement age	2,600	22	1,801	16.2	63.2
Disability	1,700	14	2,667	21.5	55.3
Total	11,900	100	\$3,060	28.0	61.6
<i>Note.</i> --Detail may not add to total due to rounding.					

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 if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 *before* 2002. Employees who retire at 60 or older with at least 30 years of railroad service are referred to as 60/30 retirees.

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. Employees with 5-9 years of service, if at least 5 years were after 1995, may qualify for tier I only before retirement age on the basis of total disability if they also meet certain social security earnings requirements. An

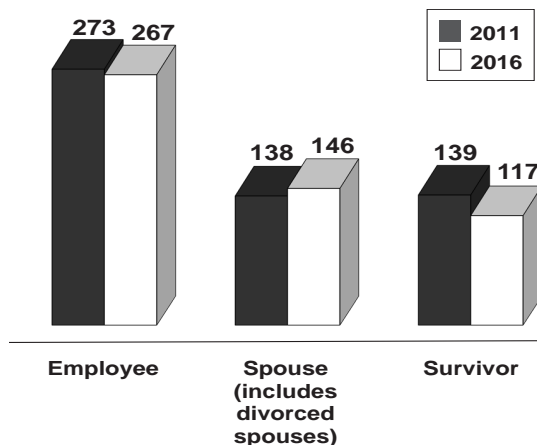
employee is considered totally disabled if medical evidence shows that a permanent physical or mental condition exists which prevents the performance of any regular work. A condition is considered to be permanent if it has lasted or may be expected to last for at least 12 months.

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 1,700 disability awards, 700 averaging \$1,944 per month were for total disability and 900 averaging \$3,234 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 four-fifths of all employees recently 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

Number of monthly beneficiaries, September 30, 2011, and 2016 (thousands)

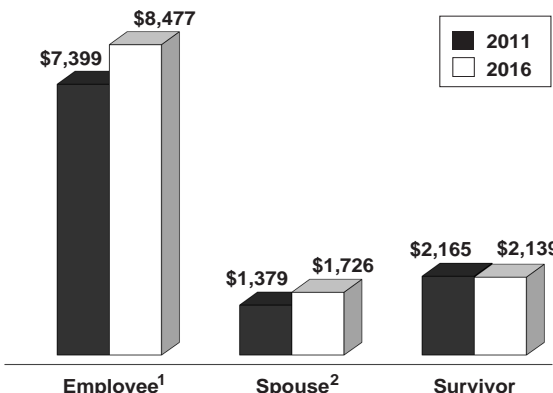


Employee

Spouse (includes divorced spouses)

Survivor

Amount of benefits paid, fiscal years 2011 and 2016 (millions)



Employee¹

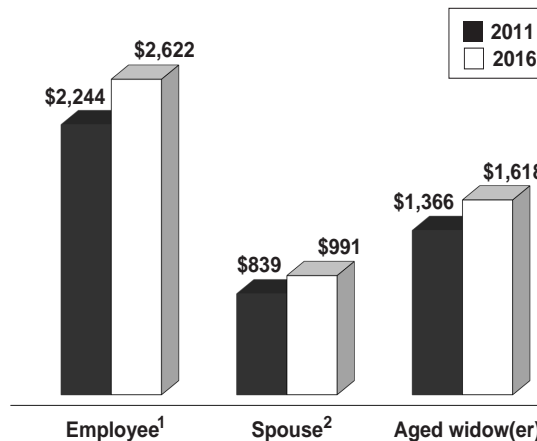
Spouse²

Survivor

¹Includes \$60.8 million in fiscal year 2011 and \$61.6 million in fiscal year 2016 for supplemental annuities.

²Includes divorced spouses.

Average monthly amount, September 30, 2011, and 2016



Employee¹

Spouse²

Aged widow(er)

¹Without supplemental annuity.

²Includes divorced spouses.

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 2016, some 8,400, or 71 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 \$3,547 per month, compared to \$1,887 for the 3,500 awards based on deferred retirement. Immediate retirees averaged 33 years of railroad service, almost twice the average of 17 years for deferred retirees. Of the year’s awards, 51 percent of normal age retirements were immediate. While 95 percent of all 60/30 retirements were immediate, only 28 percent of the reduced age awards to employees with less than 30 years of service were immediate. Immediate retirements accounted for 74 percent of the year’s disability awards.

The 266,900 retired employees on the rolls as of September 30, 2016, were being paid regular monthly annuities averaging \$2,622. The table shown here presents data by type of annuity for these benefits.

Of the 31,300 disability annuities being paid, 10,300 were for total disability and 21,000 for occupational disability. The two types of disability annuities averaged \$1,911 and \$3,053, respectively. In fiscal year 2016, payments totaled over \$254 million for total disability annuities and \$852 million for occupational disability annuities.

Almost 188,000 employees on the rolls at the end of fiscal year 2016 were immediate retirees and their regular annuities averaged \$3,032 per month. Annuities of the 78,900 deferred retirees averaged \$1,645. Although their average railroad retirement annuity was much lower, a greater proportion of the deferred annuitants

Employee annuities in current-payment status on September 30, 2016	Number	Percent	Average monthly amount	Percent immediate retirements
Age				
Beginning at full retirement age or over	20,800	8	\$2,065	48
Unreduced, beginning at age 60 to under full retirement age	106,600	40	3,427	92
Reduced, beginning at age 60 to under full retirement age	63,500	24	1,612	29
Disability converted to age annuity ¹	44,700	17	2,358	81
Disability	31,300	12	2,675	80
Total	266,900	100	\$2,622	70

¹A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. Consequently, these annuitants are receiving age and service annuities. Full retirement age is age 65 for those born before 1938 and gradually increases to age 67 for those born 1960 and later.

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

also received social security benefits – 25 percent compared to 5 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 \$1,853, while combined benefits to immediate retirees averaged \$2,781. The table shown here presents 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 full retirement age with less than 30 years of railroad service. 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 2016 averaged \$1,992 per month. Tier I amounts of nearly 7,100 employees were completely offset by social security benefits. Tier I amounts being paid averaged \$1,840.

Dual benefit status	Total	Type of retirement	
		Immediate	Deferred
Receiving social security benefit			
Number	28,600	8,900	19,700
Average monthly amount:			
Railroad retirement (regular)	\$890	\$1,694	\$526
Social security	1,252	1,087	1,327
Combined benefit	2,142	2,781	1,853
Not receiving social security benefit			
Number	238,300	179,100	59,200
Average monthly amount	\$2,829	\$3,098	\$2,016
Note.--Detail may not add to total due to rounding.			

The employee tier II component is based solely on railroad earnings. Tier II amounts being paid at the end of fiscal year 2016 averaged \$845. 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. Nearly 13,200 retirees were receiving vested dual benefits averaging \$160 at the end of the fiscal year.

Supplemental employee annuities

A supplemental annuity is payable to employees with a current connection with the rail industry at age 60 if the employee has at least 30 years of service, or at age 65 if the employee has 25-29 years of service. The employee must also have had some rail service before October 1981.

About 5,900 supplemental annuities were awarded in fiscal year 2016, nearly 300 less than in fiscal year 2015. Approximately 4,700 of the awards (80 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 over \$41 per month after court-ordered partitions; 85 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, 1,400

supplemental annuities were not awarded because they were entirely offset by private pensions. In fewer than 10 cases, the supplemental annuity was partially offset by the pension, or the supplemental annuity was not offset because the pension was reduced.

Supplemental annuities were being paid to almost 123,000, or 46 percent, of the retired employees on the rolls at the end of the 2016 fiscal year. These annuities averaged \$42 after court-ordered partitions.

Spouse and divorced spouse annuities

Annuity awards to spouses and divorced spouses of retired employees numbered 11,400 in fiscal year 2016, 100 more than in the previous year. The table on page 21 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 is at least age 62 and retires with 10-29 years of railroad service, or has 5-9 years of service and at least 5 years were after 1995, the employee's spouse is eligible for an annuity at age 62. Full retirement age for a spouse is gradually rising from 65 to 67, depending on the year of birth. Early retirement reductions are applied to the spouse annuity if the spouse retires before full retirement age. The reduction for early retirement is 1/144 for each of the first 36 months the spouse is under full retirement age when her or his annuity begins and 1/240 for each month (if any) over 36.

If an employee retires with at least 30 years of service and is at least age 60, the employee's spouse is eligible for an annuity at age 60. Prior to 2002, certain early retirement reductions were applied to the tier I component of such a spouse annuity if the employee retired before age 62, unless the employee attained age 60 and completed 30 years of service prior to July 1, 1984. If a 30-year employee retired at age 62, no age reduction applied to the spouse annuity. December 2001 legislation liberalized early retirement benefits for 30-year employees retiring at ages 60 or 61 after 2001 and their spouses. 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 approximately 2,700 reduced spouse annuities awarded in fiscal year 2016, fewer than 10 averaging \$811 per month were to spouses of 30-year employees, and over 2,700 averaging \$542 were to spouses of employees with less than 30 years of service.

At the end of fiscal year 2016, nearly 141,000 spouse annuities averaging \$1,004 per month were being paid, while 4,900 divorced spouse annuities averaging \$622 per month were also being paid. These included some 90, averaging \$642, where the employee was not yet entitled to an annuity. Families with an employee and spouse on the rolls were paid combined railroad retirement benefits averaging \$3,844. This included \$2,840 in regular and supplemental employee annuities and \$1,004 in spouse annuities.

Approximately 56,000, or 38 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 \$1,521 per month, including \$388 in railroad retirement benefits and \$1,133 in social security benefits. Railroad retirement annuities to the 87,000 spouses not receiving social security benefits averaged \$1,384, while railroad retirement annuities to the 2,900 divorced spouses not receiving social security benefits averaged \$827.

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.

Of the 141,000 spouses on the rolls at the end of fiscal year 2016, 94,200 were being paid tier I amounts averaging \$881 per month. The tier I amounts of 46,800 spouses were completely offset by other benefits also due. Spouse tier II amounts averaged \$452. Vested dual benefits averaging \$137 were being paid to fewer than 50 spouses. The 4,900 divorced spouses on the rolls at the end of fiscal year 2016 were being paid tier I amounts averaging \$640 per month, not reflecting all annuity adjustments.

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 \$0.4 million was paid in separation/severance lump-sum benefits during fiscal year 2016.

Monthly spouse benefits	Awarded in fiscal year 2016		In current-payment status on September 30, 2016	
	Number	Average amount	Number	Average amount
Beginning at full retirement age or over	1,700	\$598	16,700	\$564
With minor or disabled child in care	400	1,202	1,800	1,278
Unreduced, beginning at age 60 to under full retirement age	5,800	1,495	75,900	1,392
Reduced rate	2,700	543	46,600	518
Total	<u>10,600</u>	1,091	<u>141,000</u>	1,004
Divorced spouse annuities	800	651	4,900	622
Grand total	11,400	\$1,062	145,900	\$991

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

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 2016 fiscal year, the RRB paid nearly 200 dual retirement tax refunds averaging \$66. Most of the payments were to employees retiring during the year. Fewer than 50 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 6,700 during fiscal year 2016, about 300 less than the previous year. About 116,800 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. Approximately 90,900, or 78 percent, of the survivor annuities were to aged widows and widowers.¹

The table on page 23 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.

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. Prior to 2002, the percentages were 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 was 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 were proportionately adjusted when either limit applied. December 2001 legislation established an "initial minimum amount" for widow(er)s which provides a tier II benefit equal to 100 percent of the tier II amount of the deceased employee. The maximum tier II amount payable to a family rose to 130 percent of the employee's tier II amount. 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.

¹Aged widower statistics in the Survivor section exclude benefits to disabled widow(er)s age 60 and over now payable as aged widow(er)s' annuities.

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 full retirement age. The eligibility age for unreduced annuities is gradually rising from age 65 to age 67. The maximum age reductions range from 17.1 percent to 20.36 percent, depending on the widow(er)'s date of birth. Excluding some 200 annuities temporarily paid at spouse or divorced spouse rates, aged widow(er)s' annuities being paid at the end of the 2016 fiscal year included 46,200 which were reduced for age. Aged widow(er)s' tier I amounts being paid averaged \$1,300 per month. In nearly 6,700 cases, the tier I amount was wholly offset by

Monthly survivor benefits	Awarded in fiscal year 2016		In current-payment status on September 30, 2016	
	Number	Average amount	Number	Average amount
Aged widow(er)s	5,300	\$2,096	90,900	\$1,618
Disabled widow(er)s ¹	100	1,677	3,700	1,307
Widowed mothers (fathers)	100	2,034	700	1,883
Remarried widow(er)s	100	1,166	3,200	1,050
Divorced widow(er)s	700	1,174	9,700	1,055
Children:				
Under age 18	300	1,418	1,700	1,375
Student	*	1,526	100	1,492
Disabled	100	1,208	6,900	987
Parents	*	1,217	*	927
Total	6,700	...	116,800	...

¹Number and average in current-payment status include annuities to disabled widow(er)s age 60 and over now payable as aged widow(er)s' annuities.
 *Fewer than 50.
Note.--Detail may not add to total due to rounding.

reductions for other benefits. Social security benefits were paid to 29,200 aged widow(er)s, and averaged \$1,036. Tier II amounts averaged \$416. About 200 vested dual benefits, averaging \$71, 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 28.5 percent for age. At the end of fiscal year 2016, tier I amounts being paid to disabled widow(er)s on the rolls averaged \$1,072. (In about 100 cases, the tier I amount was wholly offset by reductions.) Social security benefits being paid to some 1,400 disabled widow(er)s averaged \$931. Tier II amounts averaged \$278, while the less than 50 vested dual benefits being paid averaged \$103.

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 2016 averaged \$1,362 for widowed mothers and fathers and \$984 for children. Fewer than 50 mothers/fathers

and some 2,100 children received social security benefits averaging \$1,071 and \$629, respectively. Tier II amounts paid mothers/fathers and children averaged, respectively, \$562 and \$111.

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 widow or widower living in the same household is eligible for the benefit. Lump-sum benefits may also be payable to survivors of employees with less than 10 years of service, but at least 5 years after 1995, if the employee met the social security insured status requirements. Nearly 2,800 lump-sum death benefits averaging \$921 were awarded during fiscal year 2016. Approximately 300 benefits were to widow(er)s, while almost 2,500 were to other individuals who paid the funeral expenses.

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. Fewer than 10 residual payments were awarded in the 2016 fiscal year; they averaged \$5,516.

Partition Payments

The Pension Protection Act of 2006, as amended, continues the court-ordered partitioned portion of the tier II, vested dual and supplemental benefit payments to former spouses after the death of the employee. It also allows for payment of court-ordered partitioned payments where the employee is not entitled to an annuity if (1) the employee has 120 months of railroad service or 60 months of service after 1995, and (2) both the employee and spouse or divorced spouse are 62 for a full month, or, if the employee is deceased, the employee would be 62 for a full month.

At the end of fiscal year 2016, there were some 1,500 spouses and divorced spouses receiving payments averaging \$307 where the employee was deceased or not otherwise entitled to an annuity. While all but seven received a partitioned tier II benefit, only 5 percent received a partitioned vested dual benefit and 36 percent received a partitioned supplemental benefit.

Medicare Enrollments

The Medicare program provides health insurance to persons ages 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. In the case of some disability diagnoses, the waiting period is waived.

Medicare has several parts to its program. Basic hospital insurance, or Medicare Part A, is financed through payroll taxes. There is also an elective supplementary medical insurance, or Medicare Part B, plan for which monthly premiums are charged. Medicare also offers Medicare Part C (Medicare Advantage) plans that include both Parts A and B coverage and additional benefits, sometimes at an additional cost. Finally, Medicare Part D provides optional prescription drug coverage for an additional premium. Both Medicare Parts C and D are offered through private insurance companies approved by Medicare.

Eligible railroad retirement annuitants and social security beneficiaries whose benefits are payable by the RRB are automatically enrolled under Part A and Part B; however, Part B may be declined by the annuitant or beneficiary. Eligible nonretired persons must apply in order to obtain Medicare coverage. The RRB automatically enrolled more than 27,100 beneficiaries for Medicare during fiscal year 2016. As of the end of the fiscal year, about 465,300 persons were enrolled in the Part A plan, and approximately 445,900 (96 percent) of them were also enrolled in Part B.

Except for benefits for services in Canada, which are paid from the Railroad Retirement Account, Part A benefits for railroad enrollees are paid from the Federal Hospital Insurance Trust Fund, the same as for 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 \$847 million in the 2016 fiscal year.

The regular monthly premium for Part B during fiscal year 2016 was \$104.90 for coverage through December 2015 and \$121.80 thereafter. Beneficiaries with modified adjusted gross incomes above certain thresholds pay higher Part B and Part D premiums under the Income Related Monthly Adjustment Amount (IRMAA) provisions of law. At the end of fiscal year 2016, approximately 13,600 Part B premiums and about 10,600 Part D premiums were increased by an IRMAA amount.

The RRB generally withholds Part B premiums from the annuitant's benefit payments, and at the end of fiscal year 2016 nearly 425,600 annuitants were having their premiums withheld. Of the remaining Part B enrollees, over 3,300 were paying premiums to the RRB, either directly or through an intermediary, and 17,000 had their premiums paid by state agencies. The RRB periodically transfers premiums to the SMI Trust Funds.

Recently, the RRB began offering to collect Part C and Part D premiums from monthly benefits through an exchange process. While this option has grown in popularity, many annuitants pay their Part C and Part D premiums directly to their plan. At the end of fiscal year 2016, about 11,000 Part C premiums and approximately 43,000 Part D premiums were deducted from benefits paid by the RRB.

RAILROAD UNEMPLOYMENT AND SICKNESS INSURANCE PROGRAM

FINANCIAL OPERATIONS

Costs for the railroad unemployment and sickness insurance program during fiscal year 2016 exceeded financing sources by \$29.2 million and the net position decreased by \$29.3 million from \$243.8 million at the end of fiscal year 2015 to \$214.6 million at the end of fiscal year 2016. For fiscal year 2016 as compared to fiscal year 2015, total financing sources for the railroad unemployment and sickness insurance program increased by \$38.9 million (60.6 percent) to \$103.1 million.

(text continued on page 28)

Unemployment and Sickness Insurance Program Consolidated Financing Sources, Costs and Net Position (Millions)¹

For the Fiscal Year Ended September 30	2016	2015
Financing Sources:		
Employer Payroll Taxes	\$117.2	\$74.7
Interest Income	2.3	2.7
General Appropriations	0.0	0.0
Other	(16.4)	(13.2)
Total Financing Sources	103.1	64.2
Costs:		
Benefit Payments:		
Unemployment	74.9	35.7
Sickness	51.8	50.6
Other ²	5.6	(0.3)
Total Costs	132.3	86.0
Financing Sources over Costs	(29.2)	(21.8)
Net Position - Beginning of Period	243.8	265.6
Net Position - End of Period ²	\$214.6	\$243.8

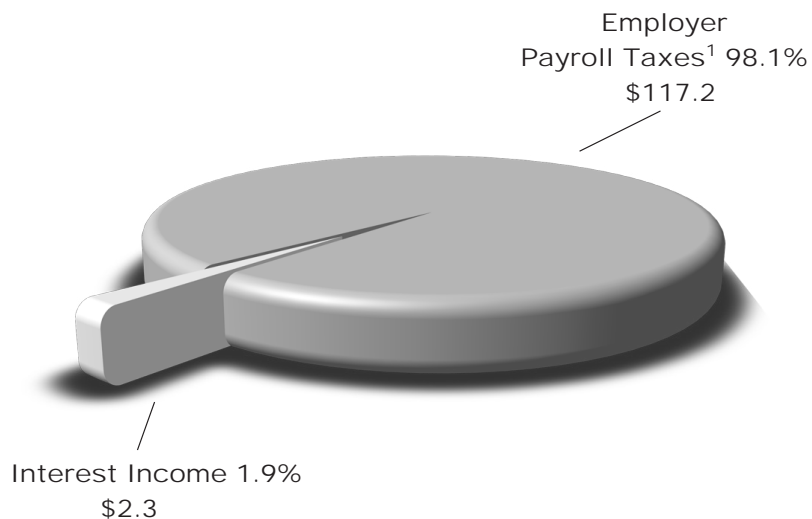
¹ Prepared on an accrual basis of accounting.

² Includes funds from the American Recovery and Reinvestment Act of 2009, and the Worker, Homeownership, and Business Assistance Act of 2009, as amended.

**UNEMPLOYMENT AND SICKNESS
INSURANCE PROGRAM**

Financing Sources - Fiscal Year 2016 (In Millions)

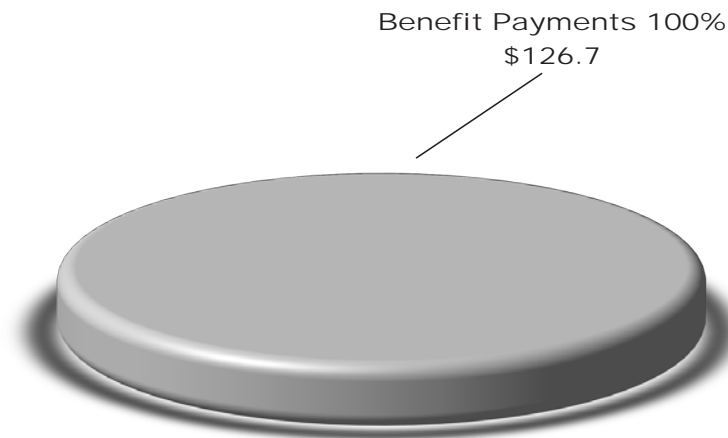
GROSS TOTAL \$119.5



¹Less Transfers-Out and carriers' refunds of \$16.4 million.

Costs - Fiscal Year 2016 (In Millions)

TOTAL \$126.7



Financing Sources

The primary ongoing 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 2016, the taxable earnings base was the first \$1,455 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 2016, the basic tax rates on railroad employers, including covered commuter railroads, ranged from a minimum of 2.15 percent to a maximum of 12.0 percent. There was also a surcharge of 1.5 percent in 2016. Most employers were assessed the minimum rate in 2016. New employers in 2016 paid an initial rate of 2.52 percent.

Employer Payroll Taxes

Payroll taxes by employers totaled \$117.2 million during fiscal year 2016. This was an increase of 56.9 percent or \$42.5 million more than the previous year.

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 2.2 percent in fiscal year 2016, of which the RRB earned \$2.3 million as its pro rata share.

Costs

Total costs for the railroad unemployment and sickness insurance program increased by \$46.3 million (53.8 percent) to \$132.3 million.

Benefit Payments

During fiscal year 2016, unemployment insurance benefit payments increased by \$39.2 million (109.8 percent) to \$74.9 million. Sickness insurance benefit payments increased by \$1.2 million (2.4 percent) to \$51.8 million.

BENEFIT OPERATIONS

Net unemployment and sickness benefits totaling nearly \$126.2 million were paid in the 2015-2016 benefit year, \$47.0 million more than in the prior year. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 7.2 percent for days of unemployment and sickness after September 30, 2013, 7.3 percent for days after September 30, 2014, and 6.8 percent for days after September 30, 2015. Beneficiaries numbered 31,500, in comparison to the previous year's total of 22,500. Some 900 employees received both unemployment and sickness benefits during the 2015-2016 benefit year. The number of unemployment benefit claimants increased by 117 percent, while sickness benefit claimants increased by 3 percent. Total net unemployment benefit payments increased by 132 percent, while net sickness benefits increased by 13 percent. The number of employees qualified for benefits under the Railroad Unemployment Insurance Act increased 2 percent to 254,200.

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 2015-2016, there were 15,000 and 13,800 unemployment and sickness benefit waiting period claims, respectively.

Unemployment

Over 16,400 railroad workers were paid \$71.7 million in net unemployment benefits during the 2015-2016 benefit year, including \$0.2 million in recovered temporary extended benefits under the American Recovery and Reinvestment Act of 2009 and the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. The number of benefit claimants increased by approximately 8,900 from the prior year total of 7,600, and the benefit amount rose \$40.7 million from the prior year's total of \$30.8 million. The average number of compensable days per unemployment benefit claimant was 68 in benefit year 2015-2016, down slightly from 69 days the previous benefit year.

The mid-month unemployment count in the 2015-2016 benefit year began with a July count of 2,500 claimants. The count rose steadily during the following months until December 2015, when it began to rise quickly; it peaked at 7,800 in February 2016. From that point, the count showed a steady decline to 4,000 claimants in June 2016. For the 2015-2016 benefit year as a whole, the weekly number of claimants averaged 4,800 in comparison to an average of 2,200 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,

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.

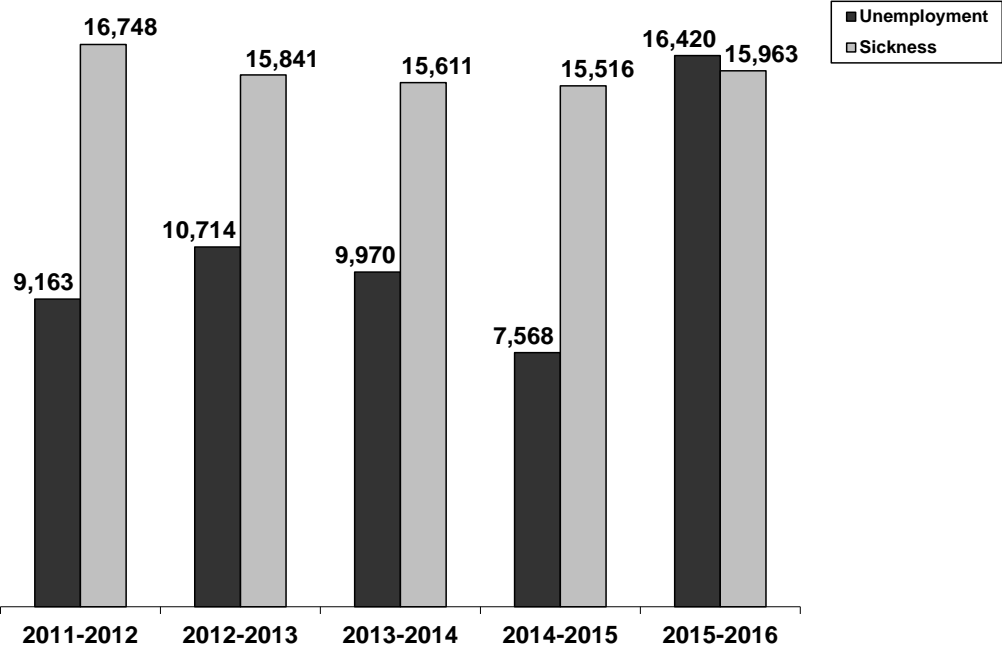
**Major unemployment and sickness benefit operations,
benefit years 2015-2016 and 2014-2015**

Item	Benefit year 2015-2016			Benefit year 2014-2015		
	Total	Unemployment ¹	Sickness	Total	Unemployment ¹	Sickness
Applications	43,900	24,100	19,800	30,900	11,500	19,400
Claims	266,200	137,000	129,200	183,700	62,500	121,300
Claimants	² 31,500	16,400	16,000	² 22,500	7,600	15,500
Net amount of benefits ³	\$126,165,700	\$71,655,100	\$54,510,600	\$79,179,700	\$30,751,900	\$48,427,800
Number of payments						
Normal	204,600	106,400	98,100	140,100	47,000	93,200
Extended	17,500	5,900	11,600	14,600	5,100	9,500
Total	222,100	112,300	109,700	154,800	52,100	102,700
Average amount per 2-week registration period ³						
Normal	\$594	\$593	\$596	\$577	\$581	\$575
Extended	561	564	560	541	544	539
Total	592	591	592	574	578	572
<p>¹ Starting in June 2009, includes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009. Benefits had to begin by December 31, 2009. Beginning in November 2009, temporary extended unemployment benefits are also being paid under the Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013. The benefit year 2014-2015 amount totaled -\$0.3 million and the benefit year 2015-2016 amount totaled -\$0.2 million.</p> <p>² Benefits for both unemployment and sickness were paid to approximately 600 employees in benefit year 2014-2015 and 900 employees in benefit year 2015-2016. Those claimants who had only a non-compensable waiting period are not included in the beneficiary counts since no benefits were paid.</p> <p>³ Under the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 7.2% under sequestration for days of unemployment and sickness after September 30, 2013, 7.3% for days after September 30, 2014, and 6.8% for days after September 30, 2015.</p>						

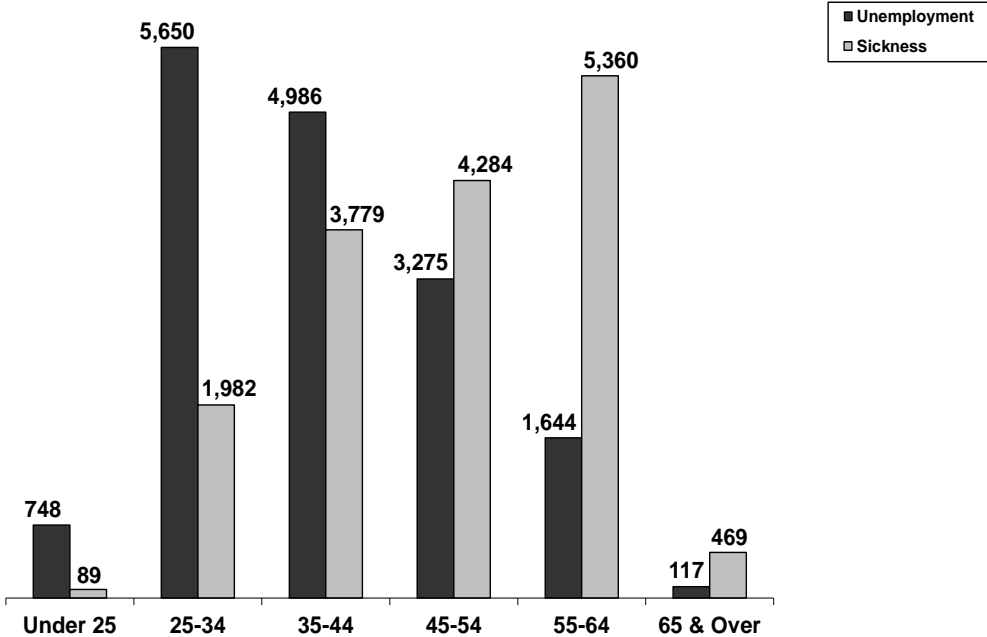
more than doubled to 6.5 per 100 qualified, from the previous year's 3.0 per 100 qualified, reflecting the decline in unemployment levels. The median age for all unemployment benefit claimants was 38 years, as compared to 43 in the previous benefit year.

(text continued on page 32)

**Claimants under the Railroad Unemployment Insurance Act,
Benefit Years 2011-2012 through 2015-2016**



**Unemployment and Sickness Benefit Claimants by Age,
Benefit Year 2015-2016**



Sickness

The number of sickness benefit claimants during the 2015-2016 benefit year was 16,000, some 400 more than the previous year, which had represented the lowest level since sickness benefits began in benefit year 1947-1948. Gross sickness benefits of \$73.9 million were paid, \$6.9 million more than in the prior benefit year. Net sickness benefits totaled \$54.5 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 \$6.1 million in comparison with the previous year.

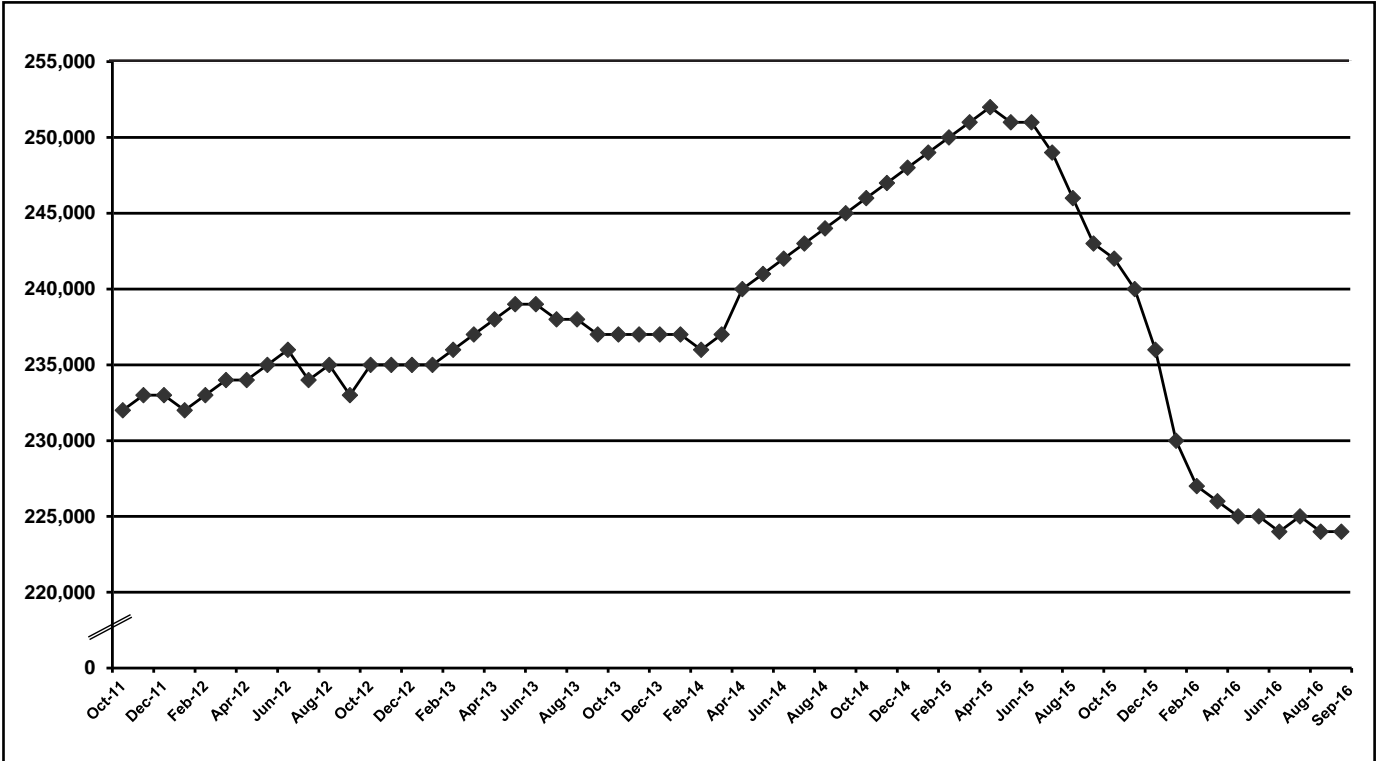
The utilization rate for sickness benefits was 6.3 percent of qualified employees, the same as the previous benefit year and remaining near the lowest figure since the program's inception. The average duration of sickness was 69 days in benefit year 2015-2016, up from 66 in the previous benefit year.

Among the most common causes of sickness were injuries that included fractures or wounds (affecting 27 percent of beneficiaries), arthritis and disk disorders (21 percent), mental disorders, including drug and alcohol addictions (12 percent), and symptoms, signs and all ill-defined conditions (9 percent). The median age of all sickness benefit claimants was 49 years, compared to 50 in the previous benefit year.

RAILROAD EMPLOYMENT

Average monthly railroad employment in fiscal year 2016 fell 8 percent to 229,000 from the 249,000 average of the previous year. After experiencing an all-time low of 215,000 in January 2010, railroad employment began to rebound and continued that recovery through the first half of fiscal year 2015, when it peaked in April 2015 at 253,000, the highest level since November 1999. Employment then declined through fiscal year 2016, falling to 224,000.

**Average Railroad Employment
Fiscal Years 2012 through 2016**



Note.--Numbers for 2016 are preliminary.

ADMINISTRATIVE DEVELOPMENTS

The following describes some major activities and issues addressed in 2016 and 2017 as part of the RRB's efforts to improve operations and customer service.

Performance Management

Customer Service Plan

The RRB's Customer Service Plan promotes the principles and objectives of customer-driven quality service agency-wide. An important part of the plan is to keep customers informed of how well the RRB is meeting timeliness standards. The RRB publicizes the Customer Service Plan and performance results and posts them in all of its field offices. The plan is reviewed and updated periodically based on agency experience, customer feedback and comparison with similar best-in-business models.

The agency uses an index to measure the overall timeliness of customer service in four benefit areas: retirement applications; survivor applications; disability applications and payments; and railroad unemployment and sickness benefit applications and claims. In addition, this composite indicator, based on a weighted average, allows for a more concise and meaningful presentation of its customer service efforts in these four areas. During fiscal year 2016, the overall benefit timeliness index was 98.9 percent. This means that the RRB provided benefit services within the timeframes promised in the Customer Service Plan 98.9 percent of the time. Performance and processing times during fiscal year 2016 were very similar to the levels in fiscal year 2015. (The composite for 2015 was 98.8.) The RRB also met or exceeded six out of ten of its customer service performance goals for the year in its Annual Performance Plan.

“Slippage” Cases

In January 2016, the RRB identified 6,196 railroad retirement beneficiaries that had been disadvantaged by not being eligible for protection under a “hold harmless” provision in the law. Under that provision, Medicare Part B premiums cannot increase for current Medicare enrollees if there is no cost-of-living increase in social security benefits (as was the case in December 2015), and their Part B premiums are being withheld by the RRB from their social security benefit or tier I portion of their railroad retirement annuity. The beneficiaries identified were receiving social security benefits directly from the Social Security Administration (SSA), instead of the RRB as provided by law. (These cases

are commonly referred to as “slippage” cases.) Since SSA was paying benefits directly to these individuals, the RRB was unable to deduct the Part B premium from their social security benefit in those cases where the tier I portion of their railroad retirement annuity was too small to sustain the premium deduction. Since the deduction was coming from neither the social security benefit nor tier I, but instead from another portion of the railroad retirement annuity (or the premium was being paid through direct billing), the beneficiaries were not eligible for protection under the “hold harmless” provision and were charged higher premium amounts.

In order for these individuals to take advantage of the “hold harmless” provision, the RRB first determined whether they desired certification of their benefits to the RRB. If so, the agency could then send a request to SSA to have the social security benefits certified for payment to the RRB, as provided by the 1974 amendments to the Railroad Retirement Act (RRA).

The agency’s Office of Programs subsequently worked with SSA to develop a new program to automate and better coordinate the transfer process between the RRB and SSA’s Great Lakes Program Service Center. Using this program, the Office of Programs started sending the identified cases to SSA for transfer in August 2016, with the bulk of the cases sent in October 2016. The “slippage” project was concluded in January 2017, with 5,932 cases certified and transferred to the RRB. The agency was able to process and pay 85 percent of the transferred cases mechanically, while the remaining 15 percent required some manual handling in the adjudication units. At the end of the project, the RRB paid 5,742 refunds of medical insurance premiums totaling just over \$1 million. The coordinated effort between SSA and RRB saved both agencies a significant amount of time and staffing resources, and also provided excellent customer service to beneficiaries by allowing them to take advantage of the “hold harmless” provision, both now and in the future.

Reducing Improper Payments

The RRB developed an agency risk assessment plan in response to provisions of the Improper Payments Elimination and Recovery Act and Office of Management and Budget (OMB) guidance. The objective was to evaluate payment outlays susceptible to improper payments by assessing risk for all of the benefit and non-benefit programs that the agency administers.

In fiscal year 2016, the agency updated its risk assessments for the RRA, the Railroad Unemployment Insurance Act (RUIA), and Medicare programs. Each benefit program’s updated assessment addressed the OMB-developed risk factors that are likely to contribute to improper payments. In addition, the agency reviewed its RRA and RUIA benefit payment programs for fiscal year 2015 as required by OMB Circular A-123, and the updated OMB Circular A-136. The RRB’s Performance and Accountability Report for Fiscal Year 2016 (based on fiscal year 2015 data) includes the results of that analysis, along with a summary of the root causes of errors and projections of future improper payment

levels. At OMB's request, the agency submitted an improper payment reduction outlook, breakdown of the root causes, amounts, and percentages of fiscal year 2015 RRA and RUIA improper payments, as well as overpayments recaptured outside payment-recapture audits and results of the "Do Not Pay" initiative. The analysis shows that the RRB does not have significant improper payments, as defined by OMB guidelines for implementing the Improper Payments Information Act of 2002.

The RRB will continue to review its benefit payment programs to determine if the level of improper payments is significant. Ongoing activities aimed at improving the accuracy of payments and reducing erroneous payments include automation enhancements, quality assurance reviews, and monitoring programs. This includes looking for additional operational improvements that will minimize improper payments and enhance recovery efforts.

Service Enhancements

Employer Reporting System

The Employer Reporting System (ERS) is a web-based platform that enables railroad employers to submit information to the RRB in an electronic format instead of mailing paper forms. In addition to providing a faster means of communication, the ERS increases efficiency by reducing manual handling, while enhancing security and protection of personally identifiable information (e.g., addresses and social security numbers). In fiscal year 2016, the RRB completed upgrades to the ERS servers and delivery platform. The upgrades will allow the agency to serve its end users faster and with greater efficiency, while enabling additional enhancements in 2017. The RRB also worked with contractors to develop requirements and screen designs for adding two forms to the ERS in fiscal year 2017. Form RL-5a notifies railroads on a monthly basis of employees who have become entitled to initial annuity benefits, and Form G-73a informs them of a reported death for a former employee. By making these notices available online, employers will have secure and timely access to information needed to maintain their own benefit payments.

Cost-of-Living Adjustment

Unlike the previous year, when there was no cost-of-living adjustment (COLA), there was a slight COLA in railroad retirement benefits in December 2016. Effective with January 2017 payments, the increase for tier I benefits was 0.3 percent, and 0.1 percent for tier II. The increase was paid to 531,999 annuitants, and was also included in RRB-paid social security benefits to 116,970 beneficiaries. The total amount of the COLA was just over \$2 million in railroad retirement annuities and about \$566,700 in social security benefits. At the same time, the standard Medicare Part B premium increased from \$121.80 to \$134.00, but most beneficiaries did not pay this amount due to a "hold harmless" provision in the law that provides Part B premiums for current enrollees cannot increase by more than the amount of the COLA. Taking into account the previous year, when there was no COLA, about 70 percent of Medicare beneficiaries are paying an average Part B

premium of \$109 a month. However, new enrollees and certain high-income beneficiaries are subject to higher premiums.

Benefit Processing Improvements

The RRB implemented enhancements to several processes and systems that will improve the processing of a variety of benefits paid by the agency, including the following.

- Completed modernization of the SURPASS system to improve accuracy and ensure consistency in the processing and payment of survivor benefits.
- Migrated an updated version of SPEED, the system which processes excess earning data. With completion of the new version, reports of estimated earnings are processed more quickly and comprehensively, with an associated reduction in improper payments.
- Implemented a new interface between ORCS, the overpayment recovery correspondence system, and the unemployment-sickness insurance program. The new interface generates referrals to agency examiners for review in a timelier manner, allowing them to issue letters and billing documents more quickly, and automatically loads supporting data for fraud referrals.
- Converted paper records to electronic images for initial employee disability cases and terminal employee disability cases, enabling paperless processing. This also required changes to a number of related systems and field office processes. In 2017, the agency will continue reengineering disability benefits to further shift to an electronic environment from a paper-based one.

Officials

Walter A. Barrows continues to serve as the Labor Member, as does Steven J. Anthony as the Management Member. Mr. Barrows was appointed to the Board in 2011 and Mr. Anthony in 2014. The office of Chairman of the Board has been vacant since August 2015. Martin J. Dickman has been the Inspector General for the RRB since 1994.

Effective August 1, 2016, the Board named Daniel J. Fadden as its Senior Executive Officer. At the time of his appointment, he was the agency's Director of Field Service, a position in which he continues to serve. An RRB employee since 1983, Mr. Fadden became Director of Field Service in February 2013, after having previously served as the Deputy Director. As Senior Executive Officer, he chairs the RRB's Executive Committee, coordinating development and implementation of agency policy. Mr. Fadden earned a bachelor's degree from Loyola University Chicago. He replaced George V. Govan, who transferred to another federal agency.

Human Capital Management

Staffing

Like other organizations in the Federal community, the RRB has an aging workforce, with about 50 percent of its employees having 20 or more years of service. Additionally, almost 30 percent of the agency's current workforce will be eligible for retirement by fiscal year 2018. To help cope with the loss of experience and bridge the knowledge gap, the RRB is placing increased emphasis on strategic management of human capital, particularly in the areas of training, development and succession planning. A new methodology is being developed to identify potential areas of skill and knowledge gaps, with plans to implement it as part of the agency's learning management system (LMS). This methodology will incorporate job analysis of agency positions to identify critical competencies and skill gaps within the agency's workforce. While attrition remains an ongoing concern, it has also presented an opportunity for the RRB to increase hiring of entry-level positions, particularly those engaged in direct customer service. In 2016, the agency initiated several training classes for new claims examiners involved in adjudicating cases in the areas of disability, retirement, survivor, Medicare, and sickness/unemployment benefits. The RRB anticipates filling additional initial and post-adjudication claims examiner positions in all program areas during fiscal years 2017 and 2018.

Training

The training section in the RRB's Bureau of Human Resources continues to create, implement and modify an overall training program with the goal of creating opportunities to assist employees in building the competencies needed to achieve the agency's mission, values and strategic goals. In 2016, they created and launched a program for crafting individual development plans that can be used by all agency employees, instituted a training program for new supervisors, designed an executive candidate development program, developed online courseware to satisfy mandatory training requirements, and conducted more than 50 in-person, instructor-led training sessions covering 20 soft-skill topics.

The agency continues to use its LMS, also known as RRB University, as the cornerstone of its training and development activities. This platform allows the agency to accurately track, document and deliver training opportunities to employees throughout the RRB, and has been incorporated into mandatory technical training for new employees in the Bureau of Field Service and the Office of Programs. In 2016, more than 1,000 employees and contractors completed 827 different online and instructor-led training courses, for a total of 17,422 course completions.

The Office of Programs also started a 9-month training program for user analysts in its Policy and Systems division in June 2016. These employees develop procedures and testing, and update systems for examiner use in handling applications and claims for benefits.

Enhancing analyst skills in these areas should allow the agency to improve the accuracy and efficiency of claims examiners in adjudicating, processing and paying benefits.

Employee Recognition

The RRB recognizes its employees for their contributions to the agency, and service to the railroad public, as part of its annual “Award for Excellence” program. All agency employees, supervisors and work teams have the opportunity to be recognized for their accomplishments, with the nominees, finalists and winners honored at an annual awards ceremony. The 29th annual awards ceremony was held in July 2016 in Kasbeer Hall at Loyola University Chicago’s nearby Water Tower campus. The program honored 21 individual nominations and eight team nominations. The RRB also participates in the Chicago Federal Executive Board’s “Federal Employee of the Year” awards program that recognizes outstanding Federal employees throughout the metropolitan area. In 2016, the RRB had three individual nominations and one team nomination.

Employee Survey

The Federal Employee Viewpoint Survey, conducted by the Office of Personnel Management (OPM), is a tool that measures employees’ perceptions of whether, and to what extent, conditions characterizing successful organizations are present in their agencies. Once again, the responses by RRB employees were positive. Thirty-six survey items were identified as strengths (greater than or equal to 65 percent positive) while only two survey items were identified as challenges (greater than or equal to 35 percent negative). In addition, the agency’s “engagement index” score met OPM’s goal for 2016 of 67 percent, and met or exceeded the governmentwide score in all areas (overall, leaders lead, supervisors, and intrinsic work experience). The RRB’s “global satisfaction index” of 67 percent also exceeded the governmentwide average in all areas (job satisfaction, organization satisfaction, pay satisfaction, and recommend agency).

Based on OPM guidelines for determining notable results, the RRB scored especially high (greater than 65 percent favorable) on the majority of items measuring personal work experiences. Over 91 percent of the RRB respondents think the work they do is important, 88 percent know how their work relates to the agency’s goals and priorities, and 72 percent feel their work gives them a feeling of personal accomplishment. About 80 percent like the kind of work they do and feel they are held accountable for achieving results. Additionally, 81 percent of agency employees feel supported by their supervisors in balancing work and other life issues.

The lowest scores were on items gauging performance culture and talent management, although these scores still represent a minority of the employees that responded. For example, only 32 percent felt that pay raises depend on how well employees perform their jobs and only 34 percent agreed that steps are taken to deal with poor performers. In addition, only 38 percent thought that creativity and innovation are rewarded, which is an area the agency intends to focus on improving in the coming years.

Information Technology

Information Security

The RRB is committed to protecting its annuitants' information from unauthorized use or disclosure, and continues to work on improving its security capabilities. In 2016, the RRB's information security team administered statutorily required security-awareness training for all agency employees and contractors. Staff members identified as having more significant information security responsibilities participated in enhanced role-based security training. In addition, the RRB's privacy team prepared and coordinated training for all employees on safeguarding controlled unclassified information, federal tax information and Privacy Act information.

Mainframe Applications Reengineering

The RRB continues to make progress in a multiyear effort to convert the agency's current mainframe computing environment to a Microsoft Windows-based system. Reengineering critical legacy mainframe applications supports agency operations by enabling a future-ready workforce with modern tools and technologies. This will allow them to do their jobs in the most efficient and effective manner, contributing to sustained customer satisfaction in the railroad community. The RRB began the conversion effort in fiscal year 2016 by purchasing additional hardware to house the new infrastructure and converting applications related to the taxation of retirement benefits. The project team completed the first iteration of the automated code conversion which includes all legacy code for the taxation system. The RRB plans to use the converted system to deliver the 2017 annual tax statements (RRB-1099) in January 2018.

The RRB also modernized the Payment Rate and Entitlement History database to follow the new "master data" model, which enforces data standards on the agency's most critical data, thereby consolidating data from many "silos" into a uniform format in a single place. This reduces data redundancy, improves data quality, standardizes code structures, and eases data access. The enhancements to this comprehensive database will help position the RRB to further integrate applications and systems.

Information Resources Management

In fiscal year 2016, the RRB coordinated and secured computer matching agreements with 22 states and two agreements with the SSA. The agency also secured OMB approval of 18 information collections. A central goal of the OMB review process is to help agencies strike a balance between collecting information needed to fulfill their statutory missions and guarding against unnecessary or duplicative requests that impose unjustified costs on the public.

Office of Equal Opportunity

Equal Opportunity Policies and Procedures

The agency's Equal Employment Opportunity complaint program has policies and procedures in place to address all forms of discrimination, including harassment; training is conducted to ensure employees know their rights and responsibilities; and the discrimination complaint process has the elements of impartiality, timeliness and credibility. Both the agency's website and its intranet include information to ensure the public and agency employees have access to information regarding the discrimination complaint program.

Diversity Program

Throughout the year, the agency's Office of Equal Opportunity (OEO) sponsored many events and activities to foster an inclusive work environment and enhance the understanding of disability issues. These included a variety of cultural enrichment events to commemorate African American History Month, Women's History Month, Asian Pacific Heritage Month and Hispanic Heritage Month, as well as an event that was part of an ongoing program theme of "What if I become disabled tomorrow?" Also, the Federal Women's Program Committee was reinstated, and this group will focus on helping women overcome employment hurdles and enjoy opportunities to successfully advance in their careers within the federal government.

Recruitment

The RRB is committed to maintaining a diverse workforce. The OEO worked cooperatively with the Bureau of Human Resources in 2016 to create a diverse pool of external job applicants by identifying sources for the recruitment of individuals with disabilities, various underrepresented groups, and disabled veterans.

Public Information Activities

The RRB 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 RRB 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, RRB 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. Now in its 60th year, in 2016 a total of 1,249 railroad labor union officials attended 31 informational conferences held in cities throughout the United States. The Labor Member's Office in 2014 also launched a new program of pre-retirement seminars designed for railroad employees and their spouses nearing retirement. Thirteen seminars were held during 2016, with 658 individuals in attendance. In addition, railroad labor unions frequently request that RRB representatives speak before their meetings, seminars and conventions. In 2016, the Labor Member's Office was represented at 17 union gatherings attended by 2,328 railroad labor officials. Field personnel addressed 51 local union meetings with 1,921 members in attendance.

Hosted by the Office of the Labor Member, RRB executives and staff helped conduct the National Reporting Officers (NRO) meeting. This took place at agency headquarters in October 2016, and included guest speakers from the Internal Revenue Service and the SSA. An NRO is a rail union official responsible for reporting compensation and depositing railroad retirement and unemployment insurance taxes on behalf of his or her members, and the 2016 meeting included 11 first-time attendees among the 19 participants.

Topics covered at the NRO meeting included the RRB's information technology goals, plans for improving the disability program, field service initiatives, multi-factor authentication efforts, debt recovery activities and online services for employers, as well as audits and basic reporting requirements. Labor Member Barrows also provided an update on the state of the agency, and William C. Walpert, a member of the Board of Trustees, gave a report on the status of the National Railroad Retirement Investment Trust.

At seminars for railroad executives and managers, agency representatives review programs, financing, and administration, with special emphasis on those areas which require cooperation between railroads and RRB offices. During 2016, the Management Member's Office conducted three seminars for 180 railroad officials, as well as benefit update presentations and pre-retirement counseling seminars attended by railroad employees and their spouses. In August 2016, the Office of the Management Member hosted representatives of several Class I employers, which include the largest railroads, for an informational session at RRB headquarters. The meeting covered plans to improve the disability program, changes to online payment and reporting systems, and compensation issues, among others.

Office of Inspector General

The Office of Inspector General (OIG) for the RRB focuses its audit and investigative efforts on protecting the integrity of the agency's trust funds by providing comprehensive program and operational oversight. Reports issued by the OIG, and other documents referenced in this section, can be found at www.rrb.gov/oig.

Office of Audit

During fiscal year 2016, the Office of Audit published 10 reports, completed its mandated CyberScope reporting and assessment of risk associated with purchase and travel cards, and issued findings and recommendations to agency management. Their reports focused on the following topics: failure of the RRB to calculate reimbursed Medicare costs in accordance with federal requirements; control weaknesses that diminish the value of medical opinions in the RRB's disability determination process; audit of the RRB's fiscal year 2015 financial statements; and recommended improvements to the RRB's method for recording and reporting overpayments identified by death matches. In total, this work identified \$635 million in questioned costs. In addition, the Office of Audit underwent a peer review and received a rating of "pass" during fiscal year 2016.

Pursuant to the Reports Consolidation Act of 2000 and the requirements of OMB Circular A-136, the OIG issued a document that identified the most serious management challenges facing the RRB and its progress in addressing them. The OIG identified the following challenges: program integrity to strengthen the RRB's disability program; information technology security and modernization; oversight of railroad Medicare; preventing and detecting improper payments; agency succession planning; material weaknesses for financial statement reporting; and limited transparency at the National Railroad Retirement Investment Trust.

Office of Investigations

The Office of Investigations focuses on identifying, investigating, and presenting RRB fraud cases for prosecution or monetary recovery action. It also seeks to prevent and deter RRB program fraud by reporting systemic weaknesses in agency operations and processes identified through investigative work. In order to maximize the impact of its resources, the office pursues cooperative investigative activities in coordination with other inspectors general, such as the Office of Inspector General for the Department of Health and Human Services, and law enforcement agencies, such as the Federal Bureau of Investigation and the U.S. Secret Service.

As of September 30, 2016, the Office of Investigations' caseload totaled 233 matters, which represents approximately \$595.0 million in potential fraud losses.¹ During fiscal year 2016, the office secured 13 arrests, 32 indictments and/or informations, 36 convictions, 15 civil judgments, 45 referrals to the Department of Justice, and more than \$25.7 million in financial accomplishments.²

¹ This reflects potential fraud amounts related to programs administered exclusively by the RRB and potential fraud amounts from other Federal programs such as Medicare or social security which have been identified by Office of Investigations' joint investigative work.

² The total amount of financial accomplishments reflects fraud amounts related to programs administered exclusively by the RRB and fraud amounts from other federal programs such as Medicare or social security which were included in the disposition resulting from the investigation.

LEGAL RULINGS

Six rulings on cases involving the RRB were issued by Courts of Appeals during fiscal year 2016, and 63 legal opinions were issued by the RRB's Office of General Counsel.

Court Cases

Six petitions for review were filed during the year, and six cases were ruled upon by Courts of Appeals. At the conclusion of fiscal year 2016, there were five cases pending decisions with the various Courts of Appeals.

Legal Opinions

The RRB's Office of General Counsel issued 63 formal legal opinions in fiscal year 2016. The following are of special interest.

Improper Payments Elimination and Recovery Act L-2016-23

Issued June 17, 2016. This opinion concerns the classification of underpayments under the Railroad Unemployment Insurance Act (RUIA). The agency's Office of Programs currently has eight classifications of RUIA underpayments. The opinion found that each of the classes of RUIA underpayments have been correctly categorized in accordance with the Improper Payments Elimination and Recovery Act of 2010. Underpayments due to receiving new or corrected information post-award are not reportable as improper payments under the Act.

Common-Law Marriage – South Carolina L-2016-38

Issued August 25, 2016. This opinion involves a spouse applicant who claimed she was the common-law spouse of the annuitant. Both the employee and spouse applicant alleged that they believed their living together made them legally married. There are two lines of South Carolina common law marriage cases. The first provides that a common-law marriage may be proved by a preponderance of the evidence. The second line is based on a "strong presumption in favor of marriage by cohabitation, apparently matrimonial, coupled with social acceptance over a long period of time." This opinion finds that the greater weight of the evidence suggests the parties considered each other to be a friend/significant other rather than a spouse.

RRB Medicare Premiums – Waivers of Recovery of Overpayments L-2016-39

Issued August 25, 2016. A group of railroad retirement beneficiaries was overpaid benefits because the correct amount of the Medicare Part B premium was not withheld

for the period 1989 through 2013. The Board has authority under section 7(d)(1) of the Railroad Retirement Act (RRA) to issue a mass adjustment of Medicare premiums, such that premium amounts owed by annuitants is equal to the premium amounts withheld. This procedure does not require an individualized assessment of fault or using the procedures for waiver of recovery of overpayments contained in section 10 of the RRA. However, the Improper Payments Improvements Act now requires that the total amount of pre-adjustment overpayment be calculated and reported. The reasoning in L-1975-409 regarding mass waiver of recovery of overpayments under section 10 of the RRA remains valid.

Appeals

Any claimant for benefits under the RRA or the RUIA 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 RRB's 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.

RRA

During fiscal year 2016, 223 appeals were filed with the Bureau of Hearings and Appeals under the RRA, and the Bureau rendered decisions in 245 appeals. The reconsideration decision was sustained in 118 cases. In 127 appeals the decision was favorable to the claimant in whole or in part.

Fifty-five appeals were filed with the three-member Board in fiscal year 2016 which, added to the 149 appeals carried over from the previous year, brought the total to be considered to 204. Of 61 decisions, three were remanded to the Bureau of Hearings and Appeals, three were dismissed, eight were granted, and eight were partially favorable. At the end of the year, 143 appeals were pending before the Board.

RUIA

During fiscal year 2016, 42 appeals were filed with the Bureau of Hearings and Appeals under the RUIA, and the Bureau rendered decisions in 36 appeals. The reconsideration decision was sustained in 24 cases. In 12 appeals the decision was favorable to the claimant in whole or in part.

Two appeals were filed with the Board in fiscal year 2016, which were added to the six carried over from the previous year, bringing the total to be considered to eight. The Board rendered decisions in two affirming the decision of the hearings officer. At the end of the year, six 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, 2007-2016, cash basis

Fiscal year	Total ¹	Retirement ²	Survivor ²	Unemployment ^{3,4}	Sickness ⁴
BENEFICIARIES (in thousands)					
2007.....	641	444	180	10	19
2008.....	623	433	174	11	19
2009.....	626	430	167	24	18
2010.....	617	428	161	22	18
2011.....	603	429	156	11	18
2012.....	595	429	150	10	17
2013.....	592	429	146	11	16
2014.....	585	428	141	10	16
2015.....	581	428	136	9	16
2016.....	583	428	131	17	17
BENEFIT PAYMENTS (in millions)					
2007.....	\$9,871.5	\$7,641.1	\$2,156.4	\$27.8	\$46.2
2008.....	10,115.4	7,877.0	2,158.1	35.1	44.9
2009.....	10,663.8	8,311.0	2,192.0	111.7	48.1
2010.....	10,939.8	8,588.6	2,187.1	109.6	50.0
2011.....	11,047.2	8,778.5	2,165.3	48.3	52.3
2012.....	11,418.8	9,155.4	2,171.7	41.1	47.5
2013.....	11,726.4	9,456.5	2,175.5	47.8	42.9
2014.....	11,980.9	9,724.9	2,167.2	37.7	46.7
2015.....	12,257.3	10,012.2	2,156.9	34.0	49.2
2016.....	12,480.4	10,202.4	2,139.2	77.6	55.7

¹ Beginning in fiscal year 2008, beneficiaries and benefit payments include partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Benefit payments also 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 temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009 and Worker, Homeownership, and Business Assistance Act of 2009, as amended by the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013.

⁴ In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, and 6.8% for days after September 30, 2015.

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 2016, 6,800 individuals received both retirement and survivor benefits, 900 employees received both unemployment and sickness benefits, and 1,900 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 Act accounts and trust funds, by fiscal year, 2007-2016 (in millions), cash basis

Item	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
RAILROAD RETIREMENT ACCOUNT										
Receipts										
Tax transfers ¹	\$2,637.8	\$2,636.5	\$2,501.2	\$2,599.0	\$2,712.7	\$2,659.8	\$3,140.2	\$3,392.2	\$3,760.8	\$3,586.7
Interest and profit on investments ²	19.3	12.9	12.0	11.0	12.3	11.4	9.0	14.0	17.2	16.8
Transfers from the National RR Investment Trust ³	1,391.0	1,298.0	1,553.0	1,989.0	1,744.0	2,026.0	1,581.0	1,429.0	1,191.0	1,410.0
Transfers from the SSEB Account ³	181.0	147.0	.....	81.0	255.0	19.0	171.0	93.0	129.0	.....
Loan repayments from RUI Account ⁴.....	.....	.....	.....	.....	48.4	.....	.....	.....	.....	.....
Loan repayments from DBP Account ⁴.....	.....	.....	.....	.....	.....	.....	.....	4.5	.....	.....
Expenditures										
Benefit payments ⁵	\$4,073.0	\$4,121.8	\$4,326.9	\$4,474.4	\$4,600.3	\$4,775.0	\$4,906.2	\$5,044.0	\$5,106.8	\$5,229.0
Financial Interchange adjustment ⁶	(45.7)	(100.0)	(104.6)	(13.1)	(88.5)	(141.9)	(166.6)	(164.0)	(162.3)	(146.5)
Net transfers to administration.....	64.0	58.4	63.4	68.7	73.6	69.6	70.2	69.3	72.1	72.3
Loans to RUI Account.....	.....	.....	.....	46.5	.....	.....	.....	.....	.....	.....
Loans to DBP Account ⁷.....	.....	.....	.....	.....	.....	.....	.....	4.5	.....	.....
Balance at end of period ⁸	\$616.9	\$632.0	\$418.2	\$519.0	\$706.5	\$720.2	\$811.7	\$791.8	\$877.3	\$739.6
SOCIAL SECURITY EQUIVALENT BENEFIT ACCOUNT⁹										
Receipts										
Tax transfers ¹	\$2,538.0	\$2,649.3	\$2,528.9	\$2,514.9	\$2,675.3	\$2,878.5	\$2,954.1	\$3,163.1	\$3,389.3	\$3,097.5
Interest and profit on investments ²	29.0	19.9	19.0	18.9	21.9	20.1	22.4	21.9	24.3	18.6
Transfers under financial interchange ¹⁰	4,019.8	4,049.9	4,137.3	4,391.6	4,574.3	4,651.0	4,499.0	4,700.8	4,676.6	4,662.7
Advances against financial interchange ¹¹	3,232.3	3,385.6	3,661.1	3,819.0	3,820.4	3,738.6	3,943.0	3,886.1	3,849.9	3,926.1
Expenditures										
Benefit payments.....	\$5,637.9	\$5,835.8	\$6,107.6	\$6,243.7	\$6,291.1	\$6,506.7	\$6,686.9	\$6,815.2	\$7,035.4	\$7,090.4
Financial Interchange adjustment ⁶	45.7	100.0	104.6	13.1	88.5	141.9	166.6	164.0	162.3	146.5
Net transfers to administration.....	25.6	38.5	32.5	33.6	29.6	31.4	30.1	32.3	32.9	30.0
Transfers under financial interchange ¹⁰	483.3	525.7	524.3	535.1	477.2	510.9	576.6	611.6	594.7	656.8
Repayment of advances against financial interchange ⁴	3,418.7	3,410.8	3,564.8	3,837.6	3,946.6	3,946.3	3,863.1	4,041.9	3,982.7	3,940.1
Transfers to the National RR Investment Trust/RR Account ³	181.0	147.0	.....	81.0	255.0	19.0	171.0	93.0	129.0	.....
Balance at end of period.....	\$744.2	\$791.2	\$803.8	\$804.0	\$807.9	\$939.8	\$863.9	\$877.8	\$880.8	\$721.9

See footnotes at end of table.

Table 2.--Status of the Railroad Retirement Act accounts and trust funds, by fiscal year, 2007-2016 (in millions), cash basis - Continued

Item	Fiscal Year									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
NATIONAL RAILROAD RETIREMENT INVESTMENT TRUST¹²										
Cash and investment balance at end of period ¹³	\$32,631.4	\$25,271.5	\$23,330.8	\$23,770.4	\$22,119.0	\$23,586.2	\$24,963.7	\$26,039.9	\$24,483.9	\$25,007.7
DUAL BENEFITS PAYMENTS ACCOUNT¹⁴										
Dual benefit transfers ¹⁵	\$88.0	\$79.0	\$72.0	\$64.0	\$56.9	\$50.9	\$44.9	\$39.0	\$34.0	\$29.0
Loans from Railroad Retirement Account ⁷	.....	.....	.....	.....	.....	.....	.....	4.5	.....	.....
Benefit payments	86.5	77.7	69.5	62.1	55.2	48.6	42.6	37.2	31.9	27.5
Repayment of loans from Railroad Retirement Account ⁴	.....	.....	.....	.....	.....	.....	.....	4.5	.....	.....
Balance at end of period ⁶	\$1.5	\$1.3	\$2.5	\$1.9	\$1.7	\$2.3	\$2.3	\$1.8	\$2.1	\$1.5

¹ Net of U.S. Treasury adjustments for payroll tax refunds to certain carriers and their employees for prior periods. Includes Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended. In calendar years 2011-2012, Social Security Equivalent Benefit Account includes general revenue transfers under the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 and the Middle Class Tax Relief and Job Creation Act of 2012, respectively. The final reconciliation for calendar years 2011-2012 occurred in June 2015. In fiscal year 2012, Social Security Equivalent Benefit Account includes one-time general revenue transfer under the Hiring Incentives to Restore Employment Act of 2010.

² Net of interest on U.S. Treasury adjustments for payroll tax refunds (see note 1).

³ Under the Railroad Retirement and Survivors' Improvement Act of 2001, as amended, the portion of the Railroad Retirement Account not needed to pay current administrative expenses is to be transferred to the National Railroad Retirement Investment Trust. The Trust may transfer funds back to the Railroad Retirement Account for payment of benefits. The balance of the Social Security Equivalent Benefit (SSEB) Account not needed to pay current benefits and administrative expenses is to be transferred to the Trust or to the Railroad Retirement Account. The SSEB Account transferred funds to the Trust in fiscal year 2003 and to the Railroad Retirement Account thereafter.

⁴ Includes interest.

⁵ Effective January 1, 2002, supplemental benefits are paid from the Railroad Retirement Account.

⁶ Adjustments in benefit payments charged to the Social Security Equivalent Benefit Account as compared to actual financial interchange benefits, with interest.

⁷ Due to delay in enactment of a continuing resolution, the Dual Benefits Payments Account borrowed \$4,500,000 from the Railroad Retirement Account in October 2013 in order to pay vested dual benefits. The loan was repaid in its entirety in December 2013.

⁸ The Railroad Retirement Account balance reflects: (a) the current net difference between Railroad Retirement Board payments of social security benefits and the receipt of reimbursements for such payments; (b) liabilities for uncashed check credits received from U.S. Treasury; and (c) credits for undistributed payment returns and recoveries. The Dual Benefits Payments Account balance does not carry over to the following year.

⁹ Established October 1, 1984, to keep track of the financing and payment of social security level portions of railroad retirement benefits.

¹⁰ Transfers to or from OASDHI Trust Funds under section 7(c)(2) of the 1974 Railroad Retirement Act.

¹¹ 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.

¹² Established February 1, 2002, for investment of railroad retirement assets.

¹³ Source: National Railroad Retirement Investment Trust.

¹⁴ Established October 1, 1981, to keep track of the financing and payment of vested dual benefits.

¹⁵ Transfers from U.S. Treasury under section 15(d) of the Railroad Retirement Act of 1974 and Federal income tax transfers under section 72(r) of the Internal Revenue Code as amended.

Table 3.--Status of the Railroad Unemployment Insurance Account, by fiscal year, 2012-2016 (in thousands), cash basis

Item	Fiscal year				
	2012	2013	2014	2015	2016
RECEIPTS					
Taxes.....	\$184,452	\$84,679	\$6,248	\$46,672	\$90,241
Interest.....	4,106	5,686	4,415	3,165	2,514
Transfer from Administration fund under sec. 11(d) of the RUI Act.....	11,219	10,706	12,257	11,339	13,375
Undistributed recoveries of benefit payments ¹	(21)	(110)	(271)	368	2,458
Total	\$199,755	\$100,961	\$22,649	\$61,544	\$108,588
EXPENDITURES					
Benefit payments ^{2,3}	\$81,782	\$83,691	\$83,823	\$83,501	\$133,492
Funding for Office of Inspector General.....	1,022	941	1,037	1,053	1,080
Total	\$82,804	\$84,633	\$84,860	\$84,554	\$134,572
Cash balance end of period	\$163,895	\$180,223	\$118,012	\$95,002	\$69,019

¹ Net of distributed payments.

² Excludes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012, and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013. FY 2012: \$6,737,000; FY 2013: \$6,982,000; FY 2014: \$619,000; FY 2015: -\$308,000; and FY 2016: -\$154,000.

³ In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, and 6.8% for days after September 30, 2015.

Table 4.--Status of the RUIA Administration Fund, by fiscal year, 2007-2016 (in thousands), cash basis

Fiscal year	Taxes and interest	Administrative expenditures ¹	Transfer to Railroad Unemployment Insurance Account under Sec. 11d ²	Balance at end of period
2007.....	\$23,082	\$14,415	\$8,923	\$9,907
2008.....	23,945	14,713	8,711	10,427
2009.....	23,151	14,305	9,808	9,465
2010.....	22,990	15,729	8,305	8,421
2011.....	23,722	12,442	7,918	11,783
2012.....	25,463	14,608	11,219	11,419
2013.....	26,202	14,591	10,706	12,324
2014.....	25,225	15,172	12,257	10,120
2015.....	28,063	12,987	11,339	13,858
2016.....	27,146	15,498	13,375	12,132

¹ Expenditures for each year included encumbrances as of end of year. Fiscal years 2007-2009 and 2011-2016 reflect reallocation of prior period administrative expenses between the Railroad Retirement Act and Railroad Unemployment Insurance Act programs.

² Transfers to the Railroad Unemployment Insurance Account are based on the excess of the accrual balance on the prior September 30 over \$6,000,000.

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, 2007-2016

Fiscal year	Retired employees											
	Total ¹	Awarded age annuity	Disability converted to age ²	Disability	Supple- mental ³	Spouses and divorced spouses	Aged widow(ers) ⁴	Disabled widow(ers) ⁵	Widowed mothers (fathers) ⁴	Children	Remarried widow(ers)	Divorced widow(ers) ⁴
NUMBER AT END OF YEAR												
2007	696,472	193,282	34,147	50,172	121,188	137,371	129,350	4,596	877	11,078	4,751	9,615
2008	686,636	191,146	34,401	49,648	120,824	136,332	124,089	4,450	832	10,692	4,552	9,552
2009	680,534	190,302	34,688	49,116	120,778	136,467	119,459	4,323	814	10,417	4,361	9,520
2010	676,653	190,236	35,557	47,960	121,166	137,112	114,929	4,251	776	10,168	4,161	9,595
2011	672,484	190,100	36,259	46,850	121,422	138,253	110,372	4,136	745	9,881	4,003	9,598
2012	668,957	189,909	37,370	45,066	121,614	139,741	106,268	4,081	739	9,687	3,824	9,660
2013	664,055	189,569	39,506	41,745	121,530	140,894	102,186	3,965	703	9,463	3,666	9,710
2014	661,069	190,224	41,554	37,891	122,086	142,626	98,435	3,868	688	9,164	3,506	9,747
2015	656,847	190,114	43,141	34,514	123,037	143,920	94,279	3,741	665	8,978	3,344	9,704
2016	654,127	190,835	44,744	31,308	122,966	145,891	90,919	3,660	652	8,695	3,187	9,709
AVERAGE AMOUNT												
2007	.....	\$1,890	\$1,713	\$2,203	\$42	\$709	\$1,173	\$989	\$1,471	\$853	\$781	\$773
2008	.....	1,982	1,787	2,267	42	742	1,222	1,025	1,529	879	816	804
2009	.....	2,126	1,909	2,400	42	795	1,294	1,084	1,597	935	879	867
2010	.....	2,186	1,954	2,419	42	817	1,329	1,108	1,643	937	896	880
2011	.....	2,244	1,995	2,437	42	839	1,366	1,133	1,663	941	907	892
2012	.....	2,363	2,098	2,526	42	882	1,426	1,181	1,700	980	956	938
2013	.....	2,451	2,180	2,574	42	915	1,476	1,217	1,757	1,006	986	974
2014	.....	2,536	2,252	2,613	42	946	1,525	1,250	1,798	1,027	1,005	1,005
2015	.....	2,625	2,322	2,663	42	975	1,576	1,285	1,835	1,055	1,036	1,040
2016	.....	2,675	2,358	2,675	42	991	1,618	1,307	1,883	1,066	1,050	1,055

¹ Includes annuities to parents and, beginning in fiscal year 2008, partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. On September 30, 2016, there were 22 parents' annuities in current-payment status averaging \$927 and 1,539 partition payments averaging \$307.

² A disability annuity ends when the retiree attains full retirement age, at which time the annuity converts to an age and service annuity. Consequently, these annuitants are receiving age and service annuities. Full retirement age is age 65 for those born before 1938 and gradually increases to age 67 for those born 1960 and later.

³ Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions.

⁴ Numbers include annuities temporarily being paid at spouse annuity rates, pending final adjudication of survivor annuities.

⁵ Includes annuities to disabled widow(ers) age 60 and over now payable as aged widow(ers)' annuities.

NOTE.--Data exclude survivor (option) annuities, last payable in December 2005.

Table 6.--Number and average amount of retirement and survivor annuities awarded during year, by type of annuitant and fiscal year, 2007-2016

Fiscal year	Total ¹	Retired employees				Spouses and divorced spouses		Aged widow(er)s	Disabled widow(er)s	Widowed mothers (fathers)	Children	Remarried widow(er)s	Divorced widow(er)s
		Age	Disability	Supple- mental ²	and divorced spouses								
NUMBER AWARDED													
2007.....	38,743	9,643	3,619	7,273	10,065	6,482	205	113	498	182	661		
2008.....	38,591	9,753	3,402	7,090	10,127	6,511	166	143	515	188	693		
2009.....	39,317	10,310	3,213	7,015	10,919	6,283	181	142	463	166	622		
2010.....	40,191	10,712	3,161	7,319	11,256	6,163	189	99	429	157	702		
2011.....	39,647	10,542	3,086	7,087	11,301	6,053	173	110	417	158	718		
2012.....	38,649	10,054	2,858	6,778	11,479	5,828	181	115	454	164	734		
2013.....	38,094	10,211	2,324	6,502	11,444	5,995	164	111	456	146	739		
2014.....	37,294	10,210	1,800	6,673	11,495	5,582	133	111	398	144	745		
2015 ³	36,316	10,059	1,686	6,194	11,300	5,546	120	99	462	151	696		
2016.....	35,950	10,236	1,682	5,910	11,373	5,319	123	94	380	116	715		
Cumulative 1937-2016	5,239,208	1,523,587	527,184	522,799	1,222,681	1,051,438	19,048	85,512	239,183	16,090	28,134		
AVERAGE AMOUNT													
2007.....	.....	\$2,562	\$2,397	\$41	\$890	\$1,557	\$1,373	\$1,585	\$1,099	\$885	\$854	
2008.....	.....	2,650	2,441	41	911	1,629	1,385	1,721	1,153	964	901	
2009.....	.....	2,685	2,558	41	931	1,708	1,443	1,709	1,233	1,030	996	
2010.....	.....	2,786	2,509	41	950	1,740	1,536	1,778	1,203	1,064	963	
2011.....	.....	2,814	2,524	41	958	1,789	1,531	1,779	1,194	1,077	991	
2012.....	.....	2,888	2,585	41	981	1,859	1,515	1,647	1,220	1,130	1,049	
2013.....	.....	2,921	2,565	41	1,003	1,911	1,503	1,916	1,332	1,161	1,104	
2014.....	.....	3,041	2,624	41	1,024	1,985	1,615	1,874	1,294	1,151	1,095	
2015.....	.....	3,114	2,611	41	1,055	2,031	1,685	1,728	1,302	1,153	1,175	
2016.....	.....	3,124	2,667	41	1,062	2,096	1,677	2,034	1,371	1,166	1,174	

¹ Excludes partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Includes annuities to parents. Fiscal year 2016 total includes 2 annuities to parents averaging \$1,217. Cumulative total includes 3,552 annuities to parents.

² Excludes partition payments to spouses and divorced spouses where the employee is deceased. Averages are after court-ordered partitions.

³ Supplemental annuity awards exclude more than 1,000 restorations due to Legal Opinion 2014-2, Reductions to Supplemental Annuities for 401(k) Distributions.

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, 2016, by class and state (amounts in thousands)

State ³	Total ¹		Retirement benefits ²		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Alabama.....	11,900	\$18,737	9,700	\$15,416	2,200	\$3,318
Alaska.....	200	313	200	262	(4)	50
Arizona.....	11,800	18,235	9,700	15,042	2,100	3,180
Arkansas.....	12,500	19,498	10,500	16,570	1,900	2,914
California.....	32,600	48,975	26,600	40,298	6,000	8,655
Colorado.....	10,400	16,973	8,800	14,585	1,600	2,383
Connecticut.....	2,900	5,368	2,300	4,493	600	873
Delaware.....	2,800	4,671	2,400	4,036	400	633
Washington DC.....	500	633	400	541	100	93
Florida.....	36,200	56,883	30,300	48,420	5,800	8,442
Georgia.....	21,200	33,829	17,800	28,676	3,400	5,146
Hawaii.....	200	281	200	228	(4)	52
Idaho.....	5,800	9,217	4,800	7,724	900	1,488
Illinois.....	40,400	62,069	33,100	51,171	7,200	10,858
Indiana.....	19,300	30,275	15,800	24,925	3,500	5,333
Iowa.....	11,300	17,730	9,300	14,692	1,900	3,026
Kansas.....	17,300	27,883	14,600	23,590	2,700	4,280
Kentucky.....	17,900	27,232	14,600	22,241	3,200	4,978
Louisiana.....	9,100	14,199	7,400	11,593	1,700	2,602
Maine.....	2,900	4,199	2,300	3,312	600	886
Maryland.....	10,300	16,080	8,400	13,309	1,900	2,766
Massachusetts.....	4,600	7,172	3,800	5,926	800	1,245
Michigan.....	16,400	25,071	13,400	20,469	3,000	4,587
Minnesota.....	17,500	26,952	14,400	22,311	3,100	4,623
Mississippi.....	7,200	10,903	5,900	8,831	1,400	2,070
Missouri.....	23,800	36,943	19,900	31,090	3,800	5,832
Montana.....	7,300	11,715	6,200	9,901	1,100	1,808
Nebraska.....	18,000	31,108	15,700	27,427	2,200	3,665
Nevada.....	4,000	6,209	3,400	5,192	700	1,014
New Hampshire.....	1,000	1,592	800	1,307	200	285
New Jersey.....	10,000	17,079	8,000	14,128	2,000	2,950
New Mexico.....	5,100	7,885	4,100	6,432	1,000	1,448
New York.....	24,000	40,685	19,300	33,845	4,700	6,832
North Carolina.....	12,300	18,389	9,900	14,968	2,400	3,415
North Dakota.....	3,900	6,264	3,200	5,127	700	1,134

See footnotes at end of table.

Table 7.--Retirement and survivor benefits in current-payment status on September 30, 2016, by class and state (amounts in thousands) - Continued

State ³	Total ¹		Retirement benefits ²		Survivor benefits	
	Number	Monthly amount	Number	Monthly amount	Number	Monthly amount
Ohio.....	29,800	\$44,710	23,600	\$35,385	6,200	\$9,308
Oklahoma.....	6,000	9,391	4,900	7,651	1,100	1,735
Oregon.....	9,500	14,626	7,800	12,054	1,700	2,560
Pennsylvania.....	37,900	59,486	29,800	47,491	8,000	11,982
Rhode Island.....	700	1,107	600	925	100	182
South Carolina.....	8,500	13,183	7,000	11,057	1,500	2,121
South Dakota.....	2,200	3,416	1,900	2,952	300	463
Tennessee.....	15,100	23,623	12,500	19,666	2,700	3,947
Texas.....	42,200	68,449	34,900	57,353	7,100	11,042
Utah.....	6,200	10,034	5,100	8,291	1,100	1,738
Vermont.....	900	1,194	700	910	200	283
Virginia.....	19,700	31,016	16,000	25,575	3,700	5,434
Washington.....	13,400	20,883	10,900	17,161	2,400	3,712
West Virginia.....	9,600	14,959	7,500	11,775	2,100	3,179
Wisconsin.....	12,100	18,246	9,900	14,959	2,100	3,276
Wyoming.....	4,500	7,771	3,900	6,828	600	936
Outside United States:						
Canada.....	2,200	1,433	1,400	746	700	687
Mexico.....	200	197	100	75	100	123
Other.....	600	727	400	495	200	232
Total⁵.....	654,100	\$1,025,717	535,700	\$849,441	116,800	\$175,805

¹ Includes 1,500 partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity.

² Includes 123,000 supplemental annuities to employees receiving regular annuities. In a relatively small number of cases, employees were also receiving spouse or widow(er)'s benefits.

³ State of residence of beneficiary on September 30, 2016.

⁴ Less than 50.

⁵ Includes beneficiaries whose state of residence was unknown.

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, 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 2011-2012 through 2015-2016, cash basis

Item	2011-2012	2012-2013 ¹	2013-2014 ¹	2014-2015 ¹	2015-2016 ¹
Qualified employees.....	235,100	243,800	247,600	248,200	254,200
Maximum daily benefit rate.....	\$66	\$66	\$68	\$70	\$72
UNEMPLOYMENT BENEFITS					
Net amount of benefits paid (thousands)	\$40,691	\$47,174	\$39,867	\$30,752	\$71,655
Payments: ²					
Number.....	71,800	83,500	69,700	52,100	112,300
Average amount per two week claim period.....	\$573	\$557	\$550	\$578	\$591
Beneficiaries.....	9,200	10,700	10,000	7,600	16,400
Applications received.....	12,300	14,500	13,100	11,500	24,100
Claims received.....	81,400	96,000	82,900	62,500	137,000
Normal benefit accounts exhausted.....	2,200	2,500	2,300	1,900	3,300
Non-compensable waiting period only ³ ..	(4)	(4)	(4)	(4)	(4)
SICKNESS BENEFITS					
Net amount of benefits paid (thousands)	\$49,056	\$43,394	\$45,316	\$48,428	\$54,511
Payments: ²					
Number.....	112,200	102,500	101,100	102,700	109,700
Average amount per two week claim period.....	\$585	\$571	\$555	\$572	\$592
Beneficiaries.....	16,700	15,800	15,600	15,500	16,000
Applications received.....	20,600	19,400	19,100	19,400	19,800
Claims received.....	131,700	121,100	119,900	121,300	129,200
Normal benefit accounts exhausted.....	3,000	2,600	2,600	2,800	3,100
Non-compensable waiting period only ³ ..	100	(4)	(4)	100	(4)

¹ In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 9.2% under sequestration for days of unemployment and sickness after February 28, 2013, 7.2% for days after September 30, 2013, 7.3% for days after September 30, 2014, and 6.8% for days after September 30, 2015.

² Not adjusted for recoveries or settlements of underpayments.

³ 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.

⁴ Less than 50.

NOTE.--Data covered program activities during the year, regardless of when unemployment or sickness occurred. Starting in June 2009, includes temporary extended unemployment benefits authorized by the American Recovery and Reinvestment Act of 2009, the Worker, Homeownership, and Business Assistance Act of 2009, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010, the Temporary Payroll Tax Cut Continuation Act of 2011, the Middle Class Tax Relief and Job Creation Act of 2012 and the American Taxpayer Relief Act of 2012. Benefits had to begin by December 31, 2013. Net benefits for these temporary payments were: \$7,011,000 in 2011-2012; \$6,868,000 in 2012-2013; \$2,391,000 in 2013-2014; -\$327,000 in 2014-2015; and -\$212,000 in 2015-2016.

Table 9--All employees, new entrants, employees qualified for RUIA benefits, and related data, by employer, 2015

Class or name of employer	All employees			New entrants		Creditable compensation (thousands)			
	Total	With 12 months of service in 2015	With sufficient service for RRA annuity	Qualified for RUIA benefits	Total	Qualified for RUIA benefits	Tier I	Tier II	RUIA
CLASS OF EMPLOYER									
Class I railroads.....	210,478	167,321	140,784	203,615	14,301	10,706	\$15,492,686	\$14,433,782	\$3,353,097
Class II railroads.....	5,587	4,346	3,534	5,242	509	316	353,180	337,675	86,009
Class III railroads and switching & terminal companies.....	46,338	36,572	31,969	43,582	3,847	2,327	3,269,914	2,977,740	722,729
Car-loan companies.....	2,155	1,482	1,030	1,965	523	371	122,400	116,078	31,821
Miscellaneous employers.....	6,971	5,331	4,233	6,277	743	413	497,907	434,984	103,037
Total.....	271,529	215,062	181,550	260,681	19,923	14,133	\$19,736,086	\$18,300,259	\$4,296,693
SELECTED EMPLOYERS									
BNSF Railway Co.....	51,633	41,566	31,815	50,255	3,104	2,250	\$4,054,932	\$3,727,080	\$830,873
Canadian National, U.S. Operations									
Bessemer and Lake Erie Railroad Co.....	82	61	49	79	7	6	5,561	5,390	1,258
Chicago Central and Pacific Railroad Co.....	286	233	212	280	11	10	23,905	21,437	4,674
Grand Trunk Western Railroad Co.....	886	669	606	877	39	37	76,363	66,901	14,192
Illinois Central Railroad Co.....	4,246	3,399	2,939	4,159	223	176	347,379	311,781	68,262
Pittsburgh and Conneaut Dock Co.....	46	32	22	44	7	6	2,455	2,455	679
Wisconsin Central Transportation Corp.....	2,289	1,819	1,481	2,240	125	115	188,873	170,387	36,647
Canadian Pacific, Soo Line Corporation									
Dakota, Minnesota & Eastern Railroad Corp.....	769	618	503	738	42	35	45,633	44,412	11,884
Delaware and Hudson Railway Co. Inc.....	327	210	211	303	9	8	20,628	19,473	4,683
Soo Line Railroad Co.....	2,762	2,125	1,786	2,619	180	128	199,323	185,927	42,596
CSX Transportation Inc.....	32,396	25,569	22,297	31,384	1,504	1,214	2,456,707	2,286,277	515,114
Kansas City Southern Railway Co.....	3,195	2,538	2,094	3,024	264	157	227,630	213,341	50,325
Gateway Eastern Railway Co.....	10	10	9	10	.....	.....	656	648	175
Texas Mexican Railway Co.....	263	196	123	254	16	9	19,933	18,388	4,084
National Railroad Passenger Corp. (Amtrak).....	22,663	17,855	15,531	21,738	1,825	1,215	1,563,891	1,459,803	358,455
Norfolk Southern Corp.....	33,165	26,549	22,964	31,675	3,110	2,157	2,280,480	2,163,522	525,416
Union Pacific Railroad Co.....	55,460	43,872	38,142	53,936	3,835	3,183	3,978,336	3,736,558	883,779

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.



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