



UNITED STATES OF AMERICA
RAILROAD RETIREMENT BOARD
844 NORTH RUSH STREET
CHICAGO, ILLINOIS 60611-1275

BOARD MEMBERS:

ERHARD R. CHORLÉ, CHAIRMAN
JOHN BRAGG, LABOR MEMBER
THOMAS JAYNE, MANAGEMENT MEMBER

The Honorable JD Vance
President of the Senate
S-212 Capitol Building
Washington, D.C. 20510

Dear Mr. President:

As required by Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 (Public Law 100-647), we hereby submit the 2025 annual report on the financial status of the railroad unemployment insurance system.

This report is based on the experience rating provisions of current law and contains projections that are consistent with published actuarial projections for the railroad retirement system. Projections include repayment of sequestered benefits under the Railroad Employee Equity and Fairness Act (Public Law 118-159). Highlights of the report are:

- For calendar years 2026 and 2027, no surcharges or pooled credits are predicted under all assumptions, with a possible 1.5 percent surcharge in 2028 under the pessimistic assumption.
- Experience-based contribution rates maintain solvency. Under the pessimistic assumption, there is the possibility of small loans in fiscal years 2028 and 2029 that will be repaid in fiscal year 2029.
- The maximum daily benefit rate increases 61 percent (from \$94 to \$151) from 2024 to 2035.
- Even under the pessimistic assumption, the average employer contribution rate remains below the maximum throughout the projection period.
- The 0.65 percent of taxable payroll allocated to the Administration Fund is sufficient to finance administrative expenses under all three assumptions.

Accordingly, the report recommends no changes to the system at this time.

Sincerely,

/original signed/

FOR THE BOARD
Stephanie Hillyard
Secretary to the Board

Enclosure





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BOARD MEMBERS:

ERHARD R. CHORLÉ, CHAIRMAN
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The Honorable Mike Johnson
Speaker of the U.S. House of Representatives
H-232 Capitol Building
Washington, D.C. 20515

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- The maximum daily benefit rate increases 61 percent (from \$94 to \$151) from 2024 to 2035.
- Even under the pessimistic assumption, the average employer contribution rate remains below the maximum throughout the projection period.
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Sincerely,

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FOR THE BOARD
Stephanie Hillyard
Secretary to the Board

Enclosure



Railroad Unemployment Insurance System

**Annual Report Required by Section 7105
of the Technical and Miscellaneous
Revenue Act of 1988**



**U.S. Railroad Retirement Board
Bureau of the Actuary and Research
June 2025**

ANNUAL REPORT REQUIRED BY THE TECHNICAL AND MISCELLANEOUS REVENUE ACT OF 1988

I. Introduction

Section 7105 of the Technical and Miscellaneous Revenue Act of 1988 (Public Law 100-647) requires the Railroad Retirement Board to submit an annual report to the Congress on the financial status of the railroad unemployment insurance system. The report must contain recommendations for financing changes that might be advisable, specifically regarding rates of employer contributions. This report meets the requirements of Section 7105 for 2025.

II. Recent Developments

The maximum daily benefit of \$94 for the benefit year beginning July 1, 2024 will increase to \$99 for the benefit year beginning July 1, 2025. Beginning July 1, 2026, the maximum daily benefit rate will increase to \$103. The monthly tax base was \$1,895 in 2023, \$1,985 in 2024, and increased to \$2,065 in 2025, based on changes in the railroad retirement tier I creditable base.

Benefits payable under the Railroad Unemployment Insurance Act have been subject to sequestration since March 1, 2013, per the Balanced Budget and Emergency Deficit Control Act of 1985 and amendments. The Continued Assistance to Rail Workers Act (CARWA) of 2020 (Public Law 116-260) temporarily suspended sequestration from January 3, 2021 through May 9, 2023, with sequestration reinstated at 5.7 percent through fiscal year 2031. The Railroad Employee Equity and Fairness (REEF) Act was signed into law on December 23, 2024, as part of the Servicemember Quality of Life Improvement and National Defense Authorization Act for fiscal year 2025 (Public Law 118-159). The REEF Act amended CARWA, removing the provision that reinstated sequestration of benefits 30 days after the end of the COVID-19 national emergency. The legislation also exempts benefits from future sequestration. Retroactive benefit payments of up to \$9 million are projected to be made by July 31, 2025.

There is currently a 0.83 percent pooled credit in effect for calendar year 2025. In calendar years 2022-2023, contribution rates included surcharges of 3.5 percent and 1.5 percent, respectively, following the cash flow issues caused by the COVID-19 pandemic. The increased contributions came as employment recovered and benefit claims fell, yielding a surplus in the account balance. Even with no surcharge in 2024, the June 30, 2024 accrual balance was above the indexed \$250 million threshold. This triggered a pooled credit for calendar year 2025, refunding the excess balance to employers. Employers with tax rates above the minimum 0.65 percent before the pooled credit was applied saw a reduction in their 2025 tax rate. Since the basic employer tax rate combined with any pooled credit cannot be less than zero, the 0.65 percent administrative

tax rate is the minimum rate which any employer can pay. This year's report predicts that there will not be a surcharge or pooled credit in 2026 or 2027 under all assumptions, with the possibility of a 1.5 percent surcharge in 2028 under the pessimistic assumption.

III. Economic and Employment Assumptions

The economic and employment assumptions used in this report correspond to those used in the report required by Section 502 of the Railroad Retirement Solvency Act of 1983. Unemployment levels are the single most significant factor affecting the financial status of the railroad unemployment insurance system. Rapidly declining employment coupled with high unemployment and/or sickness levels, as occurred in the late 2000s and as observed in 2020 and 2021 due to the COVID-19 pandemic, can put the system into debt. Conversely, cash balances can temporarily accumulate if unemployment and/or sickness usage moves lower than average after a high usage period. The experience-rating system is designed to tie individual employer contribution rates to their level of benefit claims, thereby adjusting the overall account balance to an appropriate level.

The three railroad employment assumptions used, denoted A, B, and C, are shown in Table 1 at the end of the report. The projected tier I creditable limits, which determine both the railroad unemployment monthly wage base and the maximum daily benefit rate, are from the Office of Management and Budget February 2025 economic assumptions. Table 2 shows the tier I creditable limit, unemployment monthly earnings base, and maximum daily benefit rate assumptions.

IV. Results

Projections were made for the various components of income and outgo under each set of assumptions for the 11 fiscal years 2025-2035. The results are summarized in Table 3. Average employer contribution rates under the experience-rated contribution system are weighted averages based on the relative size of each railroad's payroll.

Table 3 consists of three tables A, B, and C, one for each assumption projection: (A) optimistic, (B) intermediate, and (C) pessimistic. The tables show (1) contributions, excluding the portion allocated to the Railroad Unemployment Insurance Administration Fund (Fund), (2) net benefit payments, (3) other income and outgo, (4) the cash balance in the Railroad Unemployment Insurance Account (Account) at the end of each fiscal year, (5) the loan balance, if any, including accrued interest, (6) the Account balance at the end of each fiscal year, less loans due, and (7) the average employer contribution rate for each calendar year.

The experience-rating formula is designed to keep the accrual balance of the Account, as of June 30, between \$100 million and \$250 million, indexed for changes in the system compensation base. The contribution rate structure is shown below:

June 30 Accrual Balance (thresholds are indexed)	Surcharge Rate	Contribution Rate	
		Minimum	Maximum
Less than zero	3.50%	4.15%	12.5%
Above zero but below \$50 million	2.50%	3.15%	12.0%
Above \$50 million but below \$100 million	1.50%	2.15%	12.0%
Above \$100 million but below \$250 million	0%	0.65%	12.0%
Above \$250 million	Pooled Credit (variable)	0.65%	12.0%

The experience-based tax rates have a 12 percent maximum, or a 12.5 percent maximum if a 3.5 percent surcharge is in effect. Included in the rate is the basic rate, an administration tax rate of 0.65 percent, and, if either is applicable, the surcharge rate or the rate of the pooled credit. Since the basic employer tax rate plus any pooled credit cannot be less than zero, 0.65 percent is the minimum rate which any employer can pay.

The June 30, 2023 balance¹ of \$363.1 million, which was above the indexed \$100 million threshold, resulted in no surcharge. By June 30, 2024, the balance had risen to \$454.8 million, which is above the indexed \$250 million threshold; as a result, a 0.83 percent pooled credit is in effect for calendar year 2025.

Under each assumption, the Account balance is expected to be above the indexed \$100 million surcharge thresholds in June 2025 but below the indexed \$250 million threshold, resulting in no surcharge or pooled credit for calendar year 2026. For calendar years 2026 and 2027, no surcharge or pooled credit is predicted under all assumptions; there is the possibility of a 1.5 percent surcharge in calendar year 2028 under the pessimistic assumption. Surcharges of 1.5 percent will occur intermittently thereafter, and potentially 2.5 percent in calendar year 2029 under the pessimistic assumption. The

¹ The balance referred to here and in the following paragraph is the accrual balance of the Account as of June 30, on which calculations of pooled credits and surcharges are based. Cash balances shown on Tables 3A-C are not used in these calculations. June 30 accrual balances are shown in Table 4. The pooled credit thresholds are shown in Table 5.

highest average contribution rate in the 11-year projection period is under the pessimistic assumption, where it rises to 6.76 percent for calendar year 2029. This high is below the 12 percent maximum rate allowable. The pessimistic assumption shows the possibility of small loans in fiscal years 2028 and 2029 that will be repaid in fiscal year 2029. No pooled credit is expected in the projection period even under the optimistic assumption.

Administrative expenses are assumed to be above current levels in every fiscal year. The 0.65 percent of taxable payroll allocated to the Fund is sufficient to finance administrative expenses during the projection period. When the accrual balance in the Fund exceeds \$6 million at the end of a fiscal year, excess funds are transferred to the Account early in the next fiscal year. Under all employment assumptions, the accrual balance in the Fund exceeds \$6 million at the end of each year in the 11-year projection period.

V. Recommendation

As stated in the introduction, the Congress directed the Railroad Retirement Board to make recommendations for financing changes that might be advisable, specifically with regard to rates of employer contributions.

No financing changes are recommended at this time. Projections under three different assumptions indicate that experience-based contribution rates will respond to fluctuating employment and unemployment levels, and with short-term borrowing, will maintain fund solvency.

Table 1: Employment Assumptions Used in 2025 Report

Calendar Year	Average Employment (thousands)		
	A	B	C
2024	200.8	200.8	200.8
2025	199.0	197.2	194.9
2026	198.7	195.1	190.7
2027	198.4	193.1	186.7
2028	198.1	191.2	182.9
2029	197.9	189.4	179.3
2030	197.6	187.6	175.8
2031	197.3	185.9	172.5
2032	197.1	184.3	169.3
2033	196.8	182.8	166.3
2034	196.6	181.3	163.4
2035	196.4	179.9	160.6

Assumptions A and B reflect the stability of employment in passenger service (Amtrak and commuter service) as distinguished from freight service. Assumption A has the most optimistic employment of the three assumptions. Assumption B is intended to provide a "moderate" assumption. Assumption C, the most pessimistic, has declines in both passenger and freight employment.

Passenger employment is assumed to remain level at 46,000 under assumptions A and B, and to decline by 400 each year under assumption C.

In 2025, non-passenger employment is projected to decline by 0.2 percent, 1.4 percent, and 2.6 percent under Assumptions A, B, and C, respectively. These rates of decline will then decrease linearly thereafter. An additional -1.0 percent downward adjustment is made to the initial projected 2025 non-passenger employment under all three assumptions.

Table 2: Annual Tier I Creditable Limit, Monthly Railroad Unemployment Insurance Taxable Limit, and Maximum Daily Benefit Rate

Calendar Year	Annual Tier I Limit	Monthly RUI Limit	Maximum Daily Benefit Rate [1]
2024	\$168,600	\$1,985	\$94
2025	176,100	2,065	99
2026	183,600	2,145	103
2027	192,300	2,235	107
2028	201,600	2,335	111
2029	210,600	2,430	116
2030	220,800	2,535	121
2031	231,900	2,655	126
2032	243,000	2,770	132
2033	254,700	2,895	138
2034	267,300	3,030	144
2035	280,200	3,165	151

[1] Effective for registration periods beginning after June 30 in the calendar year.

Table 3A. Progress of the Railroad Unemployment Insurance Account Under Assumption A
(Dollar Amounts in Millions)

Fiscal Year	Account Contributions [1]	Net Benefit Payments [2]	Other Income and Outgo [3]	Account Cash Balance Year End	Loan Balance Year End [4]	Account Cash Balance Less Loans Due Year End	Calendar Year	Average Employer Contribution Rate (Percent)
2025	\$3.0	\$101.0	\$24.8	\$368.5	\$0.0	\$368.5	2025	0.67
2026	2.5	110.2	21.2	282.0	0.0	282.0	2026	0.72
2027	9.8	121.0	20.9	191.7	0.0	191.7	2027	0.95
2028	35.2	131.2	18.9	114.6	0.0	114.6	2028	1.64
2029	122.2	146.5	18.5	108.8	0.0	108.8	2029	3.97
2030	203.9	152.8	21.0	180.8	0.0	180.8	2030	4.30
2031	173.2	159.1	24.6	219.5	0.0	219.5	2031	2.71
2032	105.1	165.7	25.6	184.5	0.0	184.5	2032	1.91
2033	111.0	173.2	25.1	147.4	0.0	147.4	2033	2.72
2034	181.0	180.8	26.1	173.7	0.0	173.7	2034	3.78
2035	217.6	188.7	29.5	232.1	0.0	232.1	2035	3.53

[1] Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. Excludes 0.65 percent of taxable payroll allocated to the Administration Fund.

[2] The Railroad Employee Equity and Fairness Act, enacted December 23, 2024, as part of the Servicemember Quality of Life Improvement and National Defense Authorization Act, removed sequestration retroactively to May 9, 2023. Benefit amounts in fiscal year 2025 include the repayment of up to \$9 million of previously sequestered benefits.

[3] Income includes interest on investments and transfers from the Administration Fund of amounts in excess of \$6 million at the end of the previous fiscal year. Outgo includes funding for the Office of Inspector General.

[4] Includes accrued interest.

NOTE: Detail may not add to totals due to rounding.

Table 3B. Progress of the Railroad Unemployment Insurance Account Under Assumption B
(Dollar Amounts in Millions)

Fiscal Year	Account Contributions [1]	Net Benefit Payments [2]	Other Income and Outgo [3]	Account Cash Balance Year End	Loan Balance Year End [4]	Account Cash Balance Less Loans Due Year End	Calendar Year	Average Employer Contribution Rate (Percent)
2025	\$2.9	\$101.0	\$24.8	\$368.4	\$0.0	\$368.4	2025	0.67
2026	2.2	128.3	20.7	263.0	0.0	263.0	2026	0.72
2027	11.8	139.9	19.5	154.4	0.0	154.4	2027	1.04
2028	48.0	148.0	16.8	71.2	0.0	71.2	2028	2.08
2029	153.0	162.5	15.9	77.6	0.0	77.6	2029	4.85
2030	243.9	168.2	18.9	172.1	0.0	172.1	2030	5.20
2031	197.9	173.7	22.7	219.0	0.0	219.0	2031	3.00
2032	111.3	179.4	23.3	174.2	0.0	174.2	2032	2.04
2033	115.3	186.1	21.8	125.2	0.0	125.2	2033	2.97
2034	190.1	192.8	22.4	144.9	0.0	144.9	2034	4.23
2035	235.7	199.8	25.0	205.8	0.0	205.8	2035	4.15

[1] Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. Excludes 0.65 percent of taxable payroll allocated to the Administration Fund.

[2] The Railroad Employee Equity and Fairness Act, enacted December 23, 2024, as part of the Servicemember Quality of Life Improvement and National Defense Authorization Act, removed sequestration retroactively to May 9, 2023. Benefit amounts in fiscal year 2025 include the repayment of up to \$9 million of previously sequestered benefits.

[3] Income includes interest on investments and transfers from the Administration Fund of amounts in excess of \$6 million at the end of the previous fiscal year. Outgo includes funding for the Office of Inspector General.

[4] Includes accrued interest.

NOTE: Detail may not add to totals due to rounding.

Table 3C. Progress of the Railroad Unemployment Insurance Account Under Assumption C
(Dollar Amounts in Millions)

Fiscal Year	Account Contributions [1]	Net Benefit Payments [2]	Other Income and Outgo [3]	Account Cash Balance Year End	Loan Balance Year End [4]	Account Cash Balance Less Loans Due Year End	Calendar Year	Average Employer Contribution Rate (Percent)
2025	\$2.9	\$101.0	\$24.8	\$368.4	\$0.0	\$368.4	2025	0.67
2026	2.2	148.5	20.0	242.1	0.0	242.1	2026	0.72
2027	14.1	186.4	17.3	87.1	0.0	87.1	2027	1.15
2028	106.7	193.4	24.8	25.2	11.5	13.7	2028	4.36
2029	252.8	210.8	2.2	69.4	0.0	69.4	2029	6.76
2030	296.2	215.7	17.1	166.9	0.0	166.9	2030	5.84
2031	216.5	220.5	19.8	182.7	0.0	182.7	2031	3.54
2032	148.0	225.4	19.1	124.4	0.0	124.4	2032	3.13
2033	180.4	231.6	17.5	90.7	0.0	90.7	2033	4.53
2034	251.5	237.5	17.9	122.6	0.0	122.6	2034	5.41
2035	269.8	243.8	20.2	168.8	0.0	168.8	2035	4.93

[1] Quarterly employer taxes are due the month after the quarter in which employee compensation is paid. Excludes 0.65 percent of taxable payroll allocated to the Administration Fund.

[2] The Railroad Employee Equity and Fairness Act, enacted December 23, 2024, as part of the Servicemember Quality of Life Improvement and National Defense Authorization Act, removed sequestration retroactively to May 9, 2023. Benefit amounts in fiscal year 2025 include the repayment of up to \$9 million of previously sequestered benefits.

[3] Income includes interest on investments and transfers from the Administration Fund of amounts in excess of \$6 million at the end of the previous fiscal year, and loans from the Railroad Retirement Account. Outgo includes funding for the Office of Inspector General and repayment of loans, including interest.

[4] Includes accrued interest.

NOTE: Detail may not add to totals due to rounding.

**Table 4. June 30 Accrual Balance of the Railroad Unemployment Insurance Account
(Dollar Amounts in Millions)**

Year	Assumption A			Assumption B			Assumption C		
	Account Balance	1.5 Percent Surcharge Threshold	2.5 Percent Surcharge Threshold	Account Balance	1.5 Percent Surcharge Threshold	2.5 Percent Surcharge Threshold	Account Balance	1.5 Percent Surcharge Threshold	2.5 Percent Surcharge Threshold
2025	\$396.4	\$172.6	\$86.3	\$396.3	\$172.2	\$86.1	\$396.1	\$171.7	\$85.9
2026	317.7	178.7	89.4	302.3	176.7	88.3	284.8	174.1	87.1
2027	230.6	185.5	92.8	196.9	181.7	90.9	138.2	177.1 *	88.6
2028	156.7	193.1 *	96.6	116.1	187.6 *	93.8	67.0	180.9	90.4 *
2029	154.2	201.3 *	100.6	125.3	193.9 *	96.9	125.8	184.9 *	92.5
2030	227.5	209.4	104.7	220.3	200.0	100.0	223.7	188.8	94.4
2031	267.6	218.3	109.1	268.1	206.8	103.4	240.4	193.3	96.7
2032	235.0	228.1	114.0	225.1	214.5	107.2	183.7	198.5 *	99.3
2033	200.2	237.8 *	118.9	178.3	222.0 *	111.0	151.3	203.4 *	101.7
2034	228.5	248.2 *	124.1	199.3	230.2 *	115.1	184.0	208.9 *	104.4
2035	288.8	259.4	129.7	261.5	238.8	119.4	231.4	214.7	107.4

The June 30 accrual balance impacts the contribution rates for the following year. The June 30, 2024 accrual balance was \$454,806,922.20 which resulted in a pooled credit instead of a surcharge in calendar year 2025 (see Table 5 for more information). The indexed 1.5 percent surcharge threshold was \$166,593,266.00 and the indexed 2.5 percent surcharge threshold was \$83,296,633.00.

The experience rating system provides for a surcharge in the employer contribution rate when the Railroad Unemployment Insurance Account balance falls below certain thresholds. The 1.5 percent surcharge threshold is the greater of \$100 million or the amount that bears the same ratio to \$100 million as the system compensation base as of that June 30 bears to the system compensation base as of June 30, 1991. The 2.5 percent surcharge threshold is indexed from a \$50 million base. The maximum surcharge of 3.5 percent applies if the Railroad Unemployment Insurance Account balance is less than zero.

* *Account balance below surcharge threshold*

**Table 5. June 30 Accrual Balance of the Railroad Unemployment Insurance Account and Estimated Pooled Credit Percents
(Dollar Amounts in Millions)**

Year	Assumption A			Assumption B			Assumption C		
	Account Balance	Pooled Credit Threshold	Pooled Credit Percent	Account Balance	Pooled Credit Threshold	Pooled Credit Percent	Account Balance	Pooled Credit Threshold	Pooled Credit Percent
2025	\$396.4	\$431.6	0.00%	\$396.3	\$430.6	0.00%	\$396.1	\$429.3	0.00%
2026	317.7	446.8	0.00%	302.3	441.7	0.00%	284.8	435.3	0.00%
2027	230.6	463.8	0.00%	196.9	454.3	0.00%	138.2	442.9	0.00%
2028	156.7	482.8	0.00%	116.1	468.9	0.00%	67.0	452.1	0.00%
2029	154.2	503.2	0.00%	125.3	484.6	0.00%	125.8	462.4	0.00%
2030	227.5	523.4	0.00%	220.3	499.9	0.00%	223.7	472.0	0.00%
2031	267.6	545.7	0.00%	268.1	517.1	0.00%	240.4	483.4	0.00%
2032	235.0	570.2	0.00%	225.1	536.2	0.00%	183.7	496.3	0.00%
2033	200.2	594.4	0.00%	178.3	554.9	0.00%	151.3	508.5	0.00%
2034	228.5	620.6	0.00%	199.3	575.4	0.00%	184.0	522.2	0.00%
2035	288.8	648.5	0.00%	261.5	597.0	0.00%	231.4	536.8	0.00%

The experience-rating formula is designed to keep the accrual balance of the Account, as of June 30, between \$100 million and \$250 million, indexed for changes in the system compensation base. If the balance exceeds an indexed \$250 million threshold, the excess is refunded to employers by reducing contribution rates through a pooled credit on the following year's contribution rate.

The pooled credit percent is calculated using the difference between the June 30 accrual balance and the indexed \$250 million threshold, divided by the system compensation base as of June 30. As a result, they can vary in size depending on the actual excess balance above the indexed \$250 million, but pooled credits cannot lower the individual employer contribution rate below the minimum of 0.65%.

The June 30, 2024 accrual balance was \$454,806,922.20 which resulted in a pooled credit in calendar year 2025. The indexed pooled credit threshold was \$416,483,165.00. The 2025 pooled credit of 0.83 percent is currently applied to the 2025 basic tax rates. No pooled credit is expected under all assumptions during the projection period.