



**RAILROAD RETIREMENT
BOARD
STRATEGIC PLAN
2006-2011**

	<i><u>Page</u></i>
I. Introduction	<u>1</u>
II. Mission	<u>2</u>
III. Vision for the Future	<u>3</u>
IV. Strategic Issues and Challenges	<u>4</u>
V. Strategic Goals and Objectives	<u>7</u>
A. Strategic Goal I: Provide Excellent Customer Service	<u>7</u>
B. Strategic Goal II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources	<u>14</u>
VI. Management Strategies	<u>22</u>
VII. Program Evaluations	<u>30</u>
VIII. Next Steps	<u>32</u>
Exhibit 1 Planning Framework	<u>33</u>
Exhibit 2 Railroad Retirement Board Customer Service Plan	<u>35</u>
Exhibit 3 Performance Goals, Indicators, Measures	<u>38</u>
Exhibit 4 Planning Assumptions	<u>46</u>
Exhibit 5 Key External Factors	<u>48</u>
Appendix 1 Profile of the Railroad Retirement Board	<u>50</u>

I. Introduction

The Railroad Retirement Board (RRB) is proud to present this strategic plan for the years 2006 through 2011, a period of significant challenges and opportunities for the agency. The RRB has a long and distinguished tradition of excellence in serving our customers, and we will strive to continue that tradition in the coming years. In recent years, we have achieved extremely high levels of accuracy and timeliness in the processing of retirement, survivor, unemployment and sickness insurance claims. We have also embraced new technology, especially in areas where it can improve customer service and efficiency. We have achieved very high scores for customer service in independent assessments of recently retired railroad workers, surviving widow(er)s and unemployment and sickness insurance benefit recipients. The RRB's website (www.rrb.gov) has also been very well-received by the public.

In performing its mission, the RRB interacts with a number of other Federal agencies. Our primary Federal partner agencies are the Social Security Administration, the Centers for Medicare & Medicaid Services, and the Department of the Treasury, specifically the Internal Revenue Service and the Financial Management Service. We have numerous initiatives and ongoing programs involving these and other agencies. This plan describes the most important of these interactions in conjunction with the achievement of specific strategic goals and objectives. We provided these agencies with on-line web access to our strategic plan for their review and comment. We also provided this plan to the National Railroad Retirement Investment Trust (NRRIT), which was created by the Railroad Retirement and Survivors' Improvement Act of 2001 in order to manage and invest Railroad Retirement assets. This plan includes a strategic objective regarding the NRRIT and the RRB's responsibilities in conjunction with the activities of the NRRIT.

The strategic plan reflects input and feedback from our stakeholders, including various customers in the railroad community, Congressional committees, the Office of Management and Budget, other Federal agencies with whom we interact, and the NRRIT. This strategic plan follows Government-wide standards for planning and meets the requirements of the Government Performance and Results Act.

II. Mission



RAILROAD RETIREMENT BOARD MISSION STATEMENT

The RRB'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 RRB 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 RRB 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 RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

III. Vision for the Future

The RRB of the future will continue to be customer-focused, quality-driven, and fiscally responsible. Our overall mission and responsibilities as a Federal agency will remain unchanged, even though our organization may be smaller in terms of staff and budget resources. We will use creativity, automation and innovation to continue to deliver best-in-class service while ensuring cost-effective, efficient operations.

Our customers will have a broad range of choices for conducting their business with the agency, including more Internet options that will allow for private, secure transactions from the customer's home at any time of the day. Railroad employers will be able to conduct most, if not all, of their routine transactions with the RRB through secure and efficient electronic systems. Direct customer feedback will shape our planning efforts and enhance our responsiveness. Our customer service levels will serve as a standard of excellence for the rest of the Federal community.

The agency's internal culture will reflect a strong commitment to its employees, and a drive to ensure continual learning at all levels. Given the large percentage of employees who will be eligible for retirement, senior employees will engage in knowledge transfer and sharing as a top priority.

Our ultimate measure of success will be the sustained satisfaction level of our customers and our ability to respond to their needs and concerns.

IV. Strategic Issues and Challenges

In addition to continuing to fulfill our mandates, there are strategic issues we must face in the coming years. These, along with our continuing service goals, will serve as the basis for formulating our annual goals and budget requests.

Two overriding strategic issues for the upcoming planning period relate to customer service and trust fund stewardship. The **service issue** involves our ability to meet our customers' expectations for personal, high quality service as we have in the past, and our ability to position the agency to meet rising customer expectations for new and improved services in the future. The **stewardship issue** has multiple aspects, some of which arose from legislative changes to the Railroad Retirement Act, enacted in 2001, and others which relate to our ongoing ability to meet our program integrity responsibilities and to maintain effective, efficient and secure agency operations.

Two key variables in successfully addressing both of these issues will be the level of administrative funding the agency receives and how well we manage those resources. Anticipating that budgetary resources will be very limited during this planning period, the agency recognizes that it must develop innovative ways to operate effectively in a downsized environment.

To address these issues, we need to overcome major challenges in the areas described below. Each of these areas relates to specific strategic goals and objectives which are outlined and discussed in Chapter V of this plan.

- **Human Capital**

An important contributor to this agency's success in meeting our mission and goals in the past has been the quality and experience of our workforce. Historically, turnover has been relatively low, and almost 90 percent of our employees have 10 or more years of service at the agency (with about two-thirds of those having more than 20 years of service). However, as part of an agency-wide buyout program at the beginning of fiscal year 2005, 77 of these long-term agency employees left the agency. To help cope with the loss of experience, particularly in times of limited budgets and hiring, the RRB is placing increased emphasis on strategic management of human capital, particularly in the areas of training and human capital planning. This takes on added importance due to the fact that over 35 percent of the current RRB workforce will be eligible for retirement by 2009.

Human capital planning, including provisions for employee support and knowledge transfer, will be critical to our ability to continue to achieve our

mission. This will be especially challenging since our expected budget levels will not allow for large-scale hiring of replacement staff. Our challenge during this planning period will be to develop processes, training and systems that can maximize the growth potential for agency employees while maintaining outstanding customer service.

- **Information Technology**

Information Technology (IT) is one of the essential means to achieving the RRB's mission. The RRB's IT capabilities span from basic infrastructure support to integration and implementation of mission-critical applications, network centric systems, and architectural design. Together these capabilities ensure timely, accurate, and efficient delivery of benefits. We continue to improve and advance our technologies. Beginning in 2005, the agency embarked on a major multi-year project based on an Enterprise Architecture target initiative to transition the mainframe computer to a relational database management system from a non-relational database management system, and to optimize the performance of the databases and further reduce data redundancy. As mentioned above, with the impending drain on human capital resources due to approaching retirements, another challenge will be to ensure the availability of sufficient staff with the necessary skills to complete these modernization projects.

Another critically important area of information technology is computer security. We anticipate computer security to be a continuing, significant challenge over the course of the planning period. The increasing number of Internet and telecommunication services we plan to offer requires that we continue to employ effective risk management procedures and "best practices" for intrusion prevention to ensure the confidentiality, integrity, and availability of our mission critical assets.

- **Changed Role in Trust Fund Management**

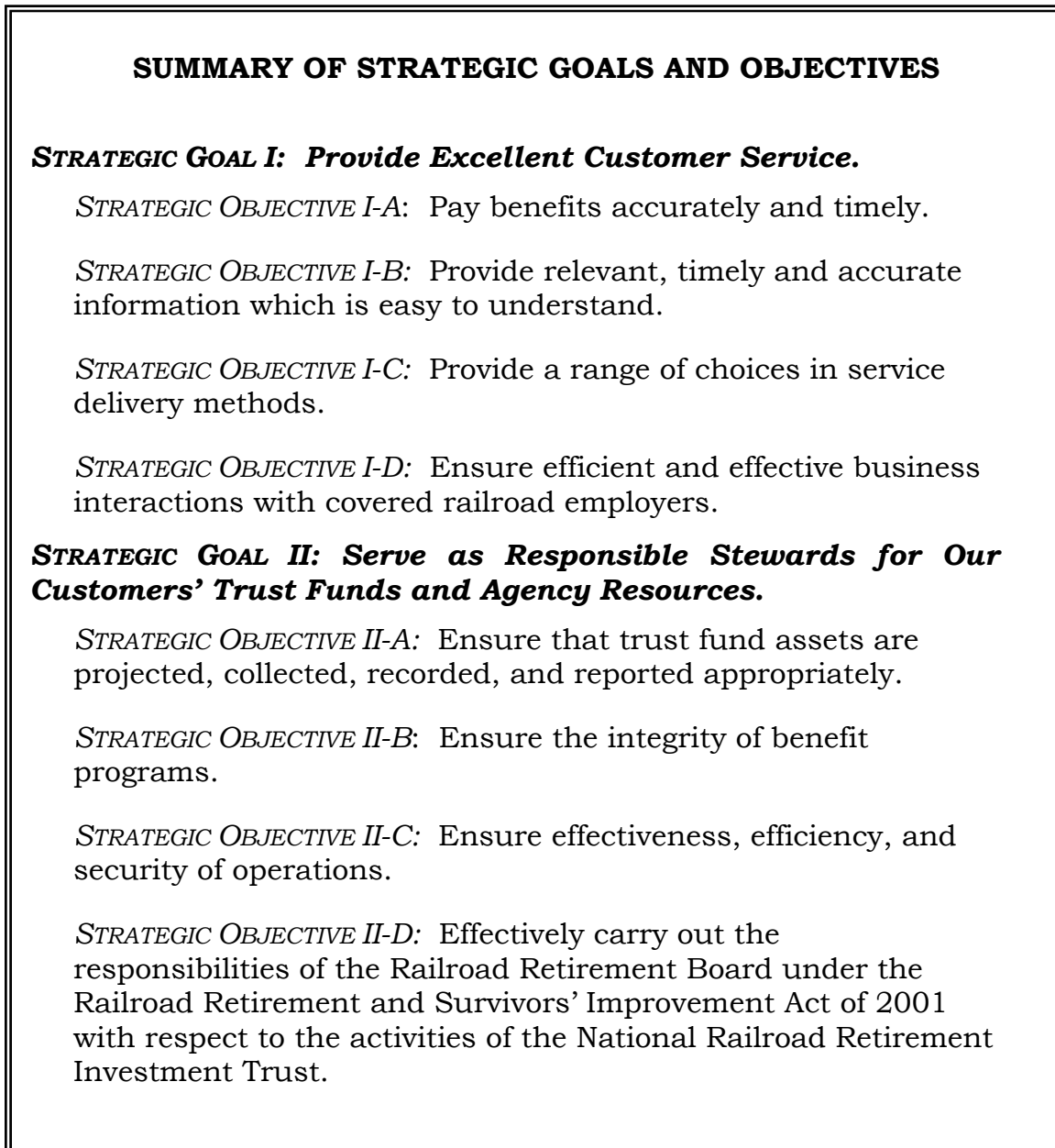
Legislative changes in 2001 called for the transfer of railroad retirement funds from the Railroad Retirement Accounts to the NRRIT, whose Board of seven trustees is empowered to invest NRRIT-held funds in non-governmental assets, such as equities and debt, as well as in governmental securities.

As a result, the role of the RRB and its staff in relation to the Railroad Retirement Account and the Social Security Equivalent Benefit Account has fundamentally changed. The RRB no longer has primary responsibility for the investment of railroad retirement trust fund monies, but continues to be responsible for ensuring that the NRRIT complies with the provisions of the Railroad Retirement Act. The agency has the authority to bring civil action

to enjoin any act or practice by the NRRIT, its Board of Trustees, or its employees or agents that violates any provision of the Railroad Retirement Act or to otherwise enforce the provisions of the Act.

Figure 1 shows a summary of the Strategic Goals and Objectives resulting from these issues and challenges.

Figure 1



V. Strategic Goals and Objectives

A. Strategic Goal I: Provide Excellent Customer Service.

We aim to satisfy our customers' expectations for quality service both in terms of service delivery options and levels and manner of performance. We have established four strategic objectives that focus on the specifics of achieving this goal.

STRATEGIC OBJECTIVE I-A: Pay benefits accurately and timely.

In fiscal year 2005, 99.62% of all initial recurring railroad retirement benefit payments were accurate. In fiscal year 2005, the unemployment insurance payment accuracy rate was 98.73% and the sickness insurance benefit payment accuracy rate was 99.94%.

The RRB is committed to ensuring that we pay the right benefits to the right people in a timely manner. We have a number of measures in place to track the accuracy and timeliness of the actions we take in a year, both in the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA) programs.

The principal indicators of **accuracy** are the benefit payment and case accuracy rates in each program. Our long-term performance goal is to

meet or exceed 99 percent payment accuracy in the payments we initiate or manually adjust in a given year. (Payment accuracy is defined as the percentage of dollars paid correctly as a result of the adjudication action performed.) We also have long-term case accuracy goals (the number of cases paid without material error/the number of cases paid) of at least 94 percent in RRA cases, and at least 98 percent in RUIA cases. To accomplish these goals, we will:

- *Monitor payment and case accuracy and identify problems.*

We will continue monitoring the accuracy of award actions, looking at performance trends, and identifying problem areas. On an ongoing basis, we use that feedback to identify opportunities for process improvement, make recommendations for automation initiatives, and identify training needs.

- *Provide feedback and take additional preventive actions, as appropriate.*

On an ongoing basis, we will also continue to provide constructive feedback to organizations for their use in enhancing and rewarding individual or group performance. We will also provide training, as appropriate, to prevent recurrence of human errors.

- *Ensure accurate, up-to-date, accessible instructions to support our front-line employees as they provide customer support.*

During the planning period, we expect to:

- Review and consolidate procedures in an on-line environment;
 - Develop on-line, interactive, technical courseware which will enable us to provide basic and refresher training in adjudication of our Acts; and,
 - Provide on-line links to detailed procedures at the desktop to support our employees in handling error-prone or unusual cases.
- *Inform our customers about their responsibilities.*

In all communications with our customers, we will provide clear guidance on their responsibilities to provide accurate, complete information. This will allow them to receive the maximum benefits to which they are legally entitled, while helping the agency to avoid erroneous payments.

We measure the success of our efforts to make **timely** payments by looking at a variety of information, such as our performance against the Customer Service Plan, and average processing times.

One performance goal for timeliness is to achieve the levels of service outlined in the Customer Service Plan. (See Exhibit 2.) Our Performance Budget sets yearly targets for the percentage of customers that will receive service in the time frame specified in the Customer Service Plan. These targets are revised annually based upon such variables as projected workloads, process capabilities and available resources. To accomplish these goals, we will:

- *Ensure that the Customer Service Plan is comprehensive and is revised when appropriate.*

Currently, the RRB's Customer Service Plan has a number of timeliness goals for initial retirement, survivor, and disability decisions and payments, as well as for unemployment and sickness insurance applications and claims. A timeliness goal is also in place for handling customer inquiries. Progress against our goals is tracked and reported to our customers annually. Over the course of the planning period, we will review the standards in the plan to ensure that they are consistent with our performance goals, and expressed in terms that are both useful to our customers and easily measurable.

- *Promote direct deposit for benefit payments.*

Lost or stolen checks have caused financial hardship for RRB beneficiaries and additional cost to the agency to resolve claims and handle additional calls. Direct deposit is a safe, secure, and less costly method of delivering benefit payments. We will continue to work with Treasury to promote direct deposit for RRB beneficiaries.

- *Monitor key payment workloads.*

We will continue to monitor our performance on key payment-related workloads. We will aim to maintain the on-hand balances at the end of the fiscal year at or below the “normal working balance” -- that is, the number that can reasonably be worked off by existing staff within the timeliness standard set for that work.

To improve our long-term performance in disability timeliness we plan to:

- *Allocate resources effectively.*

Since 1998, we have improved the timeliness of rendering disability decisions and plan to make further progress. During the planning period we will align our staffing resources appropriately from claim handling areas which have already benefited from automation efficiencies to the disability area which, by its very nature, is more labor intensive.

STRATEGIC OBJECTIVE I-B: Provide relevant, timely, and accurate information which is easy to understand.

We responded to 98.5% of all written inquiries within 15 days of receipt, in fiscal year 2005.

In addition to making payments, we provide a variety of information to our customers. We provide general information through our web-site, publications, and our toll-free automated Help Line. We also provide information to individuals through annual statements of wages and compensation, annuity estimates, notices of annuity and benefit awards and changes, annual income tax statements, and answers to questions regarding benefits. It is important that we provide this information in a timely manner and in ways that are accessible and responsive to the individual’s needs. The information must also be meaningful to the customer and easy to understand. The timeliness of our information is measured by how well we succeed in achieving the levels of service designated in our Customer Service Plan and by acceptable workload balances. Customer feedback will help us determine if the information we are providing satisfies the customer’s needs and expectations.

To accomplish this, we will:

- *Listen to our customers to determine their expectations and whether those expectations are being met.*
 - We will continue to review feedback we get from customer comment cards available in our field offices.
 - We will continue to use customer feedback to identify gaps in our performance. When appropriate, we will provide our employees with training opportunities to improve their communication skills.
 - As funding allows, we will conduct customer satisfaction surveys which will give us feedback on this and other goals. We plan to continue use of the American Customer Satisfaction Index (ACSI) to evaluate customer confidence; the Index has been used successfully by the agency in the past.
 - We will continue to conduct a variety of special studies/periodic measures, such as post-service follow-ups, when problem areas are identified and as resources are available.
- *Adjust our Customer Service Plan or our processes, based on customer feedback.*

Using the feedback generated from our customer contacts, we will look for opportunities to improve our notices and publications. We will also review the Customer Service Plan, in part, based on feedback received and make revisions as appropriate to respond to our customers' requirements.

- *Monitor key informational workloads.*

We will continue to monitor our performance on key workloads, such as providing tax statements. We will aim to maintain workload levels at the end of the fiscal year that are at or below the normal working balance.

- *Focus on interactive electronic solutions that provide immediate responses and intermediate status updates.*

We will continue to pursue interactive Internet and telephone solutions that provide verification and monitoring capabilities of requested information and claims. We will also pursue options to provide the capability for claimants to be transferred directly to a claims representative from an electronic application, when appropriate.

- *Fully develop a Customer Contact Log.*

A fully developed Customer Contact Log will enable agency staff to record information about a customer call or inquiry and maintain it on a database. This information will then be accessible for retrieval and updating the next time that customer contacts us, no matter who takes the call. This will enable our front-line employees to ensure that the customer is being given accurate, consistent information, and will provide for continuity in providing service to our customers. A prototype for this system was developed in 2001 to assist the agency with implementation of the Railroad Retirement and Survivors' Improvement Act.

STRATEGIC OBJECTIVE I-C: Provide a range of choices in service delivery methods.

In order to fulfill customers' needs, we must provide high quality, accurate services on a timely basis, and in ways that are accessible and convenient to all our customers, including the elderly and those with impairments. Consistent with our vision statement, we strive to provide a broad range of choices for customer service. Independent surveys of RRB beneficiaries reveal they prefer to obtain service through personal contact, primarily by telephone. However, as electronic self-service becomes more accepted by our customers, we will continue to expand our service delivery choices through the Internet and our interactive voice response system (HelpLine).

In fiscal year 2005, the Railroad Retirement Board ("the Board") approved a plan to better position the agency's field service for the future. The plan calls for a hub and spoke structure with a number of service centers that will provide face-to-face and telephone service for the agency's customers. The plan would also facilitate consolidation of agency field offices, provide for co-location of field offices with other entities, and provide for introduction of virtual offices in the field. The plan's goal is to continue the agency's commitment to outstanding customer service through an efficient field service structure.

In discussions with the Office of Management and Budget (OMB) concerning the Board's fiscal year 2007 budget, the Board agreed to hire a consultant with input from agency staff, rail labor, and the rail industry, to review the hub and spoke plan and to develop a 5-year implementation plan. The plan would include consolidation, co-location, and/or the establishment of virtual offices and demonstrate out-year savings without serious erosion of customer service.

Our level of performance will be measured by how well we succeed in providing the level of service our customers expect, and by the number of new electronic services we can provide in each program at a reasonable cost. Our long-term

goal is to expand customer choice by offering alternative access to our major services.

To achieve this objective, over the course of the next 5 years, we plan to:

- *Increase opportunities for our customers to conduct business in a secure manner over the Internet.*

The RRB web-site (www.rrb.gov) allows customers to request replacement Medicare cards, duplicate tax statements, statements of service and compensation and rate verification letters. It also provides the capability to request a retirement annuity estimate, pay certain debts to the agency, file unemployment applications and claims, and view a summary of unemployment and sickness insurance benefits paid. Future services will include allowing our Medicare contractor to provide changes of address and death notices, and the ability to file sickness insurance claims and retirement applications.

- *Provide additional services through the HelpLine.*

We will offer most of the same service options available on the agency's web-site through our 1-800 RRB HelpLine. We will also add a number of new services, including options for retirees to obtain information about their monthly payments, such as the date of payment, amount, and method of payment, as well as information about Federal income tax withholding, including the amount of withholding and withholding election status.

We will consider using speech recognition technology, in addition to touch-tone service, and providing an option to route calls to local field service representatives. The option of routing calls to the local field service representative would enable us to provide toll-free service while retaining the benefits that the customers associate with our network of local field offices.

- *Seek customers' service delivery preferences.*

We will consider ongoing input from meetings with our customers, customer satisfaction comment cards, feedback from our own employees and customer surveys such as the ACSI to obtain additional feedback about how our customers want their service delivered. As we expand our uses of newer technologies, we will ensure ease of use by providing clear and easy to understand instructions within a private and secure environment.

Our customers can choose to obtain service in-person (both at field offices and through our customer outreach program), via telephone, via mail, or through advanced technology, such as electronic mail, the Internet, fax, and interactive voice response systems.

STRATEGIC OBJECTIVE I-D: Ensure efficient and effective business interactions with covered railroad employers.

To correctly pay benefits, the RRB must receive timely and accurate reports of the wages and service months of covered employees. It is the responsibility of the employer to provide these reports with respect to its employees. To ensure the receipt of accurate and timely forms, reports, and payments, the RRB must strive to provide rail employers with reporting processes that are easily understood, that place minimal burden on the employers, and ensure compliance with applicable laws and guidelines. To accomplish this, the RRB intends to:

- *Continue to develop electronic services that enable the employer to conduct daily business transactions and file required reports in an efficient, effective manner.*

We have identified 74 forms that we use to conduct business with covered employers. Our long-term aim is to review all these business interactions and determine if we can be more efficient by providing the capacity to initiate and retrieve this information via the Internet or other electronic means. We are accomplishing this objective using a multi-faceted approach as follows:

Annual employer reports filed electronically, or on magnetic media, of wages and service months of covered employees now cover 98% of all employees. This reduces the reporting burden on covered employers and helps to improve the accuracy and timeliness of the reports.

- The Employer Reporting System (ERS) is an interactive web-based system which currently makes four forms available on the Internet. We are testing two additional forms which will be available for employers to use during fiscal year 2006, and have defined software requirements for several additional forms. We are also looking for ways to streamline the reporting process by consolidating the number of forms requiring completion.
- Employers have been given access to make lien recovery payments through the Department of the Treasury's web-based Pay.gov. In the coming months, registered employers will also be able to receive bill notifications electronically.
- We have just implemented a process for providing employers with quotes for lien settlements via secure e-mail. The use of secure e-mail will expand as our experience with it grows, and proper information collection clearances have been obtained.

- *Continue to look for ways to encourage employers to file accurate and timely annual service and compensation reports.*

We will continue and expand on our training programs to provide employers with needed assistance.

B. Strategic Goal II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources

The RRB is committed to fulfilling its fiduciary responsibilities to the rail community. We have established four objectives that direct our focus on this goal.

STRATEGIC OBJECTIVE II-A: Ensure that trust fund assets are projected, collected, recorded and reported appropriately.

The RRB is committed to prudent management of its trust funds. Our success in this objective is reflected through annual audited financial statements, actuarial valuations, our financial projections, debt collection, experience-based contribution rates, and payroll tax and railroad employee compensation reconciliations.

To accomplish this commitment, we will:

- *Continue to issue annual audited financial statements.*

The RRB has voluntarily published financial statements since calendar year 1987 (covering fiscal year 1986). The Accountability of Tax Dollars Act of 2002 made the annual issuance of audited financial statements mandatory for a number of Federal agencies, including the RRB. The RRB's fiscal year 2005 financial statements were prepared in accordance with the form and content prescribed by the Office of Management and Budget (OMB) and with the generally accepted accounting principles and standards prescribed by the Financial Accounting Standards Advisory Board.

- *Continue to perform the RRB's actuarial valuations and financial projections.*

The RRB will continue to monitor the solvency of its trust funds through a sound program of actuarial valuations and financial projections using different assumptions.

- *Continue to estimate the RRB's funding requirements for the Dual Benefits Payments Account.*

The RRB will ensure that the amount requested to be appropriated by the Congress each year to fund vested dual benefits is sufficient to pay vested dual benefit obligations for that year. *Continue to carry out the RRB's debt management policy.*

The RRB has established a debt management policy to implement the Debt Collection Act of 1982, as amended by the Debt Collection Improvement Act of 1996. This policy calls for aggressive collection of debts owed the trust funds where such debts are not subject to waiver under the Railroad Retirement Act or Railroad Unemployment Insurance Act. We will periodically review this policy and make changes when appropriate.

Since fiscal year 1996, we reduced the receivable balance from \$81.6 million to \$32.4 million at the close of fiscal year 2005 (including a reduction for the write-off of currently not collectible receivables as directed by OMB) -- a reduction of \$49.2 million, or 60 percent.

- *Continue to accurately and in a timely manner determine the experience-based contribution rates required under the unemployment and sickness insurance program.*

The primary 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 benefit usage.

The agency needs to administer this system in a way that provides employers with useful information in a timely manner. In order to maintain employers' confidence in the system, we strive to ensure that our notices are released shortly after the end of the quarter and contain sufficient data to meet employer budgeting needs. To meet these objectives we worked with employers to design enhanced quarterly and annual notices that we implemented in September and October 2004, respectively.

- *Verify that payroll taxes are fully collected and properly recorded.*

We will perform monthly reasonableness tests comparing railroad retirement taxes deposited electronically, which represent over 99 percent of railroad retirement taxes, against tax receipts transferred to the RRB trust funds by the Department of the Treasury. These tests provide reasonable assurance the RRB trust funds are receiving the appropriate amount of taxes.

We will also complete annual compensation reconciliations at least 1 year before the statute of limitations expires. Compensation reconciliations involve a comparison of compensation reported by covered employers to the RRB for benefit calculation purposes with compensation reported to the IRS for tax purposes.

STRATEGIC OBJECTIVE II-B: Ensure the integrity of benefit programs.

As part of our fiduciary responsibilities to the rail community, we must ensure that the correct amount of benefits is being paid to the right people. Through automation, we match our benefit payments against the Social Security Administration's earnings and benefits database, the Centers for Medicare & Medicaid Services' utilization and death records, the Office of Personnel Management's benefit records, and State wage reports, and we administer other benefit monitoring programs to identify and prevent erroneous payments. We also refer some cases to the RRB's Office of Inspector General for investigation. After investigation, the Inspector General may pursue more aggressive collection methods, which include civil and criminal prosecution.

We measure the effectiveness of the matching programs each year by comparing the dollars collected or saved through these initiatives to their cost.

In fiscal year 2005, the RRB invested over 24 full-time equivalent staff years at a cost of approximately \$1.93 million, in program integrity efforts. This resulted in \$9.1 million in recoveries, \$770,000 in benefits denied, and the referral of 215 cases to the Office of Inspector General for investigation. We achieved approximately \$5.11 in savings for each dollar invested in these activities.

To accomplish this objective, we will conduct comprehensive and integrated monitoring activities to identify and prevent erroneous payments:

- *Maintain established matching programs.*

Our plan is to continue our wage matches with all 50 States, the District of Columbia and Puerto Rico to ensure that employees are not working while drawing unemployment or sickness insurance benefits. During fiscal year

2005, the State wage match program identified nearly \$1,180,814 in recoverable benefits and effected recovery of \$1,443,394 previously identified through the program. In addition, we will continue to coordinate our benefit payments with the Social Security Administration's Master Benefit Record to ensure the proper payment of benefits under both programs. We will continue to monitor our benefit payments against social security wage reports to ensure that our benefit payments are correctly adjusted for post-retirement earnings. We will also continue to compare our beneficiary records with the Centers for Medicare & Medicaid Services' files to prevent incorrect payment of benefits after an annuitant's death.

- *Continue our program integrity reviews.*

We will continue to seek information from annuitants through questionnaires and to conduct reviews to ensure correct payment of benefits. We will ensure that all annuitants continue to be entitled to benefits, through programs such as continuing disability reviews and other entitlement-monitoring initiatives. These efforts, consistent with the President's Management Agenda, help us minimize the possibility of payments to ineligible beneficiaries.

STRATEGIC OBJECTIVE II-C: Ensure effectiveness, efficiency, and security of operations.

How we do our business is a critical component of good stewardship. The RRB is committed to effective, efficient and secure internal operations. Many factors and programs contribute to this goal. We have ongoing programs which help us assess our performance in these areas. We use our management control review process as a means of reviewing critical agency processes in order to provide reasonable assurance of the effectiveness and efficiency of our programs and operations. If material weaknesses are detected, we take swift, aggressive corrective action. In addition we perform a variety of quality assurance activities to ensure that our benefit programs comply with established policies, standards and procedures. We consider the findings from these reviews as we make our information technology plans.

In addition to these ongoing programs, we have set particular goals regarding our human capital, information technology and computer security, procurement, and performance management programs, as described below.

- *Continue to develop an effective human capital planning program.*

While there is a wealth of institutional knowledge and practical experience among the current RRB staff, more than a third of them will be eligible for

retirement by 2009. Effective human capital planning will help to ensure that the benefit of this knowledge and experience can be passed on by our more senior employees before they retire. At the same time, effective training and development programs will prepare the remaining employees to assume leadership roles necessary for effective program administration and management.

To address this need, we will continue structured human capital planning activities in the following areas:

- Improve training capabilities, particularly in the areas of managerial and supervisory skills, through a combination of internal and external programs, including expanded use of video-based presentations on the agency Intranet.
- Identify core competencies for key positions, with an emphasis on those with unique needs and/or potential for high turnover.
- Assess the skill level of employees currently in the same or related career tracks and develop enhancement programs to close any identified competency gaps.
- *Ensure the privacy and security of our customers' transactions with the RRB.*

We will provide close oversight to safeguard our customers' privacy and enable them to conduct business with the RRB in a secure environment with trust and confidence. The RRB has made notable progress in strengthening and improving the control and protection of information and is committed to addressing deficiencies identified in the area of computer security. We continue these efforts in critical areas, such as:

- Conducting periodic vulnerability assessments on critical assets;
- Updating our business continuity plan to ensure that essential functions continue during an emergency;
- Deploying advanced security technologies and integrating security into our business processes to protect against physical and cyber-security threats;
- Providing security and privacy awareness training to sensitize all employees to potential security and privacy issues within their particular functional areas, and specialized security training for those individuals with significant security responsibilities;

- Developing risk assessments, security plans, and security control refinements for major applications and support systems; and,
- Including privacy impact assessments for applications that use sensitive data.
- *Improve our ability to control and monitor information technology investments.*

Information technology not only provides the underlying support for the agency's current day-to-day operations, but we also rely on it as a strategic means of improving the cost-effectiveness of our operations in the future. Therefore, we are continually striving for improved ways to plan and control our information technology investments, to ensure that they perform as expected, provide a meaningful return, and are delivered on time and within budget. In 2004, the agency embarked on multi-year project to replace the agency's mainframe-based project time management system with a network server-based enterprise project management system. The enterprise project management system allows us to estimate, track and monitor total costs and time schedules for information technology investments throughout the project life cycle. The enterprise project management system incorporates both web-based and mainframe-based projects and investments. The initial rollout of the system to over 200 users was completed in October 2005. Further plans include expanding its use for non-information technology projects and the number of people who will use it.

- *Continue to seek ways to increase competitive sourcing opportunities.*

The RRB will continue to follow the requirements of the Federal Activities Inventory Reform Act of 1998 (the FAIR Act), which requires agencies to prepare and submit an inventory of their commercial activities performed by Federal employees. The RRB has inventoried its positions, identified those that are commercial in nature and published the report on the Internet, as required. In 2005, the RRB listed 7 commercial activities on its FAIR Act report, a decline from 10 the previous year. This also reflected reduced staffing levels from the previous year, as the 2005 inventory had 119 FTE's engaged in these areas – down from 141 the prior year. These positions were placed into the following categories: library services; occupational health (nurse); storage and warehousing; printing and reproduction; administrative support services; data processing services; and systems design, development and programming services.

- *Make greater use of performance-based contracts.*

Performance-based services contracting (PBSC) emphasizes objectives and measures performance requirements and quality standards in developing statements of work, selecting contractors, and determining contract type and incentives.

In September 2004, OMB issued guidance on expanded use of PBSC, setting a goal for agencies to award at least 40 percent of service contract dollars, on contracts exceeding \$25,000, using PBSC techniques. In recent years, the RRB has awarded about that percentage of contract dollars using PBSC methods, and has been able to achieve increases in terms of the numbers of contracts and percentages of dollars awarded. Over the next 5 years, we will continue to make maximum use of this technique and meet government-wide goals for eligible service contracts.

- *Expand our participation in E-Government initiatives.*

The RRB currently uses electronic commerce to fulfill many of its operational requirements. For example, the RRB's purchasing staff publishes all required and many optional procurement notices to the government-wide, point-of-entry web-site *www.FedBizOpps.gov*. The notices include pre-solicitation and award notices, as well as market surveys. The agency also has an agreement with an office-supply vendor that provides Internet-based ordering with next-day delivery.

The RRB continues to participate in the E-Gov Business Gateway Initiative. The E-Forms Catalog provides citizens and businesses with a common access point to Federal agencies and business forms. It provides these parties with the ability to search for forms needed to interact with the Federal government. This catalog is a first step in a project whose goal is to provide a single site where citizens and businesses can not only locate a form, but fill it out and submit it electronically.

The RRB has already completed an initiative to migrate our independent payroll system to a consolidated payroll service provider as part of a government-wide cost-saving effort. We are also participating in the E-Gov Travel initiative, which is managed by the General Services Administration, to implement an automated, integrated and web-based approach to consolidating travel services for Federal agencies. We have selected a vendor to provide E-Gov Travel services and we expect to fully implement the new system by the end of fiscal year 2006. In addition, we are working with the Department of the Treasury to implement Pay.gov. Pay.gov enables

individuals and railroad employers to securely and easily send electronic payments to the Federal government. Pay.gov's service allows them to pay by debit/credit card or to authorize an Automated Clearing House debit from a savings or checking account.

- *Comply with new security requirements for employee identification.*

Federal agencies were directed to develop more sophisticated employee identification cards under the terms of Homeland Security Presidential Directive 12 (HSPD-12). Not only will the cards have a common format across the Federal government, they will also contain an embedded chip with biometric data to confirm the identity of the cardholder. Agencies were also directed to implement procedures for personal identity verification (PIV). Under PIV, a combination of background checks and multiple levels of review will achieve this end.

The RRB has taken steps to comply with the initial phase of PIV, reinforcing its current review procedures to meet the new guidance. The agency also entered into a memorandum of understanding with GSA to utilize a shared-services agreement for production of the actual identification cards. All current RRB employees should have the new identification cards by the end of fiscal year 2008. At the same time, the RRB will continue to work on implementation of the second phase of PIV, which calls for use of the embedded chip to gain access to buildings as well as computer systems.

STRATEGIC OBJECTIVE II-D: Effectively carry out the responsibilities of the Railroad Retirement Board under the Railroad Retirement and Survivors' Improvement Act of 2001 with respect to the activities of the National Railroad Retirement Investment Trust.

Although the RRB is no longer responsible for the investment of the trust fund monies held by the NRRIT, it continues to have responsibilities in ensuring that the NRRIT, and its seven-member Board of Trustees, comply with the provisions of the Railroad Retirement Act. This responsibility is fulfilled through periodic meetings between the RRB's three-member Board and the NRRIT's trustees, more frequent meetings between the agency's General Counsel and the officials of the NRRIT and the Counsel to the NRRIT, review of the monthly reports submitted by the NRRIT, review of the annual management reports prepared by the NRRIT, and review of the annual audit reports of the NRRIT's financial statements.

The RRB has authority to bring civil action should these reviews indicate any violation of the Railroad Retirement Act or non-compliance with any of the provisions of the Act.

VI. Management Strategies

The RRB has committed to a number of management strategies that will guide our efforts to accomplish our stated strategic goals and objectives. These strategies encompass many areas, but can be loosely categorized along the lines of the President's Management Agenda, which is designed to promote management improvements throughout the Federal government in six key areas:

Expanded E-Government

Budget and Performance Integration

Financial Management Improvements

Strategic Management of Human Capital

Competitive Sourcing and Partnerships

Freedom of Information Act Planning, Processing and Reporting

A. Technology and Innovation, including E-Government

Our primary goal is to strategically align our information technology (IT) environment and investments to most effectively and efficiently support our business needs. The planned improvements in IT operations and procedures will enable us to respond rapidly to changing business requirements, such as legislative changes and technological advances. We are currently engaged in a multi-year project to implement a mainframe-based relational database management system and to optimize the large databases which comprise the core of our benefit program operations. Our priorities in the coming years will include implementing a variety of E-Government initiatives within the framework of our overall information technology architecture, in a secure and stable electronic environment. At the same time, we will also focus on other business process improvements which may or may not require new systems or automation. Such improvements will include reengineered work processes and streamlined procedures. The key components of this strategy are outlined below:

E-Government

E-Government is a major technological advance that allows our customers the option of choosing to use the Internet for a variety of services. One of the principal components of the President's Management Agenda, E-Government has significant potential for improving customer service, since it gives the customer more independent control over his/her own business transactions,

which can be conducted at any time and from any location where the customer has an Internet connection. In addition, E-Government promises a framework within which Federal agencies will be able to collaborate and align their efforts to provide standard customer service features, to eliminate redundancy, and to take advantage of economies of scale in the development of new applications.

The RRB currently has several E-Government services available for our customers, and plans to expand the range of services even more. Examples of on-line services our customers will have in the future include:

- On-line applications for use by railroad employees and their spouses in filing for retirement age and service benefits.
- On-line claims for sickness insurance benefits.
- An enhanced Employer Reporting System (ERS) for use by railroads and rail labor employers to file service and compensation reports and for related activities. The enhancements include: additional forms, improved on-line edits and help, creation of an on-line training system, improved secure file transfers and the conversion of the system to Microsoft's .Net platform.
- On-line input of change of address or direct deposit information.

Enterprise Architecture

Enterprise Architecture (EA) is a process that not only drives continuous business and technology alignment, but provides an overall plan for designing, implementing and maintaining the underlying infrastructure to support information sharing and resource optimization. Technology has done an excellent job of supporting agency business needs. Our opportunity is to leverage this experience and knowledge into enterprise solutions that support the future of the RRB and the constituents we serve. EA offers a framework for accomplishing this shared mission.

The RRB's EA framework is based on the Federal Enterprise Architecture Framework. The EA documents the agency's baseline architecture and the processes for managing change to the architecture. The target architecture we have established defines the information technology environment to achieve our current and future business goals and objectives. The target environment is designed to:

- Streamline business and technical processes and procedures;
- Be flexible in consolidating similar or redundant internal and government-wide functions, applications, software and hardware;

- Enable collaboration among all kinds of applications; and,
- Promote reuse of data and processes, as a means of reducing development time and costs.

Internal Operations/Process Improvements

Our focus will remain on simplifying the delivery of services and making it possible for our customers, businesses and government agencies to easily obtain information and service from the RRB. We will use several strategies over the course of the planning period in order to achieve these goals.

- *Point-of-Contact Service*

This is our way of describing our ideal service delivery method – one in which a single contact from the customer, including businesses and government agencies, results in the desired outcome, without internal handoffs or the need for multiple customer contacts. We use this approach when designing internal processes and procedures for our claims examiners and claims representatives who deal with our customers. This philosophy has also been built into our enterprise architecture, and represents a key requirement in our overall strategy. We will ensure that new systems are designed to provide this kind of responsive customer service.

- *Streamlining and reengineering*

While we strive to meet the standards we set in our customer service and performance plans, we may not always be able to do that. We will review our performance data at least annually to identify areas that fall short of our goals. Through streamlining and reengineering studies, we will look for ways to make short-term improvements, and we will develop recommendations for longer-term projects. Finally, we will track our improvements to determine their effectiveness.

- *Review of regulations, policies and procedures*

To some extent regulatory, policy or procedural requirements may cause delays, inaccuracies or complexities. We will review and evaluate such requirements to determine if changes would be warranted. If so, we will propose alternatives in order to reduce operational complexities and erroneous situations, and alleviate delays.

B. Budget and Performance Integration

Demonstrating the relationship between budgetary resources and performance is a key government-wide initiative in the President's Management Agenda. Since 1997, the RRB's annual performance plans have shown a direct link between expected performance, stated in terms of measurable results, and resources requested.

Beginning in fiscal year 2007, we will also work with OMB to evaluate RRB programs using the Program Assessment Rating Tool.

C. Financial Management Improvements

The President's Management Agenda calls on Federal agencies to improve financial performance by providing accurate and timely information to support operating, budget, and policy decisions, and by reducing improper payments.

The RRB's financial statement received an unqualified audit opinion in fiscal year 2005 for the sixth consecutive year. However, the RRB's Inspector General identified three material weaknesses in his *Opinion on the Financial Statements*, dated October 27, 2005: information security, performance measures, and controls over the actuarial projection process. The Board Members have acknowledged all three weaknesses and have determined that the information security weakness represents a material weakness under the Federal Managers Financial Integrity Act (FMFIA). The Board Members have not categorized the other two areas as material weaknesses under the FMFIA. Nevertheless, the agency has developed action plans and is taking steps to make improvements in all three areas.

To meet new reporting requirements, and thereby provide more timely financial information, the RRB has issued quarterly financial statements within 21 days after the end of each quarter since fiscal year 2004. Also, the annual Performance and Accountability Report has been issued within 45 days after the end of each fiscal year since 2004.

In June 2004, the RRB migrated its payroll processing to the General Services Administration (GSA). We are also participating in GSA's E-Gov Travel initiative to implement an automated, integrated and web-based approach to consolidating travel services. The E-Gov Travel system is designed to support everything from planning, authorizations and travel management services to voucher submission and payment.

The agency has established and documented a multi-faceted methodology for identifying improper payments in our RRA and RUIA benefit payment programs. Our improper payment rates do not exceed the OMB thresholds, as defined by OMB guidance M-03-13, which includes guidelines for implementing the Improper Payments Information Act of 2002. The RRB has made concerted efforts to reduce improper payments over the years. Our payment accuracy rates are at consistently high levels and the return on investment for program integrity activities has been high as well. We monitor progress on implementing recommendations from the quality assurance process, and we are vigilant about pursuing OIG recommendations which impact the quality and timeliness of payments. We have also worked closely with our OIG in referring potential fraud cases for investigation and prosecution. In addition, we pursue automation initiatives and operational improvements that minimize improper payments.

D. Strategic Management of Human Capital

While we have great confidence in our proven track record and in our continued ability to successfully manage our human capital resources, we understand that work is still needed to maximize the principles that are embodied in successful human capital management. This is one of our highest priorities during this planning period. The President's Management Agenda calls for various human capital strategies. These are listed below with a brief description of the RRB's intentions regarding each one:

- *Strategic alignment with the agency's mission*

We will align our human capital policies to support the accomplishment of the agency's mission, vision, goals and objectives. This will include ensuring that all employees and organizational units can link their daily activities with the agency's mission.

- *Workforce planning and deployment*

We will recruit, hire, develop and retain a diverse workforce with the strategic competencies required for mission-critical positions.

- *Leadership and knowledge management*

We will foster a leadership environment that inspires, motivates and guides employees toward our strategic goals; coaches, mentors, and challenges staff; provides needed training and sharing of knowledge; and, models high standards of honesty, integrity, trust, and respect for all individuals.

- *Results-oriented performance culture*

We will maintain a performance culture that effectively uses performance appraisal and incentive systems to distinguish between good and poor performers and encourages innovation, creativity and enthusiasm among our staff. We will also provide a flexible work environment, using programs such as family-friendly leave, compressed work schedules, telecommuting, and other accommodations to improve morale and productivity.

- *Talent*

We will encourage professionalism and productivity in our workforce through training, incentives, and effective performance appraisal systems. We will also promote a climate of openness, continuous learning, and improvement. Through our succession/workforce planning efforts, we will strive to identify all mission-critical occupations, competencies and skills, addressing any identified gaps.

- *Accountability*

We will document our human capital management policies and guidelines through plans, procedures, handbooks and reports, and will use analytical data to aid our decision-making and to assess our overall progress in this area.

E. Competitive Sourcing and Partnerships

Competitive sourcing involves conducting public-private competitions, either in a standardized or streamlined process, for commercial activities currently performed by Federal employees. The RRB is committed to meeting statutory and regulatory requirements for identifying commercial activities and conducting such competitions, as described in Chapter V, Objective II-C. For example, we will comply with the requirements of the Federal Activities Inventory Reform Act of 1998 and meet all procedural guidelines for competitive sourcing evaluations. In addition to our competitive sourcing activities, we will also be taking the following actions related to procurement and partnerships:

- *Ensure that the RRB consistently pays the lowest price for products and services commensurate with quality, service, delivery and reliability.*

This strategy will result in a first-class acquisition system based upon regulations that apply to all Federal agencies. This system will make maximum use of competitive procedures, require that awarded contracts include past performance as an evaluation factor, and ensure that

contractors meet all delivery requirements and schedules for goods or services. To achieve this, the RRB will:

- *Pay the lowest price for products/services commensurate with quality, service, delivery, and reliability.*

We will promote full and open competition to the maximum extent practical when procuring products and services for the agency, and award purchase orders and contracts only to responsible contractors.

- *Closely manage solicitations and the resulting contracts.*

We will award contracts on time to ensure that the required product or service is delivered in time to meet agency requirements and ensure the delivery of quality products and services.

We will use the simplified acquisition processes where appropriate, including procurement cards for smaller purchases. We will closely monitor products and service delivery schedules and take all necessary remedies to obtain products and services that satisfy agency requirements.

- *Make use of strategic sourcing as a means of maximizing the value of funds spent on goods and services.*

In May 2005, OMB issued guidance that encouraged agencies to implement strategic sourcing. This is a collaborative and structured process for critically analyzing spending and making data-driven decisions on acquiring goods and services. While the RRB does not spend as much of its budget on commodities and services as larger agencies, we have identified items such as office supplies, paper, printer cartridges and photocopiers that lend themselves to such an approach. We will look for opportunities to obtain savings on these particular items, as well as attempt to identify other areas suitable for strategic sourcing techniques.

- *Use outside sources and partnerships, when appropriate, to accomplish our mission.*

As a small agency, it is not always economically feasible to retain staff expertise in specialized areas or to perform all activities in-house. We will evaluate the use of outside resources and partnerships based on considerations such as cost and/or time savings, improved effectiveness, enhanced expertise and increased customer satisfaction.

In keeping with this strategy, we will:

- *Make use of advisory and assistance services when appropriate.*
- *Keep abreast of current trends and opportunities.*
- *Work with other agencies and organizations to meet mutual goals.*

F. Freedom of Information Act (FOIA) Planning, Processing and Reporting

On December 14, 2005, the President issued Executive Order 13392, entitled “Improving Agency Disclosure of Information,” which contains several statements of government-wide FOIA policy as well as many specific new planning and reporting requirements that will affect all Federal agencies in their administration of the Act.

Executive Order 13392 requires all Federal agencies subject to the FOIA to designate a Chief FOIA Officer; to establish FOIA Requester Service Centers and designate FOIA Public Liaisons; to review their FOIA operations; to develop a plan for improving those operations; and to submit reports on all such matters to the Attorney General, who in turn will report on these implementation steps in a consolidated fashion with recommendations to the President.

Pursuant to the Executive Order, the Board Members have named the agency’s General Counsel as the Chief FOIA Officer for the RRB, and the Assistant General Counsel as its FOIA Public Liaison. Additionally, the Board Members have designated the Office of General Counsel as its FOIA Requester Service Center for the purpose of facilitating better agency communications with FOIA requesters.

The RRB will prepare an agency-specific plan for improvement of our administration of the FOIA with concrete milestones and specific timetables and outcomes to be achieved, and by which agency improvements can be measured. As required by the Executive Order, the RRB will report on the development and implementation of its plan to the Department of Justice and the Office of Management and Budget.

VII. Program Evaluations

The RRB considered the results of numerous program evaluations in preparing its strategic plan and will use program evaluations to revise it in the future. The most important of these are summarized below.

Program Evaluation Schedule

Program Evaluation	Methodology/ Scope	Issues Addressed	Schedule
Federal Managers' Financial Integrity Act reports and risk assessments	Analytical/RRB administration	Adequacy of internal controls	Annual
Actuarial Valuation	Actuarial/75-year financial projection	Railroad Retirement Act (RRA) revenue/expense projections	Triennial
Actuarial Status Report of Railroad Retirement System	Actuarial/25-year financial projection	RRA revenue/expense projections	Annual
Actuarial Status Report of Railroad Unemployment Insurance System	Actuarial/11-year financial projection	Railroad Unemployment Insurance Act (RUIA) revenue/expense projections	Annual
Customer service performance reports	Analytical/RRA and RUIA benefit programs	Customer service/timeliness of benefits	Annual
Quality assurance reports	Statistical sampling/RRA, RUIA benefits	Accuracy	Annual
A variety of client satisfaction surveys and feedback	Statistical evaluations (e.g., ACSI); comment cards/meetings with groups of RRB beneficiaries	Client satisfaction with RRB services/need to change standards or update customer service plan	Periodic
Financial Statement Audit	Office of Inspector General audit of agency financial statements	Accuracy of financial statements	Annual
RRB Office of Inspector General audits	Audits/agency-wide	Effectiveness and efficiency of agency operations	Periodic

Program Evaluation	Methodology/ Scope	Issues Addressed	Schedule
Performance Budget monitoring	Longitudinal study/key agency performance goals	Customer service, stewardship, procurement, human resource and information technology issues	Semi-annual
Variety of special studies	Special studies/benefit program administration	Quality, timeliness, efficiency and effectiveness of processes within benefit program administration	Periodic (on demand)
Enterprise Architecture assessment	Analytical/samples and audits	Effectiveness of existing architecture	Annual
Computer security and privacy assessment	Internal and/or external assessments, audits, and evaluations	Adequacy of internal and external controls impacting computer access controls, vulnerabilities and overall security status	Annual, quarterly updates
Report on electronic government (E-Gov) activities	Evaluate the implementation status of the E-Gov Act	Agency-specific E-Government initiatives and agency information available on the Internet	Annual
Improper payment evaluation	Analytical assessment of RRA and RUIA payments	Determination of the level of improper payments and assessment under the Improper Payment Information Act of 2002	Annual
Occupational disability program	Assessment by the Occupational Disability Advisory Committee	Accuracy and validity of the disability decision-making process.	Periodic

VIII. Next Steps

COMMITMENT TO RESULTS

This plan continues a cooperative and intensive effort on the part of the agency's management and staff and reflects input from our customers and other stakeholders. It is a plan we are proud to present. However, a strategic plan is only that--a plan. The plan itself will not provide excellent customer service or prudent stewardship. Unless these strategic goals are incorporated into the annual performance budgets and day-to-day activities of the agency, they will not be achieved.

In order to ensure achievement of strategic goals, the Government Performance and Results Act and OMB guidance provide that each agency will develop annual performance budgets, which are submitted along with the agency's budget requests. The annual performance budget demonstrates the linkage between the agency's strategic goals and its performance goals to be achieved during the budget year.

The RRB develops annual performance budgets, based on its strategic goals, which are designed to make continual, measurable progress on our objectives. Annual performance budgets are developed using the performance-based approach outlined in the Strategic Plan. Annual performance goals for key work areas are articulated in this Strategic Plan, along with our methods for measuring achievement of those goals. We will, of course, monitor our performance throughout the year and make adjustments, as needed, to achieve the desired results. The RRB submitted its most recent annual performance report, as required by the Government Performance and Results Act, in November 2005, as part of its Performance and Accountability Report.

In addition to developing our performance plan every year for inclusion with the budget, we will monitor our Strategic Plan annually and update it as needed. At a minimum, we will continue to update our Strategic Plan every 3 years as required to project 5 years into the future. Figure 2 illustrates the agency's strategic planning process.

The Railroad Retirement Board expects that our Strategic Plan will guide us as we continue our long and distinguished tradition of excellence in service to our customers. The RRB has a proven track record of carrying out its plans and achieving results. We believe that this Strategic Plan, along with the annual performance budgets and sufficient resources, will help us to achieve the results our customers need and deserve.

Exhibit 1 Planning Framework

This Strategic Plan is the cornerstone of a comprehensive set of interlocking plans that cover all major aspects of agency operations. In this plan, we have defined the strategic issues facing the agency and established broad goals and objectives to be achieved during the planning period. As a result, this plan serves as the foundation and guide for the specific functional plans required to manage the agency. These include the following:

- The **Customer Service Plan**, which provides our pledge of service to our customers, states specifically the level of service the customers can expect from us. It is posted in each office of the RRB in order to communicate our standards of openness, accessibility and accountability to our public. Each year we provide a report card on how well we are meeting the standards we set for ourselves, and the level of service we provide our customers. The plan itself is reviewed annually, and updated periodically, as we gain more experience with it and as we compare our service with the best in business. This plan is included as Exhibit 2.
- The **Strategic Information Resources Management Plan** describes the agency's information resources mission and vision to support customer service through information technology. The purpose of this plan is to communicate clearly where the RRB is today in terms of information resources management, where the RRB wants to go in the next several years, and how the RRB intends to move from the present to the future. It mirrors the direction of the agency's Strategic Plan. The plan includes the agency's Enterprise Architecture Strategy and serves as a tool to make informed management decisions and to assist in capital planning, investments, and budgeting.
- The **Information Technology Capital Plan**, which is part of the Strategic Information Resources Management Plan, specifically describes the capital resources needed to support the initiatives described in the Strategic Information Resources Management Plan. It provides a schedule of when those resources will be needed. This plan is updated annually and is used to prepare the agency's budget submission.
- The **Annual Performance Budget** provides detailed performance goals and indicators to guide agency managers as they implement the Strategic Plan. It also details the human and capital resources required to achieve the performance targets. We update the Performance Budget each year and include it as part of the agency's budget submission and justification. Exhibit 3 provides a matrix showing each of the agency's performance goals and the measures that are used to determine how well we performed. After each fiscal year, we report on how well we achieved the performance goals in our Performance and Accountability Report.

Figure 2

Strategic Planning Process



Exhibit 2 Railroad Retirement Board Customer Service Plan

The U.S. Railroad Retirement Board recognizes that its services are financed by our customers: the nation's railroad workers and employers. They are entitled to expect high quality service, responsive to their needs, provided efficiently at a reasonable cost. This has been recognized in the agency mission statement:

In carrying out its mission, the RRB 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 RRB will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

The Customer Service Plan is centered on the following principles of public service: standards; openness; accessibility; and accountability. In arriving at this plan, we have considered the findings of a customer satisfaction survey and the responses received on point-of-service evaluation forms. This Customer Service Plan is published nationally and posted in each office of the RRB in order to communicate these standards to our customers and to reinforce them with our employees. There is a clear presumption that our service will progressively improve as our operations become more efficient. The plan will be reviewed and updated periodically as we gain more experience with it and as we compare our service with the best in the private sector.

Standards

- We will be courteous and treat you with respect every time you contact us.
- The information you provide us is protected under the provisions of the Privacy Act.
- When you inquire with us by letter, you will receive a reply within 15 days of the date we receive your inquiry. If for any reason we cannot reply within that time frame, we will acknowledge your letter and tell you how long it will be before we can answer your questions fully.
- If you filed for a railroad retirement employee or spouse annuity in advance, you will receive your first payment, or a decision, within 35 days of the beginning date of your annuity. If you have not filed in advance, you will receive your first payment, or a decision, within 65 days of the date you filed your application.

- If you filed for a railroad retirement survivor annuity or lump-sum benefit, you will receive your first payment, or a decision, within 65 days of the date you filed your application, or became entitled to benefits, if later. If you are already receiving a spouse annuity, you will receive your first payment, or a decision, within 35 days of the date we receive notice of the employee's death.
- If you filed an application for unemployment or sickness insurance benefits, you will receive a claim form, or a decision, within 15 days of the date you filed your application.
- If you filed a claim for unemployment or sickness insurance benefits, you will receive your payment, or a decision, within 15 days of the date we receive your claim form.
- If you filed for a railroad retirement disability annuity, you will receive a decision within 105 days of the date you filed your application. If you are entitled to disability benefits, you will receive your first payment within 25 days of the date of our decision, or earliest payment date, whichever is later.
- If you think we made the wrong decision about your benefits, you have the right to ask for review and to appeal. We will tell you about these rights each time we make an unfavorable decision about your benefits.
- Claims for some benefits may take longer to handle than others if they are more complex, or if we have to get information from other people or organizations. If this happens, we will give you an explanation and an estimate of the time required to make a decision.

Openness

- We will display in each office how well we are meeting the established standards.
- When you visit our offices, the staff you see will identify themselves by name.
- When you telephone us, we will identify ourselves by name.
- Our letters will be easy to understand, and, unless the letter is a computer notice, the person writing to you will give you his or her name.

Accessibility

- When you telephone us, you will reach us on the first try.
- When visiting us, you will be helped within 5 minutes of your scheduled appointment.

- You will not have to wait more than 30 minutes if you do not have an appointment.
- If you cannot come to our office, we may be able to visit you at home or at one of our regularly scheduled service locations.

Accountability

- If things go wrong, at the very least you are entitled to a good explanation and an apology.
- A Customer Assessment Survey form is available in every office for you to tell us how we did and how we can improve our service.
- If you are not satisfied with our service, you may contact the manager of the office with which you have been dealing, or the Regional Director who is responsible for that office. Their names and addresses are available in each office.

For more information on the RRB and its programs, visit the agency's web-site at www.rrb.gov. A toll-free automated Help Line is also available 24 hours a day, 7 days a week at 1-800-808-0772. Railroad employees can use the Help Line to obtain information on unemployment-sickness insurance benefits or statements of creditable service and compensation, and railroad retirement beneficiaries can use it to verify their current monthly benefit rate, obtain a duplicate tax statement or secure a replacement Medicare card. Information on the locations of the RRB's field offices is also available on the Help Line.

Exhibit 3 Performance Goals, Indicators, Measures

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
<i>STRATEGIC GOAL I: Provide Excellent Customer Service</i>		
<i>Strategic Objective I-A: Pay benefits accurately and timely.</i>		
I-A-1. Achieve a railroad retirement benefit payment accuracy rate ^{2/} of at least 99%.	Percent accuracy rate	Initial recurring payments: 99.62% Sample post recurring payments: 99.89%
I-A-2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate ^{2/} of at least 99%.	Percent accuracy rate	Unemployment: 98.73% Sickness: 99.94%
I-A-3. Achieve a railroad retirement case accuracy rate ^{2/} of at least 94%.	Percent of case accuracy	Initial cases: 95.5% Post cases: 95.8%
I-A-4. Achieve a railroad unemployment/sickness insurance case accuracy rate of at least 98%.	Percent of case accuracy	Unemployment: 98.01% Sickness: 99.51%
I-A-5. Railroad retirement employee or spouse receives initial annuity payment, or a decision, within 35 days of annuity beginning date, if advanced filed.	Percent completed within 30 adjudicative processing days ^{3/}	93.1%
I-A-6. Railroad retirement employee or spouse receives initial annuity payment, or notice of denial, within 65 days of the date the application was filed, if not advanced filed.	Percent completed within 60 adjudicative processing days ^{3/}	97.3%
I-A-7. Survivor annuitant not already receiving a benefit receives initial payment, a decision, or notice of transfer to SSA within 65 days of the annuity beginning date, or date filed (whichever is later).	Percent completed within 60 processing days ^{4/ 5/}	92.8%

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
I-A-8. Survivor annuitant receiving benefits as spouse receives payment as survivor, notice of denial, or notice of application transfer to SSA, within 35 days of RRB receipt of the notice of employee's death.	Percent completed within 30 processing days ^{4/}	94.6%
I-A-9. Applicant for any railroad retirement death benefit receives payment, or notice of denial, within 65 days of date filed.	Percent completed within 60 processing days ^{4/}	96.9%
I-A-10. Unemployed railroad worker receives unemployment insurance claim form, or notice of denial, within 15 days of the date application filed.	Percent completed within 10 processing days ^{4/}	99.8%
I-A-11. Railroad employee unable to work due to temporary illness or injury, receives sickness insurance claim form, or notice of denial, within 15 days of the date application filed.	Percent completed within 10 processing days ^{4/}	99.6%
I-A-12. Railroad employee, unemployed or unable to work due to temporary illness or injury, receives a payment for unemployment or sickness insurance benefits, or a decision, within 15 days of claim receipt.	Percent completed within 10 processing days ^{4/}	99.8 %
I-A-13. Disabled applicant or family member receives notice of decision to pay or deny within 105 days of the date application for disability is filed.	Percent completed within 100 processing days ^{4/}	67.9%
I-A-14. Disabled applicant receives payment within 25 days of decision or earliest payment date (whichever is later).	Percent completed within 20 processing days ^{4/ 6/}	94.9%
I-A-15. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Target levels are established annually; the target for fiscal year 2005 was 200 days.)	Average elapsed days	207

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
<i>Strategic Objective I-B: Provide relevant, timely, and accurate information which is easy to understand.</i>		
I-B-1. Achieve quality and accuracy of correspondence, publications, and voice communications.	Surveys and reviews; number of valid challenges to published data	The final report on a widow(er)s survey was completed in August 2005. The RRB's score of 90 was the highest of Federal agencies. There were no challenges to published data in fiscal year 2005.
<i>Strategic Objective I-C: Provide a range of choices in service delivery methods.</i>		
I-C 1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems.	Number of services available through electronic media	14 services were available.
<i>Strategic Objective I-D: Ensure efficient and effective business interactions with covered railroad employers.</i>		
I-D-1. Improve timeliness and efficiency in posting service and compensation data to agency records.	Percent of service and compensation records posted by April 15	95.0%
I-D-2. Improve accuracy in posting service and compensation data to agency records.	Percent of service and compensation records posted accurately	99.0%
I-D-3. Covered employer annual reports of employees filed electronically, or on magnetic media.	Percent of employee records filed electronically, or on magnetic media	98. 0% (of employees)

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
I-D-4. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act.	Percent of employers who use Internet-based services and number of services available through electronic media	55% 4 Internet services available
<i>STRATEGIC GOAL II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources</i>		
<i>Strategic Objective II-A: Ensure that trust fund assets are projected, collected, recorded and reported appropriately.</i>		
II-A-1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs and a variety of other collection efforts.	Percentage of funds collected to total debts outstanding	66%
II-A-2. Release quarterly and annual notices accurately and timely to employers regarding their experience rating based contributions.	Yes/No	Yes
II-A-3. Complete compensation reconciliations at least 1 year before the statute of limitations expires. (Compensation reconciliations involve a comparison of compensation reported by railroad employers to the RRB for benefit calculation purposes with compensation reported to the IRS for tax purposes.)	Percent completed at least 1 year before the statute of limitations expires	100% of the 2002 reconciliations were completed by 12/17/04.
II-A-4. Perform monthly reasonableness tests comparing railroad retirement taxes deposited electronically, which represent over 99 percent of all railroad retirement taxes, against tax receipts transferred to the RRB trust funds by the Department of the Treasury (Treasury) to provide reasonable assurance the RRB trust funds are receiving appropriate tax funds.	Reasonableness test performed and anomalies reconciled with Treasury (Yes/No)	Yes
II-A-5. Prepare annual Performance and Accountability Reports (including audited financial statements and other financial and performance reports) by the required due dates.	Yes/No	Yes. The Fiscal Year 2004 Performance and Accountability Report was released on 11/10/04.

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
II-A-6. Take prompt corrective action on audit recommendations.	Percent of audit recommendations implemented by target date	88.4%
<i>Strategic Objective II-B: Ensure the integrity of benefit programs.</i>		
II-B-1. Achieve a return of at least \$3.60 for each dollar spent on program integrity activities.	Amount of savings and recoveries per dollar spent	\$5.11: \$1.00
<i>Strategic Objective II-C: Ensure effectiveness and efficiency of operations.</i>		
II-C-1. Continue human capital planning by ensuring there is a cadre of highly skilled employees available for key positions through structured planning and training activities.	Measure for fiscal year 2006 and later: Structured human capital planning activities are continuing (Yes/No)	New goal for fiscal year 2006.
II-C-2. Annually assess/update all computer security, disaster recovery, and business resumption plans for the agency.	Yes/No	Yes. The agency has completed a Business Impact Analysis and a Business Continuity Plan.
II-C-3. Develop and implement new procedures for responding to and reporting computer security incidents.	Yes/No	Yes. The Intrusion Detection System (IDS) was installed on 11/19/04, and was placed in operation on 2/12/05. The IDS tuning phase was completed by 6/30/05. Computer security incident procedures are in place and reports of incidents are documented.

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
II-C-4. Assess computer security training requirements and implement an ongoing training program for agency staff.	Yes/No	Yes. The agency has established two training tracks. Track one provides technical expertise and functional skills for IT technical staff, and track two focuses on knowledge of security assessments, planning, policy development and safeguard controls. All employees requiring IT security education participate in track two; however, technical employees use both tracks.
II-C-5. Implement a methodology to successfully estimate, track and monitor total costs and time schedules for information technology investments through the project life cycle, incorporating both web and mainframe investments.	Yes/No	The pilot portion of this multi-phase project was completed at the end of fiscal year 2005. All projects are now being entered and tracked in MS Project.
II-C-6. Assemble and publicize an annual inventory of RRB commercial activities on the RRB Website.	Yes/No	Yes
II-C-7. Complete public-private competitions on the activities listed on the Federal Activities Inventory Reform (FAIR) Act inventory so as to meet legal requirements and any prescribed targets or goals.	Yes/No	New indicator for fiscal year 2006
II-C-8. Meet government percentage goal for use of performance-based contracting techniques for eligible service contract funds.	Yes/No	Yes
II-C-9. Support government-wide procurement E-Government initiatives using the point of entry vehicle of www.FedBizOpps.gov for all eligible actions.	Yes/No	Yes
II-C-10. Complete migration from the agency's current mainframe database management system (IDMS) to DB2, and initiate efforts to optimize the performance of those databases and further reduce data redundancy. Meet target dates for the migration. (Yes/No)	Yes/No	New indicator for fiscal year 2007

Railroad Retirement Board Performance Goals, Indicators, Measures	Measure	Fiscal Year 2005 Actual ^{1/}
<i>Strategic Objective II-D: Effectively carry out the responsibilities of the Railroad Retirement Board under the Railroad Retirement and Survivors' Improvement Act of 2001 with respect to the activities of the National Railroad Retirement Investment Trust.</i>		
II-D-1. Review monthly reports submitted by the Trust.	Yes/No	Yes
II-D-2. Review annual management reports submitted by the Trust.	Yes/No	Yes
II-D-3. Review annual audit reports of the Trust's financial statements.	Yes/No	Yes

Footnotes are on the following page.

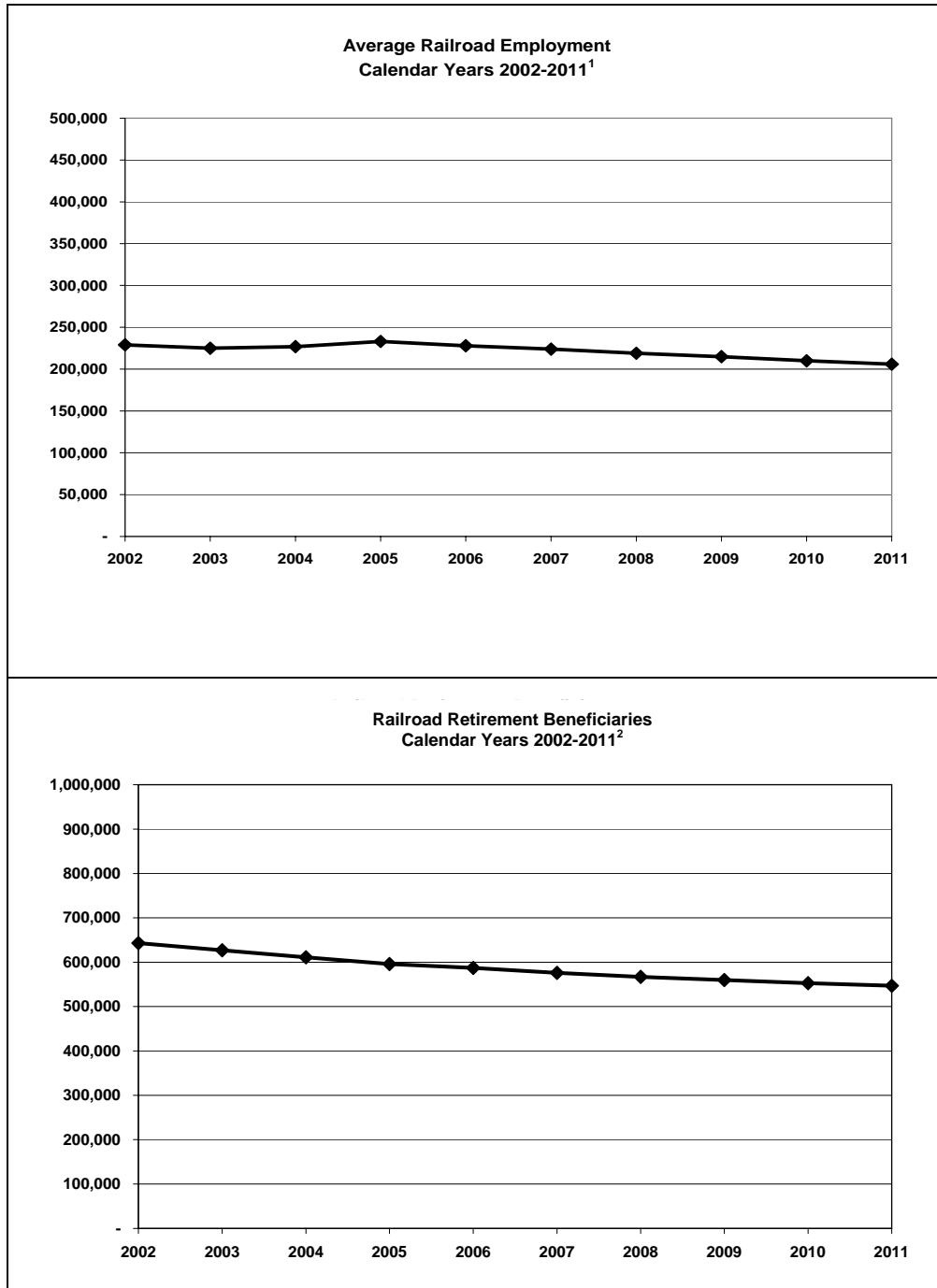
- 1/ Actual results for fiscal year 2005 represent status as of 9/30/05 unless otherwise noted.
- 2/ The payment accuracy rate is the percentage of **dollars** paid correctly as a result of adjudication actions performed. The case accuracy rate represents the percentage of **cases** that do not contain a material payment error. Accuracy rates reflect only those errors that are detected as a result of reviewing a sample of award actions performed during the fiscal year being studied. (A material error is (1) an incorrect payment of \$5.00 or more at the point the error is identified, (2) an incorrect payment of less than \$5.00 totaling 1 percent or more of the monthly rate, or (3) any situation in which a non-entitled benefit is paid.
- 3/ In audit report 05-05, dated May 17, 2005, the Office of Inspector General found problems with the performance data for these indicators. One significant problem has been resolved, allowing us to report performance for fiscal year 2005. However, there are still some system limitations that prevent inclusion of all internal processing time in the performance data. We are addressing these issues.
- 4/ Measure does not include the time for customer receipt from the U.S. Treasury or Postal Service.
- 5/ We have recently become aware of measurement and reporting inconsistencies which resulted in a net understatement of actual performance. These inconsistencies have been corrected effective with April 2005 data. Therefore, this report is for the last 6 months of fiscal year 2005.
- 6/ This indicator includes both retirement and survivor disability payments. The retirement payments are impacted by the system limitations identified in footnote 3 above. The timeliness of the retirement payments is measured by *adjudicative processing days*, while the timeliness of the survivor payments is measured by the *total processing days*. When the system limitations for retirement cases are corrected, this inconsistency will be eliminated.

Exhibit 4 Planning Assumptions

An organization cannot plan for all contingencies, but must base its vision within the framework of given assumptions. The following assumptions were used in formulating this strategic plan.

1. The RRB will continue as an independent agency in the executive branch of the Federal Government.
2. The mission of the RRB will not change during this planning period.
3. The benefit programs will not experience any funding crises during this period.
4. The public will expect continued excellent service.
5. Technological improvements will be necessary for the RRB to meet customer expectations and to operate within its budget.
6. Over the long-term, claims processing workloads will decline as the railroad population declines. Figure 3 presents graphically the demographic forecasts for the next 5 years. (Note that as of December 31, 2003, there were another 67,474 people who are vested in the railroad retirement program but are not currently employed by railroads and have not retired. They will require services from our agency in the future.)
7. Maintenance workloads will decline, but reductions will be partly offset by increased initiatives in quality assurance and program integrity.
8. The primary service delivery will be through a structure of field offices.
9. Legislative amendments will continue to be made, and may affect both processing and maintenance workloads.
10. Resources will decline during the planning period.
11. A large number of experienced employees will retire during the planning period, resulting in a significant loss of business expertise.

Figure 3



¹ Calendar year 2005-2011 estimates from the 23rd actuarial valuation, employment assumption II.

² June 2006-2011 estimates from the 2005 Section 502 Report.

Exhibit 5 Key External Factors

The RRB recognizes that there are several key factors external to the agency which could affect the achievement of our strategic goals and objectives. These include the factors shown below.

Factor	Strategic Goal(s)	Likelihood	Potential Impact/Response
Significant reductions in our administrative budget.	Customer Service; Stewardship	Possible.	The Performance Budget will reflect the impact of funding reductions on these goals. To date, the RRB has managed to improve some aspects of operations within budget constraints, using various streamlining initiatives and automation of manual work processes.
Lack of interagency cooperation or support for key operations (e.g., Social Security Administration's wage and data exchange, and the Internal Revenue Service's tax collections).	Customer Service; Stewardship	Unlikely. As other agencies find themselves operating with fewer resources, there is a possibility that their reductions would impact our services.	The RRB depends heavily on interagency cooperation and support to carry out many of our functions and services. We will continue to maintain contacts with key agencies to ensure active coordination and support.
Sudden, unanticipated and significant declines in railroad employment levels.	Customer Service; Stewardship	Possible. Payroll taxes are the primary source of financing for railroad retirement benefits. If economic conditions change significantly, rail industry employers may be required to substantially reduce staffing. Currently, we anticipate such action only under a pessimistic employment scenario.	In the past, declines in railroad employment have resulted in legislation to ensure the solvency of the railroad retirement system. A similar need for legislative changes may arise if there were a dramatic, sudden, unexpected decline in railroad employment. The impact could be mitigated if alternate sources of financing are identified.

Factor	Strategic Goal(s)	Likelihood	Potential Impact/Response
Major, program-related legislative changes	Customer Service; Stewardship	Possible.	The impact of any legislative changes on the strategic goals would have to be fully assessed.
Major, mission-related legislative changes.	Customer Service; Stewardship	Unlikely. There have been several proposals to change the structure of the agency, but none have been introduced into the Congress at this time.	Legislative changes dealing with the agency's fundamental mission are not anticipated, and their impact would have to be fully assessed if and when proposals are made.
Loss of public confidence in the railroad retirement system and the ability of the agency to provide necessary services.	Stewardship	Unlikely. The continued confidence of both railroad employers and employees and the beneficiary population is a critical factor. As customer satisfaction remains high, a loss of public confidence is unlikely, provided administrative funding is not significantly reduced.	We will continue to monitor the solvency of the funds, and look for ways to ensure administrative efficiencies to keep costs low. We will also continue to monitor our customers' level of satisfaction.

In developing this plan, we recognized that there are a number of potential strategic issues that may arise during the coming years which relate to various external factors listed above. These include, but are not limited to, changes in basic program design, alternative sources of financing, transferring functions to other agencies, establishing performance-based organizations, and privatization. Issues of this nature could cause fundamental changes in the RRB's programs, operations, structure, and/or financing, and thereby directly impact this plan.

Appendix 1

PROFILE OF THE RAILROAD RETIREMENT BOARD

A. WHO WE ARE

The Railroad Retirement Board (RRB) is a Federal agency that administers comprehensive income security programs for the nation's railroad employees, retirees and their families. Legislation creating the RRB was enacted in the 1930's, with an initial focus on establishing a retirement benefit program for the nation's rail workers. At that time, the railroad industry had more highly developed pension plans than other businesses or industries, but these plans had defects that the Great Depression magnified. A short time later, the RRB was charged with administering an unemployment benefits program to address problems unique to interstate rail employment.

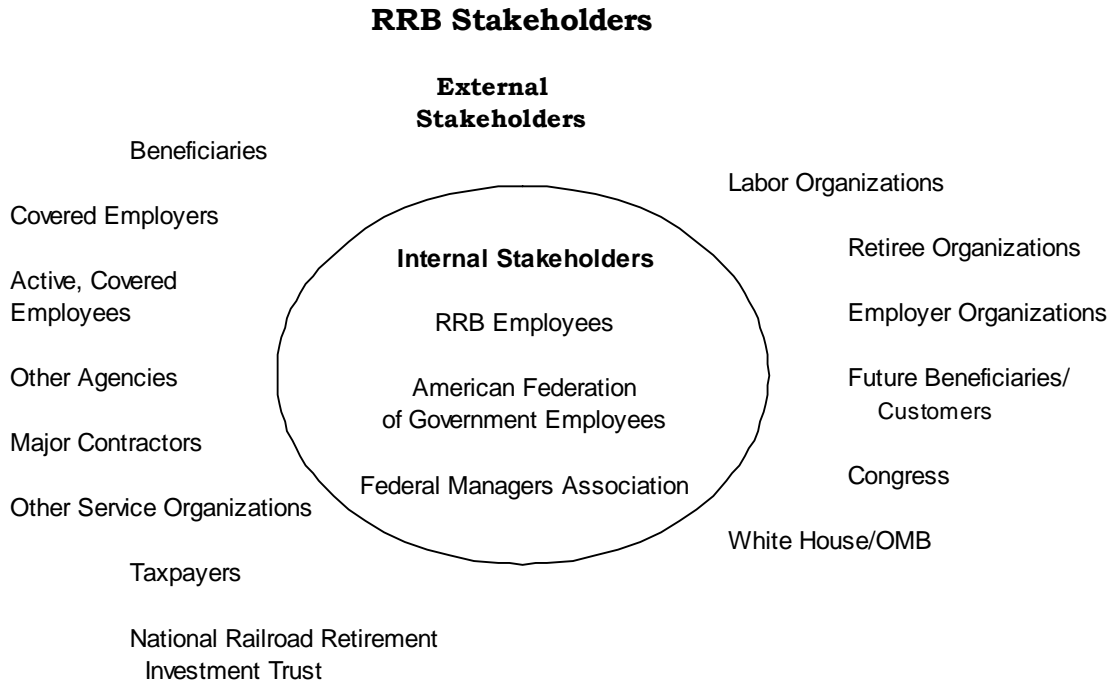
Three Board Members appointed by the President of the United States, with the advice and consent of the Senate, head the RRB. One member is appointed upon the recommendation of railroad employers, one is appointed upon the recommendation of railroad labor organizations and the third, the Chairman, is appointed to represent the public interest. The Board Members all serve 5-year, staggered terms. The RRB currently employs about 950 full-time equivalent employees who work in its Chicago headquarters and in over 50 field offices around the country.

As an independent agency in the executive branch of the Federal Government, the RRB reports to the President and Congress. RRB officials work closely with the President's Office of Management and Budget with respect to the agency's budget and executive management initiatives. They also testify at congressional hearings on proposed changes to the RRB's enabling statutes and the annual appropriation for benefit payments and agency administrative expenses. (The agency's administrative expenses have traditionally averaged about one percent of benefit payments.)

The RRB also works closely with other Federal agencies and some State agencies. The principal ones, inasmuch as they relate to benefit administration, are the Social Security Administration, the Centers for Medicare & Medicaid Services, State employment security departments and, to a lesser extent, the Department of Labor. Other agencies with which the RRB interacts on a routine basis include the Department of the Treasury, the Office of Personnel Management, the General Services Administration and the Government Accountability Office.

Figure 4 provides a graphic representation of our internal and external stakeholders.

Figure 4



B. Whom we serve

Our primary customers are the employees and employers of the rail industry. They include, for example, train and engine service employees, maintenance of way employees, dispatchers, signalmen, computer specialists, sales personnel, lawyers and accountants. They also include the railroad employees who have retired on the basis of age and their spouses and dependents, as well as younger beneficiaries who have retired on the basis of disability, and employees who are not working because of layoffs, injuries or illness. Employers include the nation’s Class I freight railroads as well as about 600 other employers, including short line and regional railroads, Amtrak, certain commuter roads and rail labor unions.

In fiscal year 2005, retirement and survivor benefits of nearly \$9.2 billion were paid to about 634,000 beneficiaries. During fiscal year 2005, the RRB also paid \$73 million in net unemployment and sickness benefits to some 29,000 rail workers.

The RRB pays retirement benefits to railroad workers and their spouses, and survivor benefits to their families. A component of the retirement program also includes disability annuities – both permanent and occupational – for railroad employees. The RRB also enrolls railroad retirement beneficiaries for Medicare, collects premiums for Part B, and oversees a nationwide contract for the processing of Part B claims. The agency also works closely with rail employers to ensure that payroll taxes are credited properly for all active employees.

As the only Federal agency dedicated to providing income security and related programs to a specific industry, the RRB is a customer-centered organization. The agency has traditionally enjoyed a relationship with its customers based on cooperation, respect and service. This was confirmed by recent surveys of RRB customers performed as part of the American Customer Satisfaction Index (ACSI).

Produced through a partnership of the University of Michigan Business School, the American Society for Quality and Claes Fornell International (CFI), the ACSI represents an independent annual measure of national customer satisfaction with corporate and government services. The 2005 ACSI survey focused on those who received payments as initial survivors or as spouse-to-widow conversions, a group of the RRB's core constituencies. The RRB scored the highest of any agency, with an overall satisfaction rating of 90, 18 points higher than the overall score for the Federal government. This year's score is also the highest among the other RRB ACSI studies - the 2001 survey score for retirement beneficiaries was 82, and in 2002, the survey of unemployment and sickness insurance beneficiaries received a score of 75.

In the 2005 survey, the RRB scored highest (94) in the area of customer service, with respondents specifically praising the courtesy and professionalism of agency employees. The agency earned a high confidence index score (92), indicating that customers are very satisfied with service provided by the agency and remain confident that they will continue to receive outstanding service in the future. The agency also received high marks in the areas of the award letters and the application process.

In addition, the survey revealed that the respondents' preferred methods of service for conducting future business with the RRB are via phone contact and U.S. Mail. The least preferred method for conducting future business is via the Internet.

C. WHAT WE DO

Our primary responsibility is to administer retirement, survivor, disability, unemployment and sickness insurance programs for railroad workers and their families as mandated by the Railroad Retirement Act and Railroad Unemployment Insurance Act. We also make certain payments under provisions

of the Social Security Act and assist in providing Medicare coverage for our beneficiaries. In addition, we have administrative responsibilities under the Internal Revenue Code to withhold and report taxes in accordance with a variety of Internal Revenue Service requirements.

While the railroad retirement system has remained separate from the social security system, the two systems are closely coordinated with regard to earnings credits, benefit payments, and taxes. The financing of the two systems is linked through a financial interchange under which, in effect, the portion of railroad retirement annuities that is equivalent to social security benefits is coordinated with the social security system.

The purpose of this financial coordination is to place the social security trust funds in the same position they would be in if railroad service were covered by the social security program instead of the railroad retirement program. Legislation enacted in 1974 restructured railroad retirement benefits into two tiers, so as to coordinate them more fully with social security benefits. The first tier is based on combined railroad retirement and social security credits, using social security benefit formulas. The second tier is based on railroad service only and is comparable to private pensions in other industries.

In terms of unemployment benefits, the State-administered programs enacted in the 1930's generally covered railroad employees. However, as railroad operations crossed State lines, unemployed rail workers were sometimes denied compensation by one State because their employer had paid unemployment taxes to a different State. While there were cases in which rail employees appeared to be eligible for benefits in more than one State, they often did not qualify in any. A Federal study commission subsequently recommended a national plan for railroad workers, which passed in 1938. Sickness benefits were added in 1946.

As an agency in the executive branch of the Federal Government, we must comply with Federal requirements. They include those mandated by the budget and appropriations process and other laws and regulations governing fiscal activities, the collection of government debts, procurement, control of government property, civil service employment, equal employment opportunity, privacy, and security. As a member of the Federal community, we also participate in various efforts such as the Combined Federal Campaign, blood drives and other local community service volunteer programs, and various cultural diversity events.

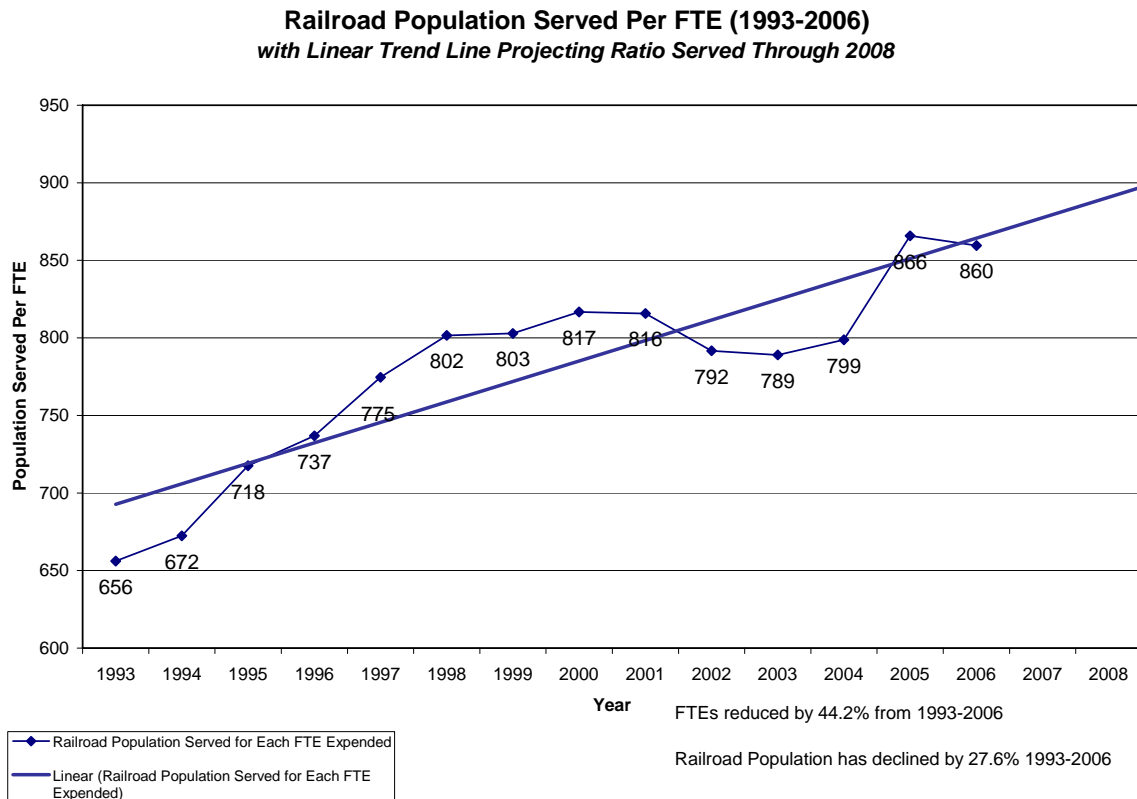
D. STRENGTHS AND WEAKNESSES

One of the RRB's major strengths is the generally favorable financial condition of its benefit programs, including the railroad retirement, unemployment and sickness insurance systems. A number of legislative changes enacted in recent years, with the support of railroad labor and management, made this possible

and helped guarantee solvency. Nevertheless, the long-term financial stability of these systems still depends to a large extent on future levels of railroad employment. A sudden, unanticipated and significant drop in the level of employment could change this picture and require a greater financial commitment by railroad employers and employees.

We have two other major strengths that are closely related – a tradition of outstanding customer service and a dedicated, talented workforce. Over the years, both internal and external surveys have consistently shown high customer satisfaction with the accuracy and timeliness of benefit payments and information, informational materials and service delivery options. A key aspect of this has been our employees’ strong sense of mission and core values. Over the years, they have been extremely flexible in terms of reacting to legislative changes and budgetary pressures. Automation has been an important part of the RRB’s ability to do more with less, as we have been able to provide improved service in the face of significant staff reductions. Figure 5 shows the increase in the ratio of the railroad population (workers and retirees) to RRB employees since 1993. If this trend continues, we will be challenged in our ability to maintain high levels of performance in the future.

Figure 5



The RRB is a relatively small agency, with about 950 employees as of fiscal

year 2006. Because we are a small agency, our employees have the advantage of being able to readily communicate with one another in every office and division. It can also allow us to be more flexible and responsive in terms of addressing problems or implementing new programs. Conversely, our size poses a continuing challenge to retain staff expertise in specialized areas, such as technology, financial management and actuarial services.

The agency has an aggressive, proactive stance to financial and management controls. The RRB's financial statements received an unqualified "clean" audit opinion in fiscal year 2005 for the sixth consecutive year. However, the RRB's Inspector General identified three material weaknesses in his *Opinion on the Financial Statements*, dated October 27, 2005: information security, performance measures, and controls over the actuarial projection process. The Board Members have acknowledged all three weaknesses and have determined that the information security weakness represents a material weakness under the Federal Managers Financial Integrity Act (FMFIA). The Board Members have not categorized the other two areas as material weaknesses under the FMFIA. Nevertheless, the agency has developed action plans and is taking steps to make improvements in all three areas.

In March 2006, the RRB received a favorable fiscal year 2005 Performance Measures Scorecard from the Department of the Treasury's Financial Management Service (FMS). The Performance Measures Scorecard includes performance indicators for timeliness, reconciliation of unexplained differences, consistency/integrity, and completeness for the reporting of fiscal year 2005 financial information to FMS. Each performance indicator has performance goals and the RRB has met all the goals listed for the four performance indicators.

E. RECENT LEGISLATIVE ACTIVITY

The Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA), signed into law December 21, 2001, was the most significant railroad retirement legislation in almost 20 years, and the first in almost three decades not to involve tax increases or benefit reductions. The benefit and financing provisions of the legislation, like those of most previous railroad retirement legislation, were based on joint recommendations negotiated by a coalition of rail freight carriers and rail labor organizations.

The Act liberalized early retirement benefits for 30-year employees and their spouses, eliminated a cap on monthly retirement and disability benefits, lowered the minimum service requirement from 10 years to at least 5 years, provided the service was performed after 1995, and provided increased benefits for some widow(er)s. Financing sections in the law provided for the investment of railroad retirement funds in nongovernmental assets, adjustments in the

payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax.

In 2003, the Medicare Modernization Act (MMA) was signed into law allowing for the biggest changes to senior health care in nearly 40 years, including the establishment of a prescription drug benefit. While the Centers for Medicare & Medicaid Services (CMS) is the agency primarily responsible for administering the new legislation, the RRB is greatly impacted.

The MMA amended Section 1854(d) of the Social Security Act allowing beneficiaries the option to have premiums for Part C (the managed care component of Medicare) and Part D (the prescription drug program) withheld from monthly benefit payments; previously the RRB only withheld Part B premiums. Section 811 of the MMA amended Section 1839 of the Social Security Act to increase Part B premiums for higher income beneficiaries. Guidance from CMS and sufficient RRB staff support are essential to implement the required system modifications to facilitate proper withholding of the Part B, C and D premiums.

In addition to procedure and automated system changes, our field offices frequently receive calls from RRB beneficiaries seeking assistance on provisions of the legislation.

F. WHO GETS BENEFITS AND HOW MUCH THEY RECEIVE

Retirement-survivor benefits – Under the Railroad Retirement Act, retirement and disability annuities are paid to railroad workers with at least 10 years of service. Beginning in 2002, such annuities are also payable to workers with 5 years of service if performed after 1995.

Full age annuities are payable at age 60 to workers with 30 years of service. For those with less than 30 years of service, reduced annuities are payable at age 62 and unreduced annuities are payable at full retirement age, which is gradually rising from 65 to 67, depending on the year of birth. Disability annuities can be paid on the basis of total or occupational disability. Annuities are also payable to spouses and divorced spouses of retired workers and to widow(er)s, surviving divorced spouses, remarried widow(er)s, children, and parents of deceased railroad workers.

At the end of fiscal year 2005, the average monthly annuity paid to career railroad workers was \$2,165 and \$1,659 for all retired rail employees. The average monthly annuity for spouses was \$640, and \$1,065 for aged and disabled widow(er)s.

The RRB and the Social Security Administration share jurisdiction over the payment of retirement and survivor benefits. The RRB makes the payment if the employee had at least 10 years of railroad service, or 5 years if performed after 1995; for survivor benefits, there is an additional requirement that the

employee's last regular employment before retirement or death was in the railroad industry. If a railroad employee or his or her survivors do not qualify for railroad retirement benefits, the RRB transfers the case to the Social Security Administration, which treats the railroad retirement credits as regular social security credits.

Unemployment-sickness benefits – Unemployment insurance benefits are paid to railroad workers who are unemployed but ready, willing, and able to work and sickness benefits to railroad workers who are unable to work because of illness or injury. The RRB also operates a placement service to assist unemployed railroaders in securing employment. A new unemployment-sickness benefit year begins every July 1, with eligibility generally based on railroad service and earnings in the preceding calendar year. Up to 26 weeks of normal unemployment or sickness benefits are payable to an individual in a benefit year. Additional extended benefits are payable to persons with 10 or more years of service.

The current maximum benefit rate is \$56 a day. It will rise to \$57 in July 2006 and \$59 in July 2007. Benefits are normally paid for the number of days of unemployment or sickness in excess of 4 in a 14-day registration period, making \$560 (\$570 in July 2006 and \$590 in July 2007) the maximum benefit amount for biweekly claims.

G. SOURCES OF FINANCING

Payroll taxes paid by railroad employers and their employees are the primary source of funding for the RRB's benefit programs. Railroad retirement taxes, which have historically been higher than social security taxes, are calculated, like benefit payments, on a two-tier basis. Railroad retirement tier I payroll taxes are coordinated with social security taxes so that employees and employers pay tier I taxes at the same rate as social security taxes. In addition, both employees and employers pay tier II taxes that are used to finance railroad retirement benefit payments over and above social security levels. Beginning with calendar year 2004, these tier II taxes are based on the ratio of certain asset balances to the sum of benefit payments and administrative expenses.

Additional trust fund income is derived from the financial interchange with the social security trust funds, revenues from Federal income taxes on railroad retirement benefits, and appropriations from general treasury revenues provided after 1974 as part of a phase-out of certain vested dual benefits.

Revenues in excess of benefit payments are invested to provide additional trust fund income, and the RRSIA legislation enacted in 2001 authorized investment of railroad retirement funds in non-governmental assets, as well as in

governmental securities. This law also established the National Railroad Retirement Investment Trust.

The railroad unemployment-sickness benefit program is financed by taxes on railroad employers under an experience-rating system. Each employer's payroll tax rate is determined annually by the RRB on the basis of benefit payments to the railroad's employees.

H. FINANCIAL STATUS OF RRB PROGRAMS

Railroad Retirement Accounts – The RRB continues to coordinate its activities with the National Railroad Retirement Investment Trust (NRRIT), which was established by the Railroad Retirement and Survivors' Improvement Act of 2001 to manage and invest railroad retirement assets. Through fiscal year 2005, the RRB transferred a total of \$21.276 billion to the NRRIT for this purpose. During the same period, the NRRIT transferred \$2.673 billion to the Railroad Retirement Account for payment of retirement and survivor benefits. As of September 30, 2005, the market value of NRRIT-managed railroad retirement assets was approximately \$27.7 billion.

The Board's 2005 railroad retirement financial report to Congress, which addressed the period 2005-2029, 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 next 25 years. This is an improvement over the 2004 report and reflects continued favorable employment experience in the railroad industry. However, the 2005 report also indicated that the long-term stability of the system is still questionable. Under its current financing structure, actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary. No financing changes were recommended by the Board based on this report.

Railroad Unemployment Insurance Account – The equity balance of the Railroad Unemployment Insurance Account at the end of fiscal year 2005 was \$94.2 million, an increase of \$14.3 million from the previous year. The RRB's June 2005 report on the financial status of the railroad unemployment insurance system was generally favorable, indicating that even as maximum daily benefit rates rise 39 percent (from \$56 to \$78) from 2004 to 2015, experience-based contribution rates maintain solvency, with the exception of small, short-term cash-flow problems in 2007 and 2008. Projections show quick repayment of the loans, even under our most pessimistic assumption. The average employer contribution rate remains well below the maximum throughout the projection period, but a 1.5 percent surcharge is now in effect and is expected for calendar year 2007. No financing changes were recommended by the Board based on this report.