



UNITED STATES OF AMERICA  
**RAILROAD RETIREMENT BOARD**  
844 NORTH RUSH STREET  
CHICAGO, ILLINOIS 60611-2092

**BOARD MEMBERS:**

**MICHAEL S. SCHWARTZ, CHAIRMAN**  
**WALTER A. BARROWS, LABOR MEMBER**  
**JEROME F. KEVER, MANAGEMENT MEMBER**

The Honorable John A. Boehner  
Speaker of the House of Representatives  
Washington, D.C. 20515

Dear Mr. Speaker:

In compliance with the Office of Management and Budget (OMB) Circular No. A-11, enclosed is our Congressional Justification of Budget Estimates for Fiscal Year 2013, which includes our Performance Plan for the year. This budget complies with OMB guidance and is in accordance with the President's proposals. The President's proposed budget provides for \$112,415,000 for the Railroad Retirement Board's (RRB) administrative expenses in fiscal year 2013.

The Railroad Retirement Board is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage. It also assists in the administration of the Internal Revenue Code.

We estimate that the proposed funding will provide for a staffing level of 885 full-time equivalent staff years (FTEs). The proposed budget would also provide \$3,562,000 for migration of our financial management system to a shared service provider, and \$1,175,710 for other information technology investments.

In addition to the requests for administrative expenses, the President's budget includes \$45 million to fund the continuing phase-out costs for vested dual benefits. An additional amount, not to exceed \$900,000, would also become

## UNITED STATES RAILROAD RETIREMENT BOARD

available if projected dual benefit payments for the year exceed the amount available for payments.

Also, presented in the budget is a request for \$150,000 for interest related to uncashed railroad retirement checks. The \$150,000 is being requested for a 2-year period, and would be available through September 30, 2014. All of the amounts presented in this letter exclude funding for the RRB's Office of Inspector General, which submits separate budget and performance information.

Thank you for your support of this proposed budget.

Sincerely,

Original Signed  
Michael S. Schwartz  
Walter A. Barrows  
Jerome F. Kever

February 13, 2012

Enclosure

cc: The Honorable, Jeffrey D. Zients, Acting Director  
Office of Management and Budget



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844 NORTH RUSH STREET  
CHICAGO, ILLINOIS 60611-2092

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**MICHAEL S. SCHWARTZ, CHAIRMAN**  
**WALTER A. BARROWS, LABOR MEMBER**  
**JEROME F. KEVER, MANAGEMENT MEMBER**

The Honorable Joseph R. Biden, Jr.  
President of the Senate  
Washington, D.C. 20510

Dear Mr. President:

In compliance with the Office of Management and Budget (OMB) Circular No. A-11, enclosed is our Congressional Justification of Budget Estimates for Fiscal Year 2013, which includes our Performance Plan for the year. This budget complies with OMB guidance and is in accordance with the President's proposals. The President's proposed budget provides for \$112,415,000 for the Railroad Retirement Board's (RRB) administrative expenses in fiscal year 2013.

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Office of Management and Budget

**JUSTIFICATION OF BUDGET ESTIMATES**  
**FISCAL YEAR 2013**

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**RAILROAD RETIREMENT BOARD**

**SUMMARY OF APPROPRIATION ESTIMATES**  
**FOR FISCAL YEARS 2012 and 2013**

<b>Account</b>	<b>Fiscal Year 2012</b>			<b>Fiscal Year 2013</b>		
	<b>FTEs</b>	<b>Amount</b>		<b>FTEs</b>	<b>Amount</b>	<b>Page</b>
Limitation on Administration	885	\$108,649,264	<u>a/</u>	885	\$112,415,000	9
Dual Benefits Payments Account	—	\$ 50,914,950	<u>a/</u>	—	\$ 45,000,000	<u>b/</u> 51
Federal Payments to the Railroad Retirement Accounts	—	\$ 150,000	<u>a/</u>	—	\$ 150,000	<u>c/</u> 59
Limitation on the Office of Inspector General	53	\$ 8,154,559	<u>a/</u>	53	\$ 8,820,000	<u>d/</u> —

a/ The amounts for fiscal year 2012 reflect the level of funding provided by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74). The Limitation on Administration reflects an appropriation of \$108,855,000, less a rescission of \$205,736; the Limitation on the Office of Inspector General reflects an appropriation of \$8,170,000 less a rescission of \$15,441; and the Dual Benefits Payments Account reflects an appropriation of \$51,000,000, less a rescission of \$85,050.

b/ The appropriation language provides for \$45,000,000 to fund vested dual benefits from general revenues of which \$3,000,000 is expected from income taxes on vested dual benefits. An additional 2 percent reserve (\$900,000) will become available only if the product of recipients and the average benefit received exceeds the amount available to pay vested dual benefits.

c/ This amount reflects our latest estimate for interest related to uncashed railroad retirement checks and will remain available through September 30, 2014.

d/ This limitation is for the Railroad Retirement Board's Office of Inspector General, which submits a separate budget justification document and annual performance plan.

## **AGENCY OVERVIEW**

The Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The RRB's primary function is to administer comprehensive retirement/survivor and unemployment/sickness insurance benefit programs for the nation's railroad workers and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts. In connection with the retirement program, the RRB has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage. It also assists in the administration of the Internal Revenue Code.

The RRB is headed by three Board Members appointed by the President of the United States with the advice and consent of the Senate. By law, one member is appointed upon recommendations made by railroad labor organizations and one upon recommendations of railroad employers. The third member, the Chairman, represents the public interest. The Board Members' terms of office are 5 years and expire in different years. The President also appoints an independent statutory Inspector General for the RRB (who functions outside the control of the Board Members, but who reports directly to the Chairman for administrative purposes) who is to prevent and detect waste, fraud, and abuse in RRB programs and operations.

During fiscal year 2011, the RRB paid \$11.0 billion, net of recoveries and offsetting collections, in retirement and survivor benefits. Railroad unemployment and sickness insurance benefits totaled \$90.9 million, net of recoveries and offsetting collections. The RRB has also estimated recoveries of \$0.5 million in benefit overpayments for temporary extended unemployment benefits under the American Recovery and Reinvestment Act of 2009, and paid \$7.8 million, net of recoveries, under the Worker, Homeownership and Business Assistance Act of 2009 and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010. About 578,000 beneficiaries received retirement and survivor benefits; about 11,000 railroad workers received unemployment insurance benefits; and about 18,000 received sickness insurance benefits. In fiscal year 2011, the RRB also paid benefits on behalf of the Social Security Administration amounting to \$1.4 billion to about 115,000 beneficiaries.

### **Programs Administered by the RRB**

#### **Railroad Retirement Act**

Under the Railroad Retirement Act, the RRB makes monthly benefit payments to qualified railroad employees who retire because of age or disability, to eligible spouses of such employees, and to survivors of deceased employees. Total and permanent disability annuities are payable to employees unable to work at any job, and occupational disability annuities are payable to career railroad employees unable to work at their regular railroad jobs. Supplemental annuities are payable to career railroad employees with service prior to October 1981. There are also provisions for lump-sum payments.

The Railroad Retirement and Survivors' Improvement Act of 2001 (P.L. 107-90), enacted on December 21, 2001, made a number of major changes to the Railroad Retirement Act. The



legislation provided for full early retirement eligibility at age 60 for railroad employees with 30 or more years of service; eliminated the maximum provision that had previously capped some employee and spouse railroad retirement benefits; reduced the basic eligibility requirement for an employee annuity from 10 to 5 years if performed after 1995; and provided increased benefits for some widow(er)s. The Act also authorized the National Railroad Retirement Investment Trust to manage and invest the assets of the railroad retirement system in the same array of investment alternatives available to private sector pension plans.

The RRB also administers certain vested dual benefits financed by annual appropriations from general funds. As of September 30, 2011, some 27,000 beneficiaries received vested dual benefits.

### **Railroad Unemployment Insurance Act**

Under the Railroad Unemployment Insurance Act, the RRB pays unemployment insurance benefits to railroad workers who are unemployed but ready, willing, and able to work, and sickness insurance benefits to railroad workers who are unable to work because of illness, injury, or pregnancy. The RRB also assists unemployed railroad workers in securing employment.

### **Financing of Railroad Retirement Benefits**

The primary source of income for the railroad retirement/survivor benefit program is payroll taxes paid by covered employers and their employees. By law, railroad retirement taxes are coordinated with social security taxes. 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, which are used to finance railroad retirement benefit payments over and above social security benefit levels.

Other sources of income currently include Federal income taxes on railroad retirement annuities, appropriations from general funds of the Department of the Treasury (Treasury) provided to phase-out vested dual benefits, interest on investments, and the financial interchange with the social security trust funds. The financial interchange places 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. In effect, through the financial interchange, the portion of railroad retirement annuities that is equivalent to social security benefits is reinsured through the social security system, thereby extending social security protection to railroad workers. The Social Security Equivalent Benefit Account is charged with railroad retirement benefit payments equivalent to social security benefits, and credited with taxes and transfers associated with those benefits.

Vested dual benefits are funded by annual appropriations from general funds of the Treasury and paid from a separate account, the Dual Benefits Payments Account. Since October 1, 1988, revenue from income taxes on these benefits has also been credited to the Dual Benefits Payments Account. If the appropriation in a fiscal year does not cover total benefits, individual payments must be reduced by proration.

Amounts needed to administer these programs are authorized by the Congress in annual appropriation acts. In addition, the Centers for Medicare and Medicaid Services and others reimburse the RRB for certain activities. In fiscal year 2013, it is estimated that the RRB will be reimbursed about \$10.6 million for such costs.

### **Financing Provisions of the Railroad Retirement and Survivors' Improvement Act of 2001**

**Investment changes.** The Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA) provides for the transfer of railroad retirement funds from the Railroad Retirement Accounts to the National Railroad Retirement Investment Trust, whose Board of Trustees is empowered to invest Trust assets in nongovernmental assets, such as equities and debt, as well as in governmental securities. The Railroad Retirement Board also receives transfers from the Trust, as needed, to pay railroad retirement and survivor benefits.

The Trust is not an agency or instrumentality of the Federal Government. Its Board of Trustees is comprised of seven members: three members selected by rail labor to represent the interests of labor; three members selected by rail management to represent management interests; and one independent member selected by a majority of the other six members. The Trustees are appointed only from persons who have experience and expertise in the management of financial investments and pension plans. The Trustees are subject to reporting and fiduciary standards similar to those under the Employee Retirement Income Security Act.

The RRB transferred \$1.502 billion, \$19.188 billion, and \$586 million to the Trust in fiscal years 2002, 2003, and 2004, respectively. The Trust has invested the transferred funds and the results of these investments are reported to the RRB and posted periodically on the RRB's website. The net asset value of Trust-managed assets on September 30, 2011, was approximately \$22.0 billion. From its inception through December 2011, the Trust transferred \$11.9 billion to the RRB to pay railroad benefits, including \$1.7 billion in fiscal year 2011.

**Payroll taxes.** Under the RRSIA, tier II taxes on both employers and employees are based on the ratio of certain asset balances to the sum of benefits and administrative expenses (the average account benefits ratio). Depending on the average account benefits ratio, tier II taxes for employers can range between 8.2 percent and 22.1 percent, while the tier II tax rate for employees can be between 0 percent and 4.9 percent. The calendar year 2012 tier II tax rates are 12.1 percent and 3.9 percent for rail employers and employees, respectively. The maximum amount of earnings subject to tier II taxes is \$81,900 in 2012.

The RRSIA does not affect tier I social security equivalent tax rates, which are the same as for social security covered employers and employees. The tier I payroll tax rate for the year 2011 was 7.65 percent for covered rail employers and 5.65 percent for employees. Employee tax rates were reduced in 2011 by 2 percentage points under P.L. 111-312, the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (Tax Act). In 2012, P.L. 112-78, the Temporary Payroll Tax Cut Continuation Act, extended the tax relief for employees through February 29, 2012. After February 29, 2012, railroad employees will see their tier I tax rate increase from 5.65 percent to 7.65 percent unless additional legislation is enacted.

For withholding and reporting purposes, the employer tax rate is divided into 6.2 percent for retirement and 1.45 percent for Medicare hospital insurance. The employee tax rate is divided into 4.2 percent and 1.45 percent, respectively. The maximum amount of an employee's earnings subject to the retirement tax rate is \$110,100 in 2012, but there is no maximum on earnings subject to the Medicare tax rate. Effective March 1, 2012, the employee tax rate will increase to 6.2 percent for retirement and the Medicare hospital insurance will remain the same unless further legislation is enacted to continue the reduced employee tax rate.

The Tax Act and P.L. 112-78 also provide for the transfer of money from the general fund to the Social Security Equivalent Benefit Account in an amount equal to the revenue lost due to the reduced employee payroll tax rate.

**Supplemental annuities.** The RRSIA also repealed the railroad retirement supplemental annuity tax paid by covered employers, and eliminated the separate Railroad Retirement Supplemental Account. While supplemental railroad retirement annuities provided by the Railroad Retirement Act continue to be due and payable, they are now funded from the Railroad Retirement Account.

### **Financing of Unemployment and Sickness Insurance Benefits**

The railroad unemployment and sickness insurance program is financed by payroll taxes paid by covered employers. The Railroad Unemployment Insurance and Retirement Improvement Act of 1988 (Public Law 100-647) amended the Railroad Unemployment Insurance Act to provide for an experience-rated employer contribution system responsive to fluctuations in railroad employment and benefit usage.

For calendar year 2012, the minimum employer contribution rate is 2.15 percent, including a 1.5 percent surcharge. However, the surcharge does not apply to new employers. New employers in 2012 will pay a tax of 2.65 percent, which represents the average rate paid by all employers in the period 2008-2010. For 69 percent of covered employers, the unemployment insurance rate assessed will be 2.15 percent in 2012, while 13 percent of employers will pay the maximum of 12 percent.

The 2012 rate is applied to the first \$1,365 earned monthly by each employee. In accordance with Public Law 100-647, the wage base is indexed each year to approximately two-thirds of the cumulative growth in average national wages since 1984. An employer's overall rate under the system cannot exceed 12 percent, or 12.5 percent if the maximum surcharge described below is in effect. These rates include a component to cover costs shared by all employers and 0.65 percent of the employers' taxable payroll is permanently appropriated to the RRB for administrative expenses. In addition, a surcharge is added to employers' unemployment contributions for any calendar year when the balance in the Railroad Unemployment Insurance Account on the previous June 30 is less than a certain amount. Depending on the account balance, the surcharge rate may be 1.5, 2.5, or 3.5 percent of the wage base.

## **Description of Appropriation Requests**

### **Limitation on Administration**

This is the single administrative account for the RRB, which provides funding for the administration of both the railroad retirement/survivor and the unemployment/sickness insurance benefit programs. Amounts needed for this limitation are derived from the Railroad Retirement Account, the Social Security Equivalent Benefit Account, and the Railroad Unemployment Insurance Administration Fund.

### **Dual Benefits Payments Account**

Section 15(d) of the Railroad Retirement Act provides for a Dual Benefits Payments Account which is separate from other railroad retirement accounts. The vested dual benefit portion of railroad retirement annuities is paid from this account and is funded by appropriations from general revenues.

### **Federal Payments to the Railroad Retirement Accounts**

This account was established in conjunction with the implementation of the Railroad Retirement Solvency Act of 1983. Section 417 of the act amended the Railroad Retirement Act to provide for the reimbursement of unnegotiated benefit checks to the extent that such reimbursements are provided for, in advance, in appropriations acts. This account is the vehicle through which such appropriations are made.

Under provisions of the Competitive Equality Banking Act of 1987, funds for the principal amount of uncashed checks are appropriated to the Treasury and then transferred directly to the appropriate RRB accounts. As a result, in fiscal year 1991, the RRB began receiving credits to this account for only the interest portion of the uncashed check transfers. This account also acts as a conduit for transferring income taxes on benefits to the other railroad retirement accounts. In fiscal year 2012, this account is also being used to transfer amounts from the general fund of the Treasury to the Social Security Equivalent Benefit Account under P.L. 111-312, P.L. 112-78, and P.L. 111-147, the Hiring Incentives to Restore Employment (HIRE) Act.

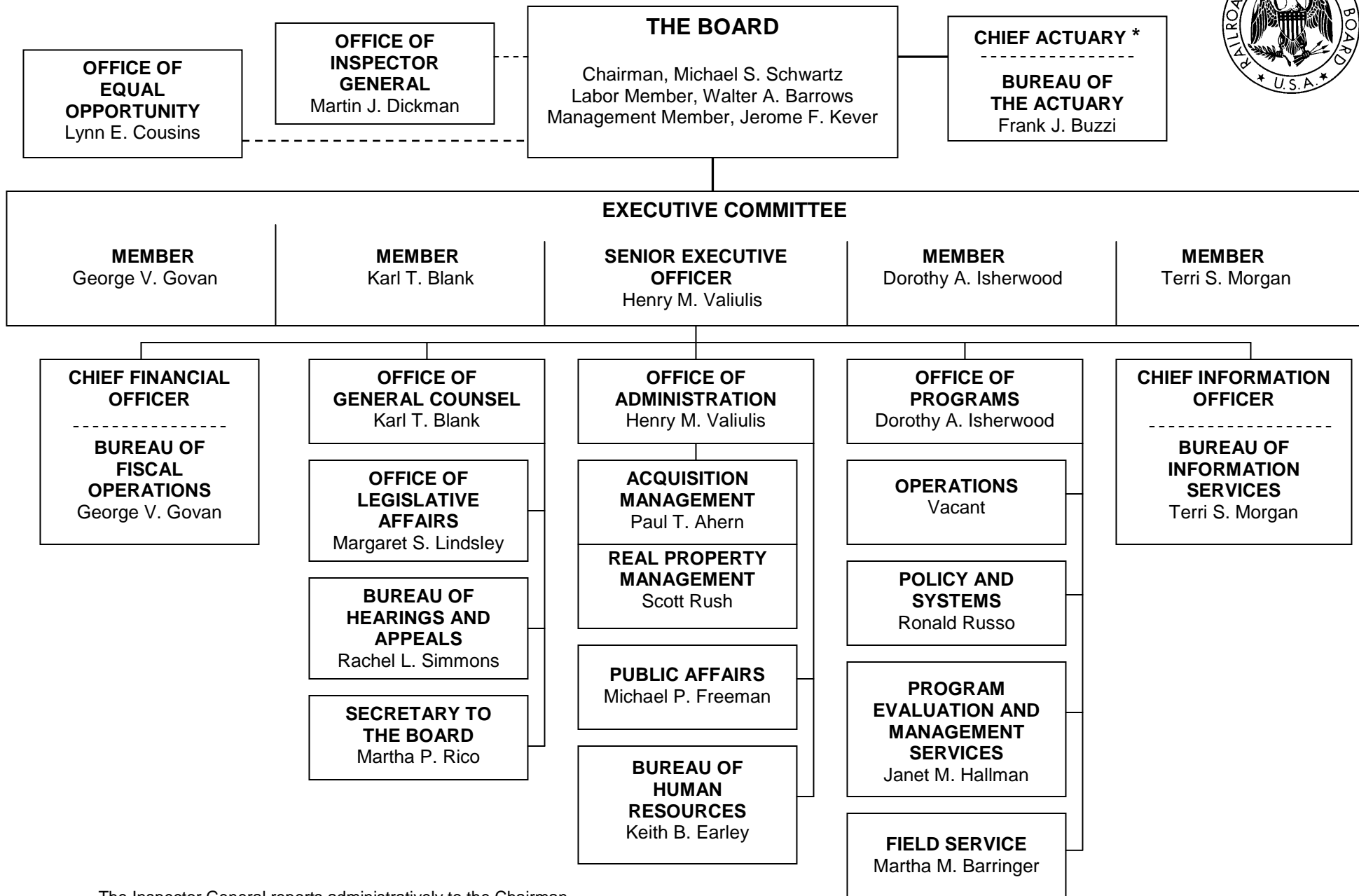
### **Limitation on the Office of the Inspector General**

This appropriation request, which is described in a separate justification document, is for the Office of the Inspector General. The 1988 amendments to the Inspector General Act of 1978 (Public Law 100-504) included the RRB as an "establishment" covered by the Inspector General Act and specified the Chairman of the RRB as the head of the establishment for purposes of the act. Previously, the Railroad Retirement Solvency Act of 1983 had amended the Railroad Retirement Act of 1974 to provide for an Office of Inspector General at the RRB.

**The Board Members**

<u>Incumbent's name/ (Title)</u>	<u>Term expiration date</u>	<u>RRB compensation rate effective January 2012</u>	<u>Professional affiliations</u>
Michael S. Schwartz (Chairman)	08-28-12	\$165,300	None
Jerome F. Kever (Management Member)	08-28-08	\$155,500	American Institute of Certified Public Accountants
Walter A. Barrows (Labor Member)	08-28-14	\$155,500	Brotherhood of Railroad Signalmen Federal Managers' Association American Federation of Government Employees

# U.S. RAILROAD RETIREMENT BOARD



----- The Inspector General reports administratively to the Chairman.

----- The Director of Equal Opportunity reports administratively to the Director of Administration and programmatically to the Board.

\* Non-voting member of the Executive Committee.



## **JUSTIFICATION OF ESTIMATES**

### **The Administration's Proposed Appropriation Language**

#### **LIMITATION ON ADMINISTRATION**

*For necessary expenses for the Railroad Retirement Board (“Board”) for administration of the Railroad Retirement Act and the Railroad Unemployment Insurance Act, \$112,415,000, to be derived in such amounts as determined by the Board from the railroad retirement accounts and from moneys credited to the railroad unemployment insurance administration fund.*

*(Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012.)*

## Explanation of Proposed Appropriation Language

<u>Appropriation language</u>	<u>Explanation</u>
<i>For necessary expenses for the Railroad Retirement Board (“Board”) for administration of the Railroad Retirement Act and the Railroad Unemployment Insurance Act, \$112,415,000, to be derived in such amounts as determined by the Board from the railroad retirement accounts and from moneys credited to the railroad unemployment insurance administration fund.</i>	This budget request is for funds to administer the railroad retirement/survivor and unemployment/sickness insurance benefit programs under a single administrative account. The Limitation on Administration Account draws on the following trust fund accounts for funding: Railroad Retirement Account, Social Security Equivalent Benefit Account, and the Railroad Unemployment Insurance Administration Fund.

**Authorizing Legislation**

<b>Legislation</b>	<b>2012</b>		<b>2013</b>	
	<b>Authorized</b>	<b>Current estimate</b>	<b>Authorized</b>	<b>Appropriation request</b>
Authorizing legislation -- Railroad Retirement Act: Section 15(a), first two sentences of section, and Section 15A(c)(1)	Indefinite	\$108,649,264 <u>a/</u>	Indefinite	\$112,415,000

Authorizing legislation -- Railroad  
Unemployment Insurance Act:  
Section 11(a)

a/ This amount reflects the level of funding provided by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74), less a rescission of \$205,736.

Section 15(a) of the Railroad Retirement Act:

"The Railroad Retirement Account established by section 15(a) of the Railroad Retirement Act of 1937 shall continue to be maintained in the Treasury of the United States. There is hereby appropriated to such Account for each fiscal year, beginning with the fiscal year ending June 30, 1975, to provide for the payment of benefits to be made from such Account in accordance with the provisions of section 7(c)(1) of this Act, and to provide for expenses necessary for the Board in the administration of all provisions of this Act, an amount equal to amounts covered into the Treasury (minus refunds) during each fiscal year under the Railroad Retirement Tax Act."

Section 15 A(c)(1) of the Railroad Retirement Act:

"Except as otherwise provided in this section, amounts in the Social Security Equivalent Benefit Account shall be available only for purposes of paying social security equivalent benefits under this Act and to provide for the administrative expenses of the Board allocable to social security equivalent benefits."

Section 11(a) of the Railroad Unemployment Insurance Act:

"The Secretary of the Treasury shall maintain in the unemployment trust fund established pursuant to section 904 of the Social Security Act an account to be known as the railroad unemployment insurance administration fund. This unemployment insurance administration fund shall consist of (i) such part of all contributions collected pursuant to section 8 of this Act as equals 0.65 per centum of the total compensation on which such contributions are based; (ii) all amounts advanced to the fund by the Secretary of the Treasury pursuant to this section; (iii) all amounts appropriated by subsection (b) of this section; and (iv) such additional amounts as Congress may appropriate for expenses necessary or incidental to administering this Act. Such additional amounts are hereby authorized to be appropriated."

**ADMINISTRATIVE EXPENSES** <sup>a/</sup>  
**Budget Authority By Object Classification**

<u>Limitation on Administration</u>	Fiscal year 2011		Fiscal year 2012		Fiscal year 2013	Change (increases	
<u>Direct obligations by object class</u>	<u>actual amounts(\$)</u>	<u>b/c/</u>	<u>estimated amounts(\$)</u>	<u>c/d/</u>	<u>estimated amounts(\$)</u>	<u>c/</u>	<u>and decreases)</u>
Personnel compensation:							
Full-time permanent	67,020,000		66,018,000		66,676,000		658,000
Positions other than permanent	627,000		636,000		624,000		-12,000
Other personnel compensation	<u>1,683,000</u>		<u>1,641,000</u>		<u>1,193,000</u>		<u>-448,000</u>
Total personnel compensation	69,330,000		68,295,000		68,493,000		198,000
Personnel benefits: civilian	17,192,000		17,447,000		17,830,000		383,000
Benefits for former personnel	245,000		220,000		220,000		0
Travel and transportation of persons	515,000		694,000		778,000		84,000
Transportation of things	18,000		54,000		53,000		-1,000
Rental payments to GSA	3,500,000 <sup>e/</sup>		3,700,000 <sup>e/</sup>		3,800,000 <sup>e/</sup>		100,000
Communications, utilities, and miscellaneous charges	4,549,000		4,916,000		5,453,000		537,000
Printing and reproduction	282,000		304,000		323,000		19,000
Consulting services	498,000		524,000		925,000		401,000
Other services	10,298,000		11,226,000		13,285,000 <sup>f/</sup>		2,059,000
Supplies and materials	668,000		684,000		734,000		50,000
Equipment	<u>1,617,000</u>		<u>585,000</u>		<u>521,000</u>		<u>-64,000</u>
Total, direct obligations	108,712,000		108,649,000		112,415,000 <sup>g/</sup>		3,766,000
Unobligated balance	<u>143,000</u>		<u>--</u>		<u>--</u>		<u>--</u>
Total budget authority	<u>108,855,000</u>		<u>108,649,000</u>		<u>112,415,000</u>		<u>3,766,000</u>

<sup>a/</sup> In a separate justification document, the Office of Inspector General is requesting \$8,820,000 for administrative expenses in fiscal year 2013.

<sup>b/</sup> Amounts reflect an appropriation of \$108,854,854 to the Limitation on Administration under the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).

<sup>c/</sup> The Limitation on Administration excludes \$10,107,300 in fiscal year 2011 that the RRB received in reimbursements from the Centers for Medicare and Medicaid Services (CMS) and others.

Amounts for fiscal years 2012 and 2013 exclude \$10,507,300 and \$10,607,300 respectively that the RRB expects to be reimbursed in each fiscal year from CMS and others.

<sup>d/</sup> Reflects funding provided under P.L. 112-74, the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriation Act, 2012.

<sup>e/</sup> Reflects the payment of actual costs to the General Services Administration (GSA) for the rental of space.

<sup>f/</sup> This amount includes \$600,000 for security provided by the Federal Protective Service and an estimated \$2,400 for education and training of the acquisition workforce.

<sup>g/</sup> The RRB expects to spend \$30,000 on energy conservation measures in fiscal year 2013 (OMB Circular A-11, Section 25.5).

Note: Amounts shown in the table are rounded to the nearest thousand.

## SUMMARY OF CHANGES <sup>a/</sup>

	<b>Appropriation total</b>
FY 2013 estimate	\$112,415,000 <sup>b/</sup>
FY 2012 level	<u>108,649,000</u>
Net change	\$ 3,766,000

	<u>2012 Current (Base)</u>		<u>2013 Change from Base</u>	
	<u>Budget</u>		<u>Budget</u>	
	<u>FTEs</u>	<u>Authority</u>	<u>FTEs</u>	<u>Authority</u>
Increases:				
<i>Built-in:</i>				
1. Net change related to full-time and part-time salaries:				
Adjustments to average salary estimates		-\$187,000		
January 2013 pay raise		333,000		
Grade/step increases		500,000		
Other compensation (awards and overtime)		<u>-448,000</u>		
Subtotal, built-in salary and FTE increases	885	\$68,295,000	--	\$198,000
2. Net change related to personnel benefits:				
Adjustment to previous estimates		-\$49,000		
January 2013 pay raise		87,000		
Grade/step increases		131,000		
Other changes (health insurance, etc.)		<u>214,000</u>		
Subtotal, built-in changes to benefits	--	17,447,000	--	<u>383,000</u>
Subtotal, built-in compensation increases			--	<u>\$581,000</u>
<i>Program:</i>				
1. Travel and transportation	--	694,000	--	84,000
2. Rental payments to GSA	--	3,700,000	--	100,000
3. Communications, utilities, and miscellaneous charges	--	4,916,000	--	537,000
4. Printing and reproduction	--	304,000	--	19,000
5. Consulting services	--	524,000	--	401,000
6. Other Services	--	11,226,000	--	2,059,000
7. Supplies and materials	--	684,000	--	<u>50,000</u>
Subtotal, program increases				<u>\$3,250,000</u>
Decreases:				
<i>Program:</i>				
1. Transportation of things	--	54,000	--	-1,000
2. Equipment	--	585,000	--	<u>-64,000</u>
Total decreases				<u>-\$65,000</u>
<b>Net change</b>			--	<u><b>\$3,766,000</b></u>

<sup>a/</sup> Corresponds to page 12 - Administrative Expenses.

<sup>b/</sup> Amount shown reflects the level of funding provided by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74).

Note: Dollar amounts are rounded to the nearest thousand.

**ADMINISTRATIVE EXPENSES**

**Budget Authority by Strategic Goal**

<b><u>Limitation on Administration</u></b>	<b>Fiscal year 2011</b>				<b>Fiscal year 2012</b>				<b>Fiscal year 2013</b>			
	<b>Actual</b>				<b>Estimate</b>				<b>Estimate</b>			
<b><u>Program by strategic goal</u></b>	<b><u>FTEs</u></b>	<b><u>%</u></b>	<b><u>Amounts (\$)</u></b>	<b><u>%</u></b>	<b><u>FTEs</u></b>	<b><u>%</u></b>	<b><u>Amounts (\$)</u></b>	<b><u>%</u></b>	<b><u>FTEs</u></b>	<b><u>%</u></b>	<b><u>Amounts (\$)</u></b>	<b><u>%</u></b>
Strategic goal:												
1. Customer service	726	80	85,192,747	78	712	80	85,094,042	78	712	80	86,240,350	77
2. Stewardship	177	20	23,518,822	22	173	20	23,555,222	22	173	20	26,174,650	23
Total, direct program obligations			108,711,569				108,649,264				112,415,000	
Unobligated balance			143,285				0				0	
Total budget authority	<u>903</u>		<u>108,854,854</u>		<u>885</u>		<u>108,649,264</u>		<u>885</u>		<u>112,415,000</u>	

The Railroad Retirement Board's Strategic Plan includes these strategic goals.

1. Provide excellent customer service.
2. Serve as responsible stewards for our customers' trust funds and agency resources.



## STAFFING HISTORY

### Actual Full-time Equivalent Employment

Fiscal year	<u>Total FTEs</u> <u>a/</u>	<u>Change from previous year</u>	<u>Percent change from previous year</u>	<u>Cumulative FTE Reduction</u>	<u>Cumulative percent change since fiscal year 1993</u>
1993	1,698 <u>b/</u>	---	---	---	---
1994	1,615 <u>b/</u>	-83	-4.9%	83	-4.9%
1995	1,483 <u>b/</u>	-132	-8.2%	215	-12.7%
1996	1,401 <u>b/</u>	-82	-5.5%	297	-17.5%
1997	1,297	-104	-7.4%	401	-23.6%
1998	1,227	-70	-5.4%	471	-27.7%
1999	1,196	-31	-2.5%	502	-29.6%
2000	1,136	-60	-5.0%	562	-33.1%
2001	1,101	-35	-3.1%	597	-35.2%
2002	1,099	-2	-0.2%	599	-35.3%
2003	1,079	-20	-1.8%	619	-36.5%
2004	1,048	-31	-2.9%	650	-38.3%
2005	957	-91	-8.7%	741	-43.6%
2006	940	-17	-1.8%	758	-44.6%
2007	927	-13	-1.4%	771	-45.4%
2008	918	-9	-1.0%	780	-45.9%
2009	897	-21	-2.3%	801	-47.2%
2010	908	11	1.2%	790	-46.5%
2011	903	-5	-0.6%	795	-46.8%
2012	885 <u>c/</u>	-18	-2.0%	813	-47.9%
2013	885 <u>d/</u>	0	0.0%	813	-47.9%

a/ Excludes staffing for the Office of the Inspector General

b/ Includes Special Management Improvement Fund FTEs for fiscal year 1993-1996 of 80, 58, 30, and 10, respectively.

c/ Reflects an adjusted projection as of mid-January 2012

d/ Reflects the estimated staffing level in the President's proposed budget for fiscal year 2013.

## Funding for Major Contracts

This chart shows contracts of \$10,000 and over that are planned for fiscal year 2013 in the following categories: consulting services, government contracts, medical fees, maintenance of facilities, and contractual services.

<u>Title and description</u>	<u>Estimated FY 2013 funding (\$)</u>
<b><u>Information technology</u></b>	
• <u>Federal financial system migration</u> . Funding provides for the migration of the RRB's core financial system to a shared service provider.	3,562,000
• <u>License agreement</u> . Funds are required to maintain the RRB's Microsoft Enterprise License Agreement.	325,000
• <u>Certification and accreditation</u> . Funding provides for contractual services to assist with certification and accreditation of systems.	100,000
• <u>IT operations support and memberships</u> . Requested funding includes contractual services for Pay.gov, IBM operations support services and Gartner membership.	176,900
• <u>Disaster recovery</u> . Funding will be used to provide for coverage of the data communications equipment, computer systems and various upgrades.	275,000
• <u>E-Government, employer reporting system</u> . Funding allows for contractor support to be used to provide technical programming expertise	100,000
• <u>IT tools and systems, web content management system</u> . Funding will allow the RRB to obtain and migrate to a web-hosted service to manage the agency's website.	250,000
• <u>IT tools and systems, electronic records content management system</u> . Funding provides for consulting services to be used to assist RRB staff in determining system requirements and creating a pilot program.	100,000
• <u>Electronic Official Personnel File</u> . Funding provides for consulting services related to the planning and implementation of an electronic official personnel folder system	180,000

## Funding for Major Contracts

<u>Title and description</u>	<u>Estimated FY 2013 funding (\$)</u>
<ul style="list-style-type: none"><li>• <u>Network operations, desktop virtualization.</u> Funding provides contractual services to assist the RRB in developing the requirements for a small proof of concept desktop virtualization pilot project. Such a pilot will provide valuable input in our evaluation of cloud computing alternatives.</li></ul>	50,000
 <b><u>Support of benefit program activities</u></b>	
<ul style="list-style-type: none"><li>• <u>Medical fees.</u> Funding is required for medical services and hospital transcripts used to make disability determinations.</li></ul>	1,363,600
<ul style="list-style-type: none"><li>• <u>Consultative medical services.</u> Funding will be used for medical evidence reviews concerning benefit and claim matters and preparation of advisory medical opinions.</li></ul>	545,100
<ul style="list-style-type: none"><li>• <u>Field service training.</u> Contract funding will be used for training claims representatives and supervisors.</li></ul>	61,000
<ul style="list-style-type: none"><li>• <u>Customer satisfaction index.</u> Contractor assistance will be used for administering the American Customer Satisfaction Index survey.</li></ul>	41,000
<ul style="list-style-type: none"><li>• <u>Social Security death matches.</u> Funding provides for costs associated with monthly Social Security death match processing.</li></ul>	13,000 <u>a/</u>
 <b><u>Financial management</u></b>	
<ul style="list-style-type: none"><li>• <u>Payments to Treasury.</u> Funding is required for fees by the Department of the Treasury for issuing checks and making electronic funds transfers on the RRB's behalf, as well as postage costs incurred for RRB mailings released by the Treasury.</li></ul>	400,000 <u>a/</u>
 <b><u>Administrative support</u></b>	
<ul style="list-style-type: none"><li>• <u>File management services.</u> Fees will be paid to the National Archives and Records Administration for services by the Federal Records Center (FRC) to maintain the RRB claim files. This cost includes \$24,000 for shuttle service to transport files between RRB headquarters and the FRC.</li></ul>	264,000 <u>a/</u>

## Funding for Major Contracts

<u>Title and description</u>	<u>Estimated FY 2013 funding (\$)</u>
• <u>Photocopiers</u> . Funding is required to continue contractual services for photocopiers in the RRB's headquarters building, including high speed copiers that are used to prepare program related booklets, pamphlets, and other informational material.	515,000
• <u>E-Payroll and human resources services</u> . Funding is required for contracted E-Payroll and electronic human resources services provided by GSA.	340,000 <u>a/</u>
• <u>Field office support services</u> . Funding is required for field office alterations, miscellaneous and administrative support services, and health unit maintenance agreements.	54,000 <u>a/</u>
• <u>Personnel identification system</u> . Funding is required to obtain updated personnel identification cards that meet the Homeland Security Presidential Directive for secure identification for agency employees and contractors. The requested funding also includes leasing a credentialing station at the headquarters building.	50,000 <u>a/</u>
• <u>Shipping and receiving</u> . Funds are required to continue shipping and receiving services.	48,000
• <u>Employee assistance program</u> . The RRB provides professional assistance for employees with personal problems that adversely affect work performance.	37,800
• <u>Videoconferencing and transcription services</u> . Funding will provide for videoconferencing services needed for hearing appeals.	15,000
• <u>Recruitment and hiring services</u> . Funding will be used to pay OPM for recruitment and hiring services, as well as flexible spending accounts.	108,500 <u>a/</u>
• <u>Public Debt</u> . Payments will be made to the Bureau of Public Debt for three changes of station and monthly administrative fees.	40,000 <u>a/</u>

## Funding for Major Contracts

<u>Title and description</u>	<u>Estimated FY 2013 funding (\$)</u>
<b><u>Facility management services</u></b>	
• <u>Building maintenance and repairs</u> . Funding is required for facility maintenance, elevator maintenance, repairs to the RRB headquarters building, and related services.	1,006,700
• <u>Federal Protective Service costs</u> . Funding is required for protective services, billed by the Department of Homeland Security, Federal Protective Service.	600,000 <u>a/</u>
• <u>Janitorial services</u> . Funding is needed for janitorial services for the RRB headquarters building.	622,000
• <u>Building security</u> . Funding is required for guard service for the RRB headquarters building.	<u>493,000</u>
Agency total	<u>11,736,600</u>

a/ Contractual services provided by Federal Government agencies comprise \$1,870,100 of the agency program total.

**BUDGET AUTHORITY BY FUND**

	<b>Fiscal year 2011 actual amounts</b>	<b>Fiscal year 2012</b>	<b>Fiscal year 2013 estimated</b>	<b>Change, FY 2012 to FY 2013</b>
<b><u>Railroad Retirement Program</u></b>				
<u>Direct Program:</u>				
Railroad Retirement Account	\$67,544,565	\$65,462,116	\$68,429,302	\$2,967,186
Social Security Equivalent Benefit Account	27,352,187	29,380,000	29,700,000	320,000
Total, direct railroad retirement program obligations	\$94,896,752	\$94,842,116	\$98,129,302	\$3,287,186
<b><u>Railroad Unemployment and Sickness Insurance Program</u></b>				
<u>Direct Program:</u>				
Railroad Unemployment Insurance Administration Fund	\$13,815,102	\$13,807,148	\$14,285,698	\$478,550
Total, direct railroad retirement, unemployment and sickness insurance obligations	\$108,711,854	\$108,649,264	\$112,415,000	\$3,765,736
Unobligated balance	143,000	---	---	---
<b>Total, direct railroad retirement, unemployment and sickness insurance budget authority</b>	<b>\$108,854,854</b>	<b>\$108,649,264</b>	<b>\$112,415,000</b>	<b>\$3,765,736</b>



## LIMITATION ON ADMINISTRATION

### Financing

	<u>Fiscal year 2011 actual</u>	<u>Fiscal year 2012 estimate</u>	<u>Fiscal year 2013 estimate</u>
<b><u>Financing</u></b>			
Total, direct program obligations	\$108,711,854	\$108,649,264	\$112,415,000
Unobligated balance	<u>143,000</u>	<u>---</u>	<u>---</u>
Limitation	<u>\$108,854,854</u>	<u>\$108,649,264</u>	<u>\$112,415,000</u>

### Relation of direct program obligations to outlays

Obligations incurred, net	\$108,711,854	\$108,649,264	\$112,415,000
Obligated balance, start of year	0	8,141,010	8,141,010
Obligated balance, end of year	<u>(8,141,010)</u>	<u>(8,141,010)</u>	<u>(8,141,010)</u>
Outlays from limitation	<u>\$100,570,844</u>	<u>\$108,649,264</u>	<u>\$112,415,000</u>

Note: Funds to administer the Railroad Retirement Act and the Railroad Unemployment Insurance Act are combined into a single administrative account. Funds to administer the Railroad Retirement Act are transferred from the Railroad Retirement Account and the Social Security Equivalent Benefit Account to the Limitation on Administration. Funds required to administer the Railroad Unemployment Insurance Act are transferred from the Railroad Unemployment Insurance Administration Fund to the Limitation on Administration.

The financial operations of the Limitation on Administration can also be expressed in a sources and uses of funds table as shown below.

**Sources and Uses of Funds**

	<u>Fiscal year 2011 actual</u>	<u>Fiscal year 2012 estimate</u>	<u>Fiscal year 2013 estimate</u>
<b><u>Direct program sources</u></b>			
Available from benefit trust funds by Congressional appropriation	<u>\$108,854,854</u>	<u>\$108,649,264</u>	<u>\$112,415,000</u>
<b><u>Direct program uses</u></b>			
Administrative expenses	\$108,711,854	\$108,649,264	\$112,415,000
Unobligated balance	<u>143,000</u>	<u>---</u>	<u>---</u>
<b>Total uses:</b>	<b><u>\$108,854,854</u></b>	<b><u>\$108,649,264</u></b>	<b><u>\$112,415,000</u></b>

**LIMITATION ON ADMINISTRATION**

**Amounts Available for Obligation**

	<u>Fiscal year 2011 actual</u>	<u>Fiscal year 2012</u>	<u>Fiscal year 2013 estimate</u>
Appropriation	\$108,711,854	\$108,649,264	\$112,415,000
Unobligated balance	<u>143,000</u>	<u>0</u>	<u>0</u>
<b>Total direct obligations <u>a/</u></b>	<b><u>\$108,854,854</u></b>	<b><u>\$108,649,264</u></b>	<b><u>\$112,415,000</u></b>

a/ The RRB also received reimbursements totaling \$10.1 million in fiscal year 2011 and expects to receive \$10.5 million in fiscal year 2012, and \$10.6 million fiscal year 2013 for reimbursable activities.

**APPROPRIATIONS HISTORY TABLE**

<b><u>Year</u></b>	<b><u>Budget estimate to the Congress</u></b>	<b><u>House allowance</u></b>	<b><u>Senate allowance</u></b>	<b><u>Appropriation/ continuing resolution</u></b>
2004	\$ 99,820,000	\$101,300,000	\$ 99,350,000	\$100,702,330 <u>a/</u>
2005	102,600,000	102,202,000	102,600,000	102,543,040 <u>b/</u>
2006	102,543,040	102,543,000	102,543,000	101,517,570 <u>c/</u>
2007	103,517,570	103,518,000	103,518,000	103,693,878 <u>d/</u>
2008	103,517,570	103,694,000	103,694,000	101,882,466 <u>e/</u>
2009	105,463,000	105,463,000	105,463,000	105,463,000 <u>f/</u>
2010	109,073,000	109,073,000	109,073,000	109,073,000 <u>g/</u>
2011	110,573,000	---	---	108,854,854 <u>h/</u>
2012	112,239,000	---	---	108,649,264 <u>i/</u>
2013	112,415,000			

- a/ This amount reflects the Consolidated Appropriations Act, 2004 (P.L. 108-199), which provided \$100,702,330 (an appropriation of \$101,300,000, less a rescission of \$597,670).
- b/ This amount reflects the Consolidated Appropriations Act, 2005 (P.L. 108-447), which provided \$102,543,040 (an appropriation of \$103,370,000, less a rescission of \$826,960).
- c/ Amount reflects the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149), which provided \$102,543,000, less a rescission of 1 percent (\$1,025,430) in accordance with P.L. 109-148.
- d/ Reflects the appropriation of \$103,018,000 made available by P.L. 110-5, the full-year continuing resolution for fiscal year 2007, plus \$675,878 reimbursement for half the January 2007 pay raise provided by Section 111 of P.L. 110-5.
- e/ Reflects the appropriation received under the Consolidated Appropriations Act, 2008 (P.L. 110-161), less a rescission of \$1,811,534.
- f/ Amount reflects funding made available by the Omnibus Appropriations Act, 2009 (P.L. 111-8).
- g/ Reflects the appropriation made available by the Consolidated Appropriations Act, 2010 (P.L. 111-117).
- h/ Reflects the appropriation of \$109,073,000, less a rescission of \$218,146 under the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10).
- i/ Reflects the appropriation of \$108,855,000, less a rescission of \$205,736 under the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74).

**Retirement/Survivor Benefit Program**  
**Summary Processing Workload Table**

<u>Fiscal years</u>	<u>Average number of annuitants</u>	<u>New applications</u>	<u>Supplemental annuity applications</u>	<u>Social Security initial awards</u>	<u>Reactivated applications</u>	<u>Number of payments</u>	<u>Medicare enrollments</u> <sup>1</sup>
2001	660,112	38,306	6,690	7,156	40,870	8,872,847	5,538
2002	641,063	42,225	12,258	5,845	41,721	8,200,488	5,124
2003	626,319	37,495	8,997	6,191	43,034	7,960,902	4,684

<u>Fiscal years</u> <sup>2</sup>	<u>Average number of annuitants</u>	<u>New applications</u>	<u>Supplemental annuity applications</u> <sup>3</sup>	<u>Social Security initial awards</u>	<u>Post-payment</u> <sup>4</sup>	<u>Number of payments</u>	<u>Medicare enrollments</u> <sup>1</sup>
2004	610,020	36,707	7,871	6,126	90,302	7,766,557	5,426
2005	595,484	37,510	7,129	6,329	98,312	7,592,204	5,030
2006	582,995	35,617	7,794	6,065	94,108	7,426,518	4,838
2007 <sup>5</sup>	571,271	37,134	9,345	5,965	113,489	7,349,904	5,188
2008	562,347	36,909	9,176	6,010	99,525	7,191,744	5,686
2009	554,124	37,248	9,725	8,128	110,534	7,104,066	5,235
2010	549,154	37,384	9,581	12,563	120,102	7,055,426	5,204
2011	544,256	37,231	9,743	9,275	93,425	7,011,155	5,803
2012 (est)	541,100	36,000	9,000	8,000	103,000	6,970,000	6,000
2013 (est)	537,600	36,000	9,000	8,000	97,000	6,910,000	6,000

1/ Excludes attainments.

2/ Beginning in fiscal year 2004, we revised our production reporting system to enhance the methodology used and improve the accuracy of the resulting workload counts.

3/ Beginning in fiscal year 2004, supplemental annuity post-activity is included in post-payment adjustments.

4/ Beginning in fiscal year 2004, includes award adjustments and payment-related corrections to supplemental annuities and social security benefits in addition to retirement and survivor award adjustments. Also, includes overpayment and underpayment calculations and other record maintenance activities that could affect the status of previous or future payments.

5/ Post-payment adjustments reflect 21,358 receipts due to the processing of special adjustments for annuity increases resulting from changes in retirement service and earnings credits reported by railroad employers over a period of several years.

**Railroad Unemployment/Sickness Insurance Program**  
**Summary Processing Workload Table**

Fiscal Years	Railroad employment <sup>1/</sup>	Unemployment insurance			Sickness insurance		
		Applications	Claims	Payments	Applications	Claims	Payments
2001	238,000	22,229	120,994	96,603	28,850	191,715	165,706
2002	229,000	20,462	129,564	106,289	28,193	193,246	167,643
2003	225,000	17,843	113,172	93,422	27,333	183,594	159,088
2004	227,000	13,419	89,367	74,790	25,737	173,515	150,033
2005	232,000	11,701	71,654	60,057	24,795	161,062	138,610
2006	236,000	11,186	64,697	53,781	25,866	155,525	133,519
2007	237,000	13,002	71,156	58,385	22,996	148,607	127,372
2008	235,000	13,483	79,016	65,388	21,932	140,788	120,498
2009	223,000	39,509	230,476 <sup>2/</sup>	198,230 <sup>2/</sup>	21,466	138,993	118,770
2010	221,000	18,721	210,965 <sup>3/</sup>	190,152 <sup>3/</sup>	21,476	139,653	119,426
2011	230,000 (est)	12,756	93,598 <sup>4/</sup>	83,144 <sup>4/</sup>	20,797	136,014	115,705
2012 (est)	230,000	13,000	87,000 <sup>5/</sup>	77,000 <sup>5/</sup>	21,000	135,000	115,000
2013 (est)	228,000	14,000	84,000	75,000	21,000	141,000	120,000

<sup>1/</sup> Average annual railroad employment is based on mid-month counts and presented on a calendar year basis.

<sup>2/</sup> Includes unemployment insurance claims and payments under the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

<sup>3/</sup> Includes unemployment insurance claims and payments under P.L. 111-5 and the Worker, Homeownership, and Business Assistance Act of 2009 (P.L. 111-92).

<sup>4/</sup> Includes unemployment insurance claims and payments under P.L. 111-5, P.L. 111-92, and the Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 (PL. 111-312).

<sup>5/</sup> Includes unemployment insurance claims and payments under P.L. 111-92, P.L. 111-312. Current estimates indicate that the RRB will receive and process an additional 6,000 unemployment insurance claims and payments under the Temporary Payroll Tax Cut Continuation Act of 2011 (P.L. 112-78).

# PERFORMANCE PLAN



*Fiscal Year 2013*

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**Railroad Retirement Board**

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## **Introduction**

The Railroad Retirement Board (RRB) has developed this performance plan for fiscal year 2013 to support our mission (see mission statement on the following page) and to communicate our intentions for meeting challenges and seeking opportunities. We will use the plan to hold managers accountable for achieving program results and to improve program effectiveness and public accountability by promoting a continued focus on results, service quality, and customer satisfaction. We will also use the plan to help managers improve service delivery by requiring that they plan for meeting program objectives and by providing them with information about program results and service quality.

This plan is closely linked to our **Strategic Plan for Fiscal Years 2009 - 2014** and can be easily cross-referenced to that plan. The performance plan provides detailed performance goals, performance indicators and target levels to guide agency managers as they implement our Strategic Plan. It also communicates our plans to our stakeholders, including the railroad community, the Administration, the Congress, and other government agencies. It is one part of a comprehensive set of interlocking plans that cover all major aspects of agency operations. In this plan, we have established specific performance goals (with performance indicators and projected performance levels) to be achieved in fiscal year 2013. Additionally, it supports our other functional plans required to manage the agency. These include the **Customer Service Plan** and the **Information Technology Capital Plan**. These plans support the annual submission of the agency budget to the Office of Management and Budget (OMB) and the Congress.

The RRB's strategic and performance goals are presented in the sections following our mission statement. Information on anticipated performance in fiscal year 2013 for each performance goal, at the President's proposed budget level of \$112,415,000 is provided in Exhibit 1. To provide for ongoing improvement in performance and accountability, we will continue to set programmatic goals which are aggressive, realistic and accurately measured. We will also ensure that planned improvements are transparent and result in meaningful outcomes, and that agency managers are accountable for achieving performance goals. The 2013 Cuts, Consolidations, and Savings (CCS) Volume of the President's Budget identifies any lower-priority program activities under the GPRA Modernization Act, 31 U.S.C. 1115(b)(10). The public can access the volume at: <http://www.whitehouse.gov/omb/budget>.

We will also prepare and submit to the President and the Congress a report on program performance for fiscal year 2013, as part of our Performance and Accountability Report. The report will be reviewed by the RRB's Office of Inspector General (OIG) to help ensure the reliability and utility of our performance information. The reported information will be derived from agency systems and will compare the performance goals and indicators to actual program performance for the fiscal year.

This performance plan meets the requirements of the GPRA Modernization Act and was prepared by RRB employees. Exhibit 2 shows a comparison between the objectives in this plan and the objectives in our previous annual performance plan.

***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.*

**Strategic Goal I: *Provide Excellent Customer Service.*** We aim to satisfy our customers' expectations for quality service in terms of service delivery options and levels and manner of performance. At the President's proposed budget level, we plan to allocate \$86,240,350 and 712 full-time equivalent employees (FTEs) to this goal. We have established two performance goals that focus on the specifics of achieving this strategic goal.

**Performance Goal I-A: *Pay benefits timely.*** The RRB is committed to ensuring that we pay benefits in a timely manner. We have nine objectives in place to track the timeliness of the actions we take in a year regarding both Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA) programs. In addition, we will:

- *Ensure accurate, up-to-date, accessible instructions to support our front-line employees as they provide customer support.*
- *Inform our customers about their responsibilities.*
- *Ensure that the Customer Service Plan is comprehensive and is revised when appropriate.*
- *Promote direct deposit for benefit payments.*
- *Monitor key payment workloads.*
- *Allocate resources effectively.*

Our performance in the area of benefit timeliness is a key indicator of our customer service. We track our performance against customer service standards and have found that as of year-end fiscal year 2011, customers received benefit services within the various timeframes promised for 99.2 percent of the services provided. The inset at the right shows composite results in four combined categories of services

**Overall Timeliness Performance  
Fiscal Year 2011 (through 9/30/2011)**

- Retirement applications: 96.4%  
(target: 93.6%)
- Survivor applications: 96.7%  
(target: 95.5%)
- Disability applications/payments: 83.9%  
(target: 84.3%)
- RUIA applications/claims: 99.9%  
(target: 99.8%)

**Communications with RRB customers**

In addition to making payments, we provide a variety of information to our customers. We provide general information through our website, publications, and our toll-free number. 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. In addition, we use an on-line presentation facility called *RRBvision* to provide information and training to the public and rail employers.

It is important that we provide information in a timely manner and in ways that are accessible and responsive to the individual's needs. Customer feedback through American Customer Satisfaction Index (ACSI) surveys and directly from customers helps us determine whether the information we are providing satisfies our customers' needs and expectations. In July 2010, we began a year-long ACSI survey, focusing on customers' experiences with the www.rrb.gov website. During fiscal year 2011, based on the feedback obtained from respondents, we implemented major changes to the home page to make it easier to navigate and more visually appealing. The new home page also organizes information by audience and subject in a clear and logical manner. A new feature is the addition of a log-in box that will allow customers to access online services directly from the home page.

We are working on a second phase of improvements focusing on the secondary pages of our website which should even further enhance the level of satisfaction our customers have with the access to information and services via the RRB website. We initiated a survey of recipients of unemployment and sickness insurance benefits in December 2011; final results are expected to be presented in March 2012.

**Performance Goal I-B: Provide a range of choices in service delivery methods.** 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. 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 goal is to expand customer choice by offering alternative access to our major services.

To achieve our goals in this area, we plan to:

- *Increase opportunities for our customers to conduct business in a secure manner over the Internet.*
- *Continue to develop electronic services that enable the employer to conduct daily business transactions and file required reports in an efficient, effective and secure manner.*

In fiscal year 2009, the agency successfully implemented a national toll-free telephone service. The features include a single nationwide toll-free number, automatic distribution of customer calls, interactive voice response (IVR) functionality, an upgrade of the existing data network, and implementation of Voice over Internet Protocol (VoIP) telephone service at all RRB field offices. The toll-free number provides a single access point to claims representatives in the agency's field service offices and to IVR self-service options. In 2011, a system enhancement was implemented which provides the ability to create "special announcement" messages in the IVR main menu. The special announcement messages are added when important legislative or procedural changes occur and generate increased numbers of RRB customer calls. Also in 2011, the RRB developed a series of customized reports of both real-time and historical call

data collected from the toll-free system. These reports are currently being used to identify customer usage trends and ensure management decisions are being made which provide better overall telephone service to all RRB customers.

Phase 3 of the Employer Reporting System (ERSNet), which was completed in fiscal year 2011, implemented an Internet-based version of Forms BA-3, Annual Report of Service and Compensation, and BA-11, Report of Gross Earnings. In fiscal year 2012, we will continue our work on Phase IV to automate access to the ID-40 series Railroad Unemployment Insurance Act (RUIA) contribution notices and the ID-6 series tax notices; and develop a process for employers to respond to requests for data on the Form G-88a.2, which is used to report service information needed for eligibility. In fiscal year 2013, we will continue our development of automated processes to notify employers of errors or the need for additional information and provide a means for correcting the data. These include requests for verification of the last date on the payroll (G-88a.1) and for payment of supplemental annuities (G-88p). We will also develop processes to notify employers of their obligation to reimburse the RRB for unemployment and sickness insurance benefits paid to their employees under sections 2(f) and 12(o) of the RUIA. This will be accomplished through the development of forms ID-3S and ID-3U, requests for lien information.

**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. At the President's proposed budget level, we plan to allocate \$26,174,650 and 173 FTEs to this goal. We have established four performance goals that focus on the specifics of achieving this strategic goal.

**Performance Goal II-A: *Ensure that trust fund assets are protected, 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, financial projections, benefit payment accuracy, debt collection, experience-based contribution rates, and payroll tax and railroad employee compensation reconciliations. We also have responsibilities with regard to the National Railroad Retirement Investment Trust, which are addressed under performance goal II-D. To accomplish this commitment, we will:

- *Continue to issue annual audited financial statements.*
- *Monitor the solvency of the trust funds through a sound program of actuarial valuations and financial projections.*
- *Correctly estimate the amounts needed for future benefit payments.*
- *Verify that payroll taxes are fully collected and properly recorded.*
- *Issue accurate, timely determinations and notices of contribution rates required under the unemployment and sickness insurance program.*
- *Continue to carry out the RRB's debt management policy.*

In November 2011, we released our Performance and Accountability Report for fiscal year 2011. The RRB's OIG issued an unqualified ("clean") opinion on the RRB's 2011 financial statements, which were included in that report. The OIG reported material weaknesses in the RRB's information security program, internal control over non-integrated subsystems and budgetary reporting. Significant efforts are underway to strengthen controls in these areas.

**Performance Goal II-B: Ensure the accuracy and integrity of benefit programs.** The principal indicators of accuracy are the benefit payment accuracy rates in each program. Our performance goal is to ensure that we can continue to meet or exceed 99 percent payment accuracy in the payments we initiate or manually adjust in a given year. To accomplish this goal, we will:

- *Monitor payment accuracy and the levels of improper payments, and identify problems.*
- *Provide feedback and take additional preventive actions as appropriate.*
- *Maintain established matching programs.*
- *Continue our program integrity reviews.*

Under the Improper Payments Information Act (IPIA) of 2002, and the Improper Payments Elimination and Recovery Act (IPERA) of 2010, the RRB reviews and reports on the amount of erroneous payments and engages in activities to reduce them. Since improper payment reporting began, the amounts attributable to the RRB's two benefit programs (the RRA and the RUIA) have been below the thresholds identified in the law and related guidance issued by OMB.

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

We measure the effectiveness of key program integrity efforts by comparing the dollars collected and saved through these initiatives to their cost. In fiscal year 2011, the RRB invested the equivalent of about 25.88 full-time employees, at a cost of approximately \$2.64 million, in program integrity efforts. This resulted in \$13.5 million in recoveries, \$846,000 in benefits saved, and the referral of 207 cases to the OIG for investigation. This is approximately \$5.46 in savings for each \$1.00 invested in these activities. Beginning in fiscal year 2012, we will measure the effectiveness of the program integrity efforts by comparing the dollars identified as improper payments and saved to their cost.

**Performance Goal 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 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 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 plan our information technology initiatives. To achieve our goals for efficient, effective and secure operations, we will:

- *Continue to develop an effective human capital planning program.*
- *Monitor and improve program performance and accountability.*
- *Ensure the privacy and security of our customers' transactions with the RRB.*
- *Expand our participation in E-Government initiatives.*
- *Improve our ability to control and monitor information technology investments.*
- *Make greater use of performance-based contracts.*
- *Comply with new security requirements for employee identification.*

In addition to our ongoing activities, during the planning period we will continue to emphasize key areas related to strategic management of human capital, improving program performance and accountability, data optimization and systems modernization, particularly as they relate to our succession planning activities.

***Strategic Management of Human Capital*** – Like many agencies, the RRB has an aging workforce. About 70 percent of our employees have 20 or more years of service and over 37 percent of the current workforce will be eligible for retirement by fiscal year 2013. To prepare for the expected turnover, the agency is placing increased emphasis on strategic management of human capital. Each organization has completed workforce planning documents that identify the current staffing levels, projected attrition and planned hiring in fiscal years 2012 and 2013, subject to available funding. Each executive also completed a gap analysis for his/her organization that identified potential areas of skills and knowledge gaps that will need to be addressed, identified areas where additional training may be necessary or where mentoring may be desirable to prepare employees for more senior positions, and identified areas of new skills that may need to be addressed through outside hires.

Recently, the agency has been able to utilize the re-employment of retirees to allow retirees under the Civil Service Retirement System and the Federal Employees Retirement System to be temporarily rehired without losing entitlement to their retirement annuities under Section 1122(a) of Public Law 111-84, which amended sections 8344 and 8468 of Title 5 of the United States Code. The agency has been able to rehire several annuitants on a temporary basis to assist in areas that have knowledge gaps due to attrition.

The RRB is also devoting more attention and resources to training. The agency-wide Training Council coordinates this activity, recently offering courses in the areas of performance management, and managerial and supervisory development. We also make use of technology in this area, utilizing our on-line presentation facility, *RRBVision*, which allows employees to view training, including a video component, in an online format. This is particularly useful to employees and managers in the agency's field offices.

***Improving Performance and Accountability*** –The RRB will take steps to ensure that:

- programmatic goals continue to be aggressive, realistic and accurately measured,
- program improvement plans result in meaningful outcome improvements,
- managers are accountable for achieving goals and improvement plans, and
- program performance plans and outcomes are transparent.

***Data Optimization and Systems Modernization*** – In 2009, we successfully concluded a major project to develop an optimized database and synchronize it with legacy tables. Since then, with the assistance of a contractor we conducted a data management practice assessment, which provided input to the agency's data governance planning. We have developed plans for improving the database as the legacy tables are decommissioned and applications address the new database. We have also developed plans for security access and change management.

We are also continuing with Phase 1 of our Systems Modernization Project Plan. Phase I of the plan has two goals; the first is to convert all existing processing to access the master database tables instead of the legacy tables, and the second is to eliminate the legacy tables as soon as they are no longer needed. In September 2010, the Medicare Online Information (MOLI) database was converted to access the master data tables, and seven legacy tables were retired. Further enhancements to Medicare processing systems will be implemented later in the project. In addition to the conversion of the MOLI database, the System Modernization Team implemented data modeling and data stewardship programs for master data, updated naming standards, identified and standardized critical table designs, created audit columns on every master table, eliminated data synchronization and increased the use of business intelligence.

The system modernization team and the RUIA group have begun work on converting the RUIA systems to access the master database. Conversion of the RUIA systems is now targeted for completion by the end of February 2012.



***Core Financial System Modernization*** – Based on an analysis of the RRB’s current financial management system in 2010, management selected migration to a designated shared service provider (SSP) as the best strategy to close current and potential performance gaps and optimize future staff resources. In 2011, RRB initiated the migration process by 1) preparing an OMB Exhibit 300 for Financial Management System Modernization to secure funding for the project, 2) contracting with KPMG LLP to provide pre-migration services including a full requirements analysis, statement of work and Request for Proposal (RFP) for financial management application services, and 3) allocating staff composed of key business and IT stakeholders to work as a team to support pre-migration and migration activities. The current timeline calls for selection of an SSP in 2012 and commencement of migration activities to the SSP’s hosted environment.

The RRB continues funding a maintenance plan with its current financial management application contractor although software upgrades are no longer available. Required upgrades are accomplished by experienced RRB system administration and IT staff to maintain currency with laws, regulations and initiatives in the Federal financial management environment.

**Performance Goal II-D: Effectively carry out responsibilities with respect to the National Railroad Retirement Investment Trust.** Although the RRB no longer has primary responsibility for the investment of the trust fund monies, it continues to have responsibilities in ensuring that the National Railroad Retirement Investment Trust (NRRIT), and its seven-member Board of Trustees, comply with the provisions of the Railroad Retirement Act. We fulfill this responsibility through review of the monthly, quarterly and annually submitted reports by the NRRIT, and its auditors’ reports. In addition, the RRB’s Board Members and General Counsel meet twice annually with the Trustees and receive detailed briefings during periodic telephone conferences.

The RRB has authority to bring civil action should it detect any violation of the Railroad Retirement Act or non-compliance with any provisions of that Act.

To facilitate coordination among the NRRIT and Federal Government organizations, the Department of the Treasury, OMB, NRRIT and RRB have entered into a voluntary memorandum of understanding concerning budgetary, accounting and financial reporting responsibilities.

### **Information Security Program**

Information security is a critical consideration for government agencies where maintaining the public's trust is essential. The RRB relies extensively on computerized systems to support its mission operations and store the sensitive information that it collects. The RRB's information security program is established and maintained to reasonably protect systems data and resources against internal failures, human errors, attacks and natural catastrophes that might cause improper disclosure, modification, destruction, or denial of services.

To ensure mission continuity, plans and procedures exist to maintain continuity of operations after a calamity for information systems that support the operations and assets of the RRB. The RRB's Continuity of Operations plan consists of a number of components, including an Occupant Emergency Plan, a Business Continuity Plan, a Crisis Communication Plan, and technically specific plans for mainframe, local area network (LAN), data communications, and desktop recovery. The agency regularly conducts semi-annual off-site disaster recovery exercises. System programmers restore the systems and applications of the agency from back-ups retrieved from an alternate data storage facility. Program libraries are re-created and production databases established. Finally, business analysts verify that the systems recovered correctly.

Federal agencies are required to provide annual computer security awareness training for employees and contractors. Security awareness efforts are designed to change behavior or reinforce good security practices by focusing attention on security. We recently acquired a contracted basic awareness training program through the SANS Institute at [www.securingthehuman.org](http://www.securingthehuman.org). The SANS Securing the Human Program provides effective awareness training that meets all requirements for FISMA compliance. For fiscal year 2013, we are planning to incorporate Risk Management Framework strategy role-based training for all agency staff required to perform information system testing and evaluation of their information systems. Every employee and contractor with computer network access participates in this annual event. Individuals who do not use a computer receive physical security awareness information. In addition to the awareness presentation, computer analysts, software developers and network/system engineers also receive specialized technical education necessary to maintain their skills and enhance proficiency. The formal awareness-training program is supplemented by a weekly Security News feature story, prominently headlined on the Intranet's home page, reminding people to protect their computers and information throughout the year. Every year, the RRB awareness program has been able to report exemplary levels of participation.

Faced with an increasingly dangerous threat environment, the RRB relies on a sophisticated hardware and software defense that utilizes carefully monitored and maintained firewall technology, anti-virus software and intrusion detection systems to prevent viruses, worms, spam and malicious content from infiltrating the network, as well as to ensure that critical data and sensitive information are not compromised. To buttress these proactive threat

management resources in the event of a successful malware attack, the agency has implemented a robust incident response capability. Utilizing the capabilities of a special forensic analysis workstation, the RRB Computer Emergency Response Team has the ability to conduct forensic collection and analysis of electronic evidence from almost any type of digital media in use today. The RRB has also established an Agency Core Response Group to determine if there is a reasonable expectation that an incident may be a data breach with the potential for identity theft, and notifies the Board members who will make the final decisions regarding breach notification.

The RRB continues to strengthen its security posture by addressing operational, management and technical security control deficiencies that have been identified in the agency plan of actions and milestones during our continuous monitoring process as well as weaknesses identified during Office of Inspector General (OIG) audits. The RRB has in place the Migration of Application to a Virtual Environment (MAVE) project to address the significant deficiency identified by the OIG concerning the security configuration management program operating critical systems in an unsupported Windows 2000 server environment. After the completion of the MAVE project these servers will be decommissioned and the security posture of the agency strengthened.

The Risk Management Framework (RMF) continuous monitoring process is integral to the information security programs of Federal agencies. Performing the RMF process helps provide an understanding of the risks and other factors that could adversely affect the agency's mission. In previous years, the RRB contracted for services to perform the security authorization process and continuous monitoring of the RRB's systems. Development of a robust strategy for risk management and continuous monitoring positions the RRB to be in full compliance with a major provision of FISMA.

<b>Railroad Retirement Board FY 2013 Final Performance Plan</b>	<b>2008 Actual <sup>1/</sup> (\$100.9m)</b>	<b>2009 Actual <sup>1/</sup> (\$105.5m)</b>	<b>2010 Actual <sup>1/</sup> (\$109.1m)</b>	<b>2011 Actual <sup>1/</sup> (\$108.9m)</b>	<b>2012 Appropriated <sup>1/</sup> (\$108.6m)</b>	<b>2013 President's Proposed (\$112.4 m)</b>
<p><b>STRATEGIC GOAL I: Provide Excellent Customer Service</b></p>						
<p><b>Performance Goal I-A: Pay benefits timely.</b>            Goal leader for objectives I-A-1 through I-A-9: Dorothy A. Isherwood, Director of Programs            Goal leader for objective I-A-9: Rachel L. Simmons, Director of Hearings and Appeals</p>						
<p>I-A-1. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 35 days of the annuity beginning date, if advanced filed. (Measure for fiscal year 2008: % ≤ 30 adjudicative processing days. Measure starting with fiscal year 2009: % ≤ 35 days. <sup>2/</sup>)</p>	<p>92.4%</p>	<p>94.86%</p>	<p>96.16%</p>	<p>96.0%</p>	<p>95.00%</p>	<p>95.00%</p>
<p>I-A-2. RRB makes a decision to pay or deny a railroad retirement employee or spouse initial annuity application within 60 days of the date the application was filed. (Measure for fiscal year 2008: % ≤ 60 adjudicative processing days. Measure starting with fiscal year 2009: % ≤ 60 days. <sup>2/</sup>)</p>	<p>96.1%</p>	<p>97.0%</p>	<p>96.9%</p>	<p>97.9%</p>	<p>96.80%</p>	<p>96.80%</p>

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I-A-3. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor not already receiving a benefit within 60 days of the annuity beginning date, or date filed (whichever is later). (Measure: % ≤ 60 days <sup>3/</sup> )	92.9%	94.4%	96.1%	96.3%	94.00%	94.20%
I-A-4. RRB makes a decision to pay, deny or transfer to SSA an initial annuity application for a railroad retirement survivor already receiving the benefits as a spouse within 30 days of the RRB's receipt of first notice of the employee's death. <sup>3/</sup> (Measure: % ≤ 30 days)	95.1%	95.4%	95.3%	95.8%	95.20%	95.20%
I-A-5. RRB makes a decision to pay or deny a lump sum death benefit within 60 days of the date the application was filed. <sup>3/</sup> (Measure: % ≤ 60 days)	97.0%	97.43%	98.3%	98.3%	98.00%	98.10%
I-A-6. RRB certifies a payment or releases a letter of denial of UI or SI benefits within 10 days of the date RRB receives the claim. (Measure: % ≤ 10 days)	99.7%	99.80%	99.9%	99.9%	99.80%	99.80%
I-A-7. RRB makes a decision to pay or deny a benefit for a disabled applicant or family member within 100 days of the date the application is filed. (Measure: % ≤ 100 days)	70.4%	62.5%	68.9%	67.5%	70.00%	70.00%

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I-A-8. RRB makes a payment to a disabled applicant within 25 days of the date of decision or earliest payment date, whichever is later. (Measure for fiscal year 2008: % ≤ 20 days. Measure for fiscal year 2009 and later: % ≤ 25 days <sup>4/</sup> )	94.8%	96.5%	96.2%	96.0%	95.00%	95.00%	
I-A-9. Reduce the number of days elapsed between the date the appeal is filed and a decision is rendered. (Measure: average elapsed days)	239 (Estimated)	231 (Estimated)	252	300	375 <sup>5/</sup>	400	
<b>Performance Goal I-B: Provide a range of choices in service delivery methods.</b> Goal leader: Dorothy A. Isherwood, Director of Programs							
I-B-1. Offer electronic options to our customers, allowing them alternative ways to perform primary services via the Internet or interactive voice response systems. (Measure: Number of services available through electronic media)	17 services available	18 services available	18 services available	19 services available	19 services available <sup>6/</sup>	19 services available <sup>6/</sup>	
I-B-2. Enable employers to use the Internet to conduct business with the RRB, in support of the Government Paperwork Elimination Act. (Measures: percentage of employers who use the on-line Employer Reporting System (ERS); number of services available through electronic media)	Employers using ERS:	69.0%	77.0%	81.2%	84%	80.0%	84.0%
	Internet services:	8 Internet services available	10 Internet services available	10 Internet services available	17 Internet services available	20 Internet services available <sup>7/</sup>	25 Internet services available

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<p><b><i>STRATEGIC GOAL II: Serve as Responsible Stewards for Our Customers' Trust Funds and Agency Resources</i></b></p>						
<p><b><i>Performance Goal II-A: Ensure that trust fund assets are projected, collected, recorded, and reported appropriately.</i></b>            Goal leader: George V. Govan, Chief Financial Officer</p>						
II-A-1. Debts will be collected through billing, offset, reclamation, referral to outside collection programs, and a variety of other collection efforts. (Measure for fiscal years 2008 - 2011: funds collected vs. total debts outstanding. Measure for fiscal years 2012 and following: total overpayments recovered in the fiscal year / total overpayments established in the fiscal year.)	58%	56%	59%	54%	85%	85%
<p><b><i>Performance Goal II-B: Ensure the accuracy and integrity of benefit programs.</i></b>            Goal leader: Dorothy A. Isherwood, Director of Programs</p>						
II-B-1. Achieve a railroad retirement benefit payment recurring accuracy rate of at least 99%. (Measure: percent accuracy rate)	Initial payments: 99.75%	99.59%	99.58%	99.97% through 3/31/11	99.75%	99.75%
	Sample post recurring payments: 99.97%	100%	Deferred <sup>8/</sup>	Deferred <sup>8/</sup>	99.75%	99.75%

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II-B-2. Achieve a railroad unemployment/sickness insurance benefit payment accuracy rate of at least 99%. (Measure: percent accuracy rate)	Unemployment:	99.71%	98.93%	100%	100%	99.60%	99.60%
	Sickness:	99.89%	99.70%	99.94%	99.71%	99.85%	99.80%
II-B-3. Maintain the level of Railroad Retirement Act (RRA) improper payments below 2.5% of RRA outlays. (Measure: percent of improper RRA payments as reported for the Improper Payments Information Act)	New indicator for fiscal year 2012	New indicator for fiscal year 2012	New indicator for fiscal year 2012	New indicator for fiscal year 2012	0.64%	0.58%	
II-B-4. Achieve a return of at least \$3.60 for each dollar spent on program integrity activities. (Measure: for fiscal years 2008 – 2011: recoveries and savings per dollar spent. Measure for fiscal years 2012 and following: recoverables and savings per dollar spent.)	\$3.97: \$1.00	\$4.20: \$1.00	\$5.51: \$1.00	\$5.46: \$1.00	\$4.28: \$1.00 <sup>2/</sup>	\$4.28: \$1.00	
<b><i>Performance Goal II-C: Ensure effectiveness, efficiency, and security of operations.</i></b> Goal leader: Terri S. Morgan, Chief Information Officer							
II-C-1. Complete modernization of RRB processing systems in accordance with long-range planning goals. (Measure: Meet target dates for the project. Yes/No)	New indicator for fiscal year 2009	Yes. The project was in the analysis and planning phase and on schedule as anticipated.	Yes. The Medicare database was converted on 9/26/10.	Yes. We expect to finish the RUIA database conversion by 2/29/12.	Yes. The target date for the RUIA conversion is now 2/29/12. We have begun conversion work on the Employment Data Maintenance database.	Yes. The conversion of the Employment Data Maintenance database is targeted for completion by 9/30/13.	



<b>Railroad Retirement Board FY 2013 Final Performance Plan</b>	<b>2008 Actual <sup>1/</sup> (\$100.9m)</b>	<b>2009 Actual <sup>1/</sup> (\$105.5m)</b>	<b>2010 Actual <sup>1/</sup> (\$109.1m)</b>	<b>2011 Actual <sup>1/</sup> (\$108.9m)</b>	<b>2012 Appropriated <sup>1/</sup> (\$108.6m)</b>	<b>2013 President's Proposed (\$112.4 m)</b>
<p><b><i>Performance Goal II-D: Effectively carry out responsibilities with respect to the National Railroad Retirement Investment Trust.</i></b>            Goal leader: Karl T. Blank, General Counsel</p>						
II-D-1. Timely review information reported by the National Railroad Retirement Investment Trust to carry out RRB's oversight responsibility under section 15(j)(5)(F) of the Railroad Retirement Act. Reports are to be reviewed within 30 days of receipt. (Measure: Yes/No)	New indicator for fiscal year 2012	New indicator for fiscal year 2012	New indicator for fiscal year 2012	New indicator for fiscal year 2012	Yes	Yes

- <sup>1/</sup> Dollar amounts shown are funds appropriated for the fiscal year. Actual results for 2011 represent status as of September 30, 2011, unless otherwise noted.
- <sup>2/</sup> In audit report 05-05, dated May 17, 2005, RRB's OIG found problems with the performance data for these indicators. One significant problem was resolved immediately, allowing us to report performance for 2005 and later. However, there were still some system limitations that prevented inclusion of all internal processing time in the performance data. Another program error caused a small number (less than 1 percent) of spouse applications to be calculated incorrectly. Effective October 1, 2008, these system problems were corrected. As a result of these system changes, beginning in fiscal year 2009, we measure timeliness by *calendar days* rather than *adjudicative processing days* as in previous years.
- <sup>3/</sup> This objective was restated as of April 2009, to more accurately describe how timeliness is measured. For objective I-A-5, the term "railroad retirement death benefit" was changed to "lump sum death benefit" to correspond with references to this benefit in the RRB's regulations.
- <sup>4/</sup> This indicator includes both employee and survivor disability payments. For fiscal year 2008, the objective was stated as follows: "Disabled applicant receives payment within 25 days of decision or earliest payment date (whichever is sooner)." Performance for fiscal year 2008 was measured according to the percentage of payments released within 20 days, assuming 5 days for delivery to the beneficiary.
- <sup>5/</sup> This target was adjusted from 250 days in the Fiscal Year 2012 Final Performance Budget due to the expected retirement of experienced staff in this area.
- <sup>6/</sup> This target was adjusted from 20 services in the Fiscal Year 2012 Final Performance Budget. As of January 2012, we offer a variety of 19 electronic service options to our beneficiaries. Although we have plans to develop additional electronic service options in the future, these plans are currently on hold due to higher priority automation activities. At this time, we are working with other benefit payment agencies to determine best practices for on-line authentication and security and will reestablish new objectives for this area in the future.

- 7/ After a review of available staffing, this target has been adjusted from 23 services in the Fiscal Year 2012 Final Performance Budget. As of January 2012, we offer a variety of 17 electronic services to employers. We will use contractor services to assist agency staff in developing three additional services, for a total of 20 services available to employers by the end of fiscal year 2012.
- 8/ The quality review of post recurring payments has been deferred since fiscal year 2010 because the accuracy rates have historically been very high, and the findings minimal. The return on measuring this area every year has diminished over time. Review has been deferred again in fiscal year 2011 to allow staff to complete work on a special quality assurance case review started in fiscal year 2010.
- 9/ This target was adjusted from \$5.48:\$1.00 at the agency request level in the Fiscal Year 2012 Final Performance Budget. In November 2012, we discovered that not all program integrity cost information was being used to compile the program integrity ratio – most significantly, the cost of a major monitoring activity was not being captured, even though the benefits of that process were included. As a result, we recomputed the program integrity ratio for fiscal years 2008 and 2009 using the updated cost amounts. We have now completed an extensive program integrity review, and found that the goal was overstated. Based on our review of the process used to determine performance for this indicator, we changed the fiscal year 2012 target to a more realistic ratio.

**Objectives Dropped from the Fiscal Year 2011 Annual Performance Budget**

<b>Indicator <sup>1/</sup></b>	<b>Reason</b>
I-A-3a. Achieve a railroad retirement initial case accuracy Initial cases of at least 94%. (Measure: % of case accuracy)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-3b. Achieve a railroad retirement post case accuracy rate of at least 94%. (Measure: % of case accuracy)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-4a. Achieve a railroad unemployment insurance case accuracy rate of at least 98%. (Measure: % of case accuracy)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-4b. Achieve a railroad sickness insurance case accuracy rate of at least 98%. (Measure: % of case accuracy)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-10. RRB releases a UI claim form or letter of denial within 10 days of receiving an application for unemployment benefits. (Measure: % ≤ 10 days)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-11. RRB releases an SI claim form or letter of denial within 10 days of receiving an application for sickness insurance benefits. (Measure: % ≤ 10 days)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-16. Achieve quality and accuracy of correspondence, publications and voice communications. (Measure for fiscal year 2010 and later: number of valid challenges to published data)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-17. Improve timeliness and efficiency in posting service and compensation data to agency records. (Measure for fiscal year 2010 and later: % of service and compensation records posted by May 1)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-18. Improve accuracy in posting service and compensation data to agency records. (Measure: % of service and compensation records posted accurately)	Data will continue to be tracked internally but will no longer be published in the APB.
I-A-19. Covered employer annual reports of employees filed electronically, or on magnetic media. (Measure: % of employee records filed electronically, or on magnetic media)	Data will continue to be tracked internally but will no longer be published in the APB.
II-A-2. Release quarterly and annual notices accurately and timely to employers regarding their experience rating-based contributions. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.

**Objectives Dropped from the Fiscal Year 2011 Annual Performance Budget**

Indicator <sup>1/</sup>	Reason
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.) (Measure: % completed)	Data will continue to be tracked internally but will no longer be published in the APB.
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. (Measure: reasonableness test performed and anomalies reconciled with Treasury. Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-A-5. Prepare annual Performance and Accountability Reports (including audited financial statements and other financial and performance reports) by the required due dates. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-A-6. Take prompt corrective action on audit recommendations. (Measure: % of audit recommendations implemented by target date)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-1. Continue succession planning by ensuring there is a cadre of highly skilled employees available for key positions. (Measure: structured succession planning activities are continuing. Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-2. Annually assess/update all computer security, disaster recovery, and business resumption plans for the agency. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-3. Maintain an incident response program for responding to and reporting computer security incidents. (Measure: All cyber security incidents will be reported to US-CERT. Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-4. Assess computer security training requirements and implement an ongoing training program for agency staff. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-6. Assemble and publicize an annual inventory of RRB commercial activities on the RRB Website. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.

**Objectives Dropped from the Fiscal Year 2011 Annual Performance Budget**

<b>Indicator <sup>1/</sup></b>	<b>Reason</b>
II-C-7. Meet government percentage goal for use of performance-based contracting techniques for eligible service contract funds. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-8. Support government-wide procurement of E-Government initiatives using the point of entry vehicle of www.FedBizOpps.gov for all eligible actions. (Measure: Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-C-12. Complete 16 corrective actions to correct the RRB’s material weakness related to information security. (Measure: Meet target dates for the project. Yes/No)	Data will continue to be tracked internally but will no longer be published in the APB.
II-D-1. Review monthly reports submitted by the Trust. (Measure: Yes/No)	Consolidated with II-D-2 and 3 into a single new indicator.
II-D-2. Review annual management reports submitted by the Trust. (Measure: Yes/No)	Consolidated with II-D-1 and 3 into a single new indicator.
II-D-3. Review annual audit reports of the Trust’s financial statements. (Measure: Yes/No)	Consolidated with II-D-1 and 2 into a single new indicator.

<sup>1/</sup> Indicator numbers correspond to the Fiscal Year 2011 Annual Performance Budget.

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**JUSTIFICATION OF ESTIMATES**

**The Administration's Proposed Appropriation Language**

**DUAL BENEFITS PAYMENTS ACCOUNT**

*For payment to the Dual Benefits Payments Account, authorized under section 15(d) of the Railroad Retirement Act of 1974, \$45,000,000, which shall include amounts becoming available in fiscal year 2013 pursuant to section 224(c)(1)(B) of Public Law 98-76; and in addition, an amount, not to exceed 2 percent of the amount provided herein, shall be available proportional to the amount by which the product of recipients and the average benefit received exceeds the amount available for payment of vested dual benefits: Provided, That the total amount provided herein shall be credited in 12 approximately equal amounts on the first day of each month in the fiscal year. (Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012.)*

**Explanation of Proposed Appropriation Language**

<b>Appropriation language</b>	<b>Explanation</b>
<p><i>For payment to the Dual Benefits Payments Account, authorized under section 15(d) of the Railroad Retirement Act of 1974, \$45,000,000, which shall include amounts becoming available in fiscal year 2013 pursuant to section 224(c)(1)(B) of Public Law 98-76; and in addition, an amount, not to exceed 2 percent of the amount provided herein, shall be available proportional to the amount by which the product of recipients and the average benefit received exceeds the amount available for payment of vested dual benefits: Provided, That the total amount provided herein shall be credited in 12 approximately equal amounts on the first day of each month in the fiscal year.</i></p>	<p>The proposed appropriation language provides \$45,000,000 to the Dual Benefits Payments Account for payment of vested dual benefits. Of the \$45,000,000, it is estimated that \$3 million will be derived from income tax revenues as provided by Section 224(c)(1)(B) of Public Law 98-76. Also, an additional reserve amount not to exceed \$900,000 (\$45,000,000 X 2%) will be made available only if the product of recipients and the average benefit received exceeds the amount available. The monies provided to the Dual Benefits Payments Account are to be made available to the account on a monthly basis in 12 approximately equal amounts.</p>



**Authorizing Legislation**

<b>Legislation</b>	<b>2012</b>		<b>2013</b>	
	<b>Authorized</b>	<b>Current estimate</b>	<b>Authorized</b>	<b>Appropriation request</b>
Railroad Retirement Act of 1974 as amended: Sections 15(d)(1), 7(c)(1), and 15(i)(2)				
Dual Benefits Payments	Indefinite	\$50,914,950 <u>a/</u>	Indefinite	\$45,000,000

a/ This amount reflects an appropriation of \$51,000,000, less a rescission of \$85,050 provided by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74).

Section 15(d)(1):

"There is hereby created an account in the Treasury of the United States to be known as the Dual Benefits Payments Account. There is hereby authorized to be appropriated to such account for each fiscal year beginning with the fiscal year ending September 30, 1982, such sums as are necessary to pay during such fiscal year the amounts of annuities estimated by the Board to be paid under sections 3(h), 4(e), and 4(h) of this Act and under sections 204(a)(3), 204(a)(4), 206(3), and 207(3) of Public Law 93-445."

Section 7(c)(1):

"In any fiscal year, the total amounts paid under such sections shall not exceed the total sums appropriated to the Dual Benefits Payments Account for that fiscal year."

Section 15(i)(2):

"The Secretary of the Treasury shall, on a monthly basis, credit each account established in the Treasury for the payment of benefits under this Act for the proportionate amount of benefit checks (including interest thereon) drawn on each such Account more than six months previously but not presented for payment and not previously credited to such Account, to the extent provided in advance in appropriation Acts."

## Appropriations History Table

### Dual Benefits Payments Account a/

<u>Year</u>	<u>Budget estimate to the Congress</u>	<u>House allowance</u>	<u>Senate allowance</u>	<u>Appropriation/ continuing resolution</u>	
2004	\$119,000,000	\$119,000,000	\$119,000,000	\$118,298,000	b/
2005	108,000,000	108,000,000	108,000,000	107,136,000	c/
2006	97,000,000	97,000,000	97,000,000	96,030,000	d/
2007	88,000,000	88,000,000	88,000,000	88,000,000	
2008	79,000,000	79,000,000	79,000,000	79,000,000	e/
2009	72,000,000	72,000,000	72,000,000	72,000,000	
2010	64,000,000	64,000,000	64,000,000	64,000,000	
2011	57,000,000	---	---	56,886,000	f/
2012	51,000,000	---	---	50,914,950	g/
2013	45,000,000				

a/ For all amounts on the following table, the appropriation language provides that an additional amount, not to exceed 2 percent of the appropriation amount, shall become available under certain conditions to provide for full payment of vested dual benefits. The appropriation language also specifies that the amount made available will be credited to the account on a monthly basis in 12 approximately equal amounts.

b/ Amount reflects the level of funding provided by the Consolidated Appropriations Act, 2004 (P.L. 108-199). This amount reflects an appropriation of \$119,000,000, less a rescission of \$702,000.

c/ Amount reflects the level of funding provided by the Consolidated Appropriations Act, 2005 (P.L. 108-447). This amount reflects an appropriation of \$108,000,000, less a rescission of \$864,000.

d/ Amount reflects an appropriation of \$97,000,000 provided by the Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2006 (P.L. 109-149), less a rescission of \$970,000 in accordance with P.L. 109-148. Pursuant to P.L. 109-234, an additional \$970,000 was allocated from the contingency reserve to ensure full payment of vested dual benefits.

e/ Amount reflects an appropriation of \$79,000,000 provided by the Consolidated Appropriations Act, 2008 (P.L. 110-161), less a rescission of \$1,380,130 in accordance with P.L. 110-161. Additional funding was allocated from the contingency reserve to restore the funding level to \$79,000,000 and ensure full payment of vested dual benefits.

f/ Amount reflects the level of funding provided by the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10). This amount reflects an appropriation of \$57,000,000 less a rescission of \$114,000.

g/ Amount reflects an appropriation of \$51,000,000, less a rescission of \$85,050 provided by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74).

## Funding Sources

The proposed appropriation language calls for funding from the following source.

<u>Funding sources</u>	<u>Budget authority <u>a/</u></u>
General revenue	\$45,000,000
[Of the \$45,000,000 to be funded from general revenue, \$3,000,000 is expected from income taxes on vested dual benefits.]	

a/ The proposed appropriation language provides that "... an amount, not to exceed 2 percent of the amount provided herein, shall be available proportional to the amount by which the product of recipients and the average benefit received exceeds the amount available for payment of vested dual benefits ...."

**Dual Benefits Payments Account**

**Amounts Available for Obligation**

	<u>Fiscal year 2011 actual</u>	<u>Fiscal year 2012</u>	<u>Fiscal year 2013 estimate</u>
Appropriation, excluding 2% contingency reserve (general funds of the Treasury)	\$56,886,000	\$50,914,950	\$45,000,000
Transfer from other accounts (Federal Payments to the Railroad Retirement Accounts)	<u>1,390</u> a/	<u>4,000</u> a/	<u>3,000</u> a/
Subtotal:	\$56,887,390	\$50,918,950	\$45,003,000
Less:	<u>1,725,437</u>		
Unobligated balance		<u>0</u>	<u>0</u>
Total obligations (payments to beneficiaries)	<u>\$55,161,953</u>	<u>\$50,918,950</u>	<u>\$45,003,000</u>

a/ This amount represents this account's share of interest on uncashed checks.

## **Explanation of 2013 Request**

This is the 38th request for appropriations authorized by the Railroad Retirement Act of 1974 to fund vested dual benefits received by railroad retirees who, under prior law, would have become covered by both the railroad retirement system and the social security system because railroad retirement was not fully coordinated with social security from 1937 to 1974.

Under laws in effect prior to 1975, a worker engaging in covered employment under both the Railroad Retirement Act and Social Security Act could receive benefits separately under both Acts. Because the social security benefit formula is weighted in favor of the low wage earner, the total of a worker's benefits from both systems averaged more than annuities of railroad employees who worked in the rail industry exclusively, and who had paid proportionally higher retirement taxes for the purpose of receiving higher benefits. The cost of the dual benefits was borne by the railroad retirement system since they reduced the system's income from its financial interchange with the social security system.

This situation was the major cause of the poor financial condition of the railroad retirement system in the early 1970s. In order to improve the system's financial condition, the Railroad Retirement Act of 1974 provided that the tier I component of the railroad retirement annuity be reduced by any social security benefit. This essentially integrated the two systems and eliminated the advantage of qualifying for benefits under both systems.

However, it was generally considered unfair to eliminate this advantage entirely for those already retired or close to retirement when the 1974 Act became effective. The 1974 Act, therefore, provided for a restoration of benefits which were considered vested at the end of 1974. The restored amount was known as the "vested dual benefit."

After considering various alternatives, the Congress authorized general fund appropriations to finance the cost of phasing out dual benefits. The Congress considered it unfair to impose this cost on current and future railroad employees because such employees would not be permitted to receive dual benefits upon retirement (except where vested rights were involved). Similarly, the Congress believed that it would be unfair to impose this cost on railroads because railroads had not benefitted and had consistently opposed the creation and expansion of dual benefits. Financing the vested dual benefit component of railroad retirement annuities from general revenues was supported by a precedent regarding military service and by the fact that the dual benefit problem had been brought about by prior Congressional action repealing past dual benefit restrictions over the objections of the railroads.

Under the 1974 Act, appropriations had been authorized from general revenues for the phase-out costs of vested dual benefits. The amounts were to be sufficient to fund vested dual benefits on a level payment basis over the years 1976-2000. Because there was no provision in the law to reduce vested dual benefits to a level that would be fully covered by the amount appropriated, railroad retirement taxes were being used to cover the shortfall in

the appropriation from general revenues. This led to a drain on the Railroad Retirement Account and contributed to a cash flow crisis.

To stop the resulting drain on the Railroad Retirement Account, the 1981 amendments changed vested dual benefits to a pay-as-you-go basis rather than a level-payment system. Starting in fiscal year 1982, vested dual benefits were to be reduced so as not to exceed the amount of the annual appropriation.

The Railroad Retirement Solvency Act of 1983 provided that revenues generated from income taxes on vested dual benefits be credited to the Railroad Retirement Account for fiscal years 1984 through 1988, and thereafter to the Dual Benefits Payments Account. Thus, since fiscal year 1989, these taxes have been credited to the Dual Benefits Payments Account and applied as an offset to the amount of funding needed from general revenues.

For fiscal year 2012, the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74) provided an appropriation of \$51,000,000, less a rescission of \$85,050, to fund vested dual benefit payments.

The fiscal year 2013 appropriation language provides for 12 monthly payments to this account from general revenues and specifies that \$45,000,000 be appropriated for benefits. In addition, the proposed language provides that an additional amount not to exceed 2 percent of the \$45,000,000 appropriated -- or up to \$900,000 -- shall be available proportional to the amount by which the product of recipients and the average benefit received exceeds the amount available for payment of vested dual benefits.

## **JUSTIFICATION OF ESTIMATES**

### **The Administration's Proposed Appropriation Language**

#### **FEDERAL PAYMENTS TO THE RAILROAD RETIREMENT ACCOUNTS**

*For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, \$150,000, to remain available through September 30, 2014, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76. (Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012.)*

## Explanation of Proposed Appropriation Language

<u>Appropriation language</u>	<u>Explanation</u>
<i>For payment to the accounts established in the Treasury for the payment of benefits under the Railroad Retirement Act for interest earned on unnegotiated checks, \$150,000, to remain available through September 30, 2014, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.</i>	<p>Section 417 of Public Law 98-76 (Railroad Retirement Solvency Act of 1983) amended the Railroad Retirement Act of 1974 to provide for monthly transfers from the Treasury of amounts for benefit checks drawn 6 months earlier and not presented for payment.</p> <p>Since fiscal year 1991, the RRB does not receive credits to this account for the principal amount of uncashed railroad retirement checks under provisions of the Competitive Equality Banking Act of 1987. Instead, such funds, which are appropriated to the Treasury, are transferred directly to the railroad retirement accounts and the Dual Benefits Payments Account. Interest on uncashed railroad retirement checks, however, must still be appropriated in advance to this account.</p>



**Authorizing Legislation**

<b>Legislation</b>	<b>2012</b>		<b>2013</b>	
	<b>Authorized</b>	<b>Current estimate</b>	<b>Authorized</b>	<b>Appropriation request</b>
Railroad Retirement Solvency Act of 1983, Section 417	Indefinite	\$150,000 <u>a/</u>	Indefinite	\$150,000
Competitive Equality Banking Act of 1987, Section 1003				
Railroad Retirement Act of 1974, as amended, Section 15(i)(2)				

"The Secretary of the Treasury shall, on a monthly basis, credit each account established in the Treasury for the payment of benefits under this Act for the proportionate amount of benefit checks (including interest thereon) drawn on each such Account more than six months previously but not presented for payment and not previously credited to such Account, to the extent provided in advance in appropriation Acts."

**Appropriations History Table**

<b><u>Fiscal year</u></b>	<b><u>Budget estimate to the Congress</u></b>	<b><u>House allowance</u></b>	<b><u>Senate allowance</u></b>	<b><u>Appropriation</u></b>
2004	\$150,000	\$150,000	\$150,000	\$150,000
2005	150,000	150,000	150,000	150,000
2006	150,000	150,000	150,000	150,000
2007	150,000	150,000	150,000	150,000
2008	150,000	150,000	150,000	150,000
2009	150,000	150,000	150,000	150,000
2010	150,000	150,000	150,000	150,000
2011	150,000	---	---	150,000
2012	150,000	---	---	150,000 <u>a/</u>
2013	150,000			

a/ This amount reflects the level of funding provided by the Departments of Labor, Health and Human Services, and Education, and Related Agencies Appropriations Act, 2012 (P.L. 112-74).

Note: Amounts appropriated are available for 2 years.

**Federal Payments to the Railroad Retirement Accounts**  
**(Appropriations for Uncashed Checks)**

**Amounts Available for Obligation**

	<b><u>Fiscal year 2011 actual</u></b>	<b><u>Fiscal year 2012 estimate</u></b>	<b><u>Fiscal year 2012 estimate</u></b>
Appropriation	\$150,000	\$150,000	\$150,000
Plus:			
Unobligated balance, start of year	<u>150,000 a/</u>	<u>150,000 a/</u>	<u>150,000 a/</u>
Subtotal:	\$300,000	\$300,000	\$300,000
Less:			
Unobligated balance, end of year	<u>249,801</u>	<u>200,000</u>	<u>200,000</u>
Total obligations	<u>\$ 50,199</u>	<u>\$100,000</u>	<u>\$100,000</u>

a/ Of the total end of year unobligated balance, only the \$150,000 appropriated in the previous fiscal year is brought forward into the subsequent fiscal year.

**Explanation of 2012 Request**

Prior to enactment of Section 417 of the Railroad Retirement Solvency Act of 1983, amounts for uncashed benefit checks were not credited to the Railroad Retirement Accounts. Section 417 provided a two-part process for recovering unnegotiated benefit check amounts. The first part, represented by the 1985 appropriation request, was a catch-up mechanism to credit the accounts with the amount of all uncashed checks issued prior to May 1985, that the Treasury and the RRB could jointly identify from accounting records. The amount agreed upon and appropriated in 1985 was \$15 million and was to remain available through September 30, 1986.

The second part of the process went into effect for checks issued on and after May 1, 1985. From that date, on a monthly basis, the Treasury transferred to the account amounts represented by checks drawn 6 months earlier and not presented for payment. These amounts were provided for, in advance, in appropriation acts. For fiscal year 1991 and thereafter, the RRB is to seek appropriation authority only for the interest earned on unnegotiated checks. Under provisions of the Competitive Equality Banking Act of 1987, the principal amount of uncashed railroad retirement checks is to be appropriated to the Treasury, which in turn shall transfer such amounts directly to the appropriate RRB accounts.

The appropriation proposed for fiscal year 2013 provides that funds would be available for 2 years, through September 30, 2014.

## **Information Technology Strategy and Benefits Fiscal Year 2013**

The Railroad Retirement Board actively pursues automation and modernization of its various business processes in accordance with the principles identified in the agency's Strategic Plan, Strategic Information Resources Management Plan and Enterprise Architecture. Ongoing and planned projects will further increase and enhance the efficiency and effectiveness of our benefit payments and program administration. Automation initiatives in recent years have also significantly improved operations and allowed the agency to reduce staffing in certain areas.

Key capital initiatives for fiscal year 2013 are summarized below. Additional information concerning each capital element is provided on the following pages.

***Application Development Services*** - These investments represent innovation technology initiatives to automate manual work, modernize existing systems and improve operations which, in turn, generate long-term cost savings.

- ***Financial Management Integrated System*** (\$3,562,000)  
The RRB's legacy financial management system, the Federal Financial System (FFS), reached its end of life cycle in fiscal year 2003. While the FFS continues to meet the financial processing and reporting requirements of the RRB, conversion to a shared service provider hosted solution follows OMB Circular A-127 guidance, while removing the risk associated with dependence on a system that has reached its end of life cycle.
- ***E-Government*** (\$100,000)  
Initiatives in this category provide electronic services to the public, as outlined in the Government Paperwork Elimination Act of 1998, and other Federal directives/mandates. They also achieve our strategic objective of providing our customers with more flexible service delivery options. In fiscal year 2013, we will continue to use contactor assistance to supplement agency resources on the multi-year, multi-stage Employer Reporting System project to provide a web-based alternative to paper-based forms exchanged between rail employers and the agency.
- ***Enterprise Human Resources Integration*** (\$180,000)  
Enterprise Human Resources Integration (EHRI) is one of five Office of Personnel Management (OPM) led e-Government initiatives. OPM, working with the Office of Management and Budget, has advised agencies that they will have to convert the Official Personnel Folders of their employees to an electronic format by December 2013. Funds for this initiative will be used for contractor services to assist RRB staff to develop the requirements for an electronic folder solution.

## **Information Technology Strategy and Benefits Fiscal Year 2013**

- *Web Content Management System* (\$250,000)  
In alignment with the Administration's "Cloud First" strategy, we plan to use funds to move the RRB's website, www.rrb.gov, to a content management based web hosted service. A web-based content management system would replace the agency's use of a no longer supported web publishing tool to manage administration and publishing tasks on its web site, and redistribute work primarily accomplished by web administrators to other agency staff as content providers.
  
- *Electronic Records Content Management System* (\$100,000)  
Fiscal year 2013 is the first of a multi-year effort that will enable the RRB to manage its records electronically through an Electronic Records Management System (ERCM). Fiscal year 2013 will focus on obtaining consultative expertise for designing the ERCM system. Additional resources will be needed in the following years for installation of software and hardware, training, and development of associated policies and procedures

***IT Infrastructure*** - Information technology infrastructure investments are required to establish a firm foundation for the technology advances we have planned in accordance with the agency's target enterprise architecture and to maintain our operational readiness. The specific investments in fiscal year 2013 include:

- *Storage Area Network Upgrade* (\$175,000)  
Funding in fiscal year 2013 will be used for additional data storage on the agency's storage area network, and for obtaining services and tools to ensure that the storage is optimized.
  
- *Desktop Virtualization* (\$50,000)  
Desktop virtualization separates a personal computer desktop environment from a physical machine using the same type of hardware and software systems required to support a virtualized environment. This initiative funds consulting services to develop the requirements for a small proof of concept pilot project.
  
- *Infrastructure Replacement* (\$270,710)  
This item provides funding for the continued upgrading and scheduled replacement of a portion of the agency's IT infrastructure equipment and related software. The upgrades and replacements follow the RRB's *IT Equipment Replacement Policy* for modernizing and securing the agency's computer operations.
  
- *Emergency Business System/Application Restoration Services* (\$50,000)  
This non-capital element allows the RRB to quickly and efficiently purchase IT services, hardware and software for emergency needs. The funds will be used for expert IT professional services as necessary to facilitate the continuity of operations in emergency situations.

## **Information Technology Strategy and Benefits Fiscal Year 2013**

### **Application Development Services**

Capital Element: **Financial Management Integrated System (FMIS)**

Fiscal Year 2013 Cost: \$3,562,000

The FMIS project provides for the migration to the cloud and/or shared service provider of the agency's financial management system. We envision a multi-phased project approach. The tasks will be divided between:

- Pre-migration planning stage
- Migration stage
- Post-migration stage

OMB Circular A-127 prescribes policies and standards for executive departments and agencies to follow when managing their financial management systems. The Circular defines requirements to adopt standard financial business practices. Small agencies are particularly encouraged to use cross-servicing to meet fundamental core financial and payroll/personnel processing and reporting requirements.

The RRB's legacy financial management system, Federal Financial System (FFS), reached the end of its life cycle in fiscal year 2003. While the FFS continues to meet the financial processing and reporting requirements of the RRB, conversion to a shared service provider hosted solution follows OMB Circular A-127 guidance while removing the risk associated with dependence on a system that has reached the end of its life cycle.

Advantages of a conversion include compliance with the business processes established by the Financial Systems Integration Office (FSIO), improved end-user reporting capabilities, a user-friendly interface, and the transfer of daily system operations to an outside service provider. The transfer of system operations relieves the RRB of activities such as supporting the financial management system application upgrades, configurations, maintenance and modifications.

## **Information Technology Strategy and Benefits Fiscal Year 2013**

### **Application Development Services**

Capital Element: **E-Government**

Fiscal Year 2013 Cost: **\$100,000**

We plan to use contractor services to augment existing agency staff to expand the electronic services available to the railroad public via the RRB's website. This goal is consistent with the RRB's overall goal to address our customers' needs and expectations, providing them with a range of choices for conducting business with us, including more Internet options that are private and secure. The benefits of these initiatives will be realized in increased efficiency and accuracy of business transactions between rail employees/employers and the RRB.

A key initiative in this area is the Employer Reporting System (ERS) project, a multi-year, multi-phased project to provide employers with web-based alternatives to all paper-based forms exchanged between employers and the RRB.

In fiscal year 2013, we plan to use contractor services to assist in the development of an automated referral process in ERS to notify employers of errors or the need for additional information and provide a means for correcting the data. With contractor support, we will also develop online processes for employers to respond electronically to requests for information which is needed to process some initial annuity applications. These include requests for verification of last date on the payroll and for information needed to support the payment of supplemental annuities.

Replacing these paper-based processes will improve customer service by speeding up initial annuity processing and enhance stewardship by securing and protecting personally identifiable information. Contractor support helps to accelerate each phase of the project beyond the rate that can be achieved using only agency staff.

**Information Technology Strategy and Benefits  
Fiscal Year 2013**

**Application Development Services**

Capital Element: *Enterprise Human Resources Integration*

Fiscal Year 2013 Cost: **\$180,000**

Enterprise Human Resources Integration (EHRI) is one of five Office of Personnel Management (OPM) led e-Government initiatives. EHRI is designed to transform the way human resource specialists and managers access human resource information and the way employees access their personnel file information. As part of this initiative, OPM has advised agencies to convert employee official personnel folders to an electronic format by December 2013.

Funds for this initiative will be used to obtain consulting services for overall planning, including requirements, for an electronic official personnel folder system.

## Information Technology Strategy and Benefits Fiscal Year 2013

### Application Development Services

Capital Element: *IT Tools and Systems*

Fiscal Year 2013 Cost: **\$350,000**

IT tools and systems allow programmers, system engineers, technicians, and system support staffs to improve the efficiency and effectiveness of agency operations. Specific characteristics include the ability to move development forward, improve the system development life cycle, and help business processes throughout the agency. Projected costs in this category for new or upgraded software tools and systems include customization, staff training, and knowledge transfer.

- Web Content Management (WCM) System (\$250,000)  
In fiscal year 2013, we plan to obtain and migrate to a content management based web hosted service to manage the agency's website, www.rrb.gov. This solution is in alignment with the Administration's "Cloud First" strategy. A web content management (WCM) system is an Internet-based content management system designed to simplify the publication of web content to web sites and mobile devices, in particular, allowing content creators to submit content without requiring technical knowledge of HTML or the uploading of files. A WCM platform empowers existing staff without needing to retain and/or retrain specialized skills. The WCM would replace the RRB's use of a no longer supported web publishing tool to manage administration and publishing tasks on its web site.
- Electronic Records Content Management (ERMC) System (\$100,000)  
Also in fiscal year 2013, consulting services will be used to assist RRB staff in determining overall system requirements for a pilot ERMC system. The goal of the ERMC system will be to identify, maintain, classify and dispose of RRB's electronic records, including e-mail, according to specified records disposition policies. The initiative is part of a multi-year effort consisting of consultative guidance, the installation of software, hardware, training, and associated policies and procedures that will enable the RRB to manage its records electronically.



## Information Technology Strategy and Benefits Fiscal Year 2013

### Information Technology Infrastructure

Capital Element: **Network Operations**

Fiscal Year 2013 Cost: **\$225,000**

The RRB's computer network links headquarters with its field office systems. The heart of the network is a data center that runs the applications which handle the core business and operational data of the agency.

It is vitally important that a reliable network infrastructure be in place to minimize any chance of disruption. This capital item supports planned projects for improvements to the agency's mainframe and servers, as well as associated components, such as telecommunications and storage systems, software, backup power supplies, data communications connections, environmental controls (air conditioning, fire suppression), and special security devices. It also includes funding for mandatory or emergency replacement and upgrade of hardware and software. Contractual assistance is needed to augment agency staff to accomplish the initiatives.

- Storage Area Network (SAN) Upgrade (\$175,000)  
The agency's SAN provides the storage for its virtual server environment. It is also used for backup and archival storage. In fiscal year 2013, the RRB plans to add to the current SAN and obtain services and tools to ensure that current storage is optimized. As of fiscal year 2011, following the RRB's own established strategy and that of the Administration's Federal Data Center Consolidation Initiative to reduce the overall energy use within government data centers, the RRB virtualized 43 percent of its data center servers. At the current pace the RRB anticipates virtualization of 60 percent of the agency's servers by the end of fiscal year 2013.
- Desktop Virtualization (\$50,000)  
Desktop virtualization separates a personal computer desktop environment from a physical machine using the same type of hardware and software systems required to support a virtualized environment. This initiative funds consulting services to develop the requirements for a small proof of concept desktop virtualization pilot project. Such a pilot project will be used to assist us in determining if virtualizing desktops is a cost effective alternative to purchasing replacements of the desktop computers and associated peripheral equipment.

## **Information Technology Strategy and Benefits Fiscal Year 2013**

### **Information Technology Infrastructure**

Capital Element: **Infrastructure Replacement**

Fiscal Year 2013 Cost: **\$270,710**

IT infrastructure is the critical foundation for business applications. Life cycle replacement of infrastructure equipment is a direct cost, but reduces indirect, hidden costs such as lost end-user productivity and downtime. Funding will be used for replacement of IT equipment based on the greatest need, as funds will not allow the replacement of all equipment scheduled for replacement based on our *IT Equipment Replacement Policy*. For fiscal year 2013 we will target the following for replacement:

- Routers/Switches (\$210,710)
- Servers (\$60,000)

Routine replacement of laptop and personal desktop computers throughout the agency is not currently planned for fiscal year 2013 due to funding constraints. The RRB desktop virtualization pilot project, will determine if a full rollout of desktop virtualization is feasible.

**Information Technology Strategy and Benefits  
Fiscal Year 2013**

Non-Capital Element: **Emergency Business System/Application Restoration Services**

Fiscal Year 2013 Cost: **\$50,000**

This initiative allows the agency to quickly and efficiently purchase IT services for computer programming, hardware, software, and other IT-related services. The funds will be used for expert IT professional services necessary in the event of resource availability shortages and restoration time constraints to facilitate the continuity of operations in an emergency situation.

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## RAILROAD RETIREMENT BOARD

### Summary of Full-Time Equivalent Employment

Series	Rank	FY 2011 actual	FY 2012 estimate	FY 2013 estimate
Executive	Level III	1	1	1
	Level IV	2	2	2
Senior Executive Service	ES-00	8	8	8
General Schedule/Management	GS/GM-15	33	32	30
	GS/GM-14	61	61	59
	GS/GM-13	101	91	88
	GS-12	224	225	226
	GS-11	153	160	160
	GS-10	137	132	141
	GS-9	51	41	40
	GS-8	30	37	32
	GS-7	48	33	50
	GS-6	15	18	11
	GS-5	27	33	26
	GS-4	12	11	11
	GS-3	0	0	0
	GS-2	0	0	0
Wage Board	All Levels	0	0	0
Combined	Total	<b>903</b>	<b>885</b>	<b>885</b>

Positions in the Office of Inspector General are excluded.

**AVERAGE ES AND GS/GM SALARIES AND BENEFITS**  
**AND GS/GM GRADES**

	<b>FY 2011 actual</b>	<b>FY 2012 estimate</b>	<b>FY 2013 estimate</b>
Average ES salary	\$174,730	\$173,611	\$174,479
Average ES benefits	44,350	45,093	45,721
Subtotal, ES	219,080	218,704	220,200
Average GS/GM salary	\$82,909	\$83,805	\$84,655
Average GS/GM benefits	21,044	21,767	22,183
Subtotal, GS/GM	103,953	105,572	106,838
Average GS/GM grade	12.3	12.3	12.3

**Railroad Retirement Board**  
**Employee Relocation Expenses**

	<b>Past year FY 2011</b>	<b>Current year FY 2012</b>	<b>Budget year FY 2013</b>
Total	\$21,880	\$197,000	\$281,500

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