

OFFICE OF INSPECTOR GENERAL

Briefing

**Retirement Experience
of the
Employees of the Long Island Rail Road
Under the Railroad Retirement Act**

November 24, 2008



RAILROAD RETIREMENT BOARD

Briefing
Retirement Experience of the Employees of the Long Island Rail Road

The purpose of this presentation is to provide a briefing concerning the retirement experience of employees of the Long Island Rail Road (LIRR) within the context of the railroad retirement program as a whole.

Retirement Under the Railroad Retirement Act

The Railroad Retirement Board (RRB) administers the retirement and survivor provisions of the Railroad Retirement Act (RRA). Older railroad workers who have met the age and service requirements of the Act may retire under the RRA's *non-disability* provisions.¹ We will refer to this as ***Non-Disability Retirement***.

Younger workers may be entitled to benefits under the *disability* provisions of the RRA. Similar to the Social Security Act, the RRA provides retirement benefits to individuals who are disabled from all employment. Unlike the Social Security Act, the RRA also provides benefits to individuals who are disabled from the work they perform in the railroad industry, but who might otherwise find employment elsewhere.

- The RRA provides for disability benefits to workers who have worked for at least 10 years in the railroad industry, and who are totally disabled from all employment in the national economy. We will refer to this as ***Total Disability***.
- The RRA also provides for disability benefits to workers who have worked for at least 20 years in the railroad industry, have a current connection to the rail industry, and who are unable to perform the work of their regular railroad occupation.² We will refer to this as ***Occupational Disability***.

As a whole, the railroad retirement program has been shrinking. The annual number of non-disability retirements under the RRA fell throughout the 1990's, but rose slightly after passage of the Railroad Retirement and Survivors' Improvement Act of 2001 (RRSIA).³ By comparison, retirements under the disability provisions of the RRA remained relatively constant, showing only moderate variance, for both total and occupational disability.

The following chart illustrates the trends in retirement under the non-disability, total disability and occupational disability retirement provisions of the RRA.

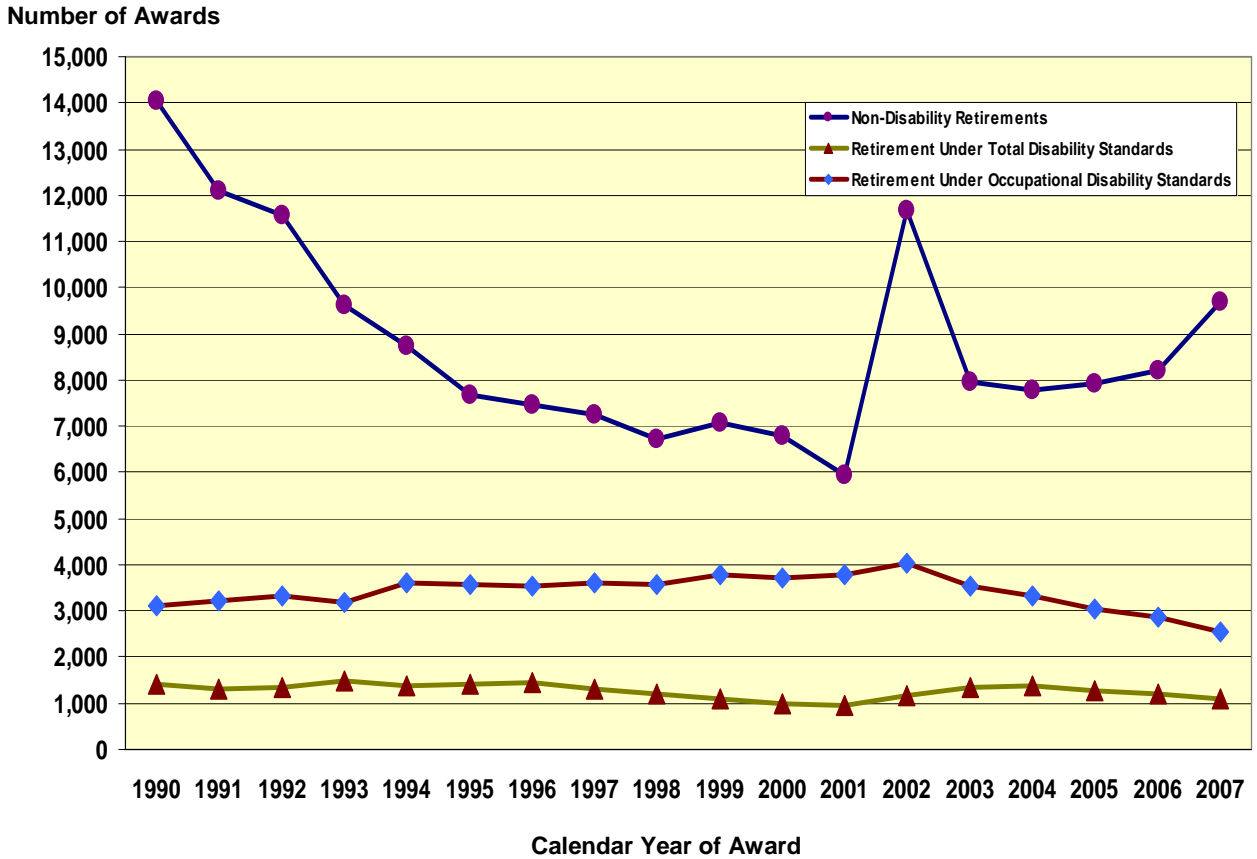
¹ For example, under the RRA, aged workers may receive retirement annuities if they have reached age 60 and worked in the railroad industry for 30 years of service or have reached age 62, the minimum retirement age for workers under the Social Security Act.

² In most cases a worker has a "current connection" if he/she has not been employed outside the railroad industry since leaving their last railroad employer.

³ A discussion of the full impact of RRSIA is beyond the scope of this document.

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**Number of Benefits Awarded Annually
 1990 through 2007
 by Type**



Note:

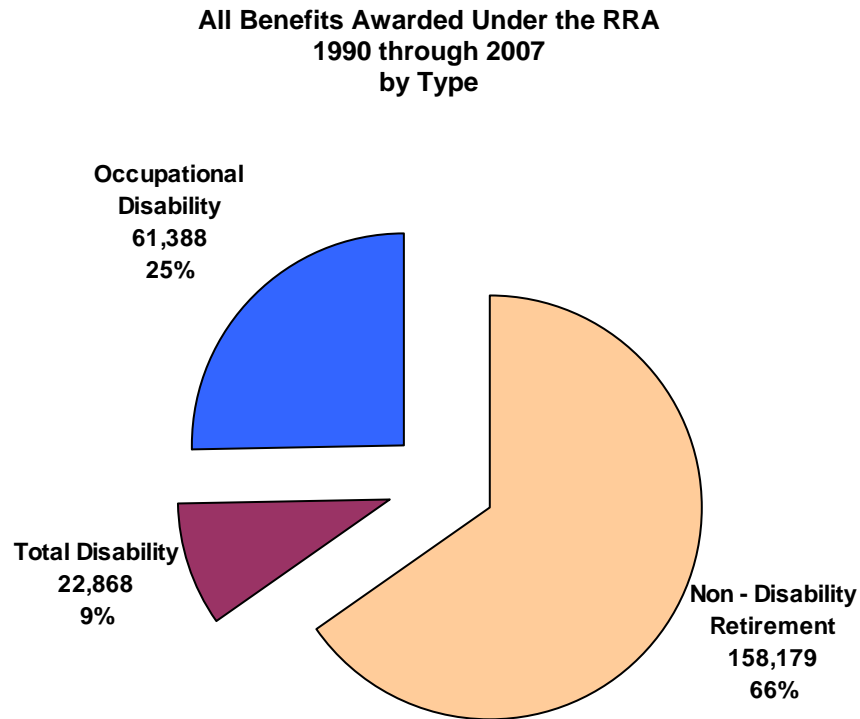
1. The abnormal increase in non-disability awards in 2002 is primarily due to administrative activity related to RRSIA and does not indicate an increase in benefit awards.
2. The increase in non-disability retirements after 2001 may be attributed to the liberalized vesting provisions of RRSIA that allowed certain workers to retire under the RRA who would have otherwise retired under the Social Security Act.

Disability Experience of the Railroad Retirement Program

We analyzed all benefits awarded to former railroad workers during calendar years 1990 to 2007. During that period the RRB made 242,435 benefit awards to the employees of 1,238 railroad employers

Approximately 34% of all benefits during calendar years 1990 through 2007 were awarded under the disability provisions of the RRA.

Occupational disabilities comprised about 25% of all benefit awards while total disabilities accounted for about 9%. Non-disability retirements accounted for the remaining two-thirds of all benefit awards under the RRA. The following chart illustrates the distribution of RRA benefit awards by type.



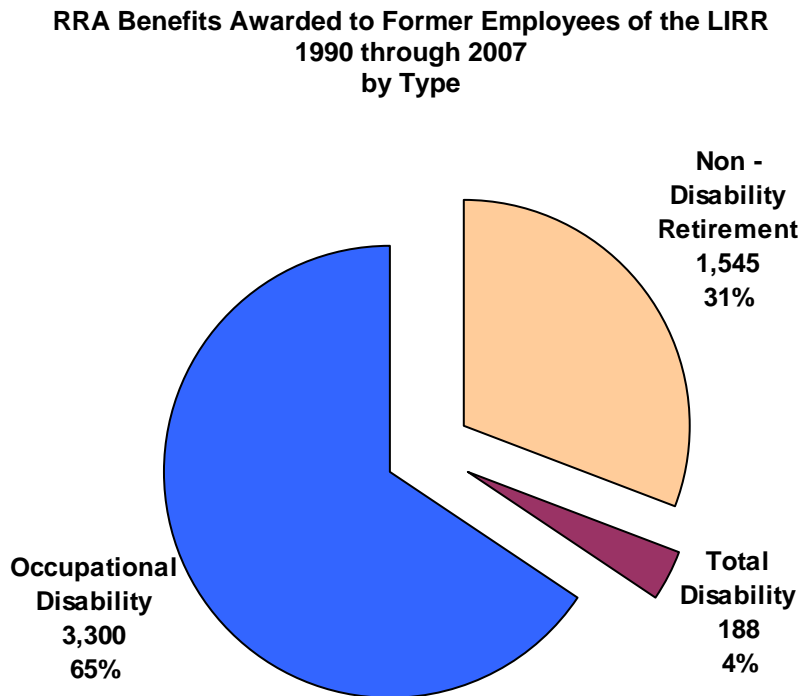
The RRB automatically applies the occupational disability provisions to those applicants who meet the minimum 20 year service requirement and have a current connection to the railroad industry, regardless of the type or severity of their disabling condition. The applications of those who do not meet this minimum eligibility requirement are evaluated under the total disability provisions of the law.

Disability Experience of the LIRR Retirees

By comparison, the disability experience of LIRR retirees was much different than that of the railroad retirement population as a whole.

During calendar years 1990 through 2007, 5,033 annuities were awarded to LIRR retirees, an average of 280 per year. Approximately 69% of these benefits were awarded under the disability provisions of the RRA.

Occupational disabilities comprised about 65% of all benefits awarded to former LIRR employees while total disabilities accounted for about 4%. Non-disability retirements accounted for only 31%. The following chart illustrates the distribution of RRA benefit awards by type.



The data show that between 1990 and 2007 the percentage of former LIRR retirees were awarded annuities by reason of occupational disability at a rate of about 65%, more than twice the 25% rate experienced by the railroad retirement program as a whole.

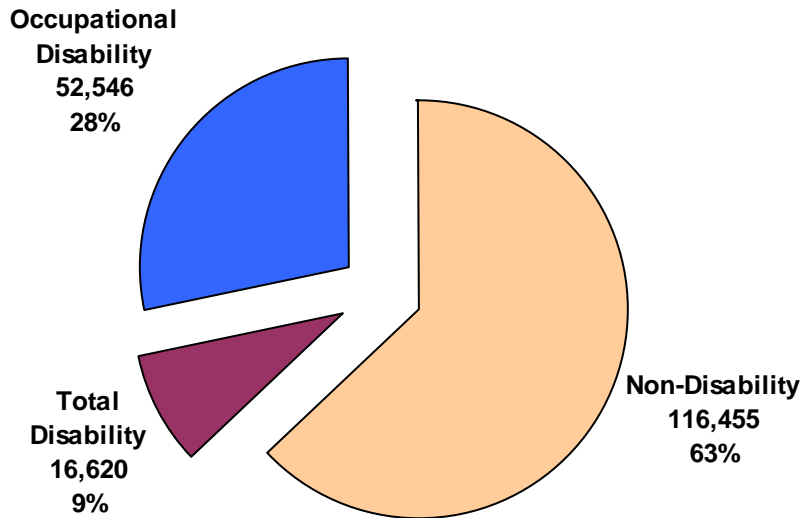
Disability Experience of Retirees of Largest Railroad Employers⁴

We also considered the experience of the retirees of largest railroad employers, such as the LIRR, to see if LIRR experience was similar. We compared the LIRR experience to both the group as a whole and to individual employers within that group.

As previously stated, the RRB made 242,435 benefit awards to the employees of 1,238 railroad employers during 1990 through 2007. However, about 77% of these awards were to the former employees of just 16 railroads.

In the aggregate, retirees of the 16 largest employers were awarded occupational benefits at a rate similar to that of the entire population of retirees.

**Benefits Awarded to Former Employees
of the 16 Largest Employers
1990 through 2007
by Type**



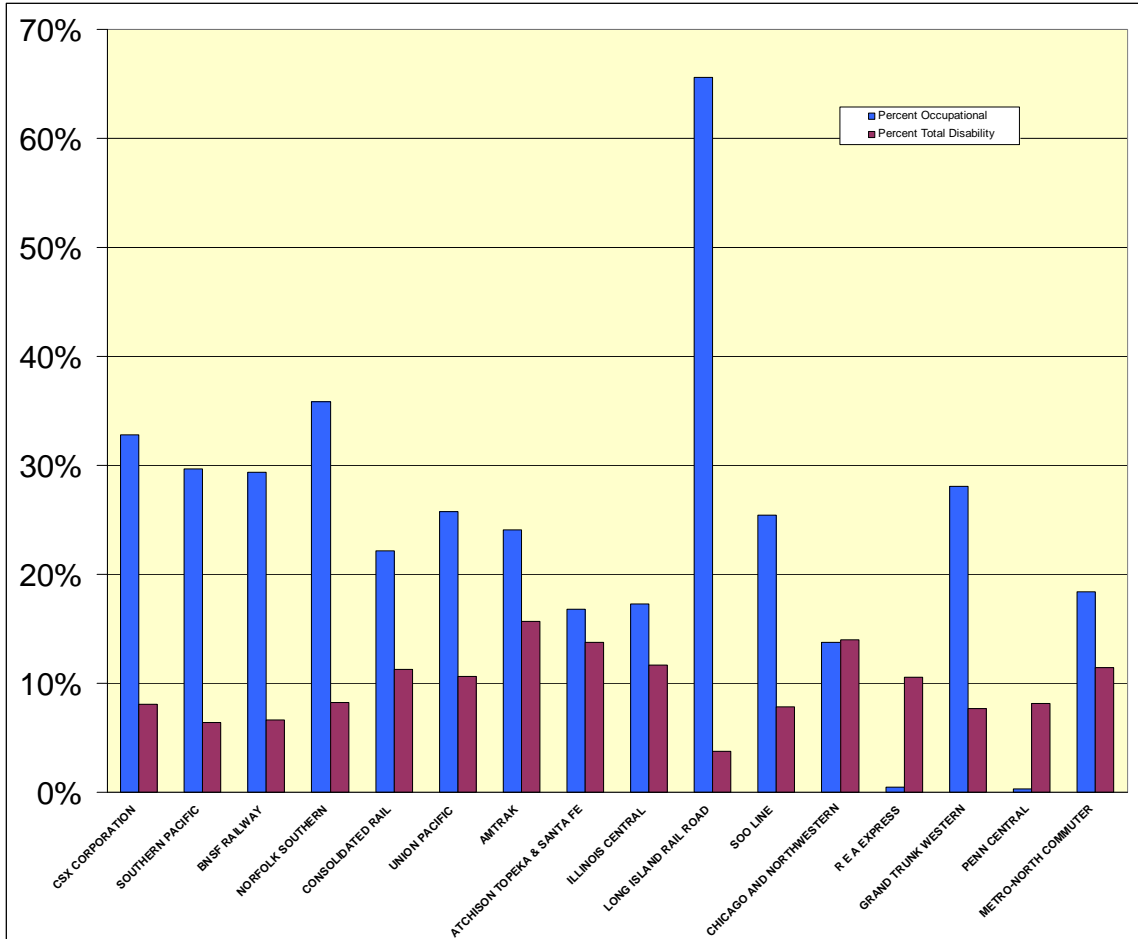
In the aggregate, the retirees of the 16 largest employers experienced a much lower rate of disability retirement than retirees of the LIRR. About 28% of all awards to retirees of these employers were granted by reason of occupational disability as compared with about 65% for LIRR retirees (see chart on page 4).

⁴ Based on the number of benefit awards to former employees of the railroad.

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Individually, the retirees of the LIRR have the highest rate of occupational disability retirements among the 16 largest railroad employers described above. The chart below presents the disability award experience for the retirees of each of these railroads.

The chart below compares the percentage of awards granted under the occupational disability provisions of the RRA with the percentage granted under total disability provisions of the law for each of the 16 largest railroad employers discussed above.



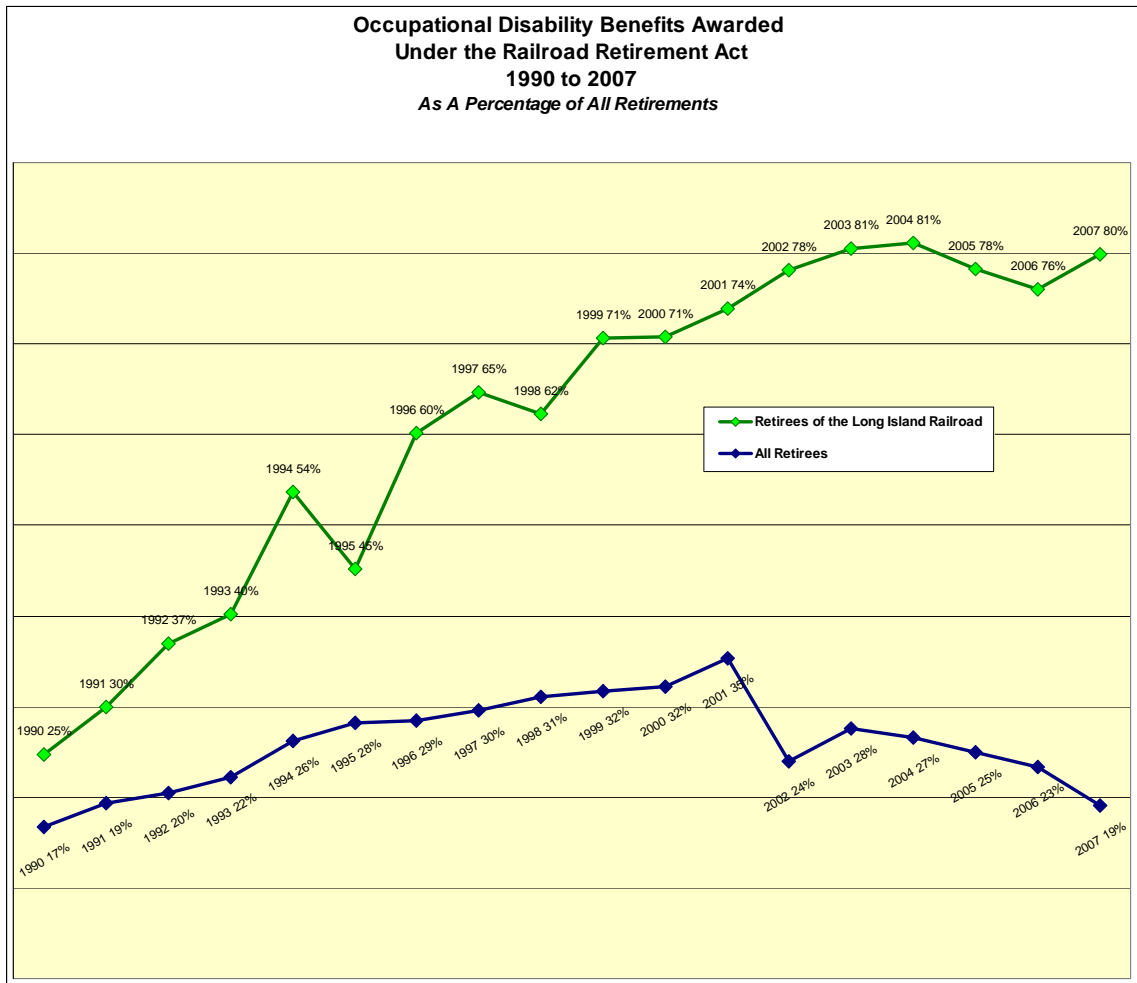
Examined on a railroad-by-railroad basis, the LIRR is distinguished by presenting the highest rate of occupational disability among the largest employers.

Trend Analysis

For the period 1990 through 2007, we considered benefits awarded under the occupational disability provisions of the RRA each year, expressed as a percentage of all benefits awarded under the Act during that year.

Our analysis identified periods of moderate upward and downward trends for the population as a whole. However, the same statistics for retirees of the LIRR disclosed a steep increase in the rate at which former LIRR employees were awarded benefits under the occupational provisions of the RRA.

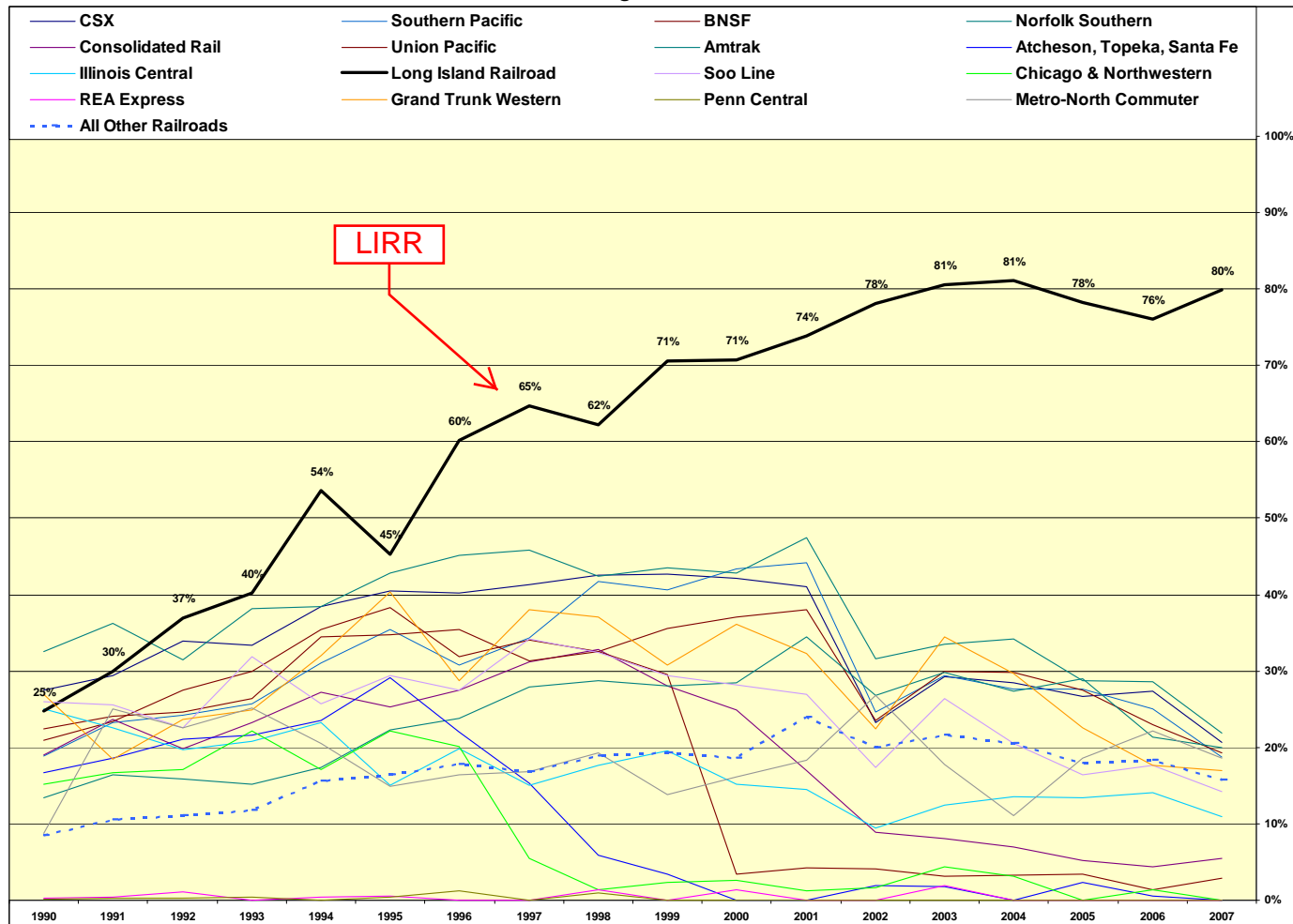
In 1990, 25% of all retirements were by reason of occupational disability, by 1995 that statistic had jumped to 45%; by 2000 it was 71%. In 2007, about 80% of annuities awarded to former employees of the LIRR were awarded under the occupational disability provisions of the RRA.



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The following chart compares the experience of LIRR retirees with the experience of the retirees of other railroads for calendar years 1990 through 2007. This analysis shows a continuous, steep, increase in the proportion of occupational disability retirements among LIRR retirees which is not seen among retirees of other railroads.

**Occupational Disability Benefits Awarded Under the Railroad Retirement Act
 1990 through 2007
 as a Percentage of All Retirements**



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Source:

The data used in this briefing was developed from the RRB's Employee Master Benefit File for September 2008.

For Further Information

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