Railroad Retirement Board - NPR

Mike -

CHR has an original copy also.

Thanks

Roz

G THOMAS DuBOSE
International President

LLOYD W. SWERT
Assistant President

CHARLES L. LITTLE
General Secretary and Treasurer

J. M. BRUNKENHOEFER
National Legislative Director

united transportation union

WASHINGTON OFFICE
NATIONAL LEGISLATIVE DEPARTMENT

400 NORTH CAPITOL ST., N.W.
SUITE 856
WASHINGTON, D.C. 20001
(202) 347-0900
FAX (202) 347-0958

November 11, 1993

Rosalyn Kelly
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Staff Member:

I recently had the opportunity to hear President Clinton speak. One of the issues he addressed was job and retirement security. I agree that until people are secure they cannot change.

There are approximately 1.3 million active and retired participants in the railroad retirement system, and because of the high unionization of the railroad industry, approximately 88% are union members. As with any group of this size, we have many senior citizen members who have a high voter turn-out and have a very strong Democratic performance. This group supported a Clinton-Gore ticket in overwhelming numbers. The key "hot button" issue used with this group was railroad retirement. These senior citizen voters had their retirement program threatened by the Reagan and Bush Administrations, and felt that under the Clinton-Gore Administration their retirement program would be secure.

On September 8, the National Performance Review was issued. This report contained some suggested changes in the railroad retirement system that had previously been rejected by railroad retirement organizations, rail labor and rail management. Analyses by the Railroad Retirement Board and the Congressional Research Service, an arm of the Library of Congress, have shown that even if these objectionable changes were made, there still would be no essential cost savings to the Federal Government.

The NPR would have one result, that is to cause fright and anger among the retirees and current workers in the system. The UTU may endorse the Clinton-Gore ticket in 1996, but I am concerned that such an endorsement would be somewhat hollow because many of the members feel that their security has been threatened by this Administration.

The longer this program is promoted by the NPR, the more politically damaging this becomes to the Clinton-Gore ticket in the future. The UTU was one of the very first unions to endorse Bill Clinton for President, having done so in March 1992. We worked very hard to see Bill Clinton elected President, so we hope that you will be able to offer assistance in this matter. We would ask that the efforts to implement the NPR recommendations concerning railroad retirement be totally ended as soon as possible.

The UTU is using, and will continue to use, its resources to defend the railroad retirement system, but we would much prefer to use these resources to promote positive programs such as health care, quality education, crime prevention, and making our environment safe for our children.

If additional information concerning this matter is needed, please feel free to contact the undersigned at (202) 347-0900.

Sincerely,

JM Brunkenhoefer

J. M. Brunkenhoefer
National Legislative Director

Enclosures

cc: Mr. G. Thomas DuBose, International President

PS: I have enclosed a copy of correspondence from UTU International President G. Thomas DuBose to President Clinton and Vice President Gore. As of this date, there has been no response to either letter. I am sure UTU President DuBose would very much appreciate your assistance in getting a response.

G. THOMAS DuBOSE
International President

LLOYD W. SWERT
Assistant President

CHARLES L. LITTLE
General Secretary and Treasurer

united transportation union

14600 DETROIT AVENUE
CLEVELAND, OHIO 44107-4250
PHONE: 216-228-9400

October 12, 1993

The President
The White House
Washington, DC 20500

Dear Mr. President:

I write this letter in support of nearly 1.5 million active and retired railroad employees. These are individuals who have come to depend on the efficient and accurate delivery of benefits administered by the Railroad Retirement Board.

Mr. President, for nearly 60 years rail employees and retirees have contributed in some form to the railroad retirement system. They have done so knowing that when they reach retirement age or become disabled, they will enjoy the security of a federally administered and statutorily controlled pension system.

Moreover, Mr. President, rail employees have made many sacrifices over the years in the form of benefit reductions and increased contributions to insure the solvency of their system. Over the next 75 years, these benefit reductions and increased contributions will exceed 1.5 trillion dollars. Without question, railroad retirement is a system rail members cherish. It has been, and continues to be, the very lifeline for retired and disabled rail workers and their families.

Mr. President, throughout the 1980's, the Reagan Administration attempted to inflict its anti-worker, anti-union philosophy on the railroad retirement system through the discredited Grace Commission. That Commission proposed abolishing the railroad retirement system.

Quite appropriately, the UTU, and rail labor, joined by the strength of our retired brothers and sisters, expressed outrage to the Reagan proposal and it was soundly defeated. Periodically, the Bush Administration attempted to copy the ill-conceived, anti-worker, anti-retiree policies of the Reagan Administration, but the proposals never gained stature because they are unworkable, insupportable, and indefensible.

Mr. President, UTU, and rail labor were galvanized by the Reagan/Bush years of doom and gloom, and worked tirelessly with all of their resources to bring about the election of the Clinton Administration. We all looked to a leveling of the playing field. And indeed, there has been significant progress made during the first nine months of your Administration. That offers us hope.

Unfortunately, even with the change of Administrations, we must continue to deal with a few entrenched Reagan/Bush career technicians in the Federal Government. These entrenched bureaucrats continue to advance the morally bankrupt agenda of the past Administrations.

Mr. President, UTU, and rail labor recently experienced this bureaucratic voodoo and we are outraged. The Vice President's National Performance Review, without any input from rail labor or management (who wholly support the railroad retirement system), proposed to abolish the Railroad Retirement Board and transfer its functions to other government and private sector agencies.

The National Performance Review staff <u>ignored</u> the parties who would be affected by their proposal, ignored the "customers" of the government, and instead, relied solely on the advice of the Reagan/Bush architects who still remain in the Federal Government and who were more than willing to dust off the failed proposals of the 1980's and place them into the National Performance Review Report.

The ill-conceived proposal to privatize the railroad retirement system does not offer constructive or efficient government. In fact, it can be demonstrated that such a proposal would fragment the entire benefit structure of a single agency and spread it among three or four federal, state, and private sector agencies which would be less efficient and impose even greater costs to the general taxpayer. Today, rail labor and management (not the general taxpayer) pay the cost of administering the railroad retirement system.

UTU, and rail labor have made a number of direct attempts to adequately inform the Vice President regarding the bureaucratically generated proposal to abolish the Railroad Retirement Board. To date, we have enjoyed no success. Instead, we have been met with a maze of entrenched bureaucrats who were the very individuals who authored the original Reagan proposal to dissolve our retirement system.

Mr. President, the UTU, rail labor, and their retiree members are resolved to fight this proposal with all the resources available to us. For this reason, I ask for your support in our fight to protect our railroad retirement system. Thank you for your kind attention to this matter, and always be assured that UTU, and rail labor are clearly on your side in moving America forward.

Mr. President, I well remember your closing remarks during your address to our UTU group at the Sheraton Hopkins Airport Hotel in Cleveland, Ohio on April 16, 1992, and I quote "UTU did not forget Bill Clinton, and I won't forget UTU." Mr. President, UTU and rail labor need your help.

With my very best wishes, I am

Sincerely yours,

G. Thomas DuBose
International President

G. THOMAS DuBOSE
International President

LLOYD W. SWERT
Assistant President

CHARLES L. LITTLE
General Secretary and Treasurer

united transportation union

14600 DETROIT AVENUE
CLEVELAND, OHIO 44107-4250
PHONE: 216-228-9400

September 24, 1993

The Vice President
The White House
Washington, D.C. 20500

Dear Mr. Vice President:

This will confirm our meeting held Wednesday, September 22, 1993, at the Executive Office Building.

Enclosed you will find information compiled by the Railroad Retirement Board, which, I hope, will answer any questions you may have concerning the funding of the railroad retirement administrative expenses.

If this ends the matter, and the proposal concerning railroad retirement is not progressed, I am sure that the railroad retirees, and many in rail labor, will understand that this proposal was presented without malice. In order to avoid such problems in the future, I would strongly urge that representatives of rail labor be consulted when the Administration is working on any issue concerning railroad retirees, rail labor, and the railroads.

Again, I would like to emphasize that the members of rail labor, and the retirees, are participants in one of the largest health care plans in the free world. Given the opportunity to participate, I am sure our input would be of benefit to solving America's health care problems, but once again we have not been contacted and asked for our input. I am also sure that if the issue concerning railroad retirement can be closed, you will find the focus of rail labor will move from opposing the issues outlined in the National Performance Review concerning railroad retirement, to the issue of solving the health care problem and many of the other problems facing America. Until then, our attention must continue to be focused on the critical issue of maintaining our current railroad retirement system.

UTU and rail labor very much appreciates your personal interest in this matter.

Sincerely yours,

G. Thomas DuBose
International President

Enclosures

cc:
L. W. Swert, Assistant President-UTU
J. M. Brunkenhoefer, National Legislative Director-UTU
Morton Bahr, President-CWA

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

September 23, 1993

R. P. McLaughlin, Chairman
Railway Labor Executives' Association
400 North Capitol Street, N.W., Suite 850
Washington, DC 20001

Dear Mr. Chairman:

Enclosed for your information is a Memorandum from the Chief Financial Officer of the Railroad Retirement Board explaining a "line item" of $111.5 million from the fiscal year 1994 budget process pertaining to the Railroad Retirement Board. This is the amount referenced in your meeting with the Vice President.

As is specified in Section 15(a) of the Railroad Retirement Act (45 USC 231n(a)), and Section 11 of the Railroad Unemployment Insurance Act (45 USC 361), these administrative funds come from railroad retirement and railroad unemployment insurance trust funds. Thus, the costs of administering the railroad industry's benefit programs are entirely paid for by railroad employees and employers -- no portion of these administrative expenses are paid by the general taxpayer.

We all know that railroad workers and retirees value highly the security of our retirement system, and, we also know very well that this security is present, and can be maintained, only because of the system's relationship to the federal government. We have always recognized, and will continue to recognize, that it is our responsibility to pay both the cost of administering the retirement program and also, the benefits provided to the extent they exceed social security levels. Thus, if there is any item in the federal budget, other than the item for vested dual benefits, which funds the railroad retirement system, the monies needed for that item <u>should</u> come from our trust funds.

Sincerely,

V. M. Speakman, Sr.
Labor Member

Encs.

cc: The Honorable Al Gore
Vice President

Elaine Kamarck, Senior Political Advisor
to the Vice President

Rail Labor Chief Executives

FORM G-115f (11-69)

UNITED STATES GOVERNMENT

RAILROAD RETIREMENT BOARD

MEMORANDUM

SEP 23 1993

TO : Labor Member Speakman

FROM : Chief Financial Officer

SUBJECT: Railroad Retirement Board Fiscal Year 1994 Administrative Expenses

As you requested, the following chart provides the administrative expenses included in the Railroad Retirement Board's (RRB) Fiscal Year 1994 Budget Submission. Also shown are the administrative expense amounts included in the President's Fiscal Year 1994 Budget, which have also been included in the House and Senate appropriation bills.

Fiscal Year 1994

Account/Fund	RRB Budget Submission	President's Budget
Limitation on Administration (Retirement)	$ 86,409,000 a/	$73,591,000 a/
Limitation on Railroad Unemployment Insurance Administration Fund	21,665,000	17,010,000
Special Management Improvement Fund	3,462,000	3,300,000
	$111,536,000 a/	$93,901,000 a/

a/ Excludes a $200,000 statutory reserve to be available only if retirement workloads exceed forecasted levels.

These figures exclude the expenses for the Limitation on Review Activity for the RRB Office of Inspector General (OIG) which are requested and appropriated separately for that office. For fiscal year 1994, the OIG had included $13,368,000 in its Fiscal Year 1994 Budget Submission. The President's Budget and the House and Senate appropriation bills all included $6,742,000 for fiscal year 1994 OIG administrative expenses.

I have attached copies of pages from H.R. 2518 outlining the above figures for fiscal year 1994 which provide that the amounts are to be derived from the Railroad Retirement Accounts and the Railroad Unemployment Insurance Account.

Peter A. Larson

Peter A. Larson

Attachments

checks, $300,000, to remain available through September 30, 1995, which shall be the maximum amount available for payment pursuant to section 417 of Public Law 98-76.

LIMITATION ON ADMINISTRATION

For necessary expenses for the Railroad Retirement Board, $72,791,000, to be derived from the railroad retirement accounts: *Provided*, That $200,000 of the foregoing amount shall be available only to the extent necessary to process workloads not anticipated in the budget estimates and after maximum absorption of the costs of such workloads within the remainder of the existing limitation has been achieved: *Provided further*, That notwithstanding any other provision of law, no portion of this limitation shall be available for payments of standard level user charges pursuant to section 210(j) of the Federal Property and Administrative Services Act of 1949, as amended (40 U.S.C. 490(j); 45 U.S.C. 231–231u).

LIMITATION ON RAILROAD UNEMPLOYMENT INSURANCE ADMINISTRATION FUND

For further expenses necessary for the Railroad Retirement Board, for administration of the Railroad Unemployment Insurance Act, not less than $17,010,000 shall be apportioned for fiscal year 1994 from moneys credited to the railroad unemployment insurance administration fund.

SPECIAL MANAGEMENT IMPROVEMENT FUND

To effect management improvements, including the reduction of backlogs, accuracy of taxation accounting, and debt collection, $3,300,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account: *Provided*, That these funds shall supplement, not supplant, existing resources devoted to such operations and improvements.

LIMITATION ON THE OFFICE OF INSPECTOR GENERAL

For expenses necessary for the Office of Inspector General for audit, investigatory and review activities, as authorized by the Inspector General Act of 1978, as amended, not more than $6,742,000, to be derived from the railroad retirement accounts and railroad unemployment insurance account.

SOLDIERS' AND AIRMEN'S HOME

OPERATION AND MAINTENANCE

For operation and maintenance of the United States Soldiers' and Airmen's Home, to be paid from funds available to the Soldiers' Home in the Armed Forces Retirement Home Trust Fund, $43,139,000: *Provided*, That this appropriation shall not be available for the payment of hospitalization of members of the Home in United States Army hospitals at rates in excess of those prescribed by the Secretary of the Army upon recommenda-

JIM SASSER
TENNESSEE

COMMITTEES:
APPROPRIATIONS
BANKING, HOUSING, AND URBAN AFFAIRS
BUDGET—CHAIRMAN
GOVERNMENTAL AFFAIRS

United States Senate

WASHINGTON, DC 20510-4201

October 12, 1993

Honorable Albert Gore, Jr.
Vice President of the United States
The White House
1600 Pennsylvania Avenue
Washington, DC 20500

Dear Mr. Vice President:

I am writing with regard to the recommendation of the National Performance Review (NPR) to transfer the functions of the Railroad Retirement Board to other agencies. Unfortunately, I have been informed of a number of criticisms about this proposal, and I believe the criticisms have some merit.

While I appreciate the need to reduce unnecessary overhead and administrative costs, it is not clear to me precisely how the NPR recommendation on the Railroad Retirement Board would be cost effective. I have two main concerns. First, Railroad Retirement benefits are significantly different than benefits administered by the Social Security Administration and other agencies. Second, the functions of the Railroad Retirement Board include a number of symbolic and substantive functions which have no counterpart in other agencies.

I am informed that Tier I Railroad Retirement benefits are roughly equivalent to the benefits provided under the Social Security Act. However, Tier I benefits also include different benefits for occupationally disabled employees, employees with thirty years of service and surviving spouses who receive benefits before age sixty-two. The Social Security Act provides either no equivalent or different benefit levels for beneficiaries in each of these categories. Differences between benefits provided in the Railroad Retirement Act and the Social Security Act also arise for the almost 200,000 recipients of Vested Dual Benefits and the 186,000 recipients of supplemental annuities.

The calculation of cost-of-living adjustments is the same for Tier I benefits as for Social Security benefits. However, it is unclear to me how this calculation would be affected in the above cases, where the Tier I benefit itself exceeds or differs from what may be provided under Social Security.

Furthermore, the Railroad Retirement Board presently administers other benefits which collectively have no equivalent in any single office, such as Tier II benefits, unemployment benefits and health benefits. The elimination of the Railroad Retirement Board -- depending on details not fully provided to me at this point -- may require the assumption of new functions by a vast array of different federal agencies, state agencies and others in the private sector. These various parties may not necessarily be familiar with Railroad Retirement benefits and their particular goals or methods of calculation.

The Railroad Retirement Board also performs functions important to the railroad industry which have no counterpart in other agencies. For example, labor and management work together on a regular basis through their representation on the Board. In addition, workers and retirees alike rely on the Board's Labor Member to provide a number of informational services. However, I see nothing in the NPR recommendation to address any functions served by the Board other than the administration of benefits.

In my view, it is simply not self-evident that the splintering of the functions of the Railroad Retirement Board necessarily leads to better service to Railroad Retirement beneficiaries or even greater savings for the taxpayer. If this proposal is carried out, the government will surely have to rewrite statutes and regulations and retrain employees at various federal agencies to administer different benefit programs. Apparently, the government will also have to rely on the assistance of other unnamed parties in the private sector and elsewhere to carry out other unspecified tasks. The proposal as it now stands is simply too broad to demonstrate that savings will outweigh these potential difficulties.

Because the Railroad Retirement Board administers a program mandated by statute, I presume any major restructuring of its functions must be legislatively approved. I believe it would be a service to Railroad Retirement beneficiaries as well as the taxpayer to reconsider the issues I have raised before attempting to secure passage of any legislative initiative. I would appreciate the benefit of your views as well as an estimate of when you would foresee any action on this proposal.

Thank you for your attention to this matter. I look forward to hearing from you at your earliest convenience.

Sincerely,

Jim Sasser

Jim Sasser
United States Senator

93-928 EPW
October 21, 1993

CRS Report for Congress

Congressional Research Service • The Library of Congress

Railroad Retirement Board: Summary of Issues Posed by the National Performance Review's Proposal to End the Board's Functions

Dennis W. Snook
Specialist in Income Maintenance
Education and Public Welfare Division

The Reinventing Government (ReGo) task force has recommended that principal functions of the Railroad Retirement Board (RRB) be transferred to other agencies, effectively ending the unique Federal administration of employee benefits earned in the railroad industry. That task force, directed by Vice President Gore and officially known as the National Performance Review (NPR), was charged by President Clinton with the mission of finding ways to make the Federal Government "work better" and "cost less." In its report, *Creating A Government That Works Better & Costs Less,* the NPR team said that it made "no sense" for a separate agency to administer the retirement, unemployment, and sickness benefits earned in a single industry, and it recommended that benefits equivalent to social security be administered by that agency, that unemployment insurance be made a part of the State unemployment insurance programs, and that sickness benefits be administered by Medicare. Although no details of this proposal have been provided, and no legislation to accomplish any of the objectives has been introduced or sent to the Congress by the Executive, clientele of the Board, prompted by their employee organizations, immediately began to contact Members of Congress to thwart any attempt to do away with the current structure.

These proposals are not new. They were advanced by several previous Administrations, but none had success in persuading Congress to consider them. Aside from the serious political opposition engendered by efforts to end Federal administration of railroad employee benefits, there are other impediments to enactment of such a proposal. *First*, the programs are complex, and substantial investments of legislative time and resources would be required by several committees in order to complete congressional action. *Second*, the rail industry portion of the benefits would become insecure, given that the benefits are primarily funded from current revenues. *Third*, the unemployment program is designed as a daily benefit, consistent with the industry's intermittent employment practices evolving over the past century. State programs are based on unemployment measured by weeks instead of days. *Fourth*, costs of the programs' benefits and administration are borne by the industry through payroll taxes, and dismantling the Federal administration would not save taxpayers money. *Fifth*, the historical forces that caused the Congress to establish the RRB and its administrative mission, although diminished to some extent, remain potent material conditions. *Sixth*, the labor relations discipline imposed by national collective bargaining among negotiating bodies representing all employers and all unions could dissolve. In its place could appear various regional, financial, or other differences among railroad companies, and parochial disputes between the several craft unions. *Finally*, there is no clear constituency exhibiting a consistent and persistent interest in ending Federal administration of railroad retirement.

BACKGROUND

The Railroad Retirement Board (RRB), headquartered in Chicago, administers retirement and unemployment benefits for employees of the rail industry. The retirement program superficially resembles a multiemployer pension available in other industries: employees accrue benefit rights by working at virtually any job within the industry, and upon meeting the industry-wide age and service criteria, become eligible for benefits based on wages earned during railroad service. That industry pension, called *Tier II* in the railroad retirement system, is financed by a tax on industry payroll (16.10 percent on employers and 4.90 percent on employees on wages up to $42,900 in 1993).

In addition and somewhat indirectly, railroad workers also accrue wage credits under the social security program. Workers retiring with fewer than 10 years of rail service have their entire railroad wage histories transferred to social security, and their benefits are based on those wages combined with other service covered directly by social security. Workers with more than 10 years of rail service receive their Social Security Equivalent Benefits (SSEB) from the RRB, with service covered directly by social security transferred to the RRB, which calculates the SSEB, using a formula identical to that used under social security. The SSEB paid from RRB is called *Tier I*. Railroad employers and workers pay the same tax rate that applies to all other wages covered by social security. Each year, RRB and the Social Security Administration (SSA) undergo a *financial interchange*, through which the respective benefits and taxes are balanced as if all the rail wages had been taxed and credited under social security.

Unlike Federal-State unemployment insurance programs, the rail program also pays sickness benefits. After an initial 2-week *waiting period* each benefit year, the program pays for each *day* not worked because of illness *or* unemployment up to 10 days in any 2-week period. The Federal/State programs pay only for *weeks* in which a worker had no substantial work, and a recipient must be *able* and willing to work. Sickness would disqualify a worker. The rail program is financed by a payroll tax on employers, the rate of which is affected by the experience of both industry and the particular employer. The accountable costs of administering the railroad retirement and insurance programs are charged directly to the program trust funds, and are thus passed through to the industry which finance them through employee/employee payroll taxes.

About one-fourth of the roughly 850,000 retirees, dependents, and survivors also receive a federally financed benefit (often called a windfall). These persons acquired separate eligibility for both railroad retirement and social security before that opportunity was eliminated in 1974. In FY 92, RRB paid about $7.7 billion in retirement and survivor benefits, and about $78 million in unemployment or sickness benefits. The rail workforce has fallen to about 275,000 workers, from 1.7 million at the end of World War II.

ADDITIONAL MATERIALS RELATED TO THE TOPIC

U.S Library of Congress. Congressional Research Service. *Railroad Retirement and Unemployment Benefits: A Summary of Benefits, Financing, and History*. CRS report for Congress no. 92-940 EPW, by Dennis W. Snook. [Washington] 1992. 2 p.

----- *Railroad Retirement and Unemployment Benefits: History, Provisions and Financing*. CRS report for Congress no. 92-765 EPW, by Dennis W. K. Snook. [Washington] 1992. 38 p.

----- *Railroad Retirement Board: Background and Analysis of Issues Raised by Proposal to End Federal Administration*. CRS report for Congress (forthcoming), by Dennis W. Snook.

Commission on Railroad Retirement Reform. *Final Report*. [Washington] Sep. 1990. 298 p.