



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

MAR 1 5 2010

V. M. SPEAKMAN, JR.
LABOR MEMBER

OFFICE OF LABOR MEMBER

Mr. Freddie Simpson
President
Brotherhood of Maintenance of
Way Employes
20300 Civic Center Drive, Suite 320
Southfield, MI 48076-4169

Dear Mr. Simpson:

As we previously discussed, I have asked the agency's Chief Actuary to estimate the financial impact of Mr. Friend's proposed changes to the Railroad Retirement Act on the Trust Fund.

Under either employment scenario (moderate and pessimistic), implementation of these proposals would hasten the depletion of the Trust Fund resulting in insolvency. There is no scenario where implementation of these proposals is economically viable, even when we project the costs while eliminating the cap on Tier 2 taxes. Moreover, the proposal to eliminate the cap on the Tier 2 tax will affect 27 percent of the workforce, essentially resulting in this group of workers subsidizing the proposed changes for those workers and family members affected by these proposals.

Enclosed are two sets of tables that document the impact through calendar year 2082.

ANALYSIS UNDER ASSUMPTION 2

The first set of tables uses the moderate employment assumption, also known as Assumption 2. Table 1 shows the progress of the Trust Fund with no changes. Table 2 shows the progress of the Trust Fund with the cap on taxable income removed and the tier 2 benefit cap unchanged. Table 3 shows the progress of the Trust Fund with the cap on taxable income removed and the cap on the tier 2 benefit removed.

Removing the cap on taxable income and leaving the tier 2 benefit cap in place will result in a negative Trust Fund balance in 2023 and will remain in a deficit until 2071. Removing the cap on both the taxable income and the tier 2 benefit amount will drive the Trust Fund into the red in 2020. By 2082, the end of the 75-year actuarial projection period, the Trust Fund will be in debt by \$789 billion. In each scenario, the maximum tier 2 tax rate will reach the maximum 27% in 2019.

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ANALYSIS UNDER ASSUMPTION 3

The second set of tables uses the pessimistic employment assumption, also known as Assumption 3 and reflects data in the same manner as the tables used for Assumption 2. We believe using Assumption 3 is the more realistic approach. Our experience with the 1980 tax increases demonstrated that tax increases resulted in greater unemployment which Assumption 3 reflects.

Removing the cap on taxable income and leaving the tier 2 benefit cap in place will result in a negative Trust Fund balance in 2018. By 2082, the Trust Fund will have a deficit of almost \$2.6 trillion. Removing the cap on both the taxable income and the tier 2 benefit amount will also result in a negative Trust Fund balance in 2018 but the deficit will be \$1.1 billion as compared to \$144 million if the tier 2 benefit cap remains in place. By 2082, the deficit will be nearly \$3.5 trillion. In each scenario, the maximum tier 2 tax rate will reach the maximum 27% in 2019.

It is clear that implementing these proposed changes would require significant tax increases and reduced benefits to offset the increased costs. Moreover, it is important to note that under current law the agency's Chief Actuary is required to report to Congress any Trust Fund shortfall and recommend proposed changes which could ultimately place the continued viability of the entire retirement system in jeopardy.

Given the interest in this issue expressed to us by other rail labor organizations, we intend to share this analysis with the other Rail Labor Chiefs.

Please let me know if you have any questions or need additional information.

Sincerely,


V. M. Speakman, Jr.

Labor Member

Enclosures

Table 2. Financial Effect of Proposed Changes with Limited Tier 2 Benefits
 Progress of the National Railroad Retirement Investment Trust (NRRIT), Railroad Retirement Account (RRA) and
 Social Security Equivalent Benefit Account (SSEBA) under Employment Assumption II
 (Dollar Amounts in Millions)

Calendar Year	Account benefits ratio	Average account benefits ratio	Tier 2 tax rate	Combined NRRIT and RRA				SSEBA				Combined balance, end year
				Benefits and admin- istration	Tax income	Other income	Balance, end year	Benefits and admin- istration	Tax income	Other inc/exp	Balance, end year	
2009	4.74	6.90	16.0%	\$ 4,516	\$ 2,745	\$ 1,743	\$ 20,955	\$ 6,293	\$ 2,705	\$ 3,524	\$ 783	\$ 21,738
2010	3.89	6.70	16.0%	5,557	3,248	1,596	20,242	6,334	2,755	3,584	788	21,030
2011	3.11	6.50	16.0%	6,385	3,295	1,454	18,606	6,538	2,758	3,805	813	19,419
2012	2.54	6.10	17.0%	6,946	3,561	1,362	16,583	6,747	2,812	3,961	839	17,422
2013	2.09	5.70	18.0%	7,309	3,849	1,209	14,331	6,975	2,892	4,111	867	15,198
2014	1.70	5.30	18.0%	7,512	3,959	1,037	11,815	7,239	2,986	4,286	900	12,715
2015	1.32	4.80	18.0%	7,607	4,069	852	9,129	7,520	3,087	4,468	935	10,064
2016	0.94	4.20	18.0%	7,627	4,178	547	6,227	7,820	3,193	4,633	941	7,168
2017	0.59	3.50	19.0%	7,602	4,494	425	3,544	8,125	3,300	4,894	1,010	4,554
2018	0.33	2.80	23.0%	7,565	5,465	304	1,749	8,424	3,408	5,053	1,047	2,796
2019	0.19	2.20	27.0%	7,538	6,482	219	912	8,712	3,515	5,232	1,083	1,995
2020	0.10	1.70	27.0%	7,535	6,641	171	188	8,980	3,610	5,403	1,116	1,304
2021	0.07	1.30	27.0%	7,552	6,802	562	-	9,227	3,705	4,996	591	591
2022	0.06	1.00	27.0%	7,593	6,967	626	-	9,455	3,800	5,142	78	78
2023	0.01	0.80	27.0%	7,667	7,134	160	(373)	9,666	3,895	5,693	-	(373)
2024	-0.04	0.60	27.0%	7,775	7,302	52	(794)	9,867	3,988	5,878	-	(794)
2025	-0.09	0.40	27.0%	7,904	7,471	24	(1,203)	10,063	4,082	5,982	-	(1,203)
2026	-0.15	0.30	27.0%	8,045	7,647	(96)	(1,697)	10,261	4,178	6,083	-	(1,697)
2027	-0.20	0.20	27.0%	8,205	7,826	(37)	(2,113)	10,460	4,275	6,185	-	(2,113)
2028	-0.24	0.10	27.0%	8,394	8,007	(67)	(2,567)	10,664	4,373	6,291	-	(2,567)
2029	-0.30	-0.10	27.0%	8,611	8,190	(100)	(3,088)	10,875	4,470	6,405	-	(3,088)
2030	-0.35	-0.10	27.0%	8,833	8,379	(138)	(3,681)	11,097	4,571	6,526	-	(3,681)
2031	-0.42	-0.20	27.0%	9,047	8,574	(239)	(4,392)	11,336	4,677	6,659	-	(4,392)
2032	-0.48	-0.20	27.0%	9,241	8,779	(231)	(5,086)	11,595	4,789	6,807	-	(5,086)
2033	-0.55	-0.30	27.0%	9,421	8,994	(279)	(5,792)	11,880	4,908	6,972	-	(5,792)
2034	-0.61	-0.30	27.0%	9,638	9,215	(329)	(6,544)	12,174	5,029	7,145	-	(6,544)
2035	-0.68	-0.40	27.0%	9,915	9,437	(385)	(7,407)	12,465	5,148	7,317	-	(7,407)
2036	-0.76	-0.40	27.0%	10,202	9,671	(476)	(8,413)	12,764	5,274	7,489	-	(8,413)
2037	-0.84	-0.50	27.0%	10,491	9,926	(522)	(9,500)	13,067	5,411	7,655	-	(9,500)
2038	-0.92	-0.60	27.0%	10,776	10,196	(601)	(10,682)	13,393	5,557	7,835	-	(10,682)
2039	-1.01	-0.60	27.0%	11,062	10,480	(686)	(11,950)	13,749	5,712	8,036	-	(11,950)
2040	-1.10	-0.70	27.0%	11,378	10,775	(779)	(13,331)	14,112	5,872	8,240	-	(13,331)
2041	-1.19	-0.80	27.0%	11,720	11,085	(889)	(14,855)	14,481	6,039	8,442	-	(14,855)
2042	-1.29	-0.90	27.0%	12,101	11,410	(993)	(16,539)	14,844	6,212	8,631	-	(16,539)
2043	-1.40	-0.90	27.0%	12,463	11,753	(1,116)	(18,364)	15,245	6,397	8,848	-	(18,364)
2044	-1.51	-1.00	27.0%	12,793	12,116	(1,247)	(20,288)	15,690	6,596	9,094	-	(20,288)
2045	-1.62	-1.10	27.0%	13,108	12,500	(1,384)	(22,279)	16,147	6,807	9,339	-	(22,279)
2046	-1.74	-1.20	27.0%	13,408	12,906	(1,526)	(24,307)	16,612	7,031	9,581	-	(24,307)
2047	-1.84	-1.30	27.0%	13,716	13,337	(1,666)	(26,352)	17,073	7,267	9,806	-	(26,352)
2048	-1.95	-1.40	27.0%	13,989	13,788	(1,807)	(28,361)	17,582	7,518	10,064	-	(28,361)
2049	-2.05	-1.50	27.0%	14,236	14,260	(1,943)	(30,280)	18,135	7,782	10,353	-	(30,280)
2050	-2.14	-1.60	27.0%	14,483	14,755	(2,072)	(32,080)	18,699	8,059	10,640	-	(32,080)
2051	-2.22	-1.70	27.0%	14,735	15,274	(2,190)	(33,731)	19,279	8,349	10,929	-	(33,731)
2052	-2.28	-1.80	27.0%	15,012	15,820	(2,297)	(35,220)	19,863	8,653	11,210	-	(35,220)
2053	-2.32	-1.90	27.0%	15,304	16,394	(2,392)	(36,523)	20,458	8,972	11,486	-	(36,523)
2054	-2.35	-2.00	27.0%	15,617	16,995	(2,471)	(37,615)	21,064	9,305	11,759	-	(37,615)
2055	-2.35	-2.10	27.0%	15,953	17,627	(2,535)	(38,477)	21,677	9,654	12,023	-	(38,477)
2056	-2.34	-2.20	27.0%	16,314	18,291	(2,581)	(39,082)	22,299	10,019	12,280	-	(39,082)
2057	-2.31	-2.20	27.0%	16,702	18,989	(2,608)	(39,403)	22,930	10,402	12,528	-	(39,403)
2058	-2.26	-2.30	27.0%	17,115	19,721	(2,613)	(39,409)	23,571	10,803	12,767	-	(39,409)
2059	-2.18	-2.30	27.0%	17,555	20,486	(2,593)	(39,071)	24,225	11,221	13,003	-	(39,071)
2060	-2.09	-2.30	27.0%	18,024	21,283	(2,548)	(38,360)	24,892	11,656	13,236	-	(38,360)
2061	-1.98	-2.30	27.0%	18,525	22,112	(2,474)	(37,247)	25,573	12,107	13,466	-	(37,247)
2062	-1.85	-2.30	27.0%	19,054	22,975	(2,370)	(35,695)	26,271	12,576	13,696	-	(35,695)
2063	-1.69	-2.30	27.0%	19,607	23,874	(2,232)	(33,661)	26,991	13,063	13,927	-	(33,661)
2064	-1.52	-2.20	27.0%	20,182	24,809	(2,058)	(31,092)	27,736	13,571	14,165	-	(31,092)
2065	-1.33	-2.10	27.0%	20,787	25,783	(1,842)	(27,938)	28,509	14,099	14,410	-	(27,938)
2066	-1.12	-2.00	27.0%	21,426	26,795	(1,582)	(24,152)	29,308	14,647	14,661	-	(24,152)
2067	-0.88	-1.90	27.0%	22,101	27,848	(1,275)	(19,680)	30,135	15,217	14,918	-	(19,680)
2068	-0.63	-1.70	27.0%	22,808	28,943	(915)	(14,459)	30,994	15,810	15,184	-	(14,459)
2069	-0.36	-1.60	27.0%	23,544	30,084	(498)	(8,417)	31,891	16,428	15,463	-	(8,417)
2070	-0.07	-1.40	27.0%	24,309	31,272	(18)	(1,472)	32,829	17,071	15,758	-	(1,472)
2071	0.23	-1.20	27.0%	25,109	32,509	191	6,119	33,807	17,740	16,406	340	6,459
2072	0.55	-1.00	27.0%	25,963	33,796	778	14,730	34,826	18,437	16,764	715	15,445
2073	0.89	-0.70	27.0%	26,862	35,136	1,442	24,446	35,890	19,162	17,142	1,129	25,575
2074	1.25	-0.50	27.0%	27,798	36,531	2,189	35,369	37,006	19,917	17,546	1,586	36,955
2075	1.63	-0.20	27.0%	28,770	37,983	3,028	47,609	38,180	20,704	17,979	2,089	49,698
2076	2.02	0.20	27.0%	29,782	39,494	3,966	61,287	39,412	21,524	18,441	2,643	63,930
2077	2.44	0.50	27.0%	30,837	41,067	5,013	76,530	40,704	22,377	18,934	3,251	79,781
2078	2.88	0.80	27.0%	31,937	42,704	6,178	93,476	42,059	23,266	19,460	3,918	97,394
2079	3.34	1.20	27.0%	33,086	44,408	7,472	112,270	43,481	24,191	20,022	4,650	116,920
2080	3.83	1.60	27.0%	34,288	46,180	8,905	133,066	44,975	25,153	20,624	5,452	138,518
2081	4.35	2.00	27.0%	35,549	48,023	11,041	156,581	46,542	26,155	20,713	5,777	162,358
2082	4.89	2.40	27.0%	36,875	49,940	12,991	182,637	48,186	27,196	21,194	5,981	188,618

Table 1. 24th Actuarial Valuation
 Progress of the National Railroad Retirement Investment Trust (NRRIT), Railroad Retirement Account (RRA) and
 Social Security Equivalent Benefit Account (SSEBA) under Employment Assumption III
 (Dollar Amounts in Millions)

Calendar Year	Account benefits ratio	Average account benefits ratio	Tier 2 tax rate	Combined NRRIT and RRA				SSEBA				Combined balance, end year
				Benefits and admin- istration	Tax income	Other income	Balance, end year	Benefits and admin- istration	Tax income	Other inc/exp	Balance, end year	
2009	4.74	6.90	16.0%	\$ 4,516	\$ 2,725	\$ 1,742	\$ 20,935	\$ 6,293	\$ 2,686	\$ 3,543	\$ 783	\$ 21,718
2010	4.53	6.70	16.0%	4,644	2,752	1,611	20,654	6,333	2,715	3,623	787	21,441
2011	4.26	6.60	16.0%	4,842	2,784	1,523	20,119	6,566	2,749	3,846	816	20,935
2012	3.98	6.30	17.0%	5,045	2,972	1,524	19,570	6,815	2,784	4,062	847	20,417
2013	3.70	6.10	17.0%	5,237	3,006	1,479	18,818	7,083	2,821	4,296	881	19,699
2014	3.42	5.80	18.0%	5,428	3,198	1,426	18,015	7,365	2,859	4,541	916	18,931
2015	3.13	5.40	18.0%	5,612	3,234	1,365	17,002	7,650	2,899	4,786	951	17,953
2016	2.82	5.00	18.0%	5,773	3,271	1,175	15,675	7,947	2,943	5,012	959	16,634
2017	2.52	4.50	18.0%	5,907	3,307	1,159	14,233	8,247	2,989	5,325	1,025	15,258
2018	2.21	4.00	18.0%	6,024	3,343	1,085	12,639	8,541	3,037	5,541	1,062	13,701
2019	1.91	3.60	19.0%	6,119	3,544	977	11,040	8,823	3,087	5,771	1,097	12,137
2020	1.63	3.30	20.0%	6,196	3,749	870	9,463	9,087	3,128	5,992	1,130	10,593
2021	1.33	3.00	20.0%	6,254	3,789	634	7,633	9,331	3,170	6,190	1,160	8,793
2022	1.10	2.70	23.0%	6,298	4,340	648	6,323	9,555	3,213	6,370	1,188	7,511
2023	0.96	2.40	27.0%	6,339	5,073	584	5,642	9,761	3,255	6,531	1,213	6,855
2024	0.85	2.20	27.0%	6,387	5,129	539	4,923	9,953	3,298	6,679	1,237	6,160
2025	0.72	1.90	27.0%	6,438	5,188	490	4,163	10,138	3,341	6,820	1,260	5,423
2026	0.58	1.70	27.0%	6,490	5,249	344	3,266	10,323	3,385	6,961	1,282	4,548
2027	0.45	1.40	27.0%	6,547	5,311	373	2,404	10,509	3,429	7,103	1,305	3,709
2028	0.30	1.20	27.0%	6,618	5,372	311	1,468	10,699	3,471	7,251	1,329	2,797
2029	0.15	1.00	27.0%	6,701	5,432	243	443	10,891	3,512	7,403	1,353	1,796
2030	0.09	0.90	27.0%	6,787	5,496	848	-	11,084	3,555	6,874	697	697
2031	0.01	0.70	27.0%	6,876	5,563	751	(562)	11,283	3,599	6,987	-	(562)
2032	-0.18	0.60	27.0%	6,958	5,631	19	(1,870)	11,495	3,645	7,850	-	(1,870)
2033	-0.37	0.40	27.0%	7,024	5,703	(77)	(3,267)	11,722	3,695	8,027	-	(3,267)
2034	-0.58	0.30	27.0%	7,099	5,782	(179)	(4,763)	11,949	3,749	8,200	-	(4,763)
2035	-0.79	0.20	27.0%	7,198	5,865	(290)	(6,386)	12,165	3,803	8,362	-	(6,386)
2036	-1.02	-0.10	27.0%	7,278	5,958	(437)	(8,143)	12,386	3,865	8,521	-	(8,143)
2037	-1.25	-0.20	27.0%	7,351	6,062	(537)	(9,969)	12,612	3,934	8,678	-	(9,969)
2038	-1.50	-0.40	27.0%	7,444	6,171	(671)	(11,913)	12,843	4,005	8,838	-	(11,913)
2039	-1.75	-0.60	27.0%	7,533	6,288	(814)	(13,973)	13,084	4,081	9,003	-	(13,973)
2040	-2.01	-0.80	27.0%	7,607	6,420	(963)	(16,123)	13,327	4,168	9,159	-	(16,123)
2041	-2.27	-1.00	27.0%	7,720	6,560	(1,130)	(18,413)	13,558	4,257	9,302	-	(18,413)
2042	-2.54	-1.20	27.0%	7,867	6,706	(1,291)	(20,866)	13,777	4,347	9,431	-	(20,866)
2043	-2.83	-1.50	27.0%	7,954	6,866	(1,469)	(23,423)	14,041	4,451	9,590	-	(23,423)
2044	-3.13	-1.70	27.0%	8,005	7,039	(1,653)	(26,042)	14,329	4,566	9,764	-	(26,042)
2045	-3.44	-2.00	27.0%	8,061	7,230	(1,842)	(28,715)	14,589	4,690	9,898	-	(28,715)
2046	-3.73	-2.20	27.0%	8,165	7,430	(2,037)	(31,488)	14,834	4,818	10,016	-	(31,488)
2047	-4.02	-2.50	27.0%	8,306	7,639	(2,239)	(34,393)	15,065	4,949	10,117	-	(34,393)
2048	-4.33	-2.80	27.0%	8,385	7,864	(2,448)	(37,363)	15,344	5,094	10,250	-	(37,363)
2049	-4.65	-3.10	27.0%	8,436	8,101	(2,660)	(40,357)	15,642	5,249	10,392	-	(40,357)
2050	-4.97	-3.30	27.0%	8,506	8,356	(2,875)	(43,382)	15,907	5,414	10,494	-	(43,382)
2051	-5.28	-3.60	27.0%	8,587	8,625	(3,091)	(46,435)	16,169	5,587	10,582	-	(46,435)
2052	-5.58	-3.90	27.0%	8,676	8,910	(3,310)	(49,510)	16,429	5,769	10,660	-	(49,510)
2053	-5.88	-4.20	27.0%	8,755	9,212	(3,528)	(52,581)	16,696	5,963	10,732	-	(52,581)
2054	-6.17	-4.60	27.0%	8,827	9,533	(3,746)	(55,621)	16,966	6,169	10,797	-	(55,621)
2055	-6.46	-4.90	27.0%	8,900	9,872	(3,960)	(58,610)	17,233	6,387	10,846	-	(58,610)
2056	-6.73	-5.20	27.0%	8,974	10,232	(4,170)	(61,522)	17,506	6,618	10,888	-	(61,522)
2057	-6.98	-5.50	27.0%	9,051	10,613	(4,374)	(64,333)	17,780	6,862	10,918	-	(64,333)
2058	-7.22	-5.80	27.0%	9,135	11,014	(4,569)	(67,022)	18,054	7,118	10,937	-	(67,022)
2059	-7.43	-6.00	27.0%	9,224	11,434	(4,754)	(69,567)	18,334	7,385	10,949	-	(69,567)
2060	-7.61	-6.30	27.0%	9,319	11,871	(4,928)	(71,942)	18,622	7,664	10,958	-	(71,942)
2061	-7.76	-6.60	27.0%	9,422	12,327	(5,089)	(74,127)	18,917	7,954	10,963	-	(74,127)
2062	-7.88	-6.80	27.0%	9,537	12,802	(5,235)	(76,097)	19,221	8,256	10,966	-	(76,097)
2063	-7.96	-7.10	27.0%	9,664	13,295	(5,365)	(77,831)	19,537	8,569	10,968	-	(77,831)
2064	-8.01	-7.30	27.0%	9,804	13,809	(5,477)	(79,302)	19,868	8,895	10,973	-	(79,302)
2065	-8.01	-7.50	27.0%	9,957	14,344	(5,568)	(80,483)	20,218	9,234	10,985	-	(80,483)
2066	-7.97	-7.60	27.0%	10,126	14,901	(5,637)	(81,345)	20,589	9,586	11,002	-	(81,345)
2067	-7.89	-7.70	27.0%	10,312	15,480	(5,682)	(81,858)	20,980	9,953	11,027	-	(81,858)
2068	-7.75	-7.80	27.0%	10,516	16,083	(5,700)	(81,990)	21,397	10,334	11,063	-	(81,990)
2069	-7.58	-7.90	27.0%	10,737	16,711	(5,689)	(81,704)	21,842	10,731	11,111	-	(81,704)
2070	-7.35	-7.90	27.0%	10,978	17,365	(5,645)	(80,962)	22,319	11,145	11,174	-	(80,962)
2071	-7.08	-7.90	27.0%	11,240	18,046	(5,568)	(79,724)	22,829	11,575	11,253	-	(79,724)
2072	-6.76	-7.80	27.0%	11,525	18,755	(5,452)	(77,947)	23,372	12,023	11,349	-	(77,947)
2073	-6.40	-7.70	27.0%	11,834	19,493	(5,295)	(75,583)	23,954	12,490	11,464	-	(75,583)
2074	-5.99	-7.50	27.0%	12,166	20,262	(5,094)	(72,582)	24,576	12,976	11,600	-	(72,582)
2075	-5.53	-7.30	27.0%	12,523	21,062	(4,844)	(68,887)	25,242	13,482	11,759	-	(68,887)
2076	-5.03	-7.10	27.0%	12,903	21,895	(4,542)	(64,436)	25,953	14,010	11,943	-	(64,436)
2077	-4.49	-6.80	27.0%	13,305	22,763	(4,181)	(59,159)	26,713	14,560	12,153	-	(59,159)
2078	-3.92	-6.40	27.0%	13,733	23,667	(3,758)	(52,983)	27,521	15,133	12,388	-	(52,983)
2079	-3.30	-6.10	27.0%	14,191	24,607	(3,267)	(45,833)	28,378	15,729	12,649	-	(45,833)
2080	-2.64	-5.60	27.0%	14,678	25,586	(2,701)	(37,627)	29,287	16,350	12,937	-	(37,627)
2081	-1.94	-5.20	27.0%	15,187	26,604	(2,055)	(28,265)	30,253	16,997	13,257	-	(28,265)
2082	-1.21	-4.60	27.0%	15,719	27,665	(1,321)	(17,641)	31,277	17,671	13,607	-	(17,641)

