



Regarding House Budget Report on Conforming Tier I Benefits to Social Security Benefits

An accompanying report (House Report 112-421) to the House of Representatives' version of the federal budget for fiscal year 2013 includes a list of reforms that could impact government income security programs.

One of these measures calls for conforming railroad retirement tier I benefits to social security benefits. According to the report, "Tier I benefits for railroad retirees are supposed to mimic Social Security benefits, but they are more generous than Social Security in many ways. This option would conform Tier I so that its benefits would equal those of Social Security, with an estimated savings to taxpayers of \$2 billion over 10 years."

It should be noted that payroll taxes paid by railroad employers and their employees are the primary source of funding for railroad retirement benefits, and railroad retirement taxes have historically been higher than social security taxes. While railroad retirement tier I payroll taxes are coordinated with social security taxes so that employers and employees pay tier I taxes at the same rate as social security taxes, both railroad employees and employers pay additional tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels.

Consistent with the higher taxes paid by railroad employers and employees, the average railroad retirement benefit payable to a retired railroad employee is generally higher than the average social security benefit.

The Railroad Retirement Board cannot comment specifically on what changes to tier I benefits would be made under this resolution without seeing the legislative language that would be used to amend the Railroad Retirement Act. At this time, no such legislation has been introduced.

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