



RRB News

U.S. Railroad Retirement Board

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Budget Cuts Reduce Railroad Unemployment and Sickness Benefits

As a result of recently implemented budget cuts, the U.S. Railroad Retirement Board (RRB) must reduce railroad unemployment and sickness insurance benefits by 9.2 percent.

These reductions stem from a sequestration order which President Obama filed on March 1, 2013, in accordance with the requirements of the Budget Control Act of 2011. The sequestration order sets aside a total of \$6 million in funding under the railroad unemployment and sickness insurance program. Given the total amount of spending under the program, a cut of this size made benefit reductions necessary.

The 9.2 percent reduction in railroad unemployment benefits will reduce the maximum daily benefit rate from \$66.00 to just under \$60.00. As a result, the total maximum amount payable in a 2-week period covering 10 days of unemployment will drop from \$660.00 to \$599.28.

Certain railroad sickness benefits are reduced for regular tier I railroad retirement taxes of 7.65 percent. Applying the additional 9.2 percent reduction to these benefits will result in a daily benefit rate of \$55.34 and a maximum 2-week payment of \$553.44.

The maximum daily benefit rate will increase to \$68.00 on July 1, 2013. For days of unemployment and sickness after that date, the reduction will result in a maximum daily benefit rate of \$61.74 and a maximum 2-week payout of \$617.44. The maximum daily benefit rate for sickness benefits subject to tier I payroll taxes will be \$57.02, with a maximum 2-week total of \$570.21.

The total sequestration is actually spread out over nine years. This initial reduction will remain in effect through September 30, 2013. The initial reduction amount is based upon projected claims and benefits and may be adjusted as needed. Congress will subsequently determine the amount of any reductions in future years. In addition, any appropriations subsequently enacted in fiscal year 2013 could also result in changes to the reduction amount.

The law exempts social security benefits, as well as railroad retirement, survivor, and disability benefits paid by the RRB, from sequestration.

In fiscal year 2012, the RRB paid \$11.3 billion in retirement and survivor benefits to about 573,000 beneficiaries, and net unemployment-sickness benefits of \$89 million to about 26,000 claimants.

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