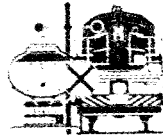




RRB annual report says fund healthy

CHICAGO – Thanks to an investment return of approximately 22.6 percent, the annual reports submitted to Congress in June by the U.S. Railroad Retirement Board (RRB) bore generally favorable conclusions.

The RRB report addressing the retirement system concluded that “barring a sudden, unanticipated, large decrease in railroad employment or substantial investment losses, the Railroad Retirement System will experience no cash-flow problems for at least 22 years.”



As of Sept. 30, 2003, total Railroad Retirement System assets, comprising assets managed by the National Railroad Retirement Investment Trust and the Railroad Retirement System accounts at the U.S. Treasury, equaled \$24.2 billion, the RRB reported.

Still, the 2004 report indicated that the long-term stability of the retirement system remains questionable. “Under its current financing structure,” the report said, “actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary.”

Projecting income and outgo under optimistic, moderate and pessimistic employment assumptions, the 2004 report indicated no cash-flow problems occur throughout the 25-year projection period under the optimistic and moderate assumptions. Cash-flow problems arise only under the pessimistic assumption, but not until 2026. The report recommended no financing changes.

The projected account balances were higher in 2004, compared with those in 2003, primarily because of the 22.6 percent return on investment, which significantly exceeded the 6 percent return expected, the report said.

The RRB's unemployment system report found that “even as maximum benefit rates increase 35 percent (from \$55 to \$74) from 2003 to 2014, experience-based contribution rates are expected to maintain the unemployment system's solvency.”