

# **Testimony of Erhard Chorlé**

Chairman, United States Railroad Retirement Board

Before the

United States Senate

Committee on Health, Education, Labor, and Pensions

“On Track for Secure Retirement: Examining the Success of the Railroad Retirement Board”

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United States Railroad Retirement Board

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## **I. Introduction**

Good morning Chairman Cassidy, Ranking Member Sanders, and Members of the Committee. I am Erhard Chorlé, Chairman of the United States Railroad Retirement Board (RRB). Thank you for the opportunity to testify today on the success of the Railroad Retirement Board Trust Fund model.

## **II. Agency Background**

### **Governance**

The RRB is an independent agency in the executive branch. The agency is governed by a three-member Board appointed by the President, by and with the advice and consent of the Senate. One Member is appointed upon the recommendation of railroad employers, one upon the recommendation of railroad labor organizations, and the Chairman represents the public interest.

### **Why We Exist**

The economic conditions of the 1930s demonstrated the need for retirement protection on a national basis, because few older Americans were covered by any retirement program. As the social security system was being developed, railroad workers sought a separate railroad retirement program that would build upon existing railroad plans under a uniform national structure. Monthly social security benefits were not scheduled to begin for several years and did not credit certain prior service, while conditions in the railroad industry called for more immediate benefit payments based on prior service.

Congress enacted legislation in 1934, 1935, and 1937 to establish a railroad retirement system separate from social security. Although the two systems remain separate, they are closely

coordinated with respect to earnings credits, benefit payments, and taxes. Their financing is linked through a statutory financial interchange designed to place the Social Security trust funds in the same financial position they would have been in if railroad service were covered under social security rather than the railroad retirement program.

### **Why is Railroad Retirement Important to the American Economy**

The railroad industry's contributions to the nation's transportation system and the economy cannot be overstated. Freight railroads move approximately 16 billion tons annually across 140,000 miles of track through 49 states. Rail freight revenue averages \$80 billion a year and private rail infrastructure investments total approximately \$25 billion annually. In addition, railroads enable mobility for passengers on Amtrak and commuter operations throughout the country. Both rail freight and passenger transportation greatly reduce truck and passenger traffic on the nation's highways.

Within this industry, the railroad retirement system, administered by the RRB, serves as a distinct pension and benefit framework that provides incentives for long-term career commitment to railroad employment.

The system fosters workforce stability by motivating employees to continue their careers within the railroad sector, thereby supporting operational continuity and the preservation of experienced personnel for railroad carriers. This dynamic aligns with the historical intent of the Railroad Retirement Act to provide secure, industry-specific retirement protections, that promote loyalty and reduce employee turnover in a demanding field.

### **Mission and Primary Functions**

The RRB administers retirement, disability, survivor, and unemployment and sickness benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death, or temporary unemployment and sickness. The RRB also administers aspects of Medicare and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

The mission of the RRB is to pay benefits to the right people, in the right amounts, in a timely manner, while safeguarding the trust funds entrusted to the agency. Our staff includes field representatives who assist with benefit claims; examiners who adjudicate claims; information technology professionals who maintain records, calculate benefits, and process payments; actuaries, statisticians, and economists who support program financing and analysis; and attorneys and administrative personnel who support operations. The Office of Inspector General conducts audits and investigations to prevent and detect waste, fraud, and abuse. RRB

staff are located at our headquarters in Chicago and in 53 field offices throughout the United States.

### **Program Payments**

In fiscal year (FY) 2025, the RRB paid approximately:

- \$14.6 billion in retirement and survivor benefits to about 475,000 annuitants;
- \$82 million in net unemployment and sickness benefits to more than 8,600 unemployment insurance beneficiaries and 18,900 sickness insurance beneficiaries; and
- \$2.7 billion in benefits on behalf of the Social Security Administration (for which the RRB is reimbursed) to about 129,000 beneficiaries.

As of the end of FY 2025, the average annuity paid to retired railroad employees was \$3,575 per month; spouse benefits averaged \$1,305 per month; and benefits for aged widow(er)s averaged \$2,330 per month. In FY 2025, the maximum biweekly rate for unemployment and sickness benefits was \$990 (subject to annual adjustment).

### **III. Funding Structure and Trust Fund Solvency**

#### **Administrative Funding**

The RRB requests funds through the annual appropriations process, and Congress sets the agency's administrative budget. However, program operations are primarily funded by payroll taxes paid by railroad employees and employers for the programs under the Railroad Retirement Act, and by contributions from rail employers (similar to state unemployment taxes) for the unemployment and sickness program. Railroad employees and employers pay higher payroll taxes to support enhanced benefits that help attract and retain a stable workforce. For FY 2025, Congress appropriated \$126 million for RRB administrative expenses. This appropriation enables the RRB to access the program funds financed by the railroad industry to administer retirement, survivor, disability, unemployment, and sickness benefits.

#### **System Solvency**

Most importantly, the railroad retirement system is solvent. The National Railroad Retirement Investment Trust's (NRRIT) January 2026 quarterly report concluded that the railroad retirement system held \$31.1 billion in assets. NRRIT's assets are projected to continue growing over the long term, as income from industry taxes and investment returns is expected to remain greater than expenditures. Long-term growth is projected to be stable over the next 75 years, even under the Actuary's most pessimistic employment scenario.

## **National Railroad Retirement Investment Trust (NRRIT)**

The Railroad Retirement and Survivors Improvement Act of 2001 (the Act) was the result of almost 20 years of work by rail management and rail labor. Its goal, which was largely achieved, was to raise benefits and lower taxes through creation of the NRRIT, which would allow railroad retirement assets to be invested in equities and other private sector securities. It further introduced an automatic tax rate adjustment mechanism to keep the program's finances sound. Congress passed the Act in December 2001, creating the NRRIT which is the model still used to invest railroad retirement assets.

NRRIT is managed by a seven-member Board of Trustees: three selected by rail labor organizations, three selected by railroad companies, and an independent trustee selected by the other six trustees. Trustee terms are staggered.

In early 2003, NRRIT received the majority of \$21.3 billion transferred from the Department of the Treasury. From its creation through December 2025, NRRIT returned \$35.9 billion to the Treasury to fund railroad retirement benefits. Since inception, NRRIT has achieved an average annualized return of more than 7 percent.

As part of the Act, Congress moved NRRIT and the railroad retirement assets outside of the federal government and required that NRRIT act solely in the interest of the RRB and through it, the participants and beneficiaries of the programs funded under the Railroad Retirement Act. Borrowing language of the Employee Retirement Income Security Act of 1974, the Act specifically forbids any other objective, such as advancing the interests of carriers or unions. Congress also required that the NRRIT funds be professional managed by individuals with experience overseeing financial investments of pension plans, with an emphasis on diversifying holdings to minimize the risk of large losses and to avoid disproportionate influence over any particular industry.

NRRIT maintains a diversified portfolio across public and private markets to support prudent risk management and sustainable long-term growth. Performance is reviewed quarterly against benchmarks, and allocations are adjusted as needed. NRRIT is audited annually by an independent public accountant and submits an annual report to Congress on its operations and financial condition, including audited financial statements and internal control information.

## **IV. RRB Performance, Controls, and Modernization**

### **Customer Service**

The RRB is committed to meeting customer expectations for timely, accurate, and accessible service. In FY 2025, the agency met or exceeded timeliness goals related to automated programs while falling short in areas that are still highly dependent on manual resources and antiquated systems.

## **Financial Reporting and Internal Controls**

The RRB is proud that, for the first time since 2012, the agency earned an unmodified (clean) audit opinion on its FY 2025 consolidated financial statements.

To achieve this result, the RRB worked with the Department of the Treasury, with concurrence from the Office of Management and Budget (OMB) and the Government Accountability Office (GAO), to implement a change in the reporting structure for assets held by NRRIT. Effective with the FY 2025 Financial Report of the United States Government, NRRIT is no longer consolidated within the RRB's financial statements. Instead, NRRIT is treated as a standalone consolidation entity, and its assets are consolidated directly at the government-wide reporting level for purposes of the Financial Report, consistent with Statement of Federal Financial Accounting Standards (SFFAS) 47, Reporting Entity.

As a result, the financial statement auditors reported that the RRB's consolidated financial statements present fairly, in all material respects, the financial position of the RRB as of September 30, 2025, and its net cost, changes in net position, and combined budgetary resources for the year then ended, in accordance with accounting principles generally accepted in the United States.

The RRB also strengthened internal controls over financial reporting. The number of reported material weaknesses decreased from five in FY 2024 to two in FY 2025. The remaining material weaknesses relate to the internal control environment, including the need for continued corrective action plans and improvements to information technology controls over financial reporting. These matters did not affect the auditors' unmodified opinion on the FY 2025 financial statements.

## **Information Technology Modernization**

RRB mission-essential programs rely on legacy systems built decades ago, which increases operational risk and limits the agency's ability to deliver modern, user-friendly services. From 2018 to 2021, Congress appropriated no-year funding specifically for agency-wide IT modernization. These funds were used to stabilize the RRB's fragile infrastructure environment, a necessary foundational step before the modernization process could begin. With these funds, the agency retired the legacy mainframe from the 1960s, reduced its physical footprint and reliance on specialized staff, enhanced disaster recovery operations, introduced modern tools such as Teams, Power BI, and MS Forms, reduced outages, improved cybersecurity posture, and upgraded the customer phone system. With a more recent award from the Technology Modernization Fund, the agency is close to completion of additional online constituent services enabling self-directed changes of address and direct deposit. If provided sufficient resources to offer and sustain high-quality service, the RRB will execute a multi-phase IT modernization

effort to transform legacy systems, build modern digital services, and strengthen security and privacy protections throughout the information life cycle.

## **V. Conclusion**

Thank you again for inviting me to testify on behalf of the Railroad Retirement Board. I appreciate the Committee's interest in the long-term strength of the railroad retirement system and NRRIT's investment model. I look forward to answering your questions.