

Mac A. Fleming  
President



Freddie N. Simpson  
Secretary-Treasurer

**Brotherhood of Maintenance of Way Employees**  
*Affiliated with the A.F.L.-C.I.O. and C.L.C.*

April 30, 2003  
(via facsimile and U. S. mail)

All General Chairmen  
in the United States

Dear Sirs and Brothers:

Many of you have inquired about House Concurrent Resolution 95 on the Budget for Fiscal Year 2004 (H.R. 95), that would result in reduced Railroad Retirement benefits for future retirees if passed.

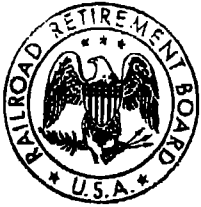
Attached is a copy of memo from Director of Government Affairs Danny Gates which is self explanatory and a copy of Legislative Alert Release No. 08-2003 from Railroad Retirement Labor Member V. M. Speakman, wherein he states that Railroad Retirement benefits should be treated on the same basis as Social Security benefits which are exempt from these reductions. It is also his opinion that we should not engage in any action regarding this legislation at this time. I have spoken to representatives at the Board and it is their belief that H.R. 95 is going nowhere. However, we will continue to monitor this legislation and will react immediately if the situation should change.

In solidarity,

President

Attachment (6 pages)

cc: Mr. Freddie N. Simpson  
Grand Lodge Officers  
Mr. Danny Gates  
Mr. Kent C. Turner



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

V. M. SPEAKMAN, JR.  
LABOR MEMBER

OFFICE OF LABOR MEMBER

April 2, 2003

Release No: 08-2003  
Subject: **Legislative Alert**

**TO: National Legislative Representatives:**

Enclosed is information concerning House Concurrent Resolution 95 that would result in reduced Railroad Retirement benefits. Railroad Retirement Benefits should be treated on the same basis as Social Security benefits that are exempt from these reductions.

Sincerely,

A handwritten signature in black ink, appearing to read "V. M. Speakman, Jr." with a stylized flourish at the end.

V. M. Speakman, Jr.  
Labor Member

Enclosure

cc: Chief Executives, Railway Labor Organizations  
National Reporting Officers



**Railroad Retirement Benefits Are Earned, Legislatively Mandated, and Funded by Specific Taxes**  
**Reduced Benefits Would Trigger Lower Tax Rates And Lower Receipts**

- House Concurrent Resolution 95 on the Budget for Fiscal Year 2004 provides cuts of as much as \$265 billion to public benefits over the next 10 years. It has been noted that these cuts could reduce railroad retirement benefits.
- Railroad retirement benefits are primarily funded by payroll taxes on railroad workers and employers. (Appropriations from general funds are used only for the phase-out cost of dual benefit payments to less than 78,000 beneficiaries.)
- Sections 15 and 15A of the Railroad Retirement Act of 1974 established trust fund accounts into which specific railroad retirement taxes are to be deposited and to be used only for the payment of railroad retirement benefits and expenses resulting from the administration of the Act.
- The amounts of railroad retirement benefits are specifically mandated by various sections of the Railroad Retirement Act of 1974 as amended by various acts, including the Railroad Retirement and Survivors' Improvement Act of 2001. Such benefits constitute entitlements based on legislation enacted by the Congress, much of which was agreed to through collective bargaining between railroad labor and railroad employers and cannot be modified except by legislative action.
- Because defined railroad retirement benefits are financed by negotiated taxes, any unilateral reductions in benefit levels and payments would be inappropriate.
- Section 204 of the Railroad Retirement and Survivors' Improvement Act of 2001 amended the Internal Revenue Code of 1986 to provide for tax rate adjustments based on average account benefits ratios. Such account benefits ratios are calculated by dividing the fair market value of railroad retirement program assets by total benefit payments and administrative expenses paid from the Railroad Retirement Account and the National Railroad Retirement Investment Trust during each fiscal year.
- Because railroad retirement trust fund assets can be used only to pay benefits and administrative expenses, any mandated reduction in benefits would increase trust fund balances. The increased fund balances would in turn lower railroad retirement taxes. Therefore, in the long run, any budgetary savings achieved through mandated benefit reductions would be offset by reduced receipts resulting from lower tax rates.

# B.M.W.E. MEMO

**Date:** 04/29/2003  
**To:** Mac Fleming, President  
**From:** Danny Gates, Director of Government Affairs  
**RE:** Railroad Retirement Budget Resolution

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**Mac:**

As per our phone conversation this is all I have in reference to the Railroad Retirement issue. This situation is very vague and could easily be misconstrued the wrong way. The Railroad Retirement Board themselves have asked us not to address this on the Hill until after a clear Budget Resolution has been resolved.

The National Association of Retired & Veteran Railway Employees themselves state and I quote (That cuts may need to be made in the Railroad retirement program to reduce the budget deficits contemplated by the Budget resolution (HR-95)

I myself have received numerous calls on this issue and have tried to appease the members with the best explanation available at the present time. This entire matter will evolve around the final figure that Congress agrees on concerning President Bush's tax cuts, and this number is decreasing daily.

DG

Attachments



**U.S. House of Representatives**  
**Committee on Transportation and Infrastructure**  
 Washington, DC 20515

**Don Young**  
 Chairman

**James L. Oberstar**  
 Ranking Democratic Member

April 1, 2003

Lloyd A. Jones, Chief of Staff  
 Elizabeth Megginson, Chief Counsel

David Heymsfeld, Democratic Chief of Staff

***Protect Railroad Workers and Retirees***  
***Support the Democratic Motion on the Budget Resolution***

Dear Democratic Colleague:

I write to urge you to support the Democratic motion to instruct conferees on the Republican Budget Resolution. The Democratic motion rejects the Republicans' efforts to cut \$3.7 billion from the Transportation and Infrastructure Committee's mandatory programs, including the railroad retirement and unemployment compensation systems. For railroad workers and retirees, the railroad retirement system is their social security.

To help offset the enormous cost of their \$1.35 trillion tax cut for the rich, the Republicans force Committees to slash their mandatory programs under the rubric of eliminating "waste, fraud, and abuse". The House-passed FY2004 Republican Budget Resolution forces the Transportation and Infrastructure Committee to cut \$3.7 billion from its mandatory programs over the next 10 years.

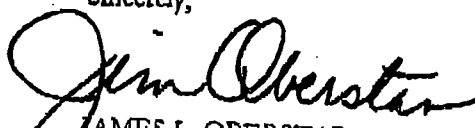
While these platitudes of "waste, fraud, and abuse" make for good rhetoric, this policy could have a devastating effect on railroad workers and retirees. According to the Congressional Budget Office, the railroad retirement and unemployment-compensation programs constitute more than 80 percent of all of the programs with the jurisdiction of the T&I Committee that is to be the source of the \$3.7 billion of savings. The most likely result of this Republican directive is that the Transportation Committee will be forced to cut railroad retiree benefits.

In a letter to the Democratic Leader, the National Association of Retired and Veteran Railway Employees, Inc. states: "It would be unconscionable, in our view, to reduce the retirement benefits for railroad employees and their families in order to reduce the budget deficits that have nothing whatsoever to do with the railroad retirement program and its funding." A copy of the letter is attached for your information.

In addition, the Rail Labor Division of the Transportation Trades Department of the AFL-CIO has written a letter strongly supporting the Spratt Democratic motion on the Budget Resolution.

I urge you to support the Democratic motion to instruct conferees on the Budget Resolution.

Sincerely,

  
 JAMES L. OBERSTAR  
 Ranking Democratic Member



# National Association of Retired & Veteran Railway Employees, Inc.

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March 31, 2003

The Honorable J. Dennis Hastert  
Speaker of the House  
H-232, U.S. Capitol  
Washington, D.C. 20515

The Honorable Nancy Pelosi  
Minority Leader  
H-204, U.S. Capitol  
Washington, D.C. 20515

Dear Mr. Speaker & Madam Minority Leader

It has been brought to our attention of the Budget Resolution passed recently by the House of Representatives suggest that cuts may need to be made in the railroad retirement program to reduce the budget deficits contemplated by the Budget Resolution. While we do not know precisely what cuts would be made, we do feel compelled to address the issue.

As you know, railroad retirement benefits, like social security benefits, are entitlements. The Railroad Retirement Act specifies the computation and amount of railroad retirement benefits based on an employee's years of service and average compensation. Changes in the computation of railroad retirement benefits, other than vested dual benefits, require amendments to the benefit provisions of the statute. It also should be noted that recently enacted changes in the Railroad Retirement Act provide for adjustments in the Tier II tax rate, up or down, based on the ratio of funds available for benefit payment and the amount of benefits to be paid. Accordingly, a reduction in benefit outlays would result in a decrease in tax revenues.

Aside from the legal problems that would have to be addressed in order to reduce railroad retirement outlays, the human side of the story must also be considered. Some 1.2 million railroad workers, retirees, widows' and widowers' have worked hard over lengthy careers and have paid significant employment taxes to fund their retirement program. These workers, retirees and their families rely on railroad retirement benefits to meet their needs during retirement. It would be unconscionable, in our view, to reduce

**retirement benefits for railroad employees and their families in order to reduce the budget deficits that have nothing whatsoever to do with the railroad retirement program and its funding..**

**We appreciate your consideration of our views on this most important matter.**

Sincerely,



**Thomas J. Dwyer  
National Legislative Director**

**Cc: Mr. A.W. Westphal, National President  
Mr. George Wisdom, National Vice President  
Ms. Mary David, National Secretary-Treasurer**