2018 – FIRST QUARTER REPORT

ALL LOCAL UNIONS
SYSTEM COUNCIL NO. 2

Dear Brothers and Sisters:

In February, the U.S. Senate confirmed U.S. Department of Transportation nominees, including the heads of the nation's rail safety regulator and commercial motor vehicle safety regulator, filling leadership positions amid heightened safety concerns following several high-profile accidents. The Senate confirmed President Trump's picks of Ronald L. Batory as administrator of the Federal Railroad Administration (FRA) and Raymond Martinez as administrator of the Federal Motor Carrier Safety Administration. Adam Sullivan was also confirmed to serve as DOT's assistant secretary of governmental affairs. Ronald Batory is a longtime railroad industry executive with 45 years' experience who was picked last July to be chief of the FRA. However, his confirmation has been stalled for months by Senate Minority Leader Schumer and others who oppose Batory's nomination in protest of the Trump administration's stance on funding a program which included building a heavy rail tunnel from Bergen Palisades in New Jersey to Penn Station in Manhattan, a long-in-the-works plan under which the federal government promised to cover half the cost of the new tunnel. Batory is the retired former president and chief operating officer of Consolidated Rail Corp. and was previously president of the Belt Railway Company of Chicago, and has held other administrative and operational management positions with regional railroads.

All Railroad Local Unions are responsible for withholding and paying Railroad Retirement taxes for officers and/or employees of the Local Union, as well as reporting these taxes to the IBEW International office on and “OE-1a” form. The form is available on the IBEW website under “Local Connections – Railroad Resources.” The instructions and form for 2018 reporting were recently posted. For 2018, the “Local Union” forms were consolidated into one form that handles up to 22 people. The form is relatively simple to use, as once the general

“Our Business – Representation & Service”
information for an employee is entered, it will self-populate and self-tabulate. This form should be used for all 2018 reporting. IBEW Rail Department Director Bill Bohne recently advised that they are having quite a bit of difficulty getting the local unions to file these forms with the International Office, and if any assistance is needed, please reach out to International Representative Al Russo in the Railroad Department at 202 728-6018.

Information was recently provided regarding the hiring of approximately 80 additional field auditors for the Office of Labor-Management Standards (OLMS). These auditors have been trained and are currently performing audits on all craft Local Unions throughout the United States. A former OLMS Director advised that "the OLMS will place a Local Union on an immediate audit list, via their computer, if the Local Union is late filing their LM reports twice or for two LM reporting years." The OLMS considers all reports late after one (1) day of which it must be submitted. The OLMS does not allow any grace periods for LM submission required dates.

In February, the National Mediation Board and the Nations freight railroads were notified that the IBEW Railroad membership rejected the December 2017 National Freight tentative agreement. The votes were tallied on Wednesday, February 7th by the IBEW Railroad Department and Railroad System Councils at the IBEW Headquarters building. The total vote count was 1,253 accepting the contract, and 1415 opposed. On February 21st, negotiations resumed extending with Mediation sessions into March. All updated information regarding the National Bargaining process can be found at the IBEW website, or the System Council 2 website at www.ibewsc2.org.

On January 25, 2018, the System Council presented 18 cases for arbitration before Public Law Board 7001 with Union Pacific Railroad. We are currently awaiting the decisions from the arbitrator. The claimants and applicable local unions will be notified accordingly as soon as the awards are rendered.

On January 3, 2018, the System Council was notified by Progress Rail that based on a financial and operational analysis; they would be closing their traction motor/wheel facility located in Rocklin, California (Local 800). We immediately began negotiations for a closure agreement which was successfully completed on March 15th. The Closing Agreement allows for a severance payment, lump sum payment, and vacation credit upon separation by the existing employees.

Employers and employees covered by the Railroad Retirement Act pay higher retirement taxes than those covered by the Social Security Act. Therefore, railroad retirement benefits remain higher than social security benefits, especially
for "career" employees who have 30 or more years of service. I am attaching hereto, a question and answer sheet showing the differences in railroad retirement and social security benefits payable at the close of the fiscal year 2017.

January 2018

- The System Council staff and I met for a staff meeting to discuss the 2018 agenda and local chairman training schedule.
- AGC Starkjohann met with UPRR to conference subcontracting claims.
- VGC Reynoso, AGC Shell and I met with Progress Rail to discussing the closing of the Rocklin, California Traction Motor/Wheel facility..
- AGC Strkjoann, AGC Shell and I met with Union Pacific to discuss Facility Maintenance issues and contracting out of work.
- AGC Shell met with officers, local chairmen and members of Kansas City Local 1832.
- VGC Reynoso, AGC Strkjoann and I attended arbitration before Public Law Board 7001 with UPRR.
- I attended an IBEW Railroad Department General Chairmen’s meeting.
- I visited the UPRR Ft Worth facility and met with the Shop Directors.

February 2018

- AGC Shell attended the monthly meeting of Little Rock Local 807.
- I attended the ratification vote count for the National Freight tentative agreement.
- In attempt to negotiate a Closing Agreement with Progress Rail, AGC
Reynoso and I met with Progress Rail throughout the month.

- I met with the CPA regarding the yearly audit of the Railroad Coordinating Council.
- AGC Starkjohann attended the monthly meeting of Omaha Local 618.

March 2018

- VGC Reynoso and Assistant General Chairman Starkjohann attended the UPRR General Chairman's Association meeting.
- VGC Reynoso and I visited the El Paso facility and met with members and officers of Local 726.
- I attended the National Freight negotiations and Mediation session.
- The System Council staff and I met to finalize the training schedule for the System Council local chairmen training.
- AGC/ST began preparation for the fiscal year end reports of the System Council.

Throughout the quarter, the System Council staff and I have been busy assisting the local unions with day to day issues and researching and progressing appeals.

In solidarity, I remain

Fraternally yours,

Jim Wisniski
General Chairman

Attachment: Railroad Retirement Q & A's
The following questions and answers show the differences in railroad retirement and social security benefits payable at the close of the fiscal year ending September 30, 2017. They also show the differences in age requirements and payroll taxes under the two systems.

1. **How do the average monthly railroad retirement and social security benefits paid to retired employees and spouses compare?**

   The average age annuity **being paid** by the Railroad Retirement Board (RRB) at the end of fiscal year 2017 to career rail employees was $3,415 a month, and for all retired rail employees the average was $2,730. The average age retirement benefit **being paid** under social security was over $1,370 a month. Spouse benefits averaged $1,010 a month under railroad retirement compared to $695 under social security.

   The Railroad Retirement Act also provides supplemental railroad retirement annuities of between $23 and $43 a month, which are payable to employees who retire directly from the rail industry with 25 or more years of service.

2. **Are the benefits awarded to recent retirees generally greater than the benefits payable to those who retired years ago?**

   Yes, because recent awards are based on higher average earnings. Age annuities **awarded** to career railroad employees retiring at the end of fiscal year 2017 averaged about $4,030 a month while monthly benefits **awarded** to workers retiring at full retirement age under social security averaged nearly $1,855. If spouse benefits are added, the combined benefits for the employee and spouse would total $5,560 under railroad retirement coverage, compared to $2,780 under social security. Adding a supplemental annuity to the railroad family’s benefit increases average total benefits for current career rail retirees to over $5,590 a month.

3. **How much are the disability benefits currently awarded?**

   Disabled railroad workers retiring directly from the railroad industry at the end of fiscal year 2017 were **awarded** more than $2,920 a month on the average while awards for disabled workers under social security averaged approximately $1,295.

   While both the Railroad Retirement and Social Security Acts provide benefits to workers who are totally disabled for any regular work, the Railroad Retirement Act also provides disability benefits specifically for employees who are disabled for work in their regular railroad occupation. Employees may be eligible for such an occupational disability annuity at age 60 with 10 years of service, or at any age with 20 years of service.

4. **Can railroaders receive benefits at earlier ages than workers under social security?**

   Railroad employees with 30 or more years of creditable service are eligible for regular annuities based on age and service the first full month they are age 60, and rail employees with less than 30 years of creditable service are eligible for regular annuities based on age and service the first full month they are age 62.
No early retirement reduction applies if a rail employee retires at age 60 or older with 30 years of service and his or her retirement is after 2001, or if the employee retired before 2002 at age 62 or older with 30 years of service.

Early retirement reductions are otherwise applied to annuities awarded before full retirement age, the age at which an employee can receive full benefits with no reduction for early retirement. This ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as under social security.

Under social security, a worker cannot begin receiving retirement benefits based on age until age 62, regardless of how long he or she worked, and social security retirement benefits are reduced for retirement prior to full retirement age regardless of years of coverage.

5. Can the spouse of a railroader receive a benefit at an earlier age than the spouse of a worker under social security?

If a retired railroad employee with 30 or more years of service is age 60, the employee’s spouse is also eligible for an annuity the first full month the spouse is age 60.

Certain early retirement reductions are applied if the employee first became eligible for a 60/30 annuity July 1, 1984, or later, and retired at ages 60 or 61 before 2002. If the employee was awarded a disability annuity, has attained age 60 and has 30 years of service, the spouse can receive an unreduced annuity the first full month she or he is age 60, regardless of whether the employee annuity began before or after 2002, as long as the spouse’s annuity beginning date is after 2001.

To qualify for a spouse’s benefit under social security, an applicant must be at least age 62, or any age if caring for a child who is entitled to receive benefits based on the applicant’s spouse’s record.

6. Does social security offer any benefits that are not available under railroad retirement?

Social security does pay certain types of benefits that are not available under railroad retirement. For example, social security provides children’s benefits when an employee is disabled, retired or deceased. Under current law, the Railroad Retirement Act only provides children’s benefits if the employee is deceased.

However, the Railroad Retirement Act includes a special minimum guaranty provision which ensures that railroad families will not receive less in monthly benefits than they would have if railroad earnings were covered by social security rather than railroad retirement laws. This guaranty is intended to cover situations in which one or more members of a family would otherwise be eligible for a type of social security benefit that is not provided under the Railroad
Retirement Act. Therefore, if a retired rail employee has children who would otherwise be eligible for a benefit under social security, the employee’s annuity can be increased to reflect what social security would pay the family.

7. How much are monthly benefits for survivors under railroad retirement and social security?

Survivor benefits are generally higher if payable by the RRB rather than social security. At the end of fiscal year 2017, the average annuity being paid to all aged and disabled widow(er)s was $1,650 a month, compared to $1,270 under social security.

The annuities being paid at the end of fiscal year 2017 to widowed mothers/fathers averaged $1,880 a month and children’s annuities averaged $1,080, compared to $955 and $840 a month for widowed mothers/fathers and children, respectively, under social security.

8. How do railroad retirement and social security lump-sum death benefit provisions differ?

Both the railroad retirement and social security systems provide a lump-sum death benefit. The railroad retirement lump-sum benefit is generally payable only if survivor annuities are not immediately due upon an employee’s death. The social security lump-sum benefit may be payable regardless of whether monthly benefits are also due. Both railroad retirement and social security provide a lump-sum benefit of $255. However, if a railroad employee completed 10 years of creditable railroad service before 1975, the average railroad retirement lump-sum benefit payable is $1,000. Also, if an employee had less than 10 years of service, but had at least 5 years of such service after 1995, he or she would have to have had an insured status under social security law (counting both railroad retirement and social security credits) in order for the $255 lump-sum benefit to be payable.

The social security lump sum is generally only payable to the widow(er) living with the employee at the time of death. Under railroad retirement, if the employee had 10 years of service before 1975, and was not survived by a living-with widow(er), the lump sum may be paid to the funeral home or the payer of the funeral expenses.

9. How do railroad retirement and social security payroll taxes compare?

Railroad retirement payroll taxes, like railroad retirement benefits, are calculated on a two-tier basis. Rail employees and employers pay tier I taxes at the same rate as social security taxes, 7.65 percent, consisting of 6.20 percent for retirement on earnings up to $128,400 in 2018, and 1.45 percent for Medicare hospital insurance on all earnings. An additional 0.9 percent in Medicare taxes (2.35 percent in total) will be withheld from employees on earnings above $200,000.
In addition, rail employees and employers both pay tier II taxes which are used to finance railroad retirement benefit payments over and above social security levels.

In 2018, the tier II tax rate on earnings up to $95,400 is 4.9 percent for employees and 13.1 percent for employers.

10. How much are regular railroad retirement taxes for an employee earning $128,400 in 2018 compared to social security taxes?

The maximum amount of regular railroad retirement taxes that an employee earning $128,400 can pay in 2018 is $14,497.20, compared to $9,822.60 under social security. For railroad employers, the maximum annual regular retirement taxes on an employee earning $128,400 are $22,320, compared to $9,822.60 under social security. Employees earning over $128,400, and their employers, will pay more in retirement taxes than the above amounts because the Medicare hospital insurance tax is applied to all earnings.

###
