

## **PART I Prerequisite Knowledge for Employer Reporting**

### **CHAPTER 1: What is the Railroad Retirement Board?**

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**Function** The U. S. Railroad Retirement Board (RRB) is an independent agency in the executive branch of the Federal Government. The primary function of the RRB is to determine and pay retirement-survivor and unemployment-sickness benefits under the Railroad Retirement Act (RRA) and the Railroad Unemployment Insurance Act (RUIA) to the nation’s railroad workers and their families.

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**Determining Benefit Payments** The benefit payments administered by the RRB are based on earnings credits, called creditable service and compensation. Service and compensation information is collected from reports of employers covered under the RRA and the RUIA, including rail labor employers. In the context of reporting to the RRB, the term “employer” refers to both rail carriers and national rail labor organizations.

The RRB maintains lifetime records of creditable service and compensation for each railroad employee for purposes of determining benefit payments. The service and compensation records are secured from employer reports. The RRB is authorized to require an employer to submit service and compensation information by RRB Regulation (20 CFR 209.2) and by RRA sections 7(b)(6) and 9, and RUIA sections 6 and 12(1). Both Acts make provision for enforcement of reporting requirements.

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**Part I, Chapter 2**

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**CHAPTER 2: The Role of the National Reporting Officer**

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**Designating a NRO** Each employer must designate at least one person as an official Railroad Retirement Board (RRB) contact. The National Reporting Officer (NRO) serves as the point of contact for railroad retirement report matters on behalf of the grand lodge, local lodges, and system subordinate units of a rail labor employer.

The NRO is an agent of the RRB and is designated by the grand lodge through the Labor Member's Office (LMO). After an NRO has been designated, the designated NRO will receive a written position description detailing responsibilities. The position description is provided in Appendix III.

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**NRO Responsibilities** The NRO is responsible for service and compensation reports and employee earnings records. Correspondence related to service and compensation reports, such as informational circular letters and report error referrals will be directed to the NRO. The NRO should:

- Understand how to complete forms properly;
- Answer RRB inquiries promptly;
- Be familiar with the "Reporting Instructions to Labor Employers";
- Communicate reporting instructions to the local lodges, system subordinate units and other staff members who are involved in preparing reports.

The NRO must thoroughly understand the Railroad Retirement Board's reporting requirements. Erroneous reports can create difficulties and financial hardships for employees in obtaining correct benefit payments and can create unnecessary paperwork for the RRB and the employer.

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**NRO Name and Address Changes** NRO name and address changes should be submitted to the LMO at the RRB.

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## CHAPTER 3: Reporting Instructions to Labor Employers

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**Description of the Reporting Instructions to Labor Employers**

The *Reporting Instructions to Labor Employers (Labor Reporting Instructions)* provide instructions to NROs' reporting under the Railroad Retirement Act (RRA) and Railroad Unemployment Insurance Act (RUIA). The *Labor Reporting Instructions* cover forms and correspondence relating to the following subjects:

- Annual earnings reports of creditable service and compensation;
  - Adjusted reports of service and compensation; and
  - Supplemental forms and correspondence used to correct employee service and compensation records.
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**What's Not in the Labor Reporting Instructions**

The *Labor Reporting Instructions* do not provide information on every form you must complete for the RRB. However, they will provide basic information for the earnings-related forms which relate to Compensation and Employer Services.

For example, the Internal Revenue Service (IRS) Form CT-1, Employer's Annual Railroad Retirement Tax Return, is related to creditable earnings, so the *Labor Reporting Instructions* describes the purpose of Form CT-1 and the taxes on compensation. The Labor Reporting Instructions do not provide instructions for completing Form CT-1 nor do they answer railroad retirement tax questions. Refer to "The RRB Jurisdiction Referral Guide" in the Appendix IX for RRB information and contacts not relating to service and compensation.

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**Forms OE-1 and OE-1a**

Forms OE-1 and Forms OE/1 are filed by the system subordinate and local lodge units with the NRO, who subsequently consolidates the information into one Form BA-3a, Annual Report of Creditable Compensation. Filers of Form OE-1/1a should refer to the form instructions distributed to the units through the NRO. Those instructions are provided to assist the units in reporting creditable service and compensation and taxable earnings to the NRO and in reporting and paying retirement taxes to the IRS.

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## CHAPTER 3: Reporting Instructions to Labor Employers, Continued

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### **Using the Labor Reporting Instructions Effectively**

The *Labor Reporting Instructions* may be used as an information resource without reading it in its entirety. The *Labor Reporting Instructions* are organized into eight parts with numbered chapters within each part. It has exhibits that illustrate every form described and appendices with supplemental material not contained in the chapter texts. Cross-references are used to guide the user to other sections of the instructions with related information about a subject.

The eight parts follow the process order in which an employer needs to know the information. The eight parts consist of:

- Prerequisite concept knowledge
- Descriptions and instructions for reports
- Post filing information

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### **Labor Reporting Instruction Revisions**

It is important to use the most current version of the Labor Reporting Instructions. Keep your copy up-to-date by immediately filing the updated pages. Discard obsolete pages to avoid confusion. The revision, or effective date of each page is shown in the heading.

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### **System Units and Grand Lodge Specific Instructions**

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Information within a chapter in the *Labor Reporting Instructions to Labor Employers* which applies only to system subordinate units and grand lodges is designated by the bold line in the same manner as this paragraph.

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## CHAPTER 3: Reporting Instructions to Labor Employers, Continued

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**How to acquire  
copies of the  
RRA, RUIA  
and the Code of  
Federal  
Regulations**

Because the *Labor Reporting Instructions* are based on the implementation of the RRA and RUIA and the regulations of the Railroad Retirement Board (RRB), some legal citations are included for your reference. A copy of the Railroad Retirement Act of 1974 and Railroad Unemployment Insurance Act may be purchased from the Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. You may also purchase a copy of the Code of Federal Regulations, Title 20, Parts 1 to 399, which includes the requirements and forms prescribed for reporting to the RRB and the penalties for failure to report. This is published annually, usually during June, with revisions through March 31 of that year. In addition, many libraries with a public document section may have copies.

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***Labor Reporting  
Instructions on  
the Internet***

The Labor Reporting Instructions are on the internet at [www.rrb.gov](http://www.rrb.gov) under “Employer Reporting”. By clicking the search link on the Web page, you can search for and locate the instructions you need.

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**Part I, Chapter 4**

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**CHAPTER 4: Compensation, Tax and Benefit Relationships**

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**Introduction to Tier I and Tier II**

Under the RRA, creditable compensation and retirement-survivor benefits are based on a two-tier structure, Tier I and Tier II. Railroad retirement taxes under the Railroad Retirement Tax Act (RRTA) are also computed using the tier structure. Consequently, a direct relationship exists between creditable compensation, the corresponding taxes paid to the Internal Revenue Service (IRS), and the benefit formula under the RRA.

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**What is Tier I Compensation?**

Tier I is the railroad retirement equivalent of social security wages and benefit amounts.

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**Taxable Tier I Compensation**

Employees and employers pay taxes based on the employee's earnings. The Tier I taxable amount is based on the following.

- **Tax:** The Tier I tax is computed on the same percentage rate and annual maximum tax base as the social security tax. The Tier I tax is composed of three tax components; Old Age & Survivors (OASI), Disability (DI), and Health (HI) Insurance or Medicare. For example, the 2004 Tier I rate of 7.65% is composed of 5.35% OASI; .85% DI; and 1.45% Medicare. Like social security tax, employee and employer share Tier I tax equally.
  - **Earnings Base:** Employees receive Tier I compensation credit up to the same annual maximum earnings base as that year's social security wage base.
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**Tier I Benefit Calculation**

The Tier I portion of regular railroad retirement annuities is calculated by using the social security benefit formula. It yields amounts equivalent to social security benefits, based on combined Tier I compensation and non-railroad social security wage credits.

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## CHAPTER 4: Compensation, Tax and Benefit Relationships, Continued

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**What is Tier II Compensation?**

Tier II is comparable to a private pension. The benefit financing, earnings credit, and annuity benefit formula are based on employment solely in the railroad industry.

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**Taxable Tier II Compensation**

Employees and employers pay taxes based on the employee's earnings. The Tier II taxable amount is based on the following.

- **Tax:** Both employee and employer pay an additional tax, called Tier II tax, to finance railroad retirement benefit payments over social security levels. The rail employer's share of the Tier II tax is higher than the employee's tax.
  - **Earnings Base:** The annual Tier II maximum earnings base is lower than the social security wage base. When the Tier II maximum is attained, additional earnings remain taxable and creditable up to the Tier I maximum.
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**Tier II Benefit Calculation**

The Tier II portion of the railroad retirement annuity is calculated in such a way as to yield benefits comparable to private pensions. The Tier II portion is based solely on railroad service and Tier II compensation.

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**Tier Amounts Earned Over the Tier Maximum**

Amounts earned over and above the Tier I and Tier II maximums are not creditable under the RRA even though additional amounts earned are taxable for Medicare purposes. Taxable Medicare earnings beyond the creditable Tier I maximum are not reported to the RRB, except on Form BA-11, Gross Earnings Report.

*For example*, in 2004 the Tier I annual earnings maximum was \$87,900, and the Tier II annual earnings maximum was \$65,100. If an employee earned \$90,000, the employer should report \$87,900 as creditable Tier I compensation and \$65,100 as creditable Tier II compensation. The entire \$90,000 is taxable for Medicare purposes.

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Part I, Chapter 4

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CHAPTER 4: Compensation, Tax and Benefit Relationships,  
Continued

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**RUIA Taxes,  
Earnings and  
Benefit  
Relationships**

The three areas of taxes, earnings, and benefits are also related under the Railroad Unemployment Insurance Act (RUIA), but the structure of the **RUIA is not based on tiers.**

- **Tax:** The railroad unemployment-sickness benefit program is financed by contributions (taxes) paid solely by railroad employers and is currently based on taxable earnings of their employees. The unemployment and sickness insurance contribution rate is experience-rated. This means that each employer pays contributions at a rate that takes into consideration the employer's actual incidence of benefit usage by its employees.
- **Earnings Base:** An employee's taxable earnings base is subject to a monthly limit. The earnings base is indexed each year by a formula related to the annual rate of increase in the maximum base for Tier I taxes.
- **Benefits:** A new unemployment-sickness benefit year begins every July 1, with eligibility generally based on railroad service and earnings in the preceding calendar year.

**NOTE: Local lodges are exempt from RUIA provisions.**

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**Two Taxation  
Authorities  
under RUIA**

The RRB collects employer contributions (taxes) under the RUIA. The Tier I and Tier II taxes are collected by the IRS under the authority of the Railroad Retirement Tax Act (26 USC 3221).

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