

Labor Employer Reporting Instructions
Part III - Principles of Service and Compensation
Chapter 1: Service Months

Service Month Defined

A service month is any calendar month, or any part of a calendar month that an employee receives compensation for services performed for a railroad employer; or a period of time for which an employee receives compensation which is paid for time lost as an employee. A service month is a unit of credit used to determine eligibility for railroad retirement, unemployment and sickness benefits, as well as the amount of such benefits.

Service Months Reported by Labor Employers

A service month is reported for a calendar month in which an employee either actively or constructively rendered compensated service or received pay for time lost for an identifiable period of absence from active service. A service month should be reported even if the payment of compensation for the service is not made until a later month. Constructively performing service means that the employee is not actively working, but is being paid under a plan whose construction or legal interpretation yields the same result as actively performing work. A paid vacation period is the primary example of constructive service. There is no minimum time worked or compensation amount required, for a month of service.

Creditable Service to a Local Lodge

In order for service to local lodges to be considered creditable, there are two other requirements that must be met. First, the compensation for the service must be at least \$25 a month. Second, the employee must have, at some previous time, rendered creditable railroad service to a carrier employer.

Example of a Creditable Service Month

Example: An employee begins employment on February 27 but is not paid until March. The employee works until November 27 and resigns. The last pay is received in December. The employee is entitled to service month credit for February through November.

Service Month and Earnings Maximum

A service month should be reported for every month in which service was performed regardless of when the maximum creditable compensation bases are attained. If an employee works in all twelve months of the year but reaches the Tier I creditable earnings base in October, the employer should credit the employee with twelve months of service, not ten.

Deemed Service Months

The RRB will credit deemed service months directly to an employee's record. Service months are deemed when an employee does not have all twelve months reported in the year, but has sufficient Tier II compensation and has an employment relationship in months not reported (see [Chapter 2](#)).

Labor Employer Reporting Instructions
Part III - Principles of Service and Compensation
Chapter 1: Service Months

Determining the Number of Deemed Service Months

To determine the maximum number of deemed months for an employee for a year,

1. Multiply the number of reported service months by 1/12 the annual Tier II maximum compensation for the year; and
2. Subtract this product from the reported Tier II compensation.

If the result is zero or negative, no deemed months are possible. If the result is a positive amount,

3. Divided by 1/12 the Tier II maximum compensation; and
4. Round up to a whole number.

This is the maximum or potential number of deemed service months. The actual number of deemed months depend on whether the employee has an employment relation in the months not worked. (Refer to [Part VII, Chapter 3](#) for additional information on deeming service months.)

Military Service

A period of military service which meets specific conditions may also be credited as service months for railroad retirement and unemployment and sickness benefits. Creditable military service, however, is outside the scope of labor employer reporting responsibilities because it is the responsibility of the employee to submit their military service to the RRB.

Adverse Effect of Erroneous Service Months

Reporting a service month when no service month is creditable can adversely affect both the employee and the employer. The employee may be denied benefits for the month of reported service or may have received benefits in excess of the correct amount based on the erroneous service month.

Employment Relation and Service Months

Both reported and deemed service may only be credited for a month in which an employment relation exists with a railroad employer. In other words, service can only be reported for a month in which an individual was an employee. When a person becomes a former employee, for whatever reason, the employment relation ends and service cannot be credited after that month.

Additional Information

See [Chapter 2](#) of this Part for information about how an employee's employment relationship effects the crediting of service months.

Labor Employer Reporting Instructions
Part III - Principles of Service and Compensation
Chapter 1: Service Months

See [Chapter 4](#) of this Part for information on the options for reporting creditable compensation, whether on an earned or paid basis, and how this relates to reporting service months.

See [Part IV, Chapter 5](#) for a discussion of service months and vacation payments in lieu of vacation taken.

See [Part IV, Chapter 7](#) for an explanation of why deemed months should not be considered in awarding pay-for-time-lost.

See [Part VII, Chapter 3](#) for information about the procedure the RRB uses to obtain information about an employee's employment relation for purposes of deeming service