

Program Letter

United States Railroad Retirement Board Office of Programs



Quality Reporting Service Center

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Letter No. 2004-07

Date: September 21, 2004

TO: Service and Compensation Contact Officials

SUBJECT: Redesigned Forms **ID-40Q** "*Quarterly Notice to Employers – Railroad Unemployment Insurance Act*" and **ID-40R/S** "*Annual Notice to Employers – Railroad Unemployment Insurance Act*"

Please distribute this notice to all individuals within your organization who may need the information in connection with their work.

Enclosed are copies of the redesigned Forms ID-40Q and ID-40R/S, "*Quarterly Notice to Employers – Railroad Unemployment Insurance Act*" (RUIA) and "*Annual Notice to Employers – Railroad Unemployment Insurance Act*." The previous forms only provided general benefit information, while the revised notices now provide you with more information regarding your employer account.

The former quarterly notice only provided employers with limited information on cumulative benefit balances and contributions. The redesigned Form ID-40Q now includes a specific breakdown of the amounts of unemployment (UI) and sickness benefits (SI) that were paid and recovered for the report quarter. The previous form only provided two cumulative figures. Also, subsidiary employers listed on page two of Forms ID-40Q may be either active subsidiaries or predecessors of your company that are no longer active. The employers listed are included in your employer balances due to former relationships or links to your company based on the assets they previously owned which are or were under control of your company. **Please note: Only the employer accounts of subsidiaries listed on the Form ID-40Q covering the quarter ending June 30th of each year are included in your contribution rate.**

The redesigned Form ID-40R/S combines the forms ID-40R with the ID-40S, "*Annual Proclamation – Railroad Unemployment Insurance Act*" into one document. The revised form provides a more detailed breakdown of how your employer contribution rate under the RUIA is calculated. The redesigned Form ID-40R/S will be released by October 15, 2004, to convey employers' 2005 contribution rates.

To assist you in better understanding the attached forms, we are including the definitions listed below in the order they appear on the forms.

Terms Contained on Upper Portion of Form ID-40Q

Gross Sickness Benefit Charges – Sickness benefits paid by the RRB to employees or former employees of your company or subsidiaries during the applicable calendar quarter for whom you were the base year employer.

Sickness Benefit Recovery Credits – Sickness benefit recoveries made by the RRB from any employees or former employees of your company or subsidiaries during the applicable calendar quarter for whom you were previously charged the benefits.

Net Sickness Benefit Charges – The net total calculated for the applicable quarter when subtracting the Sickness Benefit Recovery Credits from the Gross Sickness Benefit Charges. The total can be positive or negative.

Gross Unemployment Benefit Charges – Unemployment benefits paid by RRB to employees or former employees of your company or subsidiaries during the applicable calendar quarter for whom you were the base year employer.

Unemployment Benefit Recovery Credits – Unemployment benefit recoveries made by RRB from any employees or former employees of your company or subsidiaries during the applicable calendar quarter for whom you were previously charged the benefits.

Net Unemployment Benefit Charges – The net total calculated for the applicable quarter when subtracting the Unemployment Benefit Recovery Credits from the Gross Unemployment Benefit Charges. The total can be positive or negative.

Net Unemployment and Sickness Benefit Charges for this Quarter – The net total calculated for the applicable quarter when adding the Net Sickness Benefit Charges with the Net Unemployment Benefit Charges. The total can be positive or negative.

Terms Contained on Lower Portion of Form ID-40Q

Cumulative Total Contributions – The total amount of contributions (RUIA taxes) paid by your company during the period January 1, 1990 through the present calendar quarter.

Cumulative Administrative Contributions – The total amount of Administrative Fund Charges paid by your company during the period January 1, 1990 through the present calendar quarter.

Administrative Fund Charge – A charge for the Railroad Retirement Board to administer the RUIA program. The charge is a constant 0.65% that all employers pay. The amount is added to the Basic Contribution Rate.

Cumulative Repayment Taxes - During the period 1986-1993 a repayment tax was added to the contribution rates of all employers deemed covered at the time. This repayment tax was used to repay funds borrowed from the Railroad Retirement Account and used to pay UI and SI benefits under the RUIA. If your company paid any of these taxes, the total amount of the repayment taxes will be reflected in this amount.

Cumulative Pooled Credits – The total amount of pooled credits allocated to your company during the period January 1, 1990 through the present calendar quarter.

Net Cumulative Contribution Balance – The Cumulative Contribution Balance *minus* the Cumulative Administrative Fund *plus* the Cumulative Repayment Tax *plus* the Cumulative Pooled Credits. Used to calculate the Reserve Balance.

Cumulative Net Benefits Charge – The gross amount of UI and SI benefits paid by the RRB to employees or former employees of your company or subsidiaries during the period January 1, 1990 through the present calendar quarter *MINUS* the amount of UI and SI benefits recovered during the same period.

Cumulative Unallocated Charge - Each employer is responsible for a proportionate share of the system unallocated charge balance. The system unallocated charges includes benefits paid due to a strike, benefit balance of defunct employers, benefit payments which exceed the compensation earned by the employee in the base year and other charges. Offsetting credits include the contribution balance of defunct employers, transfers from the Administrative Fund, interest income and other credits. Historically, this figure has been a negative number which results a credit for employers.

Cumulative Benefit Balance – The Cumulative Net Benefits Charge *plus* the Cumulative Unallocated Charge. Used to calculate the Reserve Balance.

Terms Contained on Upper Portion of Page 1: Form ID-40R/S

Net Benefit Charge for 12 Calendar Quarters- Also called “**3-Year Net Benefits Charged**” amount. The amount is the gross amount of UI and SI paid *minus* the amount of UI and SI benefits recovered during the 12 quarters ending June 30th. Used to calculate the Benefit Ratio.

3-Year Compensation Base – The sum of the latest three, one-year compensation bases ending June 30th. Used to calculate the Benefit Ratio.

Benefit Ratio – The ratio of chargeable benefits to creditable RUIA compensation for the three-year period ending June 30th. It is calculated by *dividing* the 3-Year Net Benefits Charged amount by the 3-Year Compensation Base. This amount may be either positive or negative.

Net Cumulative Contribution Balance – See definition under “*Terms Contained on Lower Portion of Form ID-40Q*”.

Cumulative Benefit Balance – See definition under “*Terms Contained on Lower Portion of Form ID-40Q*”.

Reserve Balance – The Net Cumulative Contribution Balance *less* the Cumulative Benefit Balance. This amount may be either positive or negative. Used to calculate the Reserve Ratio.

1-Year Compensation Base – The compensation reported on Form DC-1, “Employer’s Quarterly Report of Contributions”, for the four calendar quarters ending June 30th. Used to calculate the Reserve Ratio.

Reserve Ratio – The ratio of the Reserve Balance to the 1-Year Compensation Base. It is calculated by *dividing* the Reserve Balance by the 1-Year Compensation Base. This amount may be either positive or negative.

Terms Contained on Lower Portion of Page 1: Form ID-40R/S

Basic Contribution Rate – The Benefit Ratio *minus* the Reserve Ratio *minus* the Pooled Credit Ratio. The result is then multiplied by 100 and rounded to four decimal places.

Pooled Credit Ratio - When the RUI Account balance is above the indexed \$250 million amount, the excess is “refunded” to the employers in the form of a rate reduction. The pooled credit ratio is any excess over the indexed \$250 million amount divided by the system compensation base. Each employer’s tax rate, prior to application of individual maximum and minimum limitations, is reduced by that same amount.

Basic Contribution Rate Adjusted for Minimum – If the Basic Contribution Rate is *equal to or higher than zero*, the adjusted rate equals the Basic Contribution Rate. However, if the Basic Contribution Rate is *less than zero* the adjusted rate is increased to zero.

Administrative Fund Charge – – See definition above for “*Terms Contained on Lower Portion of Page 1: Form ID-40Q*”.

Surcharge Rate – A surcharge is added to each employer’s basic contribution rate whenever the balance to the RUI Account falls below a certain indexed amount. The surcharge can be 1.5%, 2.5% or 3.5% depending on the balance of the RUI Account.

Pooled Charge Ratio – Also called risk-shared benefit component. Each employer is responsible for a proportionate share of the pooled charge. The pooled charge covers benefits that are chargeable to an employer but that cannot be collected because of a maximum contribution rate.

Computed Contribution Rate – Equals the total of the Basic Contribution Rate Adjusted for Minimum, Administrative Fund Charge, Surcharge Rate and Pooled Charge Ratio.

Contribution Rate Adjusted for Maximum OR New Employer Calculations -- If the Computed Contribution Rate is *equal to or lower than the maximum contribution rate* (usually 12.0%), the adjusted rate equals the Computed Contribution Rate. However, if the Basic Contribution Rate is more *than the maximum rate*, the adjusted rate is decreased to the maximum rate.

If a company is deemed a “new employer” by the RRB, then they are given a “new employer rate”. If a new employer rate is applicable, it will be reflected in this position.

Terms Contained on Upper Portion of Page 2: Form ID-40R/S

RUI Account Balance – The balance of the Railroad Unemployment Insurance account as of June 30 of the applicable year.

System Compensation Base - The total amount of all employer 1-year compensation bases for the benefit charge year.

Cumulative System Unallocated Charge Balance – See the definition “*Cumulative System Unallocated Charge Balance*” above under the heading “*Terms Contained on Lower Portion of Form ID-40Q*”.

Terms Contained on Lower Portion of Page 2: Form ID-40R/S

System Pooled Credit Ratio – See definition above for “Terms Contained on *Lower Portion of Page 1: Form ID-40R/S*”.

System Pooled Charge Ratio – See definition above for “Terms Contained on *Lower Portion of Page 1: Form ID-40R/S*”.

Administrative Fund Charge - See definition above for “Terms Contained on *Lower Portion of Page 1: Form ID-40R/S*”.

System Surcharge Rate -- See definition above for “Terms Contained on *Lower Portion of Page 1: Form ID-40R/S*”.

Maximum Contribution Rate – Indicates the maximum contribution rate for the applicable year. Usually this rate is 12.0%, except in a rare case where the System Surcharge Rate is 3.5% for the year. The maximum contribution rate in those years would be 12.5%.

Contribution Rate for New Employers - A general rate calculated and to be used by companies deemed “new employers” by the RRB. These employers have no employer records of their own and therefore contribution rates cannot be calculated for them. A New Employer Rate is calculated each year and is based upon the average contribution rate of all covered employers under the RUIA during the previous three calendar years.

If you have any questions regarding the redesigned Forms ID-40Q and ID-40R/S, please call the Quality Reporting Service Center at the number listed on the top of this program letter.

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

MM/DD/YY

John S. Smith
Payroll & Human Resources
Any Rail Employer
123 Main Street
Any Town, IL 60000

Your Employer No. 2222

QUARTERLY NOTICE TO EMPLOYERS – RAILROAD UNEMPLOYMENT INSURANCE ACT

The following figures are your charges and credits for the quarter ending MM/DD/YYYY:

+ Gross sickness benefit charges	+\$ xxx,xxx,xxx.xx
- Sickness benefit recovery credits	-\$ <u>xxx,xxx,xxx.xx</u>
= Net sickness benefit charges	=\$ xxx,xxx,xxx.xx
+ Gross unemployment benefit charges	+\$ xxx,xxx,xxx.xx
- Unemployment benefit recovery credits	-\$ <u>xxx,xxx,xxx.xx</u>
= Net unemployment benefit charges	=\$ xxx,xxx,xxx.xx
Net unemployment and sickness benefit charges for this quarter	\$ xxx,xxx,xxx.xx

The Railroad Unemployment Insurance Act requires us to notify you quarterly of your contribution balance and benefit balance as computed through the last day of the previous quarter. Your balances are:

	<u>As of MM/DD/YYYY</u>
+ Cumulative total contributions	+\$ x,xxx,xxx,xxx,xxx.xx
- Cumulative administrative contributions	-\$ x,xxx,xxx,xxx,xxx.xx
+ Cumulative repayment taxes	+\$ x,xxx,xxx,xxx,xxx.xx
+ Cumulative pooled credits	+\$ <u>x,xxx,xxx,xxx,xxx.xx</u>
= Net cumulative contribution balance	=\$ x,xxx,xxx,xxx,xxx.xx
+ Cumulative net benefits charge	+\$ x,xxx,xxx,xxx,xxx.xx
+ Cumulative unallocated charge	+\$ <u>x,xxx,xxx,xxx,xxx.xx</u>
= Cumulative benefit balance	=\$ x,xxx,xxx,xxx,xxx.xx

Your Employer No. 2222

To better understand your quarterly notice, we suggest that you compare these figures with those we furnished to you on your last quarterly notice. The differences between those totals and the above totals reflect your net balances for the quarter ending MM/DD/YYYY.

The following employers were included in your current cumulative balances:

<u>Employer Number</u>	<u>Name</u>
1.	
2.	
3.	
4.	
5.	
6.	
7.	
8.	
9.	
10.	
11.	
12.	
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20.	

If you have any questions or concerns regarding this notice, please contact the Quality Reporting Service Center at (312) 751-4992.

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

MM/DD/YY

John S. Smith
Payroll & Human Resources
Any Rail Employer
123 Main Street
Any Town, IL 60000

Your Employer No. 2222

ANNUAL NOTICE TO EMPLOYERS – RAILROAD UNEMPLOYMENT INSURANCE ACT

The Railroad Unemployment Insurance Act requires that we annually notify you by October 15 of certain information used to calculate your contribution rate for the following year. We used the following figures to calculate your contribution rate for **YYYY+1** which is **xx.xx** percent:

Step

	<u>As of 6/30/YYYY</u>
A Net benefit charge for 12 calendar quarters	\$ x,xxx,xxx,xxx.xxx.xx
B 3-year compensation base	\$ x,xxx,xxx,xxx,xxx.xx
C Benefit Ratio (A ÷ B) rounded	xxx.xxxx
D Net cumulative contribution balance	\$ x,xxx,xxx,xxx,xxx.xx
E Cumulative benefit balance	\$ x,xxx,xxx,xxx,xxx.xx
F Reserve balance (D minus E)	\$ x,xxx,xxx,xxx,xxx.xx
G 1-year compensation base	\$ x,xxx,xxx,xxx,xxx.xx
H Reserve Ratio (F ÷ G) rounded	xxx.xxxx

For Calendar Year
YYYY+1

I Basic contribution rate (C minus H minus Pooled Credit Ratio) x100	xxxxx.xx %
J Basic contribution rate adjusted for minimum (maximum of I or zero)	xxxxx.xx %
K Administrative fund charge (fixed rate)	0.65 %
L Surcharge rate	xx.xx %
M Computed contribution rate (J+K+L+Pooled Charge Ratio)	xxxxx.xx %
N Contribution rate adjusted for maximum or new employer calculations	xx.xx %

The above figures were used in the calculation of your contribution rate for **YYYY+1**. If you follow the figures listed in steps A through N, you will be able to arrive at your calculated rate as shown in step N. Please note that the calculations in steps A-H reflect the combined activity of all employers within your joint account as listed on your September **YYYY** quarterly report.

Your Employer No. 2222

Your contribution rate for **YYYY+1** is **xx.xx** percent. Use this rate in computing the amount of contributions payable based on compensation paid to your employees for days in **YYYY+1**. Contributions payable based on compensation paid for days in periods earlier than **YYYY+1** must be computed using the rate applicable to the period for which the compensation was earned.

If you believe your rate of contribution for **YYYY+1** is incorrect, you have the right under Section 345.307 of the Regulations (20 CFR 345.307) to request reconsideration of your rate of contribution under the Railroad Unemployment Insurance Act. A request for reconsideration must be submitted in writing and filed with the Director of Assessment and Training within 90 days from the date of this notice.

Annual Proclamation

The following system level information is used in calculating your rate. This system level information is the same for all employers for this year.

The following system level information applies to the Railroad Unemployment Insurance Account as of **June 30, YYYY**:

• RUI Account Balance	\$ xxx,xxx,xxx,xxx,xxx.xx
• System Compensation Base	\$ xxx,xxx,xxx,xxx,xxx.xx
• Cumulative System Unallocated Charge Balance	\$ xxx,xxx,xxx,xxx,xxx.xx

This information pertains to the calendar year beginning **January 1, YYYY+1**:

• System Pooled Credit Ratio*	000.0000
• System Pooled Charge Ratio**	000.00
• Administrative Fund Charge (Fixed Rate)	00.65 %
• System Surcharge Rate	00.00 %
• Maximum Contribution Rate	00.00 %
• Contribution Rate for New Employers	00.00 %

**Pooled Credit Ratio*-When the RUI account balance is above the indexed \$250 million amount, the excess is "refunded" to the employers in the form of a rate reduction. The pooled credit ratio is any excess over the indexed \$250 million amount divided by the system compensation base. Each employer's tax rate, prior to application of individual maximum and minimum limitations, is reduced by that same amount.

***Pooled Charge Ratio*-Compare contributions which will be foregone due to the maximum contribution rate (step N) to contributions gained due to the minimum (step J). If the former exceeds the latter, there is a pooled charge ratio to make up the difference.