

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

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**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 lost time for which an employee receives compensation; or a period of time credited to an employee for military service. Service also includes deemed service months except for the purposes of qualifying for normal unemployment or sickness benefits under the RUIA.

**Year of Service Defined**

An individual's entitlement to benefits and the amount of such benefits are determined, in part, on the individual's years of service. A year of service is twelve calendar months, consecutive or otherwise, in each of which an employee has rendered service, actual or constructive, to one or more employers for compensation, or has received pay for time lost. Fractions of years are taken at their actual value.

**Service Months Reported by Employers**

Under the Railroad Retirement Act (RRA), there are two methods for crediting service months to an employee record: the service is reported to the RRB by the employer or the service is deemed by the RRB. A service month is reported for a calendar month in which an employee actively or constructively rendered compensated service or received pay for time lost for an identifiable period of absence from active service. 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.

**Work Requirement for Service Month**

There is no minimum time worked or compensation amount required, for a month of service. A service month should be reported for every month in which service is rendered for compensation regardless of the amount of service or the amount of compensation.

**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. If applicable, twelve months of RUIA compensation would also be credited.

**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

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Tier II compensation and has an employment relationship in months not reported. 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) divide 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.

**Military Service**

A period of military service, which meets specific conditions, may also be credited as service months for railroad retirement purposes. Creditable military service, however, is outside the scope of an employer's reporting responsibilities.

**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 crediting of service months. See [Part IV Chapter 1](#) 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 4](#) for a discussion on service months and vacation pay in lieu of vacation taken.