

Rail Employer Reporting Instructions
Part VI - Reports Related to Service and Compensation
Chapter 6: Supplemental Annuity Benefits

Supplemental Annuity Background

Prior to calendar year 2002, the railroad retirement supplemental annuity program was financed by a work hour tax on a pay-as-you-go basis under 26 USC 3221 (C) of the Internal Revenue Code. The Railroad Retirement and Survivor's Improvement Act of 2001 (RRSIA) repealed the Railroad Retirement Supplemental Annuity Tax effective January 1, 2002. Supplemental annuities provided under the Railroad Retirement Act were not eliminated by the RRSIA, but are now funded through the National Railroad Retirement Investment Trust.

Who is Eligible for a Supplemental Annuity?

A supplemental annuity can be paid to a retired employee who:

- has at least 25 years of railroad service with at least one month of covered service before October 1981;
- is entitled to a railroad retirement annuity; and
- had a current connection or "deemed current connection" with the railroad industry on the annuity beginning date.

Supplemental Annuity Benefit Amount

The gross supplemental annuity rate is based on an individual's years and months of creditable railroad service. The minimum gross rate is \$23 for 25 years of railroad service. An additional \$4 is added for each full year of railroad service over 25 and up to 30. The maximum supplemental annuity is \$43 for employees with 30 or more years of railroad service.

When Can a Supplemental Annuity Begin?

The supplemental annuity can begin at:

- Age 60, if the employee has at least 360 months of creditable service; or,
- Age 65, if the employee has 300 - 359 months of creditable service.

Supplemental Annuity Reduced for Employer Pension

Under section 2(h)(2) of the Railroad Retirement Act (RRA), the supplemental annuity is reduced by the amount of a private pension the employee receives from a railroad employer that is attributable to the employer's contributions.

Under the RRB's Regulations (20 CFR 216.42), a plan is a private railroad pension that will cause a reduction to the supplemental annuity if it meets these criteria:

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- It is a written plan or arrangement which is communicated to the employees to which it applies.
- It is established and maintained by the railroad employer for a defined group of employees.
- It provides for the payment of definitely determinable benefits to employees over a period of years, usually for life, after retirement or disability.
- The employer is obligated to make fixed contributions to the plan regardless of profits.

Two specific types of plans are private employer pension plans under the RRB's regulation:

- Defined benefit plan
- Money purchase plan

[Prior to January 1, 2014, 401(k) plans which met specific criteria also qualified as private employer pension plans that caused a reduction to the supplemental annuity. On January 13, 2014, the RRB's General Counsel issued Legal Opinion L-2014-2, reinterpreting section 216.42 of the RRB's regulations. Effective January 1, 2014, 401(k) plans are no longer considered private pension plans and supplemental annuities are no longer reduced for 401(k) distributions.]

Supplemental Annuity Not Reduced for Pensions Paid by Labor Organizations

Employer pensions paid by a labor organizations to their office employees or employee representatives are not considered to be supplemental pension plans and do not cause a reduction to RRB supplemental annuities. These pensions were excluded from the legislation that established the reduction to the supplemental annuity.

How RRB Obtains Employer Pension Information

RRB uses two forms to obtain the necessary information to determine if an employee's supplemental annuity should be reduced for an employer pension:

Form G-88p, Employer's Supplemental Pension Report	See the following sections for information about this form.
Form G-88r, Request for Information About New or Revised Employers Pension Plan	Released to employers when RRB receives information about a new or revised pension plan. The form is mostly self-explanatory. However, instructions specific to 401(k) plans are included at the end of this chapter.

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Form G-88r.1, Request for Additional Information About Employer Pension Plan in Case of Change of Employer Status or Termination of Pension Plan	Released to employers when RRB receives information about an employer's termination of status or the termination of a pension. The form requests information about the distribution of pension funds at the change in employer status or termination of a pension plan. It is self-explanatory and not included in this chapter.
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RRB releases Form G-88p, Employer's Supplemental Pension Report, to a railroad employer when there is a conflict in the pension information the employee provides on their application and the pension information the RRB has in file. Following are examples of "conflict" cases:

- The employee states on their application that they were not covered, and have no entitlement to pension benefits, under a pension plan with their last or any previous railroad employer, and the information in the RRB's file indicates the last or previous employer has a pension plan which covers the employee's job category.
- The employee states on their application that they were covered and are, or will be, entitled to pension benefits under a pension plan with their last or any previous employer, and the RRB does not have a copy of the pension plan in file.

Form G-88p, also is used to obtain any other additional information required to determine if the employee's supplemental annuity should be reduced for an employer pension.

Items Completed by RRB

The RRB completes items 1 - 6 (1 - 5). Items 1 - 5 (1 - 4) are self-explanatory.

Item 6 (5): RRB enters the job category that applies to the employee, using these definitions:

- Salaried - The employee is paid a fixed salary (annual, monthly, bi-weekly), and usually is in a management, administrative or professional position.
- Non-agreement - The employee is paid an hourly wage and not covered under a collective bargaining agreement.
- Agreement - The employee is covered under a collective bargaining agreement.

Items Completed by Employer

These instructions apply to both the paper Form G-88p and the ERSNet Form G-88p. The corresponding item numbers on the ERSNet Form G-88p are in parentheses.

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SECTION 3

Item 7 (6): Self-explanatory.

SECTION 4

Item 8 (7): Self-explanatory. An abbreviated or informal version of the plan name is acceptable, e.g., "ACME Salaried Pension Plan".

Item 9 (8): Select which applies. Only the contributions the employer makes to a pension plan cause a reduction to the supplemental annuity. Any contributions an employee makes to a pension plan are considered to be the employee's own funds. If a plan is funded by employee funds only, it is not a private pension plan that will cause a reduction to the supplemental annuity.

Item 10 (9): Select which applies. A pension that is reduced for the full amount of the supplemental annuity will not cause a reduction to the supplemental annuity. A pension that is not reduced for the supplemental annuity or reduced for a percentage of the supplemental annuity will cause a reduction to the supplemental annuity.

Item 11 (10): Self-explanatory. Be sure to notify the RRB when the employee files for the pension benefit.

Item 12 (11): Select which applies. If the payment of a monthly pension benefit or annuity is provided as an option under the plan, and the employee elects to receive their account in a lump sum instead of receiving a current or future monthly benefit, the lump sum is in lieu of a monthly pension. A participant who elects the lump sum in lieu of a monthly pension benefit is treated as having elected the monthly benefit. The supplemental annuity is reduced for the monthly pension benefit the participant could have received if they had not elected the lump sum.

Item 13 (12): Self-explanatory.

Item 14 (13): If the employee elected a lump in lieu of a monthly pension, in 13a be sure to enter the date they could have begun receiving the monthly pension, not the date they were paid the lump sum.

Item 15 (14): Complete this item if the employee was required to receive their pension account in a lump sum because the balance of their pension account was less than the minimum required for a monthly benefit.

SECTION 5 (Not numbered on ERSNet form)

Enter any remarks or provide additional information about an item in this section.

SECTION 6 (Not numbered on ERSNet form)

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Paper Form G-88p: Always complete this section and return the completed form to the address shown.

ERSNet Form G-88p: Click "submit".

Form G-88r, Request for Information About New or Revised Employer Pension Plan

RRB releases Form G-88r when it needs information about, and a copy of, an employer's pension plan. The form is mostly self-explanatory.

Items Completed by RRB

RRB completes Items 1 through 3.

Items Completed by Employer

Items 4 - 7: Self-explanatory

Item 8: Enter the job category of the employees covered under this plan, using the following definitions:

- Salaried - The employee is paid a fixed salary (annual, monthly, bi-weekly), and usually is in a management, administrative or professional position.
- Non-agreement - The employee is paid an hourly wage and not covered under a collective bargaining agreement.
- Agreement - The employee is covered under a collective bargaining agreement.

Item 9 - 13: Self-explanatory

SECTION 3: Enter any remarks or additional information about the plan.

SECTION 4: Always complete this section.

Return the completed form, along with a copy of the plan or its most recent summary plan description, to the address shown in Section 1.