

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

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**Rate Determination Overview**

**Components of Experience Based Contribution Rate**

An employer's experience rated contribution rate is based on benefit charges, expenses, and credits identified below. The first three charges are used in the calculation of the basic contribution rate. The remaining are adjustments to the rate. Section 8(a)(1)(C) identifies eight steps in the calculation of the contribution rate which are described in the section, "Annual Contribution Rate".

**Basic Employer Contribution Rate**

The Basic Employer Contribution Rate consists of three components.

1. *Allocated-experience component* - Each employer is responsible for benefits paid to its employees.
2. *Unallocated-experience component* - 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 Administration Fund, interest income and other credits.
3. *Pooled charge or risk-shared benefits 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.

**Overall Contribution Rate**

The Overall Employer Contribution Rate consists of the basic contribution rate plus adjustments, as applicable, for the following items:

1. *Administrative expense* - add a constant 0.65%;
2. *Pooled credit, (if applicable)* - The pooled credit depends on the balance in the RUI account being above an indexed \$250,000,000. The index is based on the changes in the system compensation base since June 1991.
3. *Surcharge, (if applicable)* - The surcharge depends on the balance in the RUI account being below certain levels. If the balance in the account is above an indexed \$100,000,000, no surcharge will be applied.

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

---

**Final Rate Adjustment**

All contribution rates are adjusted for the minimum and maximum rates in effect at the time.

<b>If surcharge is...</b>	<b>Then rate is...</b>
0%	Minimum - 0.65% Maximum - 12.0%
1.5%	Minimum - 2.15% Maximum - 12.0%
2.5%	Minimum - 3.15% Maximum - 12.0%
23.5%	Minimum - 4.15% Maximum - 12.5%

**Benefit Charging**

**Multiple Employers**

If the last employer before the benefit claim is also the last base year employer, benefits are charged in reverse chronological order. In all other cases, charges are pro-rated among base year employers according to their share of the base year compensation. A benefit year begins each July 1. The base year is the previous calendar year.

- Example of Chronological Charge

If an employee is laid off from employer A in August 2006 and employer A was also the last employer in 2007, then employer A is charged benefits. If benefits charged to employer A exceed the 2007 compensation for the employee, benefits are then charged to the employer for whom the employee worked in 2007 before employer A, if any.

- Example of Prorated Charge

An employee works for Employer A in January 2007 and earns \$925 in creditable RUIA compensation. The employer works for Employer B from March through December 2007 and earns \$9,250 in creditable RUIA compensation. The employee works for Employer A from January to July 2008, at which time the employee is laid off and begins receiving unemployment benefits. The benefits are charged to the two base year employers in proportion to the base year compensation reported for the employee. Employer A is charged 1/11th and Employer B is charged 10/11th of each benefit payment.

If benefits charged exceed the reported base year compensation for all base year employers, the remainder of the benefits is charged to the system unallocated charge balance.

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

---

**Exceptions**

Benefits are NOT charged to a base year employer if:

- Benefits are paid because of a strike; or
- Benefits are paid to a claimant whose employer is defunct.

The above benefits are charged to the system unallocated charge balance.

**Charge Notice**

Form ID-4E, Notice of RUIA Claim Determinations, or the equivalent notice sent via RAILINC, is sent to the employer(s) to notify of the benefit charges.

**Annual Contribution Rate**

**Rate Calculation**

A rate is calculated in eight steps, using data through the previous June 30. Items underlined appear on Forms ID-4Q, ID-40R, or ID-40S. Items in italics are defined following the table.

Step	Action
1	Calculate the benefit ratio. <ul style="list-style-type: none"> <li>• Divide the net benefits charged of the 12 quarters ending June 30 by the employer's 3-year compensation base.</li> </ul>
2	Calculate the reserve ratio. <ul style="list-style-type: none"> <li>• Subtract the cumulative benefit balance (includes system unallocated charges) from the net cumulative contributions balance (less administrative cost plus repayment tax and pooled credit) to get the reserve balance.</li> <li>• Divide the reserve balance by the 1-year compensation base.</li> <li>• Subtract the reserve ratio from the benefit ratio.</li> </ul>
3	Calculate the pooled credit ratio, if any. <ul style="list-style-type: none"> <li>• Divide balance in the RUIA account above a specified level (\$250,000,000 or higher) by 1-year system compensation base.</li> <li>• Subtract the pooled credit ratio from step 2.</li> </ul>
4	Calculate the basic contribution rate. <ul style="list-style-type: none"> <li>• Multiply adjusted benefit ratio from step 3 by 100 and round to 2 decimal places. If less than zero, make zero.</li> </ul>
5	Add 0.65% administrative charge.
6	Calculate the surcharge and add to step 5.

If Balance in Account is...	Then...
\$100,000,000* to \$50,000,000*	Surcharge is 1.5%
\$50,000,000* to \$0.00	Surcharge is 2.5%
Less than \$0.00	Surcharge is 3.5%

\* These amounts are indexed to the change in the system compensation base.

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

---

Step	Action
7	Calculate the pooled charge ratio, if any, and add to step 6. <ul style="list-style-type: none"> <li>• For each employer whose rate is over the maximum or less than zero, multiply their 1-year compensation base by the portion of the rate outside the limits. If the sum of the amounts, is positive, divide by the 'adjusted' system compensation base.</li> </ul>
8	Reduce rates over the maximum to the maximum. See section 'Rate Determination Overviews' for minimum and maximum rates.

**Terms Defined**

**Net benefits charged** includes all the benefits paid to employees of the base-year employer, except benefits paid by reason of a strike, less all the benefits recovered which had previously been charged to the employer.

**Rate Notices**

Employers receive Forms ID-40r and ID-40S no later than October 15, providing information required by law and necessary to pay your contributions for the next calendar year.

Employers receive Form ID-40Q during the second month after the calendar quarter advising of the cumulative benefit and contribution balances.

**Form ID-40Q, Quarterly Notice**

**Purpose**

Form ID-40Q is the notice released to employers, each quarter, to provide cumulative balances from January 1, 1990, of benefits and net contributions.

**Net Cumulative Contribution Balance**

An employer's net cumulative contribution balance is the total contributions paid since January 1, 1990, less the amount for RUIA administrative expense, plus any repayment tax, and plus any pooled credits. The contribution information is taken from Form DC-1, Employer's Quarterly Report of Contributions Under the Railroad Unemployment Insurance Act.

**Cumulative Benefit Balance**

The cumulative benefit balance is the total of benefits charged to an employer since January 1, 1990, less the total benefits recovered since January 1, 1990, that had originally been charged to that employer, plus the employer's cumulative share of the system unallocated charge balance.

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

---

**Form ID-40R, Annual Notice**

**Purpose**

By October 15 each year, Form ID-40R is released to employers notifying them of their contribution rate for the next calendar year. The notice also includes the component amounts used to determine the contribution rate.

**Benefit Ratio**

The benefit ratio is the ratio of chargeable benefits to creditable RUIA compensation for the three-year period ending June 30.

**Reserve Ratio**

The reserve ratio is the ratio of the reserve balance to the one-year compensation base.

**1-Year Compensation Base**

This is the compensation reported on Form DC-1, Employer's Quarterly Report of Contributions for the four calendar-year quarters ending June 30. The DC-1 compensation is balanced to the compensation reported on Form BA-3, "Annual Report of Creditable Compensation".

**3-Year Compensation Base**

This is the sum of the latest three one-year compensation bases. The three-year compensation base is used to calculate the benefit ratio.

**Unallocated Charge**

This is the employer's share of the system unallocated charge. The proportionate share is determined by dividing the employer's one-year compensation base by the system compensation base and multiplying the result by the system unallocated charge. Unallocated charges include benefits paid to employees of defunct employers, strike benefits, and benefits paid to an employee in excess of his or her base-year compensation. Offsetting credits include the contribution balance of defunct employers, transfers from the Administration Fund, and interest income.

**Reserve Balance**

This is the net cumulative contribution balance less the cumulative benefit balance. The reserve balance may be either positive or negative.

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

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**Form ID-40S - Annual Proclamation**

Enclosed with the annual rate notice is an annual proclamation that contains system level information that is used in determining your rate. The system level information is the same for all employers.

**Coverage Status and Experience Rating**

**Coverage Status**

An employer's coverage status under the Railroad Retirement and Railroad Unemployment Insurance Acts affects the employer's contribution rate. Employer status determinations are made by the three-member Board. Special rate determinations are required for defunct employers; successor railroads; mergers, acquisitions, or subsidiaries; and new employers.

**Defunct Employers**

"Defunct " for experience rating purposes is the same as "terminated" status under the Acts. When a railroad is terminated, the railroad's net cumulative contribution balance is subtracted from, and their cumulative benefit balance is added to, the system unallocated charge balance. Future benefits paid to employees of the terminated railroad, assuming no other railroad employment, are added to the system unallocated change balance.

**Successor Railroads**

An employer may be terminated, with a new employer emerging as corporate successor. Under experience rating, a successor inherits its predecessor's record. The terminated railroad is not treated as defunct, nor is the emerging railroad treated as a new employer. The experience records from the terminated employer are joined to the successor.

**Mergers and Acquisitions**

The experience of two or more employers who have merged, consolidated, or reorganized with no partitioning of property will be combined to produce one rate. Experience is also joined when an employer acquires the assets or property of a defunct employer.

**Subsidiaries**

Two or more employers in a Parent and Subsidiary type relationship can request that they receive joint treatment, for experience rating purposes, by writing to the Chief of Compensation and Employer Services.

**Compensation and Employer Services**

Railroad Retirement Board  
844 North Rush Street  
Chicago, Illinois 60611-1275

**Rail Employer Reporting Instructions**  
**Part VI - Reports Related to Service and Compensation**  
**Chapter 9: Experience Rated Contribution Rate**

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Phone: (312) 751-4968

Email: [CESC@rrb.gov](mailto:CESC@rrb.gov)

**New Employers**

New employers are phased into experience-based rates over a three to four year period. Until the end of the employer's first full calendar year of coverage, new employers pay a rate that is the average rate of all employers for the first three of the last four calendar years.

In the second and third full year, the rate is a weighted average with the employer's own experience. After the third full year, the employer's rate is based entirely upon its own experience.

**Rate Protest**

**Introduction**

Employers have the right to request verification of their rate. Protests can be made of both the benefits charged to the employer and the contribution rate.

**Benefits Protest**

The RRB notifies employers when a benefit application (except a sickness application) is received and when each claim (both sickness and unemployment) is received. Both of these notices are sent prior to payment of the claim. This is the first, and best, time to protest payment of the claim. Protest should be made directly to the RRB field office handling the application or claim. Telephone or fax the protest, if possible.

**Post-Payment Benefit Protest**

Employers are again notified when a claim is paid via Form ID-4E. Employers can protest by telephone, fax, or mail to the office on the form. Keep in mind that when you receive a Form ID-4E, the benefits have already been paid. Even if the employer is successful in their protest, the charge will not be removed until the RRB recovers the benefits from the employee.

**Rate Protest**

An employer may appeal a determination of a contribution rate by filing a written request with the Chief of Compensation and Employer Services

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**Rail Employer Reporting Instructions**  
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**Chapter 9: Experience Rated Contribution Rate**

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within 90 days of the date of the Form ID-40R letter notifying the employer of the rate for the next calendar year. Within 45 days of receipt of the protest, the Chief shall issue a decision.

**Appeal Rate to the Board**

An employer aggrieved by the decision of the Chief of Compensation and Employer Services may appeal to the Board. The appeal must be filed with the Secretary of the Board within 30 days after the date of the initial protest decision. Subject to judicial review, the decision of the Board is final.