



# **MASTER THE BASICS**

## **PART I**

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**11<sup>th</sup> Triennial Virtual National Rail Employer Training Seminar**

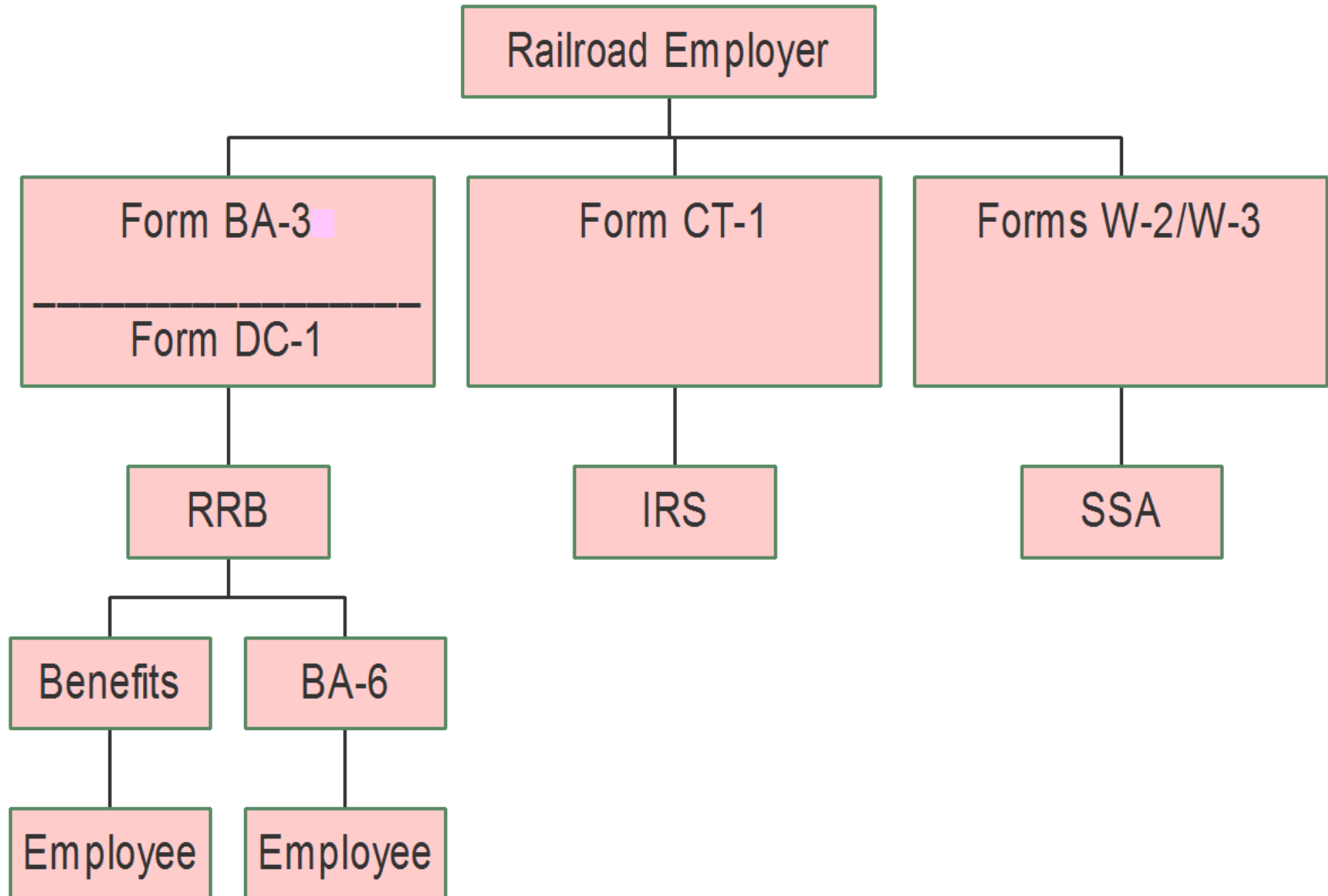
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# A little History



Railroad Retirement Board – Benefitting the Rail Industry Since 1935

# THREE FEDERAL AGENCIES



# STATUTES THAT COMPRISE THE RAILROAD RETIREMENT (RRB) SYSTEM

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- **RRA**
  - Railroad Retirement Act
- **RUIA**
  - Railroad Unemployment Insurance Act
- **RRTA**
  - Railroad Retirement Tax Act



# AGENCY OVERVIEW

## Primary Function of the RRB

To administer comprehensive retirement-survivor and unemployment-sickness insurance benefit programs for the nation's railroad workers and their families under the RRA and RUIA.



# AGENCY OVERVIEW

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- ❑ RRB was created in the 1930's.
- ❑ Legislation enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the social security program legislated in 1935.
- ❑ Congress subsequently enacted the Railroad Unemployment Insurance Act in 1938.
- ❑ Legislation enacted in 1974 restructured railroad retirement benefits into two tiers.



# AGENCY OVERVIEW

- ❑ **Railroad Retirement Act** – provides payment of retirement and survivor benefits.
  - ❑ **Tier I Benefit** – is calculated exactly like a social security benefit, so you are always guaranteed to receive as much as you would have received had you been covered under the Social Security Act.
  - ❑ **Tier II Benefit** – is based exclusively on your railroad service so it is similar to a private pension.
- ❑ **Railroad Unemployment Insurance Act** – provides unemployment and sickness benefits to workers who are unemployed or can't work due to sickness or injury.



# COMPENSATION AND EMPLOYER SERVICES

**Jeffrey T. Archbold**  
**Chief of Compensation and Employer Services**

**Quality Reporting  
Service Center**

**CESC Protest**





# COMPENSATION AND EMPLOYER SERVICES CENTER (CESC)

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- CESC maintains lifetime records of creditable service and compensation for each employee.
- Provides training, instructional material, handles inquiries from employers, and acts as liaison between employers and other RRB offices.



# SERVICE MONTHS

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## Three Types of Service Months

1. **Reported** – information provided to RRB by employer
2. **Deemed** – determined by RRB, but based on information provided by employer
3. **Military** – information provided to RRB by employee



# SERVICE MONTHS

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- A (reported) service month is any calendar month or part of a calendar month for which an employee receives compensation for services performed for a covered employer; or
- A period of time that an employee receives compensation which is determined to be pay for time lost



# SERVICE MONTHS

- Service is always credited to the month service was performed, regardless of when the payment was made.
- There is no minimum requirement of time worked, nor compensation earned for a month of service.
- Service months should be reported for every month service was performed regardless of when the maximum creditable compensation bases are reached.
- An employee must have an employment relation with employer to receive a service month.



# EMPLOYMENT RELATION AND SERVICE MONTHS

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Service months can only be credited if an employment relation exists with a covered employer in that month. Employment relation ends if the employee:

- resigns;
- retires or receives company pension;
- relinquishes employment rights;
- dies; or
- loses their employment relation for any reason.



# PAYMENTS THAT RESULT IN CREDITABLE SERVICE MONTHS

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- Payments made through normal payroll process;
- Vacation pay for vacation period;
- Pay for time lost;
- Displacement or dismissal allowance;
- Holiday pay
- Personal or Sick Days



# PAYMENTS THAT DO NOT RESULT IN CREDITABLE SERVICE MONTHS

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- **Sick Pay** (Payments made under an RRB Approved Plan)
- Cost of Group Term Life Insurance
- Some payments are associated with service but the service was already performed and credited for a previous period. No additional service is generally creditable for **back pay** (*retroactive wage increase*), *bonus pay*, *profit sharing*, *stock awards* or *productivity fund*.



# DEEMED SERVICE MONTHS

## Deemed Service Months Criteria

1. Employee has less than 12 service months in the year.
2. EE has sufficient Tier II compensation in the year.
3. EE has an employment relationship in “open” months (non-reported months).





# Deemed Service Months

This example is for an employee who worked for 22 years. He worked all twelve months initially but in the last seven years before his retirement, he began seasonal work. This seasonal work began in 2011 and ended in 2017. He had no work from late December to March from 2011 – 2017.

Year	Reported Tier II Compensation	Reported Months	Deemed Months	AMC	Total Months	YOS	Tier II Benefit
2017	\$ 94,500.00	10	2				
2016	\$ 88,200.00	10	2				
2015	\$ 88,200.00	10	2				
2014	\$ 87,000.00	10	2				
2013	\$ 84,300.00	10	2	7370	262	21.8333	\$1,126.38
2012	\$ 81,900.00	10	2	7280	250	20.8333	\$1,061.67
2011	\$ 79,200.00	10	0				

**If no deeming applies, AMC = 7280 (based on \$436,750 / 60).**

**If deeming months applied, AMC = 7370 (based on \$442,200 / 60).**



# CREDITABLE COMPENSATION

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## Regular/Reported Compensation:

- Any payments made for services rendered through the regular payroll system. (i.e., wages, salaries, commissions)
- Non-monetary earnings paid as a commodity, service or privilege. **(Must have an agreed upon value)**



# CREDITABLE COMPENSATION

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- **Creditable compensation is:**
  - **compensation paid for services rendered as an employee and pay for time lost.**
  - **creditable as Tier 1, Tier 2 and RUIA compensation (Sick Pay is only creditable as Tier 1)**
  - **reported to the RRB on Form BA-3. Should be submitted by the last day of February every year.**



# CREDITABLE COMPENSATION

## 2021 Annual Compensation Maximums

- **Creditable as Tier I up to the Maximum**  
**2021 Annual Maximum = \$142,800**
- **Creditable as Tier II up to the Max**  
**2021 Annual Max = \$106,200**
- **Creditable as Railroad Unemployment Insurance Compensation (RUIA I)**  
**2021 Monthly Max = \$1,710**
- **Creditable as Railroad Unemployment Insurance Maximum Compensation (RUIA II)**  
**2021 Monthly Max = \$2,209**



# WHAT IS INCLUDED AS CREDITABLE AND TAXABLE COMPENSATION

- Wages, salaries, advances on salaries
- commissions, tips, bonuses
- stand by pay, back pay
- vacation pay, holiday pay
- pay for time lost
- separation/severance pay
- retention or incentive pay
- productivity payments
- profit sharing
- purchase of employee benefits
- non-monetary earnings



# WHAT IS **EXCLUDED** FROM CREDITABLE AND TAXABLE COMPENSATION

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- Excluded payments are those which are also excluded as income under the Internal Revenue Code such as:
  - **Cafeteria plans**
  - **contributions to qualified profit sharing plans**
- Reimbursements for qualified employment expenses such as training, room and board while traveling on business, and use of car on business.
- Payments to persons other than employees.



# CREDITABLE SICK PAY COMPENSATION

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- **Sick pay is:**
  - compensation paid under an RRB approved plan or agreement;
  - available on the same basis to employees generally or in a like class or craft; and
  - payable for days not worked on account of injury, illness, sickness, disease, pregnancy, or childbirth.



# SICK PAY (CONT'D)

- Is creditable & taxable as Tier I only;
- Is not creditable or taxable as Tier II compensation;
- Is not creditable or taxable as RUIA compensation; and
- Is reportedly separately on employer's annual report (BA-3)
- ***Sick pay does not yield service months.***
- ***Combined Regular earnings and Sick Pay should not exceed the Tier I Max.***







## Sick pay is neither creditable or taxable if:

- paid by the RRB under the **RUIA** and based on an **on-the-job-injury**;
- paid subsequent to the sixth month following the month the employee last worked;
- paid after the **tier 1 compensation maximum** is reached;
- paid in the year after an employee dies.

# VACATION PAY

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- **Vacation Taken** –Vacation days were used by employee. Service and compensation are creditable for the vacation period.
- **Vacation Pay in Lieu of Vacation Taken** - Vacation days were not used by employee, but the accrued vacation due was instead paid as a lump sum payment. Compensation is creditable, but no service months are creditable.



# SEPARATION/SEVERANCE PAY

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- Separation and Dismissal Allowances are payments that result from the abolition of an employee's job.
- **Separation Allowance:** Compensation paid to an employee who agrees to relinquish job rights to obtain a payment.
- **Dismissal Allowance:** Monthly compensation payments made to an employee who retains employee rights throughout payment period.



# SEPARATION/SEVERANCE PAY

- **Separation Allowance**

- Creditable only as Tier I compensation after relinquishment of rights date.
- Not creditable for service month(s) or Tier II compensation after the employment relinquishment date.

- **Dismissal Allowance**

- Compensation creditable as Tier I, Tier II, and RUIA.
- EE receives service month credit as a result of the monthly payments.



# PAY FOR TIME LOST

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**Compensation for wages lost for an identifiable period of absence from active service.**

**Pay for Time lost includes:**

- ◆ **personal injury awards/settlements**
- ◆ **reinstatement awards/settlements**
- ◆ **dismissal allowances**
- ◆ **guaranteed wage payments**
- ◆ **displacement allowances**



# **PAY FOR TIME LOST**

## **GENERAL PRINCIPLES**

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- 1. Payment Must be Made with Respect to an Identifiable Period of Time.**
- 2. Employment Relationship must exist in the Identifiable Period of Time.**
- 3. Service Month Allocation must relate to the Actual Period of Absence for which payment is made.**
- 4. Payment is based upon the employee's daily pay rate in effect on the date of injury or last employment.**
- 5. Payment must be a minimum of 10 Times the Employee's Daily Pay Rate multiplied by the number of months to be credited.**



# PAY FOR TIME LOST

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- 6. Do not allocate the payment to months which were already reported as a service months.**
- 7. Do not consider Deemed Service Months in the Allocation Period.**
  - **Contact the RRB for “open” service months.**
  - **Military Service may, under certain circumstances, be counted as Railroad Service under the RRA. Contact a RRB field office for creditability of Military Service.**



# TAXABLE COMPENSATION

- Taxable compensation is essentially the same as creditable compensation. However, taxable Tier 1 & Tier 2 compensation are reported to the IRS on the CT-1 and RUIA I compensation to the RRB on the DC1 to substantiate your tax deposits which fund benefits under the RRA and RUIA.
- With the exception of sick pay, compensation is subject to both Tier 1 and Tier II tax up to an annual maximum, and RUIA contribution up to a monthly maximum. Sick pay is only creditable as Tier 1 compensation and the Tier 1 tax.





# Taxable Compensation

- ❑ Tier I annual maximum
  - ❑ 2021 = \$142,800
- ❑ Tier II annual maximum
  - ❑ 2021 = 106,200
- ❑ Medicare has no maximum
- ❑ Tier I Tax
  - ❑ 2021 = 6.2% - Employee
  - ❑ 2021 = 6.2% - Employer
- ❑ Tier II Tax
  - ❑ 2021 = 4.9% - Employee
  - ❑ 2021 = 13.1% - Employer
- ❑ Medicare Tax
  - ❑ 2021 = 1.45% - Employee
  - ❑ 2021 = 1.45% - Employer



# Conclusiveness of Service and Compensation

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- ❑ The RRB's compensation records are considered conclusive unless the error is called to the attention of the Board within four years after the date on which the compensation was required to be reported to the Board.
- ❑ The four year period begins with the last day the applicable annual report was due to be filed.



# Conclusiveness of Service and Compensation

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- Exceptions for Reconsideration
- Fraud
- Erroneously reported
- RRB Board Order



# Helpful Websites

- [WWW.RRB.GOV](http://WWW.RRB.GOV) – Organization news, benefit program, tax rate information, earnings bases & Employer Reporting Instructions.
- [WWW.IRS.GOV](http://WWW.IRS.GOV)- Forms, publications, and policy information.
- [WWW.SSA.GOV](http://WWW.SSA.GOV)- Guide to filing Forms W-2 and verifying employee social security numbers.
- [WWW.EFTPS.COM](http://WWW.EFTPS.COM) – the Electronic Federal Tax Payment System is provided by the US Treasury to pay federal taxes.
- [WWW.PAY.GOV](http://WWW.PAY.GOV) – Secure electronic payments to federal agencies (i.e. RUIA contributions (DC-1) to RRB)





# QUESTIONS ???

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## ADDITIONAL Assistance

### Quality Reporting Services Center

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