



MASTER THE BASICS

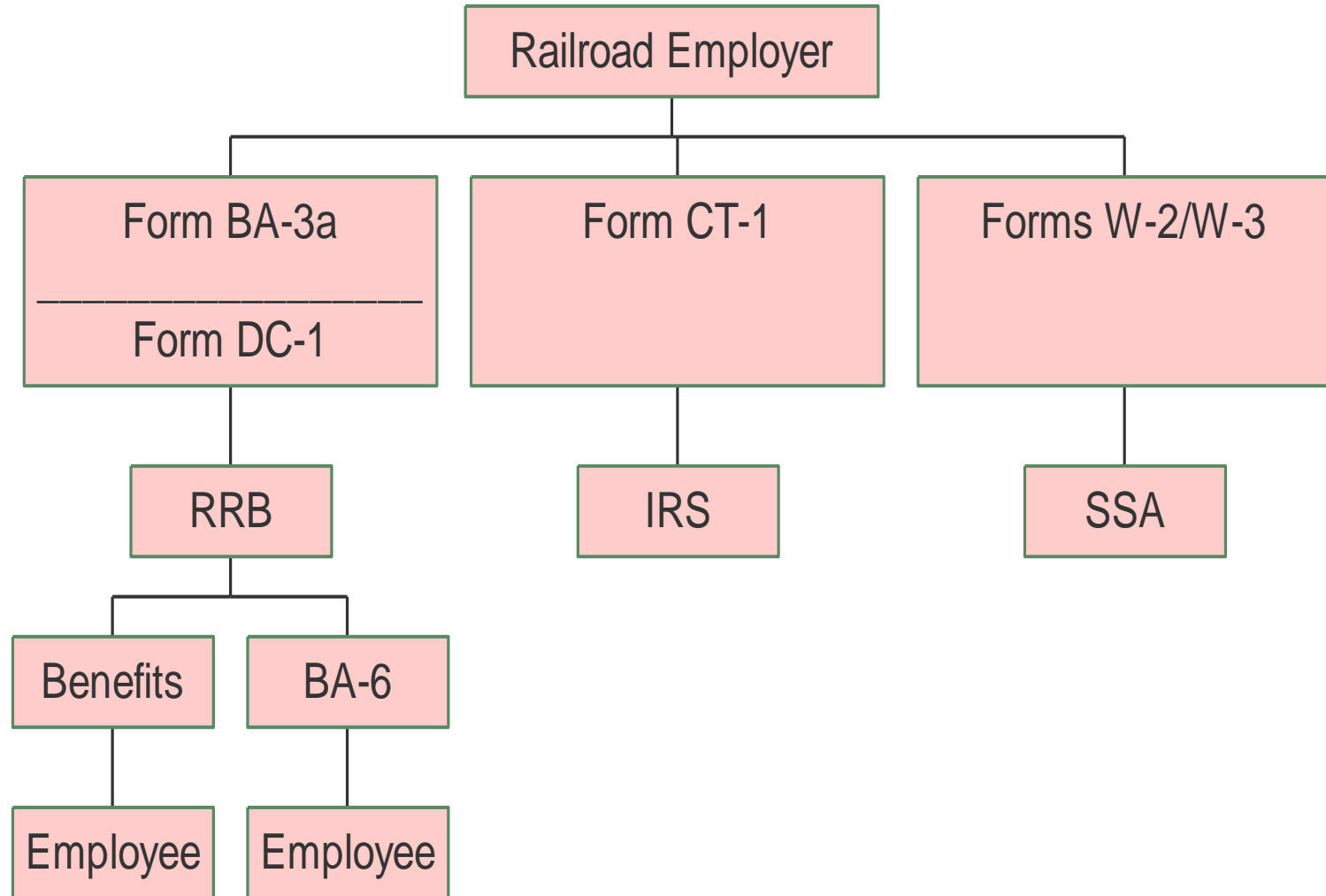
PART I

**Presented by
Nate Coleman
Dave Noesen**

10th Triennial National Rail Employer Training Seminar

The Palmer House Hilton Hotel
Chicago, IL
August 8-10, 2018

THREE FEDERAL AGENCIES



A little History



Railroad Retirement Board – Benefitting the Rail Industry Since 1935

STATUTES THAT COMPRISE THE RAILROAD RETIREMENT (RRB) SYSTEM

- **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

- ❑ 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** – is calculated just 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** – is based exclusively on your railroad service so it is like 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 CENTER (CESC)

- 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



- A service month is any calendar month or part of a calendar month that an employee receives compensation for services performed for a railroad employer; or
- A period of time that an employee receives compensation which is paid for time lost as an employee.



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.



SERVICE MONTHS

- **12 months = 1 year of service**
- **10 years of service = eligibility**
 - **5 years if after 1995**
- **Work requirement**
- **Military Service**
- **Deemed Service.**



DEEMED SERVICE MONTHS

Deemed Service Months Criteria

(Page 18-19)

1. EE 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.



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).



EMPLOYMENT RELATION AND SERVICE MONTHS

- Service months can only be credited if an employment relation exists with a railroad employer in that month. Employment relation ends if the employee:
 - resigns;
 - relinquishes employment rights;
 - dies; or
 - loses their employment relation for any reason.



PAYMENTS THAT RESULT IN CREDITABLE SERVICE MONTHS

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



PAYMENTS THAT DO NOT RESULT IN CREDITABLE SERVICE MONTHS

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



WHAT IS *INCLUDED* IN 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

- Excluded payments are those which are excluded from 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.



TAXABLE COMPENSATION

- Taxable compensation is essentially the same as creditable compensation. However, taxable compensation is reported to the IRS on the CT-1 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 creditable to Tier 1 and subject to Tier 1 tax only.



CREDITABLE COMPENSATION

Regular Compensation:

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



CREDITABLE COMPENSATION

- **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**
 - **reported to the RRB on Form BA-3a. Should be submitted by the last day of February every year.**



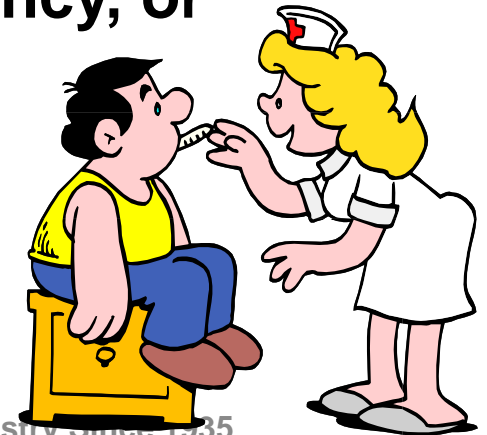
CREDITABLE COMPENSATION

- **Regular compensation is:**
 - **Creditable as Tier I up to the Max**
 - **2018 Maximum = \$128,400**
 - **Creditable Tier II up to the Max**
 - **2018 Maximum = \$95,400**
 - **Creditable as RUIA I**
 - **2018 Monthly Max = \$1,560**
 - **Creditable as RUIA II**
 - **2018 Monthly Max = \$2,015**



CREDITABLE SICK PAY COMPENSATION

- **Sick pay is:**
 - compensation paid under a 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)

- Is creditable only as Tier I;
- Is not creditable or taxable as Tier II compensation;
- Is not creditable or taxable as RUIA compensation; and
- Is not subject to supplemental tax
- ***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 under the **RUIA** and based on an **on-the-job-injury**; and
- paid subsequent to the sixth month following the month the employee last worked.
- paid after the **tier 1 comp max** is reached.
- paid in the year after the employee died.

WHO FILES THE SICK PAY REPORT AND PAYS THE TAXES???

- Sick pay paid by the railroad employer
- Sick pay paid by the RRB or an insurance company who has established sick pay employer status
- Third party sickness payors



VACATION PAY

- **Vacation Taken** -Service is creditable for the actual vacation period.
- **Vacation Pay Credited after Date-Last-Worked** Vacation period would have extended into the month after the month last worked
- **Vacation Pay in Lieu of vacation taken** - Vacation was not taken, but the accrued vacation was paid in a lump sum payment



BACK PAY

- **Retroactive Wage Increase**
- **Creditable in the Month Paid or the Month Earned.**
- **No creditable service month for the month paid.**



PAY FOR TIME LOST

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

- **Pay for Time lost includes:**
 - ◆ **personal injury settlements**
 - ◆ **dismissal allowances**
 - ◆ **guaranteed wages payments**
 - ◆ **displacement allowances**



PAY FOR TIME LOST

GENERAL PRINCIPLES

- 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. Amount of Creditable Compensation must relate to the Employee's Normal Monthly Pay.**
- 5. Minimum of 10 Times the Employee's Daily Pay Rate in effect on the Date of Injury.**



PAY FOR TIME LOST

- 6. Do not allocate the Settlement to a month(s) which was already reported as a service month.**
- 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.**



Separation and Dismissal Allowances

Separation and Dismissal Allowances are payments relative to the abolition of an employee's job.



SEPARATION/SEVERANCE PAY

- **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.**



SEPARATION/SEVERANCE PAY

- **Separation Allowance**
 - Not creditable for service month(s) or Tier II benefit purposes after the employment relinquishment date.
 - Creditable as Tier I only compensation after relinquishment of rights date.
- **Dismissal Allowance**
 - Compensation creditable as Tier I, Tier II, and RUIA.
 - EE receives service month credit from the monthly payments.



CREDITABLE COMPENSATION

Bonus Pay	Payments made for services in addition to that which is Regular pay
Productivity Fund payments	Payment made under cost-containment plans for working in ways to reduce costs
Retention Pay	Payments mad as an incentive to remain with the employer for a period of time



Conclusiveness of Service and Compensation

- ❑ 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 annual report was due to be filed.



Conclusiveness of Service and Compensation

(Page 41 – 42)

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



Helpful Websites

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





QUESTIONS ???

ADDITIONAL Assistance

Quality Reporting Services Center

TELEPHONE: 312-751-4992

FAX: 312-751-7123

EMAIL: QRSC@RRB.GOV



MASTER THE BASICS I
