



MASTER THE BASICS

Presented by

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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.



STATUTES THAT COMPRISE THE RAILROAD RETIREMENT (RRB) SYSTEM

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



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 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 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.



COMPENSATION AND EMPLOYER SERVICES

Jeffrey T. Archbold
Chief of Compensation and Employer Services

**Quality
Reporting
Service Center**

CESC Protest



SERVICE MONTHS

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

- 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

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

- 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

- **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 9 years. He worked all twelve months initially but in the last years before his retirement, he began seasonal work and worked January and February. He had no work for the rest of the year.

Year`	Reported Tier II Compensation	Reported Months	Deemed Months	AMC	Total Months	YOS	Tier II Benefit
2023	\$ 94,500.00	2	10				
2022	\$ 88,200.00	12	0				
2021	\$ 88,200.00	12	0				
2020	\$ 87,000.00	12	0				
2019	\$ 84,300.00	12	0	6059	107		378.18
2018	\$ 81,900.00	12	0	5995	97		339.22
2017	\$ 79,200.00	12	0				

If no deeming applies, AMC = 5995 (based on \$359,712 / 60).
If deeming months applied, AMC = 6059 (based on \$ 363,587/60).



CREDITABLE COMPENSATION

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

- **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

2024 Annual Compensation Maximums

- **Creditable as Tier I up to the Maximum**
2024 Annual Maximum = \$168,600
- **Creditable as Tier II up to the Max**
2024 Annual Max = \$125,100
- **Creditable as Railroad Unemployment Insurance Compensation (RUIA I)**
2024 Monthly Max = \$1,985
- **Creditable as Railroad Unemployment Insurance Maximum Compensation (RUIA II)**
2024 Monthly Max = \$2,564



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

- 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

- **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 COMPENSATION (CONTINUED)

- 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 NOT 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

- **Vacation Taken** –Vacation days were used by employee. Service and compensation are creditable for the vacation period.
- **Payment in Lieu of Vacation Taken** - Vacation days were not used by employee, but the accrued vacation due was paid as a lump sum. Compensation is creditable, but no service months are creditable. The vacation pay is creditable as compensation and is reported the same as you report compensation generally.



SEPARATION VS DISMISSAL 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 throughout payment period. EE receives service month credit as a result of the monthly payments.



PAY FOR TIME LOST

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

- 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

- 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

- ❑ 2024 = \$168,600

- ❑ Tier II annual maximum

- ❑ 2024 = \$125,100

- ❑ Medicare has no maximum

- ❑ Tier I Tax

- ❑ 2024 = 6.2% - Employee

- ❑ 2024 = 6.2% - Employer

- ❑ Tier II Tax

- ❑ 2024 = 4.9% - Employee

- ❑ 2024 = 13.1% - Employer

- ❑ Medicare Tax

- ❑ 2024 = 1.45% - Employee

- ❑ 2024 = 1.45% - Employer

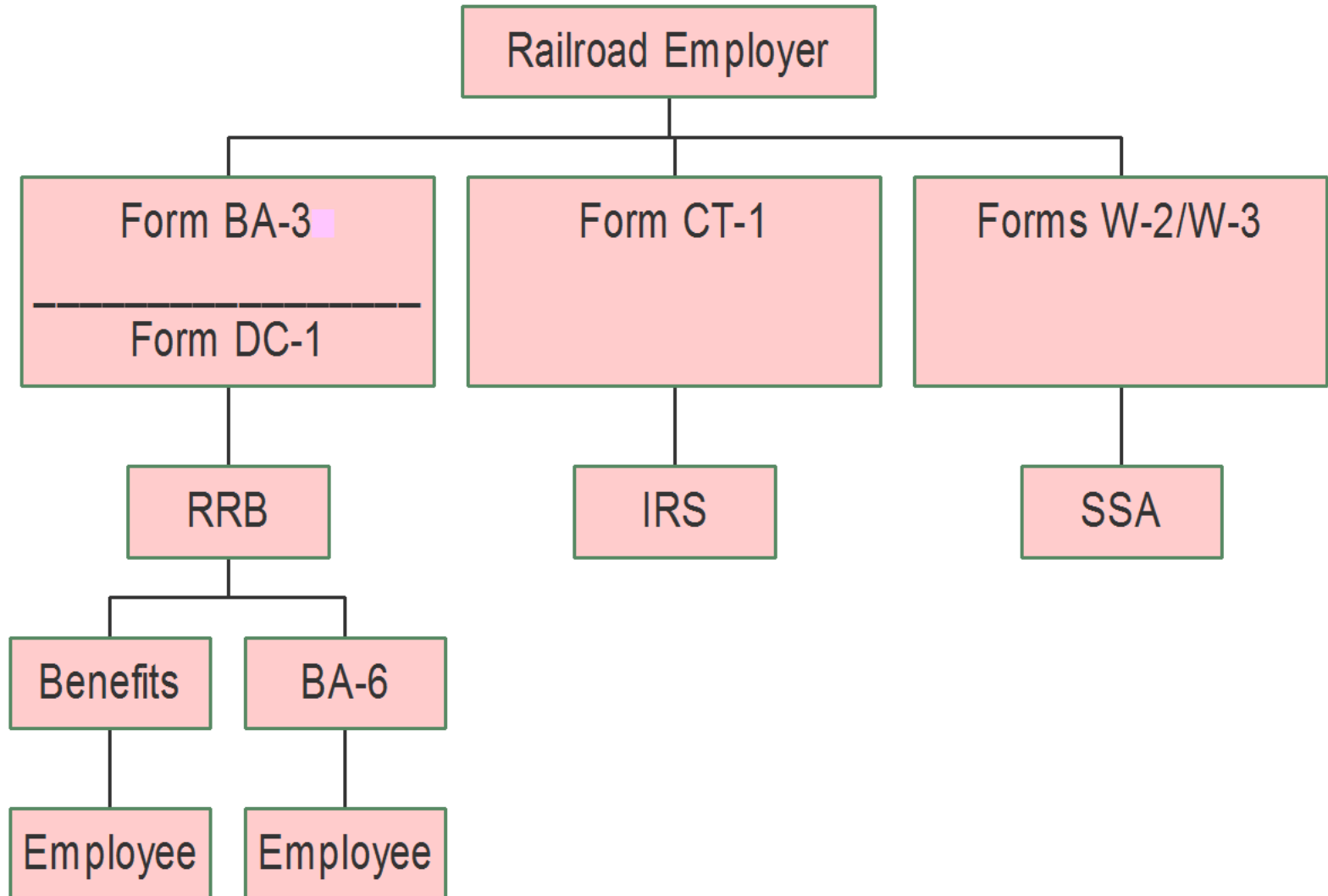


Conclusiveness of Service and Compensation

- 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 applicable annual report was due to be filed.
- Exceptions for Reconsideration
 - Fraud
 - Erroneously reported
 - RRB Board Order



THREE FEDERAL AGENCIES





ERSNet & FILING ANNUAL REPORTS

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Employer Reporting System (ERSNet)

- Role-base system that allows individual users to electronically interact with the RRB via the internet.
- Each user's access can be tailored to their job role, with the employer controlling which forms the user can view and submit to the RRB.
- Access levels for each individual form offered:
 - Approve
 - Update
 - Read
 - Administrative



ERSNet Benefits

- No cost to employers;
- Data validation reduces errors and provides users with feedback to help properly complete reports;
- Expedites processing times;
- Reduces RRB workloads and prevents data entry errors.



ERSNet Forms

Form BA-3	Form G-88P	Form ID-6
Form BA-4	Form G-117A	Form ID-6Y
Form BA-6a	Form GL-4/GL-4a	Form ID-30B
Form BA-9	Form GL-129	Form ID-40Q
Form BA-11	Form ID-3s	Form ID-40R/S
Form G-73a.1	Form ID-3u	Form RL-5a
Form G-88A.1	Form ID-4E	Form SI-5F (SUP)
Form G-88A.2	Form ID-4K	



Signing Up for ERSNet

- Contact Officials for an employer can request ERSNet accounts for themselves and any employees with Form BA-12.
- Form BA-12 must be signed by a Contact Official.
- Completed BA-12 should be emailed to QRSC@rrb.gov.



Form BA-3, Annual Report of Creditable Compensation

- According to Section 9 of the Railroad Retirement Act (RRA) and Section 6 of the Railroad Unemployment Insurance Act (RUIA), each employer is required to submit an annual report of creditable service and compensation for each employee who performed compensated service in the preceding year.



Form BA-3, Annual Report of Creditable Compensation

- Annual reports are due at the Railroad Retirement Board (RRB) by the last day of the following February of each year.
- If you have NO employees to report, you must still officially advise the RRB of this via the Form BA-3.
- Information from Form BA-3 is included on Form BA-6, Certificate of Service Months and Compensation, which is sent to each employee every June.
- Service months and Compensation reported on Form BA-3 is used to establish eligibility and calculate benefit amounts.



Form BA-3, Helpful Hints

- Always confirm you are using the current yearly maximums.
- The Tier II compensation amount should NEVER exceed the Tier I compensation amount.
- Daily Pay Rates should be reported up to \$200.00 per day.
- RUIA I & II compensation should not exceed the RUIA monthly creditable amount and/or maximum benefit amount multiplied by the number of creditable service months.
- RUIA II is not mandatory to report. However, submitting info may save you work by eliminating some future Forms UI-41/41a being sent to you.



Form BA-3, Helpful Hints

- Service month detail codes can be used in the creditable service months field. Using them may save you time by eliminating some future Forms GL-99 being sent to you.
 - 1 = Month worked
 - 0 = month not worked
 - **8 = month not worked/ employment relationship**
 - **9 = month not worked/ no employment relationship**
- Do not use code “0” when also using codes “8” and “9” for same employee.



Form BA-3, Reporting Options

- Online through the Employer Reporting System (ERSNet)
 - Upload formatted .txt report file.
 - Manually complete report using employee prefills from previous year.
 - Manually complete a blank report.
 - Indicate no report will be submitted due to no employees.
- Submit a formatted .txt report file and certified Form G-440 for manual processing by RRB
 - Secure Email
 - FTP
 - CD-ROM



Form BA-6a, Address Report

- Address information collected on this report is used to mail Form BA-6, Certificate of Service Months and Compensation, to the employees of your company.
- Form BA-6a is required if your company hired new employees during the reporting year and inclusion of new employee address information is mandatory. Address information for veteran employees can be included, but is optional.
- The “Effective Date” field should be when the employer recorded the change in their files.
- The BA-6a report is due April 1st following the reportable calendar year.



Form BA-6a, Reporting Options

- On Form BA-3.
 - If employee address information is included on Form BA-3, a separate BA-6a report is not required.
- Online through the Employer Reporting System (ERSNet)
 - Manually complete a blank report.
- Submit a formatted .txt report file and certified Form G-440 for manual processing by RRB
 - Secure Email
 - FTP
 - CD-ROM



Form BA-11, Report of Gross Earnings

- Employers are required to report the gross earnings for each employee on their payroll whose social security number ends with the digits “**30**”.
- Report GROSS earnings. These earnings CAN exceed the annual Tier I and Tier II maximums.
- If you have no employees to report that meet this criteria, you must still officially advise the RRB of this via the Form BA-11.
- Form BA-11 is due the last day of February every year.



Form BA-11, Report of Gross Earnings

- Data collected on the BA-11 is used to estimate future tax income and to compute taxes owed for the financial interchange between the Railroad Retirement and Social Security/ Medicare programs.



Form BA-11, Helpful Hints

- The Tier II compensation amount should NEVER exceed the Tier I compensation amount.
- Daily Pay Rates should be reported up to \$200.00 per day.



Form BA-11, Reporting Options

- Online through the Employer Reporting System (ERSNet)
 - Upload formatted .txt report file.
 - Manually complete report using employee prefills from previous year.
 - Manually complete a blank report.
 - Indicate no report will be submitted due to no employees.
 - Indicate no report will be submitted because no employees have an SSN ending in “30”.
- Submit a formatted .txt report file and certified Form G-440 for manual processing by RRB
 - Secure Email
 - FTP
 - CD-ROM



Form BA-15, Report of Stock Options and Other Payment

- New mandatory annual report as of CY2021. Collects total Medicare wage, non-qualified stock options (NQSO) and other payments provided to employees.
- Employers are required to report the Medicare wages for each employee who received NQSOs or other payments
- Information collected on the BA-15 is needed to calculate benefits used by the Financial Interchange for the transfer of funds between SSA, CMS and the RRB.
- Form BA-15 is due the last day of February every year.



Form BA-15, Helpful Hints

- **Medicare wages and tips** consist of all earnings that would be taxable under the hospital insurance portion of FICA.
- **RRTA Gross compensation** consists of all earnings taxable under the hospital insurance portion of the Tier I tax.
- Do not limit the amounts on Form BA-15 to the annual Tier I or Tier II creditable maximum amounts for the year



Form BA-15, Reporting Options

- Submit a formatted .txt report file or formatted Excel file and certified Form G-440 for manual processing by RRB
 - Secure Email
 - FTP
 - CD-ROM



Form BA-4, Report of Creditable Compensation Adjustments

- Used to make additions or deletions from a previously reported service & compensation record.
- Used to provide the initial service & compensation report for an employee who was omitted from a previously submitted BA-3.



Form BA-4, Report of Creditable Compensation Adjustments

- Section 9 of the RRA states the RRB's records of service and compensation are conclusive unless an error is called to the RRB's attention within four (4) years of the day on which the report was due.
 - Example: 2023 reports were due February 29, 2024. The last day to submit a correction of the 2023 report is:
February 29, 2028
- If you discover an error or omission shortly after you submit your annual report, contact QRSC to discuss the issue.



Form BA-4, Helpful Hints

- Enter only the information you want to change. All other items are left blank or zero.
- Enter the amount of the increase or decrease. Do not enter the total amount after the increase or decrease.
- Make sure to consider the Tier I, Tier II and RUIA maximums for the applicable year(s) you are adjusting.
 - Remember that Tier I and Tier II have Annual Maximums and that RUIA1 and RUIA2 have Monthly Maximums.



Form BA-4, Helpful Hints

- When changing the total Service Months for an employee, consider the impact on the RUIA1 and RUIA2 amounts that were previously reported.
- Form BA-4 only allows service month codes of 1 or 0 in the service month detail field. Optional service month codes 8 and 9 cannot be used on the BA-4.
- The Daily Pay Rate (DPR) field must be left blank if you are adjusting a previously reported S&C record. DPR should only be included on a BA-4 if you are providing the initial report for an employee.



Form BA-4, Reporting Options

- Online through the Employer Reporting System (ERSNet)
 - Manually complete report using employee prefills from previous year.
 - Manually complete a blank report.
- Submit a formatted .txt report file and certified Form G-440 for manual processing by RRB
 - Secure Email
 - FTP
 - CD-ROM



Form BA-9, Report of Separation Allowance or Severance Pay

- Form BA-9 collects information regarding these payments for three purposes:
 - Establish a disqualification period under the Railroad Unemployment Insurance Act.
 - Establish eligibility for an additional lump sum benefit under the Railroad Retirement Act.
 - Determine if deemed service months are creditable.
- Form BA-9 is due the last day of the month following the end of the quarter in which the payment was made.
 - Example: The BA-9 reporting a severance payment to an employee during Q1 (January – March) is due the last day of April.



Form BA-9, Report of Separation Allowance or Severance Pay

- Failing to file Form BA-9 timely can cause significant issues:
 - No disqualification period will be established, which can result in RUIA benefits being improperly paid.
 - The Employer's RUIA Contribution Rate could be impacted.



Form BA-9, Helpful Hints

- Multiple BA-9 forms may be submitted for the same separation allowance if multiple payments are issued.
- Form BA-9 is also used to correct errors on previously submitted BA-9 reports.
- Separation allowances should be added to the employee's regular earnings and the total reported on Form BA-3 up to the Tier I and Tier II maximums.



Form BA-9, Helpful Hints

- Only the taxed portion of a Separation Allowance is reported in Item #7 on the BA-9. This amount can be \$0 if no portion of the Separation Allowance was taxable.
- Items #11-14 are optional unless Item #8 is marked with a “1” indicating an initial report. Then they are mandatory.



Form BA-9, Reporting Options

- Online through the Employer Reporting System (ERSNet)
 - Upload formatted .txt report file.
 - Manually complete a blank report.
- Submit a formatted .txt report file and certified Form G-440 for manual processing by RRB
 - Secure Email
 - FTP
 - CD-ROM



Form G-440, Report Specification Sheet

- Form G-440 is used to verify the RRB's receipt of a service and compensation report. It is the employer's certification that all data furnished is correct to the best of your knowledge.
- A completed and signed G-440 must accompany any compensation report sent to the RRB through:
 - Secure Email
 - FTP
 - CD-ROM



Form G-440, Helpful Hints

- Verify the correct type of report is shown in Item #10 and the correct submission method is shown in Item #11.
- In Item #12, list all employee BA numbers (including subsidiary units) that are include in your report.
- Verify the G-440 is signed and dated in Item #14.
- If the G-440 is for a BA-3 or BA-4 report, you must enter report totals on page two (Recapitulation Sheet) of the G-440.
- Form G-440 is not required for reports submitted through ERSNet.



Helpful Websites

- **WWW.RRB.GOV** – Organization news, benefit program, tax rate information, earnings bases & Employer Reporting Instructions.
 - <https://rrb.gov/Employers/ReportingInstructions/Rail>
 - [https://rrb.gov/RERI_Appendix I Electronic File Formats](https://rrb.gov/RERI_Appendix_I_Electronic_File_Formats)
 - <https://rrb.gov/Employers/Forms/EmployerReportingForms>
 - <https://rrb.gov/Employers/Publications/ProgramAndCircularLetters>
 - <https://rrb.gov/Employers/Publications/AdditionalInfo>
- **WWW.PAY.GOV** – Secure electronic payments to federal agencies (i.e. RUIA contributions (DC-1) to RRB)



Helpful Websites

- 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.





QUESTIONS ???

ADDITIONAL Assistance

Quality Reporting Services Center

TELEPHONE: 312-751-4992

FAX: 312-751-7123

EMAIL: QRSC@RRB.GOV