



Employer Exchange

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Issue XX

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Railroad Retirement and Survivors' Improvement Act of 2001

On Friday, Dec 21, 2001, President Bush signed the Railroad Retirement and Survivors' Improvement Act of 2001 bill into law. This legislation will:

- restore full retirement benefits for 30-year railroad employees at age 60;
- include a new minimum widow's/widower's annuity computation;
- lower the minimum service requirement from 10 years to 5 years of service if performed after 1995;
- eliminate the cap on monthly retirement and disability benefits;
- adjust payroll tax rates paid by employers and employees;
- repeal the supplemental annuity work hour tax; and
- provide for the investment of railroad retirement funds in non-governmental assets.

For more detailed information, visit our web site at www.rrb.gov, contact your local RRB field office, or contact us at the above number.

2002 U.S. RRB Rates and Compensation Bases

Component	Tax Rate	Earnings Base
Employee Tier I	6.20%	\$84,900
Employee Medicare	1.45%	No Limit
Employee Tier II	4.90%	\$63,000
Employer Tier I	6.20%	\$84,900
Employer Medicare	1.45%	No Limit
Employer Tier II	15.6%*	\$63,000
Employer RUIA	Variable	\$1,100/mth

*Under prior law, employer tier II tax rate was 16.1%. Under the new law, the tax rate is 15.6%.

Supplemental Tax Audit

The Railroad Retirement and Survivors' Improvement Act of 2001 repealed the Railroad Retirement Supplemental Annuity work hour tax effective January 1, 2002. However, the legislation did not remove the SUP ANN reduction for an employer pension.

Prior to this legislation, the OIG conducted an audit of all supplemental annuities to determine if correct reductions have been applied under Section 2(h)(2) of the Railroad Retirement Act (RRA) for employer pensions. We are also investigating whether we have credited employers with the correct amount of supplemental tax credits under Section 3221(c) of the Internal Revenue Code for these cases. Only employers who have pensions approved by the RRB are included in this audit. With the repeal of the supplemental annuity tax, you will not be receiving supplemental annuity tax credits for months after December 2001 (fourth quarter 2001). So it is important that the supplemental tax credits and liabilities are reconciled quickly.

The selected employers should have received Form G-88p.1 or G-88p.2 with a letter dated December 19, 2001, which asks you to review your records. Please examine the records of your former employees who are receiving company pensions to see if our records accurately reflect the supplemental pension offset amounts. We want to ensure that your employees are receiving the correct supplemental annuity and that you receive any supplemental annuity tax credits due to you for December 2001 or earlier months.

File Form DC-1 on Internet beginning March 2002

We anticipate that you will be able to file your first quarter 2002 Form DC-1 on the Internet *if you use the RRBLINK system.*



Currently, the RRBLINK system is being tested to accommodate the Form DC-1 and we expect it to be ready for use beginning March 25, 2002.

RRBLINK is the system employers use to electronically file their Railroad Retirement Act (RRA) tier and supplemental taxes and their Railroad Unemployment Insurance Act (RUIA) contributions.

The RRB, in conjunction with Firststar Bank, has added Form DC-1 to the RRBLINK Internet system. The DC-1 report of contributions is now linked with the deposit of contributions in a single activity. When the system is fully operational and the regulations are changed, employers using RRBLINK to file their DC-1 will not have to file a paper Form DC-1 with the RRB. The bank will transmit the DC-1 report to the RRB. Thus, the Internet DC-1 will be more accurate, timely, and efficient.

If you would like more information about filing Form DC-1 on the Internet, go to

www.rrb.gov/employer and read the Program Letter dated December 10. You may also call the RRBLINK system administrator at 1-888-273-2265 or Jim Finn at the RRB, (312) 751-4668. If you are not currently using RRBLINK, the best time to convert is after making your last deposit in the calendar year. Call the system administrator for an application.

Non-governmental Plan Approval

A non-governmental plan for unemployment or sickness insurance is a benefit plan that is established by the employer to supplement benefits the employee would receive under the RUIA.

If you have established a plan that pays your employees compensation during periods of non-work you must submit the plan or any revisions to existing plans to the RRB for approval.

In order to qualify the plans must have certain characteristics such as the plan must: (a) be in writing; (b) define the class of employees covered; (c) contain eligibility standards; (d) contain formula for calculating the minimum benefits payable; and (e) specify the period of payments.

If you do establish a plan, we urge you to submit it in advance to the RRB and get proper approval before implementation. Any plan should be submitted to Mr. Ronald Russo, Director of Policy and Systems in the Office of Programs.

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Third Class