

Program Letter

United States Railroad Retirement Board Office of Programs



Quality Reporting Service Center

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Letter No. 05-03

Date: December 10, 2004

TO: Certification and Registration Contact Officials with Internet access

SUBJECT: Future Changes in Form BA-3, Annual Report of Creditable Compensation

Please share this information with all your staff who file Forms BA-3a/d, Annual Report of Creditable Compensation, Forms GL-99, Deemed Service Month Questionnaire; and Forms UI-41a, Supplemental Report of Compensation; as well as programming staff who support these functions.

Purpose

The purpose of this letter is to provide you with the attached new file layout for Form BA-3, "Annual Report of Creditable Service and Compensation." This letter is for information and planning purposes. It is being sent to all covered employers, including those currently filing on paper, because the paper form will also be revised to reflect these changes.

The reason that changes in the annual report are needed

Changes in the annual reports are required to accommodate an increase in the Tier I earnings base and in the maximum daily pay rate. The Tier I earnings base could exceed \$99,999.99 as early as 2006 and likely in 2007. Similarly, the daily rate of pay to qualify for maximum benefits could exceed \$99.99 as early as 2006 and likely in 2007. Thus, those field sizes need to be increased for employers who file on magnetic media. Because of the lead time needed to make an industry-wide change, we must prepare now for a potential change in reporting 2006 earnings. Attachment 1 is the new BA-3 annual report file layout. Attachment 2 is instructions for reporting the daily pay rate.

We are expanding the Tier II compensation field at the same time as the Tier I compensation field in preparation for future increases in the Tier II earnings base. Form BA-4, Report of Creditable Compensation Adjustments, will also be revised to correspond to changes made on Form BA-3.

Effective Date

Do not file BA-3 using the new file layout until advised by RRB. We anticipate that this new layout will first be used for 2006 compensation which is reported in 2007. We are sending this information in 2004 because several employers requested the information two years prior to the effective date so that they have sufficient time to make the needed program changes. At a later date, we will issue an implementation schedule including information for those who may wish to send the RRB a test file.

If you file your annual report on paper, we expect that the revised BA-3 paper form will be available in 2006 for filing in 2007. We also expect to have an Internet BA-3 and revised Internet applications of Forms BA-4 and BA-6a available for use at that time or sooner.

When the RRB notifies you to use the new file layouts, compliance will be mandatory. Reports in the old format cannot be processed correctly once the new format is in place. Employers

who report only sick pay compensation will need to convert from filing Form BA-10 to filing Form BA-3 by the due date. Although using the new file layout will be mandatory, the RRB is implementing certain enhancements which are optional. The optional enhancements are clearly identified below as optional.

Changes in addition to the expanded field sizes

Because we are already making needed changes in the annual report to accommodate increased field sizes, we are taking advantage of this opportunity to also include some enhancements. The enhancements were requested by employers over the years but had not previously been adopted due to the amount of work for both RRB and employers to make the program changes. The enhancements are described below.

Name and Year fields are being expanded

We are expanding the size of three fields as follows:

- Surname is expanded to 20 characters;
- First (initial) Name is expanded to 15 characters;
- Year is expanded to 4 characters.

The surname was initially limited to 5 positions because punch card reports, which were common at the time, were limited to a total of 80 positions per record. The expanded name fields will improve the RRB's validation of the employees' identifying information.

Sick Pay and Miscellaneous Compensation included on BA-3

In the past, employers who filed on magnetic tape or cartridges could report sick pay and miscellaneous compensation on the same report as their regular earnings, a BA-3d. (Note that the 'a' and 'd' designations on the BA-3 form are no longer needed as we now have only one report which includes sick pay and miscellaneous compensation.) Now all employers will report sick pay on their annual report including employers filing on the Internet and paper forms. Since sick pay and miscellaneous compensation will be reported on Form BA-3, Form BA-10, Report of Miscellaneous Compensation and Sick Pay, will be eliminated. Revised Reporting Instructions will be issued for Sick Pay Employers. See Attachment 3 for more information on reporting sick pay and miscellaneous compensation on Form BA-3, Annual Report of Creditable Compensation.

Form GL-99, Employer's Deemed Service Month Questionnaire (optional)

We are investigating means whereby employers can report employment relation information on their annual report, rather than replying to Form GL-99, if the employer chooses to do so. The details of the process are not yet final. Within the next few months, the RRB will issue a Program Letter explaining how to report employment relation on the revised BA-3 annual report.

Form UI-41a, Supplemental Report of Compensation (optional)

We have added a new field whereby employers can report RUIA compensation at the higher monthly maximum which is needed to determine the *maximum amount of benefits* payable. Completing this new RUIA field does not mean that employers are no longer required to provide the RUIA information that they now provide. The RUIA compensation currently reported is needed to determine an employee's *eligibility for benefits*. This new, second RUIA compensation field is provided for those employers who choose to provide this information on their annual report rather than replying to Forms UI-41a throughout the year. RUIA I and RUIA II are determined in the same manner only using different monthly maximums. This is similar to Tier I and Tier II which are determined in the same manner only using different annual maximums. See Attachment 4 for more information on the new RUIA field.

Address information included on BA-3 (optional)

We have extended the BA-3 file layout so that address information could be included in the same report as earnings information. Including addresses on the BA-3 report is optional but reporting addresses for new hires is still required. Including addresses on the BA-3 report is available only on the file layout. Employers who report on paper will still report addresses on paper Form BA-6a. Employers who report on the Internet will also be filing a separate Form BA-6a but the process is

being designed to provide employers similar efficiencies to the combined BA-3 file layout. The field sizes for the address report are being expanded and a new date field is being added. See below.

Form BA-6a, BA-6 Address Report, is being revised

The paper Form BA-6a and the BA-6a tape layout are being expanded to include a new date field. The new field is the effective date for the address. The date field will allow the RRB to accept changes of addresses, if the employer chooses to report changes. Employers are required to report addresses only for new hires, but several employers have asked the RRB to also accept a report of address changes. With the addition of the new field for effective date, the RRB can accept address changes. The RRB will use the effective-date to evaluate the address change submitted by the employer against changes-of-address received from other sources such as the US Postal Service and the employee. The new file layout for Form BA-6a, BA-6 Address Report, is in Attachment 5. The RRB will issue a separate Program Letter with more detailed information about the changes in address reporting.

Optional changes are intended to reduce the reporting burden

The enhancements marked as “optional” are just that. You can leave the optional fields blank. At this time, these enhancements are an individual choice but we encourage you to take advantage of these options. Each of these enhancements is provided because employers indicated that including this information on the annual report would reduce their overall reporting burden compared to providing the information in response to individual requests. The enhancements will also help the RRB in that the data will be received more timely and with less cost.

Have Questions? Want Training?

There is a lot of information in this letter to consider and decisions you will need to make. If you have questions about this letter, please contact QRSC at (312) 751-4992 or Carol Arnold at (312) 751-4833. If you would like a more in-depth analysis of these changes, we will try to accommodate you as best we can. We will provide training on this topic at any upcoming training seminars.

Attachments

- Attachment 1 provides the new BA-3 file layout.
- Attachment 2 explains how to report the new daily pay rate.
- Attachment 3 explains the inclusion of sick pay and miscellaneous pay on the BA-3.
- Attachment 4 explains how to report the new RUIA compensation.
- Attachment 5 provides the new BA-6a file layout.

File Layout for BA-3, Annual Report of Creditable Compensation

Data Element	Current BA-3a	New BA-3	field size
Type report	1	1	1
Year	2-3	2-5 (a)	4
Processing code	4	6	1
ER NO	5-8	7-10	4
Payroll ID No	9-18	11-20	10
SSN	19-27	21-29	9
Surname	28-32	30-49 (b)	20
First Initial/Name	33	50-64 (c)	15
Middle Initial	34	65	1
Filler	35-37	N/A	
RUIA I Compensation (to qualify for benefits)	38-44	66-72 (d)	7
Filler	N/A	73-74	2
RUIA II Compensation (to determine maximum benefits)	N/A	75-81 (d)	7
Filler	N/A	82-83	2
SM Detail	45-56	84-95	12
SM Total	57-58	96-97	2
Tier I Compensation	59-65	98-105 (e)	8
Filler	N/A	106-107	2
Tier II Compensation	66-72	108-115 (e)	8
Filler	73	116-117	2
Daily Pay Rate	74-77	118-122 (f)	5
Filler	77-80	123-124	2
Miscellaneous Compensation	Record ends at 80	125-132 (e)	8
Filler		133-134	2
Sick Pay Compensation		135-142 (e)	8
Filler		143-145	3
Street address line 1 (g)		146-175	30
Street address line 2 (g)		176-205	30
City (g)		206-225	20
State (g)		226-227	2
Zip code (g)		228-232	5
Effective Date (g)		233-240	8
Filler		241-300	60
(Filler is added to allow for future expansion.)		Record Ends at 300	

a Year is four positions in format CCYY.

b Surname is expanded to 20 characters.

c First initial/name is 15 characters. (A first initial is acceptable but a first name is preferable.)

d Field allows for RUIA compensation up to \$99,999.99 in format \$\$\$\$\$\$.cc.

e Field allows for Tier compensation up to \$999,999.99 in format \$\$\$\$\$\$.cc.

f Field allows for daily pay rate up to \$999.99 in format \$\$\$\$.cc.

g Including address information on this report is optional. RRB adds the "plus 4" to the zip code from information supplied by the USPS. Effective date is in format MMDDCCYY.

Reporting Daily Pay Rates

Instructions

The new maximum daily pay rate is \$200.00. Report the actual rate of pay for employees whose daily rate of pay is \$200.00 or less. Report \$200.00 for employees whose daily rate of pay exceeds \$200.00. Employers are required to report daily pay rates for all employees.

Background

The RRB uses pay-rate information to determine an employee's daily benefit rate for unemployment and sickness benefits. It is projected that effective with benefit year 2007, and possibly 2006, the daily rate of pay needed to qualify an employee for the maximum daily benefit rate will exceed \$99.99. Thus, we have expanded the daily pay rate field on the BA-3 annual report to accept amounts greater than \$99.99. The daily payrate is now 5 positions in format \$\$\$\$¢.

Benefit to Employers

Every year, the daily pay rate needed to qualify for the maximum benefit rate increases. In an effort to reduce the burden of making annual changes but also to retain some privacy for payrate information above the needed annual amount, the RRB sets a maximum above which payrates need not be reported. The new maximum daily pay rate of \$200.00 will not need to be changed for many years.

Sick Pay and Miscellaneous Compensation Reported on Form BA-3

The RRB looked at various ways to incorporate sick pay and miscellaneous compensation in the BA-3 report. Our test employers favored retaining sick pay as a separate item or field because they also report sick pay as a separate item on their earnings reports to SSA and tax reports to the IRS.

Benefit to employers: A single report will be less work for employers who currently file two separate reports, Form BA-3a 'Annual Report of Creditable Compensation' and Form BA-10, 'Report of Creditable Sick Pay Compensation.' A single report may reduce errors because the combined regular Tier I compensation and sick pay Tier I compensation could be more easily compared to the annual Tier I maximum.

Example: Sick pay added to annual report as a separate field

The following is an example of BA-3 for an employee who received sick pay in 2004 and where compensation is reported on a "paid" basis, thus miscellaneous compensation is not included. For additional information on miscellaneous compensation, see Reporting Instructions to Employers.

2004 BA-3 Report

Tier I maximum = \$87,000; Tier II maximum = \$64,500

Name	SSN/ RUIA	Service Month Detail	Total SM	T I	T II	Pay Rate	Misc Comp	Sick Pay
D DART		0 0 0 0 0 0 1 1 1 1 1	5	27500.00	27500.00			40000.00

Fields that do not relate to this example have no entries and are shaded.

2004

D. Dart

Bi-weekly Pay Date	Bi-weekly Regular Earnings	Creditable Tier I (regular earnings)	Creditable Tier II	Creditable sick pay	Service Month
1/10				2500	
1/24				2500	
2/7				2500	
2/21				2500	
3/6				2500	
3/20				2500	
4/3				2500	
4/17				2500	
5/1				2500	
5/15				2500	
5/29				2500	
6/12				2500	
6/26				2500	
7/10				2500	
7/24				2500	
8/7				2500	
8/21	2750	2750	2750		Aug
9/4	2750	2750	2750		Sep
9/18	2750	2750	2750		
10/2	2750	2750	2750		Oct
10/16	2750	2750	2750		
10/30	2750	2750	2750		
11/13	2750	2750	2750		Nov
11/27	2750	2750	2750		
12/11	2750	2750	2750		Dec
12/25	2750	2750	2750		
Total	\$27,500	\$27,500	\$27,500	\$40,000	5

New RUIA Compensation Field

RUIA II compensation is determined in the same manner as the current RUIA compensation only using a different monthly maximum. The RRB needs the RUIA II compensation to determine the maximum unemployment and sickness benefits payable in certain situations. This information is currently collected on a separate paper request Form UI-41a, Supplemental Report of Compensation.

Benefit to employers: The addition of this information on the annual report has been widely supported by employers because it eliminates the need for subsequent paper Forms UI-41a which often require reconciliation via Forms UI-42, Report Discrepancy. If RUIA II compensation can be reported mechanically on the annual report, this would save considerable manual work for those employers who would have received these subsequent requests. Of all RRB requests to employers, the Forms UI-41a and UI-42 appear to be the most labor intensive for RRB and employers.

Name	SSN	RUIA I Comp (eligibility)	RUIA II Compensation (maximum benefits)	Service Months Detail	Total SM	Tier I Comp	Tier II Comp	Pay Rate	Misc Comp	Sick Pay Comp

RUIA I: Compensation needed to determine eligibility. (Amount currently collected on BA-3a.)

RUIA II: Compensation needed to determine maximum unemployment and sickness benefits payable. This is not a required field at this time. The RRB will retain the process which prints and sends employers Forms UI-41a to collect this information manually.

Example: How to determine RUIA-II compensation

A new employee was hired July 5, 2003. The employee works seasonally and was laid off on November 11. The employee earned \$4000 in each month he worked except November during which he earned \$1000.

For 2003, the RUIA qualifying earnings base is \$1120 per month. The monthly compensation base for maximum benefits is \$1447.

July	\$1120.00	\$1447.00
Aug	1120.00	1447.00
Sep	1120.00	1447.00
Oct	1120.00	1447.00
<u>Nov</u>	<u>1000.00</u>	<u>1000.00</u>
5	\$5480.00	\$6788.00

Earnings year 2003

maximums \$1120 \$1447

Name	SSN	RUIA I Comp	RUIA II Comp	Service Month Detail	Total	Tier I	Tier II	Pay Rate	Misc Com	Sick Pay
		548000	678800	0 0 0 0 0 0 1 1 1 1 1 0	05					

Shaded areas are not applicable to this particular example.

File Layout for BA-6a, BA-6 Address Report

Data Element	Current BA-6a	New BA-6a	field size
SSN	1-9	1-9	9
First (initial) Name	10	10-24 (a)	15
Middle Initial	11	25	1
Surname	12-25	26-45 (b)	20
Address line 1 (location)	26-50	46-75 (c)	30
Address line 2 (delivery)	51-75	76-105 (c)	30
City	76-93	106-125 (d)	20
State	94-95	126-127	2
Zip code	96-100	128-132 (e)	5
Filler	N/A	133-140	8
BA number	101-104	141-144	4
Effective date	N/A	145-152 (f)	8
Filler	105-120	153-180	28
	Record ended at 120	Record ends at 180	

- a First initial/name is 15 characters. (A first initial is acceptable but a first name is preferable.)
- b Surname is expanded to 20 characters.
- c Address lines are expanded to 30 characters.
- d City is expanded to 20 characters.
- e RRB adds the "plus 4" to the zip code from information supplied by the USPS.
- f Effective date is in format MMDDCCYY.