



RAILROAD RETIREMENT BOARD

2016 Railroad Experience Rating Proclamations, Monthly Compensation Base and Other Determinations

AGENCY: Railroad Retirement Board

ACTION: Notice

SUMMARY: Pursuant to section 8(c)(2) and section 12(r)(3) of the Railroad Unemployment Insurance Act (Act) (45 U.S.C. 358(c)(2) and 45 U.S.C. 362(r)(3), respectively), the Board gives notice of the following:

1. The balance to the credit of the Railroad Unemployment Insurance (RUI) Account, as of June 30, 2015, is \$120,082,848.11;
2. The September 30, 2015, balance of any new loans to the RUI Account, including accrued interest, is zero;
3. The system compensation base is \$4,226,071,387.68 as of June 30, 2015;
4. The cumulative system unallocated charge balance is (\$393,458,771.03) as of June 30, 2015;
5. The pooled credit ratio for calendar year 2016 is zero;
6. The pooled charged ratio for calendar year 2016 is zero;
7. The surcharge rate for calendar year 2016 is 1.5 percent;
8. The monthly compensation base under section 1(i) of the Act is \$1,455 for months in calendar year 2016;

9. The amount described in sections 1(k) and 3 of the Act as "2.5 times the monthly compensation base" is \$3,637.50 for base year (calendar year) 2016;

10. The amount described in section 4(a-2)(i)(A) of the Act as "2.5 times the monthly compensation base" is \$3,637.50 with respect to disqualifications ending in calendar year 2016;

11. The amount described in section 2(c) of the Act as "an amount that bears the same ratio to \$775 as the monthly compensation base for that year as computed under section 1(i) of this Act bears to \$600" is \$1,879 for months in calendar year 2016;

12. The maximum daily benefit rate under section 2(a)(3) of the Act is \$72 with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 2016.

DATES: The balance in notice (1) and the determinations made in notices (3) through (7) are based on data as of June 30, 2015. The balance in notice (2) is based on data as of September 30, 2015. The determinations made in notices (5) through (7) apply to the calculation, under section 8(a)(1)(C) of the Act, of employer contribution rates for 2016. The determinations made in notices (8) through (11) are effective January 1, 2016. The determination made in notice (12) is effective for registration periods beginning after June 30, 2016.

ADDRESSES: Secretary to the Board, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611-2092.

FOR FURTHER INFORMATION CONTACT: Marla L. Huddleston, Bureau of the Actuary, Railroad Retirement Board, 844 Rush Street, Chicago, Illinois 60611-2092, telephone (312) 751-4779.

SUPPLEMENTARY INFORMATION: The RRB is required by section 8(c)(1) of the Railroad Unemployment Insurance Act (Act) (45 U.S.C. 358(c)(1)) as amended by Public Law 100-647, to proclaim by October 15 of each year certain system-wide factors used in calculating experience-based employer contribution rates for the following year. The RRB is further required by section 8(c)(2) of the Act (45 U.S.C. 358(c)(2)) to publish the amounts so determined and proclaimed. The RRB is required by section 12(r)(3) of the Act (45 U.S.C. 362(r)(3)) to publish by December 11, 2015, the computation of the calendar year 2016 monthly compensation base (section 1(i) of the Act) and amounts described in sections 1(k), 2(c), 3 and 4(a-2)(i)(A) of the Act which are related to changes in the monthly compensation base. Also, the RRB is required to publish, by June 11, 2016, the maximum daily benefit rate under section 2(a)(3) of the Act for days of unemployment and days of sickness in registration periods beginning after June 30, 2016.

Surcharge Rate

A surcharge is added in the calculation of each employer's contribution rate, subject to the applicable maximum rate, for a calendar year whenever the balance to the credit of the RUI Account on the preceding June 30 is less than the greater of \$100 million or the amount that bears the same ratio to \$100 million as the system compensation base for that June 30 bears to the system compensation base as of June 30, 1991. If the RUI Account balance is less than \$100 million (as indexed), but at least \$50 million (as indexed), the surcharge will be 1.5 percent. If the RUI Account balance is less than \$50 million (as indexed), but greater than zero, the surcharge will be 2.5

percent. The maximum surcharge of 3.5 percent applies if the RUI Account balance is less than zero.

The ratio of the June 30, 2015 system compensation base of \$4,226,071,387.68 to the June 30, 1991 system compensation base of \$2,763,287,237.04 is 1.52936377. Multiplying 1.52936377 by \$100 million yields \$152,936,377.00. Multiplying \$50 million by 1.52936377 produces \$76,468,188.50. The Account balance on June 30, 2015, was \$120,082,848.11. Accordingly, the surcharge rate for calendar year 2016 is 1.5 percent.

Monthly Compensation Base

For years after 1988, section 1(i) of the Act contains a formula for determining the monthly compensation base. Under the prescribed formula, the monthly compensation base increases by approximately two-thirds of the cumulative growth in average national wages since 1984. The monthly compensation base for months in calendar year 2016 shall be equal to the greater of (a) \$600 or (b) $\$600 [1 + \{(A - 37,800)/56,700\}]$, where A equals the amount of the applicable base with respect to tier 1 taxes for 2016 under section 3231(e)(2) of the Internal Revenue Code of 1986. Section 1(i) further provides that if the amount so determined is not a multiple of \$5, it shall be rounded to the nearest multiple of \$5.

Using the calendar year 2016 tier 1 tax base of \$118,500 for A above produces the amount of \$1,453.97, which must then be rounded to \$1,455. Accordingly, the monthly compensation base is determined to be \$1,455 for months in calendar year 2016.

Amounts Related to Changes in Monthly Compensation Base

For years after 1988, sections 1(k), 3, 4(a-2)(i)(A) and 2(c) of the Act contain formulas for determining amounts related to the monthly compensation base.

Under section 1(k), remuneration earned from employment covered under the Act cannot be considered subsidiary remuneration if the employee's base year compensation is less than 2.5 times the monthly compensation base for months in such base year.

Under section 3, an employee shall be a "qualified employee" if his/her base year compensation is not less than 2.5 times the monthly compensation base for months in such base year. Under section 4(a-2)(i)(A), an employee who leaves work voluntarily without good cause is disqualified from receiving unemployment benefits until he has been paid compensation of not less than 2.5 times the monthly compensation base for months in the calendar year in which the disqualification ends.

Multiplying 2.5 by the calendar year 2016 monthly compensation base of \$1,455 produces \$3,637.50. Accordingly, the amount determined under sections 1(k), 3 and 4(a-2)(i)(A) is \$3,637.50 for calendar year 2016.

Under section 2(c), the maximum amount of normal benefits paid for days of unemployment within a benefit year and the maximum amount of normal benefits paid for days of sickness within a benefit year shall not exceed an employee's compensation in the base year. In determining an employee's base year compensation, any money remuneration in a month not in excess of an amount that bears the same ratio to \$775 as the monthly compensation base for that year bears to \$600 shall be taken into account.

The calendar year 2016 monthly compensation base is \$1,455. The ratio of \$1,455 to \$600 is 2.42500000. Multiplying 2.42500000 by \$775 produces \$1,879. Accordingly, the amount determined under section 2(c) is \$1,879 for months in calendar year 2016.

Maximum Daily Benefit Rate

Section 2(a)(3) contains a formula for determining the maximum daily benefit rate for registration periods beginning after June 30, 1989, and after each June 30 thereafter.

Legislation enacted on October 9, 1996, revised the formula for indexing maximum daily benefit rates. Under the prescribed formula, the maximum daily benefit rate increases by approximately two-thirds of the cumulative growth in average national wages since 1984. The maximum daily benefit rate for registration periods beginning after June 30, 2016, shall be equal to 5 percent of the monthly compensation base for the base year immediately preceding the beginning of the benefit year. Section 2(a)(3) further provides that if the amount so computed is not a multiple of \$1, it shall be rounded down to the nearest multiple of \$1.

The calendar year 2015 monthly compensation base is \$1,455. Multiplying \$1,455 by 0.05 yields \$72.75. Accordingly, the maximum daily benefit rate for days of unemployment and days of sickness beginning in registration periods after June 30, 2016, is determined to be \$72.

Dated: November 17, 2015.

By Authority of the Board.

Martha P. Rico,
Secretary to the Board.

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