

compensation base" is \$2,825 for base year (calendar year) 2004;

10. 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 \$1,460 for months in calendar year 2004;

11. The amount described in section 3 of the Act as "2.5 times the monthly compensation base" is \$2,825 for base year (calendar year) 2004;

12. The amount described in section 4(a-2)(i)(A) of the Act as "2.5 times the monthly compensation base" is \$2,825 with respect to disqualifications ending in calendar year 2004;

13. The maximum daily benefit rate under section 2(a)(3) of the Act is \$56 with respect to days of unemployment and days of sickness in registration periods beginning after June 30, 2004.

**DATES:** The balance in notice (1) and the determinations made in notices (3) through (7) are based on data as of June 30, 2003. The balance in notice (2) is based on data as of September 30, 2003. 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 2004. The determinations made in notices (8) through (12) are effective January 1, 2004. The determination made in notice (13) is effective for registration periods beginning after June 30, 2004.

**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, 2003, the computation of the calendar year 2004 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, 2004, 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, 2004.

#### 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 system compensation base as of June 30, 1991 was \$2,763,287,237.04. The system compensation base for June 30, 2003 was \$3,111,077,919.78. The ratio of \$3,111,077,919.78 to \$2,763,287,237.04 is 1.12586121. Multiplying 1.12586121 by \$100 million yields \$112,586,121. Multiplying \$50 million by 1.12586121 produces \$56,293,061. The Account balance on June 30, 2003, was \$64,044,131.87. Accordingly, the surcharge rate for calendar year 2004 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 2004 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 2004 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.

The calendar year 2004 tier 1 tax base is \$87,900. Subtracting \$37,800 from \$87,900 produces \$50,100. Dividing \$50,100 by \$56,700 yields a ratio of 0.88359788. Adding one gives 1.88359788. Multiplying \$600 by the amount 1.88359788 produces the

amount of \$1,130.16, which must then be rounded to \$1,130. Accordingly, the monthly compensation base is determined to be \$1,130 for months in calendar year 2004.

#### Amounts Related to Changes in Monthly Compensation Base

For years after 1988, sections 1(k), 2(c), 3 and 4(a-2)(i)(A) 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. Multiplying 2.5 by the calendar year 2004 monthly compensation base of \$1,130 produces \$2,825. Accordingly, the amount determined under section 1(k) is \$2,825 for calendar year 2004.

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 2004 monthly compensation base is \$1,130. The ratio of \$1,130 to \$600 is 1.88333333. Multiplying 1.88333333 by \$775 produces \$1,460. Accordingly, the amount determined under section 2(c) is \$1,460 for months in calendar year 2004.

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. Multiplying 2.5 by the calendar year 2004 monthly compensation base of \$1,130 produces \$2,825. Accordingly, the amount determined under section 3 is \$2,825 for calendar year 2004.

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 2004 monthly compensation base of \$1,130 produces \$2,825. Accordingly, the amount