

RAILROAD
RETIREMENT
and SURVIVOR
BENEFITS



U. S. Railroad Retirement Board
MISSION STATEMENT

The Railroad Retirement Board's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The Railroad Retirement Board also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

In carrying out its mission, the Railroad Retirement Board will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The Railroad Retirement Board will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

INTRODUCTION

The Railroad Retirement Act is a Federal law that provides retirement and disability annuities for qualified railroad employees, spouse annuities for their wives or husbands, and survivor benefits for the families of deceased employees who were insured under the Act. These benefit programs are administered by the U.S. Railroad Retirement Board. It also administers the Railroad Unemployment Insurance Act, and has administrative responsibilities under the Social Security Act for certain benefit payments and railroad workers' Medicare coverage.

This pamphlet describes the retirement and disability annuities provided for employees under the Railroad Retirement Act, and the benefits available to their spouses and survivors. Medicare and unemployment-sickness insurance payments are described in separate pamphlets.

The information in this pamphlet supersedes earlier editions. If you have any questions about the information covered in this pamphlet, or if you want one of the Railroad Retirement Board's pamphlets on Medicare or unemployment and sickness insurance benefits, contact the Board toll-free at 1-877-772-5772. Agency field office representatives will be glad to answer your questions and explain your benefit rights. Cities with these offices are listed at the back of this pamphlet.

In addition, through automated menus available 24 hours a day, you can find the address for the field office serving your area and listen to special announcements about the agency's benefit programs. You can also request a replacement Medicare card, a letter showing your current

monthly benefit rate, a replacement tax statement for the most recently completed tax year, or a statement of creditable railroad service and compensation. Information on unemployment-sickness claims is also available.

The services listed above, and others, are also available through “Benefit Online Services” at the Board’s Web site, www.rrb.gov. Other online services allow users to get annuity estimates, review their service and compensation history, and apply for or claim unemployment benefits. In addition, many of the Board’s publications are available for viewing and downloading, as is information about benefit requirements and other topics of interest.

This pamphlet is issued for the purpose of general information. Certain limitations, exceptions, and special cases are not covered.

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EMPLOYEE AND SPOUSE ANNUITIES

BASIC SERVICE REQUIREMENT

The basic requirement for a regular employee annuity is 120 months (10 years) of creditable railroad service or 60 months (5 years) of creditable railroad service if such service was performed after 1995. Service months need not be consecutive, and, in some cases, military service may be counted as railroad service.

Credit for a month of railroad service is given for every month in which an employee had some compensated service for an employer covered by the Railroad Retirement Act, even if only one day's service is performed in the month. (However, local lodge compensation earned after 1974 is disregarded for any calendar month in which it is less than \$25.) Under certain circumstances, additional months of service may be deemed.

Covered employers include railroads engaged in interstate commerce and certain of their subsidiaries, railroad associations and national railway labor organizations.

Railroad retirement benefits are based on months of service and earnings credits. Earnings are creditable up to certain annual maximums on the amount of compensation subject to railroad retirement taxes.

AGE AND SERVICE, DISABILITY AND SUPPLEMENTAL ANNUITIES

An AGE AND SERVICE ANNUITY can be paid to:

- *Employees with 30 or more years of creditable service.* They are eligible for regular annuities based on

age and service the first full month they are age 60. Early retirement reductions are applied if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 *before* 2002.

■ *Employees with 10-29 years of creditable service, or 5-9 years, if at least 5 years were after 1995.* They are eligible for regular annuities based on age and service the first full month they are age 62. Early retirement annuity reductions are applied to annuities awarded before full retirement age, which ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as under social security. Reduced annuities are still payable at age 62 but the maximum reduction will be 30% rather than 20% by the year 2022. The tier II portion of an annuity (as defined on page 8) is not reduced beyond 20% if the employee had any creditable railroad service before August 12, 1983. (See pages 45-49 for a detailed explanation of age reductions.)

An annuity based on age cannot be paid until the employee stops railroad employment, files an application and gives up any rights to return to work for a railroad employer.

A DISABILITY ANNUITY can be paid for:

■ *Total disability*, at any age, if an employee is permanently disabled for *all regular work* and has at least 10 years (120 months) of creditable railroad service. Employees with 5-9 years of creditable railroad service, if at least 5 years were performed after 1995, may qualify for tier I only (as defined on page 8) before retirement age on the basis of total disability if they also meet certain social security earnings requirements. An age reduced tier II amount would be payable at age 62.

■ *Occupational disability*, at age 60, if an employee has at least 10 years of railroad service or at any age if the employee has at least 20 years (240 months) of service, when the employee is permanently disabled for his or her *regular railroad occupation*. A “current connection” with the railroad industry is also required for an annuity based on *occupational*, rather than *total*, disability.

A 5-month waiting period beginning with the month after the month of the onset of disability is required before any disability annuity payments can begin.

An employee can be in compensated service while filing a disability annuity application as long as the compensated service terminates within 90 days from the date of filing. However, in order for a supplemental annuity to be paid by the Board, or for an eligible spouse to begin receiving annuity payments, a disabled annuitant under full retirement age must relinquish employment rights.

A SUPPLEMENTAL ANNUITY can be paid at:

■ *Age 60*, if the employee has at least 30 years of creditable railroad service.

■ *Age 65*, if the employee has 25-29 years of railroad service.

In addition to the service requirements, a “current connection” with the railroad industry is required for all supplemental annuities. An employee must also be receiving a railroad retirement age and service or disability annuity before a supplemental annuity can be paid. Eligibility is further limited to employees who had some rail service before October 1981.

CURRENT CONNECTION REQUIREMENT

An employee who worked for a railroad in at least 12 months in the 30 months immediately preceding the month his or her railroad retirement annuity begins will meet the current connection requirement for a supplemental annuity, occupational disability annuity or the survivor benefits described later in this booklet. (If the employee died before retirement, railroad service in at least 12 months in the 30 months before the month of death will meet the current connection requirement for the purpose of paying survivor benefits.)

If an employee does not qualify on this basis, but has 12 months' service in an earlier 30-month period, he or she may still meet the current connection requirement. This alternative generally applies if the employee did not have any regular employment outside the railroad industry after the end of the last 30-month period which included 12 months of railroad service and before the month the annuity begins or the date of death. Full or part-time work for a nonrailroad employer in the interval between the end of the last 30-month period including 12 months of railroad service and the beginning date of an employee's annuity, or the month of death if earlier, can break a current connection.

Self-employment in an unincorporated business will not break a current connection; however, self-employment can break a current connection if the business is incorporated.

Working for certain U.S. Government agencies-- Department of Transportation, National Transportation Safety Board, Surface Transportation Board, National Mediation Board, Transportation Security Administration, Railroad Retirement Board--will *not* break a current

connection. State employment with the Alaska Railroad, as long as that railroad remains an entity of the State of Alaska, will not break a current connection. Also, railroad service in Canada for a Canadian railroad will neither break nor preserve a current connection.

A current connection can also be maintained, for purposes of supplemental and survivor annuities, if the employee completed 25 years of railroad service, was involuntarily terminated without fault from his or her last job in the railroad industry, and did not thereafter decline an offer of employment in the same class or craft in the railroad industry, regardless of the distance to the new position.

A termination of railroad service is considered voluntary unless there was no choice available to the individual to remain in service. Generally, where an employee has no option to remain in the service of his or her railroad employer, the termination of the employment is considered involuntary, regardless of whether the employee does or does not receive a separation allowance. However, each case is decided by the Board on an individual basis. This exception to the normal current connection requirements became effective October 1, 1981, but only for employees still living on that date who left the rail industry on or after October 1, 1975, or who were on leave of absence, on furlough, or absent due to injury on October 1, 1975.

Once a current connection is established at the time the railroad retirement annuity begins, an employee never loses it no matter what kind of work is performed thereafter.

SPOUSE ANNUITIES

The age requirements for a spouse annuity depend on the employee's age and date of retirement and the employee's years of railroad service.

- *If a retired employee with 30 years of service is age 60*, the employee's spouse is also eligible for an annuity the first full month the spouse is age 60. Certain early retirement reductions are applied if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 *before 2002*. If the employee was awarded a disability annuity, has attained age 60 and has 30 years of service, the spouse can receive an unreduced annuity the first full month she or he is age 60, regardless of whether the employee annuity began before or after 2002 as long as the spouse's annuity beginning date is after 2001.

- *If a retired employee with less than 30 years of service is age 62*, the employee's spouse is also eligible for an annuity the first full month the spouse is age 62. Early retirement reductions are applied to the spouse annuity if the spouse retires prior to her or his full retirement age. Full retirement age for a spouse is gradually rising to age 67, just as for an employee, depending on the year of birth. Reduced benefits are still payable at age 62, but the maximum reduction will be 35% rather than 25% by the year 2022. The tier II portion of a spouse annuity (as defined on page 8) is not reduced beyond 25% if the employee had any creditable railroad service before August 12, 1983.

- *A spouse of an employee receiving an age and service annuity (or a spouse of a disability annuitant who is otherwise eligible for an age and service annuity) is*

eligible for a spouse annuity at any age if caring for the employee's unmarried child, and the child is under age 18 or a disabled child of any age who became disabled before age 22.

The employee must have been married to the spouse for at least 1 year, unless the spouse is the natural parent of their child, the spouse was eligible or potentially eligible for a railroad retirement widow(er)'s, parent's or disabled child's annuity in the month before marrying the employee or the spouse was previously married to the employee and received a spouse annuity. However, entitlement to a surviving divorced spouse, surviving divorced young mother (father), or remarried widow(er) annuity does not waive the 1-year marriage requirement.

An annuity may also be payable to the *divorced wife or husband* of a retired employee if their marriage lasted for at least 10 consecutive years, both have attained age 62 for a full month and the divorced spouse is not currently married. The amount of a divorced spouse's annuity is, in effect, equal to what social security would pay in the same situation and therefore less than the amount of the spouse annuity otherwise payable (tier I only). A divorced spouse can receive an annuity even if the employee has not retired, provided they have been divorced for a period of not less than 2 years, the employee and former spouse are at least age 62, and the employee is fully insured under the Social Security Act using combined railroad and social security earnings. A court-ordered partition payment may be paid even if the employee is not entitled to an annuity provided that the employee has 10 years of railroad service or 5 years after 1995 and both the employee and former spouse are 62.

EMPLOYEE AND SPOUSE ANNUITY ESTIMATES

Railroad employees can get estimates of future annuities for themselves and their spouses through the Board's Web site at www.rrb.gov. The estimates are based on the service and earnings records maintained by the Board and show the earliest date the employee can receive a full annuity and, if applicable, the earliest date he or she can receive a reduced annuity. Employees who want estimates can also contact a field office of the Board for approximate figures. Each Board field office can furnish estimates for employees with at least 10 years of railroad service, or 5 years after 1995. It is not possible to provide a precise amount if the employee is not currently eligible.

The tables on the next page show (1) fiscal year 2008 annuity awards to 30-year employees retiring before full retirement age and (2) fiscal year 2008 annuity awards to employees with an average of less than 30 years of service.

TWO-TIER ANNUITIES AND DUAL BENEFITS

Regular railroad retirement annuities are calculated under a two-tier formula. The annuity formula components for employees and spouses are described in the section on formulas at the back of this pamphlet.

The first tier is based on railroad retirement credits and any social security credits an employee has acquired. The amount of the first tier is calculated using social security formulas, but with railroad retirement age and service requirements.

The second tier is based on railroad retirement credits only, and may be compared to the retirement benefits

(continued on page 10)

Table 1.--Fiscal Year 2008 Annuity Awards to 30-Year Employees Retiring Before Full Retirement Age

	<u>Average award</u>	<u>Average years of service</u>
Employee	\$3,182	35.8
Employee and spouse	\$4,458	35.8

NOTE.--For employees with at least 25 years of service and a current connection, a supplemental annuity may be payable. The supplemental annuity amount, for awards after 1974, is \$23 plus \$4 for each year of service over 25 years, up to a maximum of \$43 for employees with 30 or more years of service. Figures in the tables on this page are monthly averages and include supplemental annuity amounts.

Table 2.--Fiscal Year 2008 Annuity Awards Based on Service Averaging Less than 30 Years

	<u>Average award</u>	<u>Average years of service</u>
Employee full retirement age or over	\$2,053	22.6
Employee full retirement age or over and spouse	\$3,049	25.7
Employee under full retirement age with less than 30 years of service	\$1,433	17.1
Employee under full retirement age with less than 30 years of service and spouse	\$1,862	17.2
Employee retiring because of disability	\$2,442	24.7

paid over and above social security benefits to workers in other industries.

An additional amount may also be payable as part of the regular annuity if an employee had at least 120 months of railroad service and acquired sufficient quarters of coverage for an insured status under the Social Security Act before 1975 and also met certain vesting requirements.

Employees with Railroad Retirement and Social Security Benefits

Since 1975, if a retired or disabled railroad retirement annuitant is also awarded social security benefits, the Social Security Administration determines the amount due, but a combined monthly benefit payment is issued by the Railroad Retirement Board.

The tier I portion of an employee annuity is based on his or her combined railroad retirement and social security credits, figured under social security formulas, and approximates what social security would pay if railroad work were covered by that system. It is reduced by the amount of any actual social security benefit paid on the basis of the employee's nonrailroad employment in order to prevent a duplication of benefits based on social security covered earnings. The tier I amount is also reduced in the event a social security benefit is payable to the employee on the basis of another person's earnings. This reduction follows principles of social security law which, in effect, limit payment to the higher of any two or more benefits payable to an individual at one time. An annuitant is required to advise the Railroad Retirement Board if any benefits are received directly from the Social Security Administration or if those benefits increase other than for an annual cost-of-living increase.

If an employee *qualified for dual benefits before 1975 and met certain vesting requirements*, he or she can receive an additional annuity amount, which offsets, in part, the dual benefit reduction. This additional amount, which reflects the dual benefits payable prior to 1975, is called the vested dual benefit payment. The vested dual benefit cannot be paid prior to the date the employee could begin to receive a social security benefit if he or she were to file for such a benefit.

Employees who do not qualify for a vested dual benefit may be eligible for a refund of any excess social security taxes they paid (see page 39).

Limitations on vested dual benefits

Vested dual benefit payments are funded by annual appropriations from general U.S. Treasury revenues, rather than the railroad retirement payroll taxes and other revenues that finance about 94% of the railroad retirement system's benefit payments.

Payment of these vested dual benefits is dependent on the time and amount of such appropriations. If the appropriation in a fiscal year is for less than the estimated total vested dual benefit payments, individual payments must be reduced.

Employees with Public, Non-profit or Foreign Pensions

For employees first eligible for a railroad retirement annuity *and* a Federal, State or local government pension after 1985, there may be a reduction in the tier I amount for receipt of a public pension based, in part or in whole, on employment not covered by social security or railroad

retirement after 1956. This may also apply to certain other payments not covered by railroad retirement or social security, such as from a non-profit organization or from a foreign government or a foreign employer, but it does not include military service pensions, payments by the Department of Veterans Affairs, or certain benefits payable by a foreign government as a result of a totalization agreement between that government and the United States.

Workers' Compensation

If an employee is receiving a *disability* annuity, the tier I portion may, under certain circumstances, be reduced for receipt of workers' compensation or public disability benefits.

If an annuitant becomes entitled to any pensions or benefits as described above, the Board must be notified immediately.

SPOUSES WITH DUAL BENEFITS

Social Security Benefits

The tier I portion of a spouse annuity is reduced for any social security entitlement, regardless of whether the social security benefit is based on the spouse's own earnings, the employee's earnings or the earnings of another person. This reduction follows principles of social security law which, in effect, limit payment to the higher of any two or more benefits payable to an individual at one time.

Public Pensions

The tier I portion of a spouse annuity may also be reduced for receipt of any Federal, State or local

government pension separately payable to the spouse based on the spouse's own earnings. The reduction generally does not apply if the employment on which the pension is based was covered under the Social Security Act throughout the last 60 months of public employment.

Most military service pensions and payments from the Department of Veterans Affairs will not cause a reduction. Pensions paid by a foreign government or interstate instrumentality will also not cause a reduction. For spouses subject to the public pension reduction, the tier I reduction is equal to $2/3$ of the amount of the public pension.

Employee Annuity

If both the husband and wife are qualified railroad employees and either had some railroad service before 1975, both can receive separate railroad retirement employee and spouse annuities, without a full dual benefit reduction.

If both the husband and wife started railroad employment after 1974, the amount of any spouse or divorced spouse annuity is reduced by the amount of the employee annuity to which the spouse is also entitled.

MINIMUM GUARANTY FOR EMPLOYEE AND SPOUSE ANNUITIES

Under a special minimum guaranty provision, railroad families will not receive less in monthly benefits than they would have if railroad earnings were covered by social security rather than railroad retirement laws. This guaranty is intended to cover situations in which one or more members of a family would otherwise be eligible for a type of social security benefit which is not provided under the Railroad Retirement Act.

For example, social security provides children's benefits when an employee is totally disabled, retired, or deceased. The Railroad Retirement Act only provides children's benefits if the employee is deceased. Therefore, if a retired rail employee has children who would otherwise be eligible for a benefit under social security, the employee's annuity would be increased to reflect what social security would pay the family, unless the annuity is already more than that amount.

COST-OF-LIVING INCREASES IN EMPLOYEE AND SPOUSE RETIREMENT BENEFITS

After retirement, the *tier I* portions of both employee and spouse annuities are generally increased for higher living costs at the same time, and by the same percentage, as social security benefits. These increases, effective December 1 and included in the January payment, are triggered under both programs when the Consumer Price Index rises during the 12 months ending the previous September 30. Generally, if the Index increases by 5%, for example, the tier I portion increases by 5%. Under certain circumstances, the increase can be based on average national wage increases rather than price increases.

If an annuitant is receiving both railroad retirement and social security benefits, the increased tier I portion is reduced by the increased social security benefit.

The *tier II* portions of retired employee and spouse annuities are normally increased annually by 32.5% of the increase in the Consumer Price Index.

Tier II cost-of-living increases are generally payable at the same time as tier I cost-of-living increases. Vested

dual benefit payments and supplemental annuities are not increased by these cost-of-living adjustments.

WORKING AFTER RETIREMENT

Neither a regular annuity, a supplemental annuity, nor a spouse annuity is payable for any month in which a retired employee, regardless of age, works for an employer covered under the Railroad Retirement Act, including labor organizations. However, service for less than \$25 a month to a local lodge will not prevent payment of the annuity for that month.

Retired employees and spouses who work for their last pre-retirement nonrailroad employer are subject to an earnings deduction. Such employment will reduce tier II benefits and supplemental annuity payments, which are not otherwise subject to earnings deductions, by \$1 for each \$2 of earnings received, subject to a maximum reduction of 50%. These reductions continue after full retirement age. Work that begins on the same day as the annuity beginning date is not last pre-retirement nonrailroad employment.

Retired employees and spouses who have not yet attained full social security retirement age, which ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, may also be subject to additional earnings deductions for any earnings, in or outside the rail industry, that exceed certain exempt amounts. The tier I and vested dual benefits of these employee and spouse annuities are subject to deductions if earnings exceed the exempt amounts applicable to social security beneficiaries. Prior to the calendar year in which full social security retirement age is attained, the deduction is \$1 in benefits for every \$2 of annual earnings exceeding an exempt amount (\$14,160 in 2009).

If the employee or spouse has a tier I reduction for social security benefits, the tier I benefit is not reduced for excess earnings.

In the first year in which an employee subject to these earnings deductions is both entitled to an annuity and has a *non-work* month, a full annuity can be paid for those months in which the employee had low earnings or did not have substantial self-employment, no matter what total earnings for the year were. A non-work month is one in which the employee neither earns over 1/12 of the annual exempt amount nor has substantial self-employment. Non-work months can be claimed in only one calendar year, which need not necessarily be the first year of entitlement.

In the calendar year in which an individual attains full social security retirement age, deductions of \$1 are made in tier I and vested dual benefits for every \$3 earned in excess of an exempt amount (\$37,680 in 2009), but only counting those earnings in the months prior to the month full retirement age is attained. These tier I and vested dual benefit deductions stop effective with the month full retirement age is attained.

Earnings received for services rendered, plus any net earnings from self-employment, are considered when assessing deductions for earnings. Interest, dividends, certain rental income or income from stocks, bonds, or other investments are not generally considered earnings for this purpose.

Annuitants under full retirement age who work after retirement and expect that their earnings for a year will be more than the annual exempt amount must promptly notify the Board and furnish an estimate of their expected

earnings in order to prevent an overpayment and penalties. They should also notify the Board if their original estimate changes significantly.

Retired employees and spouses who return to work for a railroad or for their last pre-retirement nonrailroad employer must notify the Board, regardless of earnings or age.

A spouse benefit is subject to reductions not only for the spouse's earnings, but also for the earnings of the employee, regardless of whether the earnings are from service for the last pre-retirement nonrailroad employer or other post-retirement employment.

A spouse annuity is not payable for any month in which the employee's annuity is not payable, or for any month in which the spouse, regardless of age, works for an employer covered under the Railroad Retirement Act. (A divorced spouse can receive an annuity even if the employee has not retired, provided they have been divorced for a period of not less than 2 years, the employee and former spouse are at least age 62, and the employee is fully insured under the Social Security Act using combined railroad and social security earnings. A court-ordered partition payment may be paid even if the employee is not entitled to an annuity provided that the employee has 10 years of railroad service or 5 years after 1995 and both the employee and former spouse are 62.)

Disability Work Restrictions

If an annuity is based on disability, there are certain work restrictions that can affect payment, depending on the amount of earnings. The annuity is not payable for any month in which the annuitant works for an employer covered under the Railroad Retirement Act. The annuity is not

payable for any month in 2009 in which the annuitant earns more than \$770 in any employment or net self-employment, exclusive of disability-related work expenses. Withheld payments will be restored if earnings for the year are less than \$9,625 after deduction of disability-related work expenses. Failure to report such earnings could involve a significant penalty charge.

These disability work restrictions cease upon a disabled employee annuitant's attainment of full retirement age. This transition is effective no earlier than full retirement age even if the annuitant had 30 years of service. Earnings deductions continue to apply to those working for their last pre-retirement nonrailroad employer.

If a disabled annuitant works before full retirement age, this may also raise a question about the possibility of that individual's recovery from disability, regardless of the amount of earnings. Consequently, any earnings must be reported promptly to avoid overpayments, which are recoverable by the Board and may also include penalties.

WHEN ANNUITIES STOP

Payment of any annuity stops upon the annuitant's death, and the annuity is not payable for any day in the month of death.

A *disability annuity* stops after the employee recovers from the disability; it can be reinstated if the disabling condition recurs.

A *spouse annuity* stops if the employee's annuity terminates, or the spouse annuity was based on caring for a child and the child is no longer under age 18 or disabled or the child is no longer in the spouse's care. However, the spouse annuity

may continue if she or he is qualified without the child or it can resume when the spouse attains a qualifying age.

While a *divorce* ends eligibility for a spouse annuity, a divorced spouse may, under conditions described previously, qualify for a divorced spouse's annuity.

A *divorced spouse's annuity* stops upon remarriage or upon entitlement to a social security benefit based on her or his own earnings if the unreduced social security benefit is equal to or greater than one-half of the employee's unreduced tier I amount. A divorced spouse's annuity may be reduced or stopped if the divorced spouse is also entitled to a railroad retirement annuity.

It is important to notify the Railroad Retirement Board promptly if one of the above changes occurs. Failure to report can result in an overpayment, which the Board will take action to recover, sometimes with interest or penalties. Failure to report changes promptly or making a false statement can also result in a fine or imprisonment.

SURVIVOR BENEFITS

Annuities are payable to surviving widows and widowers, children and certain other dependents. Lump-sum benefits are payable after the death of a railroad employee only if there are no qualified survivors of the employee immediately eligible for monthly annuities. With the exception of a residual lump-sum death benefit, eligibility for survivor benefits depends on whether or not the employee was “insured” under the Railroad Retirement Act at the time of death.

An employee is insured if he or she has at least 10 years of railroad service, or 5 years performed after 1995, and a “current connection” with the railroad industry as of the month the annuity begins or the month of death, whichever occurs first. The current connection requirement is described at the beginning of this pamphlet.

If a deceased employee was not so insured, jurisdiction of any survivor benefits payable is transferred to the Social Security Administration and any survivor benefits are paid by that agency instead of the Board. Regardless of which agency has jurisdiction, the deceased employee’s railroad retirement and social security credits will be combined for the purpose of benefit computations.

TYPES OF SURVIVOR BENEFITS

Annuities are payable to widows, widowers, and unmarried children; in certain cases, benefits are also payable to parents, remarried widow(er)s, grandchildren and surviving divorced spouses.

WIDOWS' AND WIDOWERS' ANNUITIES are payable at:

- *Age 60*; age reductions are applied to annuities awarded before full retirement age. The eligibility age for unreduced annuities is gradually rising from age 65 to age 67, depending on the year of birth.

- *Ages 50-59 if the widow(er) is totally and permanently disabled and unable to work in any regular employment.* The disability must have begun within 7 years after the employee's death or within 7 years after the termination of an annuity based on caring for a child of the deceased employee. A 5-month waiting period is required after the onset of disability before a disability annuity can begin.

- *Any age if the widow(er) is caring for an unmarried child of the deceased employee under age 18 or a disabled child of any age who became disabled before age 22.*

Generally, the widow(er) must have been married to the employee for at least 9 months prior to death, unless she or he was the natural parent of their child, the employee's death was accidental or while on active duty in the U.S. Armed Forces, the widow(er) was potentially entitled to certain railroad retirement or social security benefits in the month before the month of death, or the marriage was postponed due to State restrictions on divorce due to mental incompetence or similar incapacity.

Survivor annuities may also be payable to a *surviving divorced spouse or remarried widow(er)*. Benefits are limited to the amounts social security would pay and therefore are less than the amount of the survivor annuity otherwise payable. However, a former spouse may be paid a court-ordered partition amount.

A surviving divorced spouse may qualify if she or he was married to the employee for at least 10 consecutive years, is unmarried or remarried under the conditions described in the next paragraph, and is age 60 or older (50 if disabled). A surviving divorced spouse who is unmarried can qualify at any age if caring for the employee's child and the child is under age 16 or disabled, in which case the 10-year marriage requirement does not apply.

The portion of a survivor annuity equivalent to a social security benefit (tier I) may be paid to a widow(er) or surviving divorced spouse who remarries after age 60, or to a disabled widow(er) or disabled surviving divorced spouse who remarries after age 50; however, remarriage prior to age 60 (or age 50 if disabled) would not prevent eligibility if such remarriage ends. Such social security level benefits may also be paid to a younger widow(er) or surviving divorced spouse caring for the employee's child who is under age 16 or disabled, if the remarriage is to a person receiving railroad retirement or social security benefits or the remarriage ends.

OTHER SURVIVOR ANNUITIES are payable to:

- *An unmarried child under age 18.*
- *An unmarried child age 18 in full-time attendance at an elementary or secondary school or in approved homeschooling until the student attains age 19 or the end of the school term in progress when the student attains age 19. In most cases where a student attains age 19 during the school term, benefits are limited to the 2 months following the month age 19 is attained. These benefits will be terminated earlier if the student marries, graduates or ceases full-time attendance.*

- *An unmarried disabled child* over age 18 if the child became totally and permanently disabled before age 22.
- *An unmarried dependent grandchild* meeting any of the requirements described above for a child, if both the grandchild's parents are deceased or disabled.
- *A parent* at age 60 who was dependent on the employee for at least half of the parent's support. If the employee was also survived by a widow(er), surviving divorced spouse or child who could ever qualify for an annuity, the parent's annuity is limited to the amount that social security would pay.

SURVIVOR ANNUITY ESTIMATES

The best way for survivors to obtain an annuity estimate is to visit or telephone a Board field office. Active or retired employees who are concerned about the amount of benefits which would be payable to their survivors may also receive estimates from a Board field office.

The following information may be helpful in providing an idea of the amount of potential survivor benefits:

The average annuity awarded to widow(er)s in fiscal year 2008, excluding remarried widow(er)s and surviving divorced spouses, was \$1,625 a month. Children received \$1,153 a month, on the average. Total family benefits for widow(er)s with children averaged \$3,390 a month. The average annuity awarded to remarried widow(er)s or surviving divorced spouses in fiscal year 2008 was \$914 a month.

SURVIVOR ANNUITY TIERS

Survivor annuities, like retirement annuities, consist of tier I and tier II components.

Tier I is based on the deceased employee's combined railroad retirement and social security credits, and is generally equivalent to the amount that would have been payable under social security.

Tier II amounts are percentages of the deceased employee's tier II amount, as described in the section on formulas at the back of this pamphlet.

Survivor annuity amounts may also be determined under certain minimum provisions which guarantee that a widow(er)'s annuity will be at least equal to the two-tier benefit the deceased employee would have received at the time of the award of the widow(er)'s annuity, minus certain reductions including those for age and receipt of social security benefits, and no less than the spouse annuity she or he was receiving just prior to the employee's death.

SURVIVORS WITH DUAL BENEFITS

Social Security Benefits

The tier I portion is reduced by the amount of any social security benefits received by a survivor annuitant, even if the social security benefits are based on the survivor's own earnings. This reduction follows the principles of social security law which, in effect, limit payment to the higher of any two or more benefits payable to an individual at one time. When both railroad retirement annuities and social security benefits are payable, they are generally combined into a single payment issued through

the Board. A survivor annuitant must notify the Board if any benefits are received directly from the Social Security Administration or if those benefits increase other than for an annual cost-of-living increase.

Public Pensions

The tier I portion of a widow(er)'s annuity may be reduced for receipt of any Federal, State or local government pension based on the widow(er)'s own earnings. The reduction generally does not apply if the employment on which the pension is based was covered under the Social Security Act throughout the last 60 months of public employment.

Most military service pensions and payments from the Department of Veterans Affairs will not cause a reduction. Pensions paid by a foreign government or interstate instrumentality will also not cause a reduction. For those subject to a public pension reduction, the tier I reduction is equal to 2/3 of the amount of the public pension.

Employee Annuity

If a widow(er) is qualified for a railroad retirement employee annuity as well as a survivor annuity, a special guaranty applies in some cases. If either the deceased employee or the survivor annuitant completed 120 months of railroad service before 1975, the widow or dependent widower may receive both an employee annuity and a survivor annuity, without a full dual benefit reduction.

If either the deceased employee or the survivor annuitant had some service before 1975 but had not completed 120 months of railroad service before 1975, the employee annuity and the tier II portion of the survivor annuity

would be payable to the widow(er). The tier I portion of the survivor annuity would be payable only to the extent that it exceeds the tier I portion of the employee annuity.

If both the widow(er) and the deceased employee started railroad employment after 1974, the survivor annuity payable to the widow(er) is reduced by the amount of the employee annuity.

COST-OF-LIVING INCREASES IN SURVIVOR ANNUITIES

Cost-of-living increases, effective December 1 and included in the January payment, are made on the basis of increases in national prices or, in some circumstances, average national wages, and calculated the same way as cost-of-living increases in employee and spouse annuities.

However, in the case of widow(er)s' annuities computed on the basis of the initial minimum amount provided under 2001 legislation, the monthly amount will not increase until the amount payable under previous law plus subsequent cost-of-living increases is higher than the initial minimum amount.

WORK AND EARNINGS LIMITATIONS

A survivor annuity is not payable for any month the survivor works for an employer covered under the Railroad Retirement Act, regardless of the survivor's age.

Survivors who are receiving social security benefits have their railroad retirement annuity and social security benefit combined for earnings limitations purposes. Prior to the calendar year in which full retirement age is attained, there is a deduction of \$1 in benefits for every

\$2 earned over an exempt amount (\$14,160 in 2009). The deduction is \$1 for every \$3 earned over an exempt amount (\$37,680 in 2009) for the months in the calendar year in which the individual attains full retirement age, up to the month of attainment. Work deductions stop effective with the month full retirement age is attained. In the first year in which a survivor is both entitled to an annuity and has a non-work month, a full annuity can be paid for those months in which the survivor had low earnings or did not have substantial self-employment, no matter what total earnings for the year were.

As work and earnings may affect the payment of an annuity, they must be reported promptly to the Board in order to prevent potential overpayments.

These earnings restrictions do not apply to disabled widow(er)s under age 60 or to disabled children. However, any work or earnings by a disability annuitant must be reported and are reviewed to determine whether they indicate recovery from the disability.

WHEN SURVIVOR PAYMENTS STOP

All survivor payments stop upon death; no annuity is payable for the month of death.

A widow(er)'s annuity will be reduced upon remarriage and in some cases payment will be prevented. A widow(er)'s, surviving divorced spouse's and remarried widow(er)'s annuity could also end upon entitlement to another survivor or spouse annuity under the Railroad Retirement Act which is greater than the widow(er)'s annuity.

A surviving divorced spouse's or remarried widow(er)'s annuity could stop when entitled to a social security benefit which equals or exceeds the deceased employee's basic tier I amount and reduces the annuity amount to zero.

A widow(er)'s or surviving divorced spouse's annuity which is based on a child in care will end if the child is no longer in the person's care, the child's eligibility ceases, or remarriage occurs.

A child's or grandchild's annuity will stop if he or she marries, reaches age 18 or recovers from the disability upon which his or her annuity was based. If the child is 18 and a full-time elementary or high school student, the annuity stops when full-time attendance ceases, at graduation, or upon attainment of age 19. In most cases, when a student attains age 19 during the school term, benefits are extended to the 2 months following the month age 19 is attained.

An annuity will stop if it was based on disability and the beneficiary recovers from the disability before age 60. A disability annuity can be reinstated if the disability recurs within 7 years and the widow(er) is still under age 60.

A parent's survivor annuity may stop upon remarriage; in certain cases a remarried parent is entitled to a tier I benefit.

Any of the above occurrences must be reported promptly to the Board in order to prevent an overpayment.

LUMP-SUM DEATH BENEFITS

A lump-sum death benefit is payable to certain survivors of an employee with 10 or more years of railroad service, or less than 10 years if at least 5 years were after 1995, and a current connection with the railroad industry if there is no survivor immediately eligible for a monthly annuity upon the employee's death.

If the employee did not have 10 years of service before 1975, the lump sum is limited to \$255 and is payable *only* to the widow(er) living in the same household as the employee at the time of the employee's death.

If the employee had less than 10 years of service but had 5 years after 1995, he or she must have met social security's insured status requirements for the lump sum to be payable.

If the employee had 10 years of service before 1975, the lump sum is payable to the living-with widow or widower. If there is no such widow or widower, the lump sum may be paid to the funeral home or the payer of the funeral expenses. These lump sums averaged \$989 in fiscal year 2008.

If a widow(er) is eligible for monthly benefits at the time of the employee's death, but the widow(er) had excess earnings deductions which prevented annuity payments or for any other reason did not receive monthly benefits in the 12-month period beginning with the month of the employee's death totaling at least as much as the lump sum, the difference between the lump-sum benefit and monthly benefits actually paid, if any, is payable in the form of a deferred lump-sum benefit.

The average for all types of lump sums was \$905 in fiscal year 2008.

Residual Lump-sum Payment

The railroad retirement system also provides, under certain conditions, a residual lump-sum death benefit which ensures that a railroad family receives at least as much in benefits as the employee paid in railroad retirement taxes before 1975. This benefit is, in effect, a refund of an employee's pre-1975 railroad retirement taxes, after subtraction of any benefits previously paid on the basis of the employee's service. This benefit is seldom payable.

RETIREMENT AND SURVIVOR INFORMATION

APPLYING FOR AN ANNUITY

Applications for railroad retirement or survivor benefits are generally filed at one of the Board's field offices, or with a traveling Board representative at a customer outreach program service location or by telephone and mail. The Board accepts applications up to 3 months in advance of an annuity beginning date which allows the agency to complete the processing of most new claims by a person's retirement date. An employee can be in compensated service while filing a disability application provided that the compensated service terminates either before the annuity beginning date or before the end of the 3-month period. When an employee files a disability application while still in compensated service, it will be necessary for the employee to provide a specific ending date of the compensation. Compensated service includes not only compensation with respect to active service performed by an employee for an employer, but also includes pay for time lost, wage continuation payments, certain employee protection payments and any other payment for which the employee will receive additional creditable service.

Railroad employees can also get estimates of their future annuities over the Internet. Employees can access this service by visiting www.rrb.gov and clicking on "Benefit Online Services" for directions on establishing an RRB Internet Services account.

Persons applying for railroad retirement benefits will be automatically enrolled in the U.S. Treasury's Direct Deposit Program, which electronically transfers Federal

payments into individuals' checking or savings accounts. However, Direct Deposit waivers are available to individuals who state that Direct Deposit would cause a hardship, and to individuals without bank accounts.

Applicants for railroad retirement and survivor benefits can check with a Board field office as to when they can expect their first payment. Customer service standards and progress reports are available in field offices and online at www.rrb.gov.

To expedite filing, applicants should contact their local Board office for a pre-retirement consultation. Certain documents are required when filing a railroad retirement annuity application, such as:

For Employees and Spouses:

- Proof of an employee's *age*.
- Proof of any *military service*.
- Proof of *marriage* if the spouse is eligible or will shortly become eligible for a spouse annuity. A divorced spouse must furnish proof of *divorce* from the employee.
- Proof of the spouse's or divorced spouse's *age*.
- Proof of a *child's relationship and age*, if the spouse is applying for an annuity based on caring for the employee's child.
- Notice of any social security benefit *award* or other social security claim determination.
- Information about any *public service pension* for which the applicant qualifies.

- *Banking information* for Direct Deposit of benefit payments.

The best proof of age is a certified copy of a civil or church document recorded at or close to the time of birth. The best proof of marriage is a certified copy of the public or church record or the original marriage certificate. A divorced spouse would be expected to furnish a certified copy of the final divorce decree. Proof of military service may be a certificate of discharge, or any official military record that shows the dates of service.

Employees are encouraged to file proofs of age, and especially of any military service, well in advance of retirement in order to expedite the annuity application process and avoid delays resulting from inadequate proofs. Information will be recorded and stored electronically and all proofs will be promptly returned.

Applicants for disability annuities are required to submit supporting medical information. They are sometimes asked to take a special medical examination given by a doctor designated by the Board.

An annuity is effective as of the first full month throughout which the employee and/or spouse is age 60, or age 62 in the case of reduced annuities. An annuity is effective the first day of the month full retirement age is attained in the case of unreduced annuities with less than 30 years of service.

The *retroactivity of a retirement annuity application* is limited to 1 year for disability annuities and 6 months for full age annuities. There is generally no retroactivity for reduced age annuities.

Any social security benefits due the retired employee or family member which begin after 1974 are paid through the Railroad Retirement Board. Even though the Board processes payment, the Social Security Administration is responsible for all adjudication.

For Survivors:

- A widow(er) must furnish proof of age, proof of marriage and proof of the employee's death. A surviving divorced spouse must furnish proof of divorce from the employee. If applying for a disability annuity, the widow(er) must also provide supporting medical evidence. A parent must furnish proof of relationship to the employee and proof of support from the employee.

- If children are eligible for benefits, proof of the relationship and age of each child is needed. If a child is over age 18 and disabled, supporting medical evidence is required. Eighteen-year-old students must provide proof of full-time elementary or high school attendance. A step-child of the employee must furnish proof of dependency on the employee.

Retroactivity of a survivor annuity application is 1 year for disabled widow(er)s and 6 months for full retirement age widow(er)s, mothers (fathers), children and parents. Retroactivity for widow(er)s ages 60-61 is 6 months if it does not increase the age reduction (this does not apply to surviving divorced spouses or remarried widow(er)s). Otherwise, there is generally no retroactivity for reduced age widow(er)s' annuities. Lump-sum death benefit applications must be filed within 2 years after the death of the employee. There is no time limit on filing for a residual payment.

MONITORING RETIREMENT AND SURVIVOR BENEFIT PAYMENTS

Under several monitoring programs now in effect, the Board maintains contact with retirement and survivor beneficiaries in order to ensure the reporting of events which would require suspension or termination of monthly benefits. The records of beneficiaries are also checked with the Social Security Administration because annuities may be affected by nonrailroad earnings and because entitlement to social security benefits affects the amount of all annuities.

RIGHT OF APPEAL

Persons who believe that their claims have not been adjudicated correctly may ask for reconsideration from the Board unit that denied the claim. If not satisfied with that review, the applicant may appeal to the Board's Bureau of Hearings and Appeals.

Further appeals can be carried to the three-member Board itself, and beyond the Board to Federal courts. The Board's field office personnel will explain these appeals procedures and the time limits on filing appeals to those seeking reconsideration of their claims.

GARNISHMENT/PROPERTY SETTLEMENTS

Garnishment

Certain percentages of an employee, spouse or survivor annuity may be subject to legal process (*i.e.*, garnishment) to enforce an obligation for child support and/or alimony payments.

Property Settlements

Employee tier II benefits, vested dual benefits and supplemental annuities are subject to court-ordered property settlements in proceedings related to divorce, annulment or legal separation. Tier I benefits are *not* subject to property settlements.

IF REQUIREMENTS FOR BENEFITS ARE NOT MET

Retirement annuities are not payable by the Board unless the employee has 60 months of creditable service after 1995 or 120 months of service at any time. Service includes any creditable military service.

Survivor annuities are not payable unless the employee had a current connection with the railroad industry and either 60 months of creditable service after 1995 or 120 months of service at any time.

In either of the above circumstances, if the requirements are not met, the employee's railroad retirement credits are transferred to the Social Security Administration and treated as social security credits. Benefits paid by that agency would accordingly take into account both railroad and social security covered earnings.

The Railroad Retirement Act does not allow a former railroad employee to withdraw his or her retirement taxes. Like social security taxes, railroad retirement taxes are not refundable unless retirement tax withholding has exceeded annual maximums.

RAILROAD RETIREMENT TAXES

By law, railroad retirement tier I payroll taxes are coordinated with social security taxes and increase

(continued on page 38)

Table 3.--2009 Regular Railroad Retirement Taxes

	Tax rate	Maximum annual taxable earnings	
Tier I			
Employees and Employers	7.65%*	\$106,800	
Tier II			
Employees	3.90%	\$79,200	
Employers	12.10%	\$79,200	
Annual regular taxes on employees earning \$106,800			
	Tier I	Tier II	Total
Employees	\$8,170.20	\$3,088.80	\$11,259.00
Employers	\$8,170.20	\$9,583.20	\$17,753.40

* The tier I tax rate is divided into 6.20% for railroad retirement and 1.45% for Medicare hospital insurance. The 2009 maximum earnings base for railroad retirement is \$106,800 and the Medicare hospital insurance tax is applied to all earnings. Consequently, employee and employer contributions continue to be made at the 1.45% rate, even after the employee has earned \$106,800.

automatically when social security taxes rise. Employees and employers pay tier I taxes which are the same as social security taxes. In addition, both employees and employers pay tier II taxes to finance railroad retirement benefit payments over and above social security levels.

The tier I tax on rail employers and employees is 7.65% in 2009. The tier II tax on employees is 3.90%. The tier II tax rate on rail employers, rail labor organizations and rail employee representatives is 12.10% in 2009. An employee representative is a labor official of a noncovered labor organization who represents employees covered under the Acts administered by the Railroad Retirement Board.

Tier II taxes on both employers and employees are based on the ratio of certain asset balances to the sum of benefits and administrative expenses (the average account benefits ratio). Depending on the average account benefits ratio, tier II taxes for employers range between 8.20% and 22.10%, while the tier II tax rate for employees is between 0% and 4.90%.

Railroad retirement taxes apply to earnings on an annual basis. The amounts of earnings subject to these taxes are determined annually on the basis of national wage levels.

DUAL TAX PAYMENTS

Since 1975, railroad employees who also worked for a social security covered employer in the same year may, under certain circumstances, receive a tax credit equivalent to any excess social security taxes withheld.

Employees who worked for two or more railroads in a year, or who had tier I taxes withheld from their Railroad Retirement Board sickness insurance benefits in addition to their railroad earnings, may be eligible for a tax credit of any excess tier I or tier II railroad retirement taxes withheld. Employees who had tier I taxes withheld from their supplemental sickness benefits may also be eligible for a tax credit of any excess tier I tax. Such tax credits may be claimed on an employee's Federal income tax return.

Employees who worked for two or more railroads, or had both railroad retirement and social security taxes withheld from their earnings, should see Internal Revenue Service publication 505, *Tax Withholding and Estimated Tax*, for information on how to figure any excess railroad retirement or social security tax withheld.

Dual Railroad Retirement-Social Security Taxes Paid, 1951-74

An employee with 10 or more years of railroad service who is not entitled to a vested dual benefit payment may be entitled to a refund of excess social security taxes if his or her combined taxable earnings from the railroad retirement and social security systems in any year in the period 1951-1974 exceeded a maximum annual amount creditable under the Railroad Retirement Act. Eligible employees will receive their refunds from the Board at retirement without applying for them. In the event an employee should die before receiving the refund, payment will be made to the employee's survivors.

Separation or Severance Payments

A lump sum, approximating railroad retirement tier II payroll taxes deducted from separation or severance

payments, may be paid upon retirement to employees meeting minimum service requirements, or their survivors, to the extent the separation or severance payments did not yield additional railroad retirement service or earnings credits. The lump-sum provision applies to separation and severance payments made after 1984.

FEDERAL INCOME TAX ON RAILROAD RETIREMENT BENEFITS

The tier I portion of a railroad retirement annuity that is actually equivalent to a social security benefit is treated as a social security benefit for Federal income tax purposes. Depending on the amount of other income received in the taxable year, a portion of these benefit payments may be subject to Federal income tax.

Tier I benefits exceeding social security benefits, such as retirement benefits payable between ages 60 and 62, and many occupational disability annuities, plus the tier II portion of railroad retirement annuities, vested dual benefits, and supplemental annuities paid by the Board are treated like private pensions for Federal income tax purposes. The Railroad Retirement Act specifically exempts benefits paid by the Board from State and local income tax.

The Railroad Retirement Board and the Social Security Administration issue tax information statements to annuitants each January. In the absence of a request not to withhold, taxes are withheld from U.S. citizens or residents whose railroad retirement benefits in excess of the social security equivalent level total more than certain annual threshold amounts. Any amounts withheld during the taxable year are reflected on the annual statements.

SERVICE AND EARNINGS RECORDS

The Railroad Retirement Board maintains a record of all covered railroad service and creditable earnings after 1936. The information is recorded under the employee's social security account number used by the employer to report service and compensation to the Board.

Additional service months may be deemed in some cases where an employee does not actually work in every month of the year. For additional service months to be deemed, the employee's compensation for the year, up to the tier II maximum, must exceed an amount equal to $1/12$ of the tier II maximum multiplied by the number of service months actually worked. The excess amount is then divided by $1/12$ of the tier II maximum; the result, rounded up to a whole number, yields the number of deemed service months. The employee must be in an employment relation (on an approved leave of absence) with a covered railroad employer, or be an employee representative, during a deemed service month. An employee may never be credited with more than 12 service months in any calendar year.

Except for benefits paid for on-the-job injuries, sickness benefits are subject to tier I railroad retirement taxes if paid within 6 months after the month in which the employee last worked. They are credited as compensation for tier I benefits, but are not credited as service months.

Military Service

Military service may be credited towards retirement benefits under certain conditions. To be creditable as compensation under the Railroad Retirement Act, service in the U.S. Armed Forces must be preceded by railroad service in

the same or preceding calendar year. With the exceptions noted, the employee must also have entered active military service when the United States was at war or in a state of national emergency or have served in the Armed Forces involuntarily.

The war and national emergency periods that affect current entitlements are:

- September 8, 1939, to June 14, 1948.
- December 16, 1950, to September 14, 1978.
- August 2, 1990, to date as yet undetermined.

If military service began during a war or national emergency period, any active duty service the employee was required to continue in beyond the end of the war or national emergency is creditable, except that voluntary service extending beyond September 14, 1978, is not creditable. Railroad workers who voluntarily served in the Armed Forces between June 15, 1948, and December 15, 1950, when there was no declared national state of emergency, can be given railroad retirement credit for their military service if they performed railroad service in the year they entered or the year before they entered military service, and if they returned to rail service in the year their military service ended or in the following year and had no intervening nonrailroad employment.

Employees with military service are encouraged to contact the Board well in advance of retirement regarding required proof of military service.

Form BA-6

Each year, employees in the industry receive a

Certificate of Service Months and Compensation (Form BA-6) from the Board. This statement is important because it provides both a current and cumulative record of an employee's railroad service and compensation. It includes deemed service months, separation allowances and severance payments as well as miscellaneous compensation, such as taxable sickness payments. It also includes the cumulative amounts of railroad retirement payroll taxes paid by the employee over and above social security equivalent payroll taxes, and reflects creditable military service if the service has previously been reported to the Board.

The BA-6 form should be carefully reviewed to make sure that it is correct. Employees can view their individual railroad retirement records of service months and compensation via the Board's Web site. This service, called "Service and Compensation History," can be accessed by visiting www.rrb.gov and clicking on "Benefit Online Services." This electronic alternative does not replace Form BA-6 but makes the same information available online.

If an employee disagrees with the information shown on the BA-6 form, he or she should write to the Board as early as possible. The law limits to 4 years the period during which corrections can be made. All letters concerning BA-6 forms must show the employee's social security number and should be addressed to:

**Protest Unit - CES
U.S. Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-2092**

RAILROAD RETIREMENT ANNUITY FORMULA COMPONENTS

The following describes railroad retirement annuity formula components as applied to new awards. The cost-of-living adjustments applied to annuities are described in previous pages of this pamphlet.

EMPLOYEE RETIREMENT ANNUITY

The amount of a regular annuity is the total of portions which are computed separately under different formulas and called tiers, plus any vested dual benefit payment also due.

Tier I

The first tier is calculated in generally the same way as a social security benefit. Any social security credits of an employee are combined with his or her railroad retirement credits for tier I computation purposes.

In computing tier I, an employee's creditable earnings are adjusted to take into account the changes in wage levels over a worker's lifetime. This procedure, called indexing, increases creditable earnings from past years to reflect average national wage levels just prior to the employee's first year of eligibility. The adjusted earnings are used to calculate "average indexed monthly earnings," and a formula is applied to determine the gross tier I amount.

For those first eligible in 2009, the gross tier I is equal to:

- 90% of the first \$744 of average indexed monthly earnings, plus
- 32% of the amount of these earnings over \$744 up to \$4,483, plus
- 15% of these earnings in excess of \$4,483.

For employees with less than 10 years of railroad service, tier I benefits are calculated only if the employee has at least 5 years of service after 1995 and an “insured status” under Social Security Act rules (usually 40 quarters of coverage), counting both railroad retirement and social security covered earnings.

Delayed retirement credits

Tier I benefits are increased for each month an employee delays retirement past full retirement age, up until age 70. For those who attain full retirement age on January 1, 2007, or later with a date of birth of January 2, 1941, through January 1, 1943, the delayed retirement credit is $\frac{5}{8}$ of 1% per month. For those born January 2, 1943, or later, the delayed retirement credit is $\frac{2}{3}$ of 1% per month (8% per year). Delayed retirement credits are not given to an employee with less than 10 years of railroad service, even if the employee is over full retirement age when retiring from his or her railroad job, if the employee is also entitled to an age-reduced social security benefit and the beginning date of that social security benefit precedes the beginning date of his or her railroad retirement annuity.

Age reductions

For employees retiring between age 62 and full retirement age with less than 30 years of service, age

reductions are applied separately to the components of an annuity. As mentioned earlier, the full retirement age is gradually rising from 65 to 67, depending on the year of birth (see Table 4 on page 47). The maximum annuity reduction for retirement at age 62 is gradually increasing from 20% to 30%. This does not affect those who retire at ages 60 or 61 with 30 years of service.

The full retirement age for employee and spouse benefits increases from 65 to 66 and from 66 to 67 at the rate of two months per year over two separate 6-year periods. These changes also affect how reduced benefits are computed for early retirement. The increase in full retirement age from age 65 to age 66 affects those people who were born in the years 1938 through 1942. The full retirement age will remain at age 66 for people born in the years 1943 through 1954. The increase in full retirement age from age 66 to age 67 affects those who were born in the years 1955 through 1959. For people who were born in 1960 or later the full retirement age will be age 67.

Reduced benefits continue to be available but at greater reductions. The early-retirement reduction factor for an employee is $1/180$ for each of the first 36 months of the reduction period regardless of the age of initial entitlement and decreases to $1/240$ for each month (if any) over 36, as mentioned earlier. This will result in a gradual increase in the reduction at age 62 to 30% for an employee once the age 67 retirement age is in effect.

If an employee has less than 10 years of railroad service and is already entitled to an age-reduced social security benefit, the age reduction in his or her tier I will be based on the age reduction applicable on the beginning date of the employee's social security benefit, even if the

Table 4.--Employee Retiring with Less than 30 Years of Service

Year of birth	Full retirement age	Annuity reduction at age 62
1937 or earlier	65	20.00%
1938	65 and 2 months	20.833%
1939	65 and 4 months	21.667%
1940	65 and 6 months	22.50%
1941	65 and 8 months	23.333%
1942	65 and 10 months	24.167%
1943 through 1954	66	25.00%
1955	66 and 2 months	25.833%
1956	66 and 4 months	26.667%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.333%
1959	66 and 10 months	29.167%
1960 or later	67	30.00%

employee is already of full retirement age on the beginning date of his or her railroad retirement annuity.

Age reductions are required in the tier I annuity amounts of 30-year employees who retired at ages 60-61 before 2002 and attained age 60 or completed 30 years of service after June 1984. The age reductions are applied *only* to the tier I annuity portion. If an employee affected by this provision was born before 1938 and attained 60/30 eligibility after December 1985, tier I is permanently reduced by approximately 20%. For those born after 1937 who retired before 2002, the reduction gradually increased as described earlier. In both cases, the tier I amount is

frozen until the first month throughout which the employee is age 62. It is then recomputed to reflect interim increases in national wage levels and will become subject to future cost-of-living increases. There is no reduction if the employee retired at age 62 or older with 30 years of service, or at age 60 with 30 years of service and retirement is after 2001.

Workers' compensation or public disability benefit reductions

For employees who are under age 65 and receiving a *disability annuity*, the tier I amount is, under certain circumstances, reduced for receipt of workers' compensation or public disability benefits.

Social security reductions

After any required age reduction, the tier I amount is *reduced by the amount of any social security benefits* also payable but not to an amount below zero.

Reductions for public, non-profit or foreign pensions

For employees who attain eligibility for *both* tier I benefits and *certain government pension or other payments* after 1985, a reduction may be required for receipt of a public pension based, in part or in whole, on employment not covered by railroad retirement or social security after 1956. This also applies to payments from a non-profit organization or from certain foreign governments or employers. Usually, an employee's tier I benefit will not be reduced by more than 1/2 of his or her pension from noncovered employment. However, if the employee is under age 65 and is receiving a disability annuity, the tier I benefit may be reduced by an additional amount if the

pension from noncovered employment is a public disability benefit.

Tier II

The second tier of a regular annuity is computed under a separate formula, and is based on railroad service alone. Tier II benefits are equal to seven-tenths of 1% of the product which is obtained by multiplying an individual's years of service by such individual's average monthly compensation using the tier II tax base in the 60 months of highest earnings. The tier II component is reduced by 25% of any gross employee vested dual benefit amount due.

Age reductions

Age reductions required for those employees retiring between age 62 and full retirement age with less than 30 years of service are also applied to the tier II component of an annuity. The reduction is $1/180$ for each of the first 36 months the employee is under full retirement age when his or her annuity begins and $1/240$ for each additional month.

Full retirement age is gradually rising as mentioned earlier. However, if an employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65.

Employees with 5-9 years of creditable service, if at least 5 years were after 1995, are eligible for tier II benefits the first full month they are age 62. Their tier II benefits are subject to the same age reductions that apply to employees with 10 to 29 years of service. If they are eligible on the basis of total disability, a tier II benefit is not payable until age 62 and that amount is reduced for early retirement.

Amount of Vested Dual Benefit Payment

To determine this additional annuity amount for a retired employee meeting the vesting requirements, the Railroad Retirement Board computes a social security benefit based solely on the individual's railroad service before 1975, and a social security benefit based solely on social security covered earnings before 1975. The vested dual benefit is the amount by which the total of these two computations exceeds a social security benefit based on combined railroad and social security covered earnings before 1975.

The vested dual benefit is increased by the cumulative cost-of-living percentage increases applicable to tier I benefits that occurred between January 1, 1975, and the date of retirement or January 1, 1982, whichever was earlier. The computed amount is then frozen; that is, no further cost-of-living increases are applied thereafter. The amount of any vested dual benefit due is added to the tier portions and paid as part of the regular annuity.

The same age reduction applied to the tier I component is applied to the vested dual benefit component of an annuity for those employees retiring before full retirement age with less than 30 years of service.

Supplemental Annuity Formula

The amount of a supplemental annuity awarded after 1974 is equal to \$23 plus \$4 for each year of service over 25, up to a maximum of \$43. A fraction of \$4 is added for each fractional year of service.

If a retired employee also receives a private pension paid for entirely or in part by a railroad, the supplemental annuity is subject to reduction. The reduction is equal to

the amount of the pension paid for by the employer. If the employer reduces the private pension because of the supplemental annuity, the amount of the reduction is restored to the supplemental annuity but does not raise it over the \$43 maximum. There is no reduction in the supplemental annuity for any part of a private pension paid for by the employee alone nor is there a reduction for a pension paid by a railroad labor organization.

SPOUSE ANNUITY

The spouse annuity formula is based on certain percentages of the employee's tier I and tier II amounts.

Tier I

The tier I portion of a spouse annuity, before any applicable reductions, is 50% of the railroad employee's unreduced tier I amount.

Spouse age reductions

Age reductions required for those spouses (between age 62 and full retirement age) of employees retiring with less than 30 years of service are applied separately to each annuity component. Full retirement age for a spouse is gradually rising, just as for an employee. Actuarially reduced benefits continue to be available but at greater reductions. The tier I reduction is 1/144 for each of the first 36 months the spouse is under full retirement age when her or his annuity begins and will decrease to 1/240 for each month (if any) over 36. This will result in a gradual increase in the reduction at age 62 from 25% to 35% for a spouse once the age 67 retirement age is in effect. If an employee has less than 10 years of railroad service and the spouse is already entitled to an age-reduced social

security benefit, the age reduction in her or his tier I will be based on the age reduction applicable on the beginning date of the spouse's social security benefit, even if the spouse is already of full retirement age on the beginning date of her or his railroad retirement annuity.

December 2001 legislation eliminated the tier I age reduction for employees ages 60 or 61 with 30 or more years of service whose railroad retirement annuities begin January 1, 2002, or later. The spouses of these employees are also eligible for full annuities at age 60.

Age reductions required for spouses of employees with 30 years of service who attained 60/30 eligibility after June 1984 but whose annuities began before January 2002 are applied only to the tier I portion of the spouse annuity. If the employee attained 60/30 eligibility before July 1984, retired at age 62 with 30 years of service or begins receiving an annuity at ages 60 or 61 after 2001 with 30 years of service, the spouse tier I portion is *not* subject to these reductions.

If the employee's annuity is subject to 60/30 age reductions, the spouse of such an employee may receive a reduced tier I benefit, unless the spouse is already of full retirement age.

In reduced 60/30 spouse cases, the tier I benefit is equal to 1/2 of the employee's reduced tier I on the employee's annuity beginning date and is also frozen until the first full month throughout which *both* the employee and spouse are age 62. Then it is recomputed based on 1/2 of the employee's age 62 *gross* tier I amount and reduced for each month the spouse is under full retirement age at that time. If at the time of recomputation the spouse is

already at full retirement age, or the spouse has a minor or disabled child in care, no age reduction would apply.

The spouse of a disability annuitant who is otherwise eligible for a 60/30 age annuity receives an age reduction if the spouse's annuity beginning date was before 2002. If the spouse's annuity beginning date is January 1, 2002, or later, the spouse can receive an unreduced annuity as early as age 60. If the spouse is entitled based on having a minor or disabled child in care, there is no age reduction.

Reductions for other benefits

After any applicable age reduction required for the spouse's early retirement, the spouse tier I amount is reduced by the amount of *any social security benefit to which the spouse is entitled*.

The tier I amount may *also be reduced for certain Federal, State or local government pension payments* based on the spouse's own earnings. For spouses subject to the public pension reduction, the tier I reduction is equal to 2/3 of the public pension.

The spouse tier I amount may also be reduced if the employee under age 65 is receiving a disability annuity and a workers' compensation or public disability benefit.

While these offsets can reduce or even completely wipe out the tier I benefit otherwise payable to a spouse, they do not affect the tier II benefit potentially payable to that spouse.

Divorced spouse

The annuity of a divorced spouse is limited to the tier I amount and thus equal to what social security would pay.

Tier II

The spouse tier II amount, before any applicable reductions, is 45% of the employee's unreduced tier II amount. If the employee is awarded a vested dual benefit, the employee tier II amount used in computing the spouse benefit is the amount after the 25% reduction for the employee's vested dual benefit entitlement.

Age reductions

As mentioned earlier, age reductions are gradually increasing. The tier II age reduction for spouses of employees retiring with less than 30 years of service is 1/144 for each of the first 36 months the spouse is under full retirement age when her or his annuity begins and decreases to 1/240 for each month (if any) over 36. However, if a railroad employee had any creditable railroad service before September 1983, the employee and spouse retirement age for tier II purposes remains age 65. Age reductions are not applied to spouse annuities based on the spouse's caring for a child.

Dual Annuities

If both the employee and spouse are railroad employees and either one had some railroad service before 1975, the spouse tier I amount is reduced by the amount of the railroad employee tier I to which the spouse is entitled and that initial reduction is restored in the spouse tier II amount. The spouse tier I amount cannot be reduced below zero.

If a spouse is also a railroad employee annuitant and both the employee and spouse started railroad employment after 1974, the amount of any spouse or divorced spouse annuity is reduced by the amount of the employee annuity to which the spouse is also entitled.

A spouse who is also entitled to a survivor annuity on a different earnings record will receive only the higher benefit.

SURVIVOR ANNUITY

Tier I

The survivor tier I amount is based on the deceased employee's combined railroad retirement and social security credits, and is computed using social security formulas. In general, the survivor tier I amount is equal to the amount of survivor benefits that would have been payable under social security.

The *gross survivor tier I amount* (before reductions for early retirement, or other benefits) is generally equivalent to the unreduced tier I retirement benefit the deceased employee had, or would have, received.

For surviving aged or disabled widow(er)s, remarried widow(er)s and surviving divorced spouses whose annuities begin a year or more after the employee's death, the "average indexed monthly earnings," upon which the tier I benefit is based, may be reindexed using a later year if it would result in a higher benefit, provided the employee died before age 62. The reindexing takes into account changes in national earnings levels which occur after the employee's death but before the survivor becomes eligible for benefits. This provides a benefit consistent with earnings levels at the time of the survivor's eligibility, rather than the time of the employee's death.

A widow(er), surviving divorced spouse or remarried widow(er) whose *annuity begins at full retirement age or later* receives the full tier I amount unless the deceased

employee received an annuity that was reduced for early retirement. The eligibility age for a full widow(er)'s annuity is gradually rising from 65 to 67. The maximum age reductions will range from 17.1% to 20.36%, depending on the widow(er)'s date of birth. For a surviving divorced spouse or remarried widow(er), the maximum age reduction is 28.5%. For a disabled widow(er), disabled surviving divorced spouse or disabled remarried widow(er), the maximum reduction is 28.5%, even if the annuity begins at age 50.

A widow(er) or surviving divorced spouse whose eligibility is *based on caring for a child* of the employee receives 75% of the full tier I amount. Benefits to a surviving divorced spouse end when the child is 16. An *eligible child* also receives 75% of the full tier I amount. The total amount the family can receive is subject to a maximum (usually applicable if there are three or more family members, not counting aged or disabled surviving divorced spouses, entitled to survivor annuities).

A *dependent parent* can receive 82.5% of the full tier I amount, but if both parents are eligible, the total amount cannot be more than 150% of the full tier I amount.

Dual benefit reduction

The tier I amount previously described is *reduced by the amount of any social security benefit* or by the tier I amount of any railroad retirement employee annuity the survivor also receives. In the case of a widow or dependent widower who is also a railroad employee annuitant, and either the widow(er) or the deceased employee had 120 months of railroad service before 1975, the tier I

reduction may be partially restored in the survivor tier II amount. If either the deceased employee or the widow(er) had some railroad service before 1975 but less than 120 months, the survivor tier I portion is payable only to the extent that it exceeds the tier I portion of the widow(er)'s own employee annuity. If the widow(er) qualifies for a railroad retirement employee annuity and neither the widow(er) nor the deceased employee had any railroad service before 1975, the survivor annuity payable to the widow(er) is reduced by the total amount of the widow(er)'s own employee annuity.

The tier I amount may also be reduced by certain *Federal, State or local government pensions* which are based on a widow(er)'s own earnings. For widow(er)s subject to the government pension reduction, the tier I reduction is equal to $2/3$ of the public pension.

Tier II

Widow(er)s

December 2001 legislation established an "initial minimum amount" which yields, in effect, a widow(er)'s tier II benefit equal to the tier II benefit the employee would have received at the time of the award of the widow(er)'s annuity, minus any applicable age reduction. It does this by providing an additional amount, initially set at 50% of the employee's tier II, to the 100% tier I and 50% tier II benefits provided under prior law.

This additional amount is offset each year by the dollar amount of the cost-of-living increases payable in both the tier I and tier II benefits provided under prior law. Consequently, such a widow(er)'s net benefit payment will

not increase until such time as the widow(er)'s annuity, as computed under prior law with all interim cost-of-living increases otherwise payable, exceeds the widow(er)'s annuity computed under the initial minimum amount formula.

The initial minimum amount provision applies to all widow(er)s whose annuities begin February 1, 2002, or later, and to some, but not all, widow(er)s on the rolls before that date. If, because of previous cost-of-living adjustments, annuities awarded before February 2002 were already higher than the annuity that would be payable under the December 2001 legislation, the provision did not apply.

The same age reductions that apply to tier I amounts also apply to tier II amounts.

If a widow(er) is also a railroad employee annuitant and both the widow(er) and the deceased employee started railroad employment after 1974, the amount of any survivor annuity is reduced by the amount of the employee annuity to which the survivor is also entitled.

Other survivors

Each child receives 15% of the deceased employee's tier II amount, and each surviving parent receives 35%. The minimum total tier II amount payable to a family is 35% of the employee's tier II amount, and the maximum, 130%.

A tier II benefit is not provided for a surviving divorced spouse or a remarried widow(er). However, partition payments may be extended to surviving former spouses pursuant to divorce agreements. A tier II benefit is not payable to surviving parents if other family members may receive benefits or if the parent has remarried.

U.S. Railroad Retirement Board Offices

At the present time, offices of the Board are located in the following cities. Their addresses are listed in telephone directories with other U.S. Government agencies. They are also available by calling the Board toll-free at 1-877-772-5772 or by visiting the Board's Web site at www.rrb.gov. Board offices are open to the public from 9:00 a.m. to 3:30 p.m. Monday through Friday, except on Federal holidays.

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COMMENTS? If you have any comments or suggestions regarding the presentation of information in this publication, please let us know. You can fax us at 1-312-751-7154, e-mail us at opa@rrb.gov or write us at the following address: Public Affairs, U.S. Railroad Retirement Board, 844 North Rush Street, Chicago, IL 60611-2092.

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