

## 315.1 Supplemental Annuity Background

### 315.1.1 General

In 1966 the Railroad Retirement Board (RRB) began paying supplemental annuities, in addition to regular age and service annuities, to railroad employees who met certain criteria. At that time, eligibility for the supplemental annuity was limited to those employees who were age 65 or older with 25 or more years of railroad service and who were first awarded regular retirement annuities after June 30, 1966.

The Railroad Retirement Act of 1974 (RRA) extended supplemental annuity eligibility to those employees who were age 60 or older with 30 or more years of service and who were first awarded regular age and service annuities after June 30, 1974.

The 1981 Amendments to the RRA began phasing out the supplemental annuity by adding the requirement that the employee must have at least one month of creditable railroad service before October 1, 1981 to be eligible for the supplemental annuity. Therefore, a supplemental annuity is not payable to an employee who does not have at least one month of service before October 1, 1981, even if they meet all other age and service requirements.

### 315.1.2 Earliest Supplemental Annuity Eligibility Dates Under 1937 and 1974 Acts

#### A. Earliest Eligibility Dates

The date an age and service annuity or disability annuity is awarded is the voucher date of the award, i.e., the date the award is processed for payment.

Beginning in 1966, the employee's age and service annuity had to be vouchered after June 1966 for them to be eligible for a supplemental annuity at age 65 with at least 25 years of service.

Beginning in 1974, the employee's age and service annuity had to be vouchered after June 1974 for them to be eligible for a supplemental annuity at age 60 with 30 years of service. In addition, the supplemental annuity could not begin to accrue before January 1, 1975.

#### B. Partial Award Before Earliest Eligibility Date

An annuity is considered first awarded as of the date of the partial award. If the employee annuity was partially awarded before July 1, 1966, the annuitant did not qualify for a supplemental annuity.

If the employee annuity of an individual age 60-64 was partially awarded before July 1, 1974, the annuitant did not qualify for a supplemental annuity until he attained age 65.

### C. Application Withdrawn Before Earliest Eligibility Date

An individual who withdrew an employee annuity application for an annuity awarded before July 1, 1966, then re-applied for the age and service annuity after June 1966, did not qualify for a supplemental annuity.

An annuitant age 60-64 who withdrew an employee annuity application for an annuity awarded after July 1, 1966, but before July 1, 1974, then re-applied for the employee annuity after June 1974, did not qualify for a supplemental annuity until he attained age 65.

### D. Exceptions

Individuals were deemed to meet "date annuity awarded" requirement for supplemental annuities if they were awarded disability annuities before July 1966, or before July 1974, and they met all of the following conditions:

1. They recovered from disability before July 1, 1966 or before July 1, 1974;
2. They returned to the service of an employer before July 1, 1966, or before July 1, 1974, regardless of the duration of such service;
3. They were awarded a new annuity after June 1966, or after July 1974; and
4. They had a current connection with the railroad industry at the time their later annuity began to accrue, disregarding, for this purpose, earlier entitlement to an annuity. This means that when their later annuity began, their current connection must have been determined as though there was no previous annuity awarded and no previous determination made.

## 315.2 Current Supplemental Annuity Eligibility Requirements

Under section 2(b) of the RRA, an employee is eligible for a supplemental annuity if they have:

1. At least one month of creditable railroad service before October 1, 1981; and
2. Relinquished all rights to return to the service of employers under the Railroad Retirement Act (as explained in FOM1 330.52); and
3. A current connection (or deemed current connection with the railroad industry, as explained in FOM1 225) on the annuity beginning date; and
4. Is either:
  - (a) Age 65 or older with 25 or more years of creditable railroad service; or

- (b) Age 60 and older and under age 65 with 30 or more years of creditable RRA service.

## 315.3 Supplemental Annuity Rate

### 315.3.1 Gross Supplemental Annuity Rate

#### APPENDIX\_D

The gross supplemental annuity rate is based on the employee's years of creditable railroad service. A summary of supplemental annuity rates is in [Appendix D](#).

#### A. Current 1974 Railroad Retirement Act Rate

Under the 1974 RR Act, the minimum gross rate is \$23 for 25 years of railroad service. An additional \$4 is added for each full year of railroad service over 25 and up to 30. The maximum is \$43 for 30 or more years of railroad service.

#### B. Previous 1937 Railroad Retirement Act Rate

Under the 1937 RR Act, the minimum gross rate was \$45 at 25 years of service. An additional \$5 was added for each full year of railroad service over 25 and up to 30. A fraction of \$5 was added for each fractional year of railroad service. The maximum full rate was \$70 for 30 or more years of railroad service.

### 315.3.2 Use of Military Service in Calculating Supplemental Annuity Rate

#### A. Military Service Used as Railroad Service Months in Tier 2

Military service that is creditable as railroad service months in the employee's Tier 2 can be used to provide eligibility for, or increase the amount of, the supplemental annuity.

#### B. Military Service Not Used as Railroad Service Months in Tier 2

Military service that is not creditable as railroad service months in the employee's Tier 2 cannot be used to provide eligibility for, or increase the amount of, the supplemental annuity. Using military service both as wages for a Vested Dual Benefit (VDB) and compensation for eligibility, or to increase the supplemental annuity is prohibited.

Exception: For months before 9-1983, the military service creditable as railroad service months could be used in the computation of the supplemental annuity, even if the Tier 2 computed without military service as railroad service months was used because it was higher after the reduction for a military service pension. The military service pension reduction no longer applies 9-1983 or later. Any reduction for a military service pension was removed by a mass adjustment. Cases that were missed in the mass adjustment can be adjusted back to 9-1983 if the proof of military service was previously submitted.

## 315.4 Reductions to Supplemental Annuity

### 315.4.1 Reduction for Private Pension from Railroad Employer

The supplemental annuity is reduced by the amount of any private pension the employee is receiving from their railroad employer which is attributable to the employer's contributions. The definition of a private pension that will cause a reduction to the supplemental annuity is in [FOM1 315.12](#).

### 315.4.2 Last Pre-Retirement Non-railroad Work Deductions

Effective 12/1/88, an employee's supplemental annuity is payable if the employee has Last Pre-retirement Non-railroad Employment (LPE) after the ABD. However, the supplemental annuity must be reduced for monthly LPE earnings. The maximum reduction is 50% of the supplemental annuity before any legal process partition. Instructions for handling LPE work deductions are in FOM1 1121.

### 315.4.3 Legal Process Reductions

If the employee is subject to a garnishment or child support order, the supplemental annuity is reduced by the amount indicated on the legal document.

## 315.5 Effect of Supplemental Annuity on Other Benefits

- A. Regular Annuity Under the 1974 Act or RRSIA of 2002 - The 1974 RR Act rate is not reduced because of an annuitant's entitlement to a supplemental annuity.
- B. Regular Annuity That Was Paid Under the 1937 Act
  - Monthly Before February 1968 - A regular annuity was generally paid at the pre-1966 formula rate for any month the annuitant was also entitled to payment of a SUP ANN. In a few cases when the SUP ANN rate was less than the 7 percent regular annuity increase under the 1966 amendments, the regular annuity rate was increased to an amount which added to the SUP ANN equaled the 1966 amendment rate.
  - Beginning February 1968 - The table and minimum increases provided by the 1968 amendments were reduced because of an annuitant's entitlement to payment of a SUP ANN.
  - Beginning January 1970 - The 15 percent increase provided by the 1970 amendments was not reduced because of an annuitant's entitlement to payment of a SUP ANN. However, in a few cases the regular annuity rate was increased under the L-70-207 Guaranty to an amount which added to the SUP ANN equaled the regular annuity rate that would have been payable if there was no SUP ANN entitlement. The L-70-207 Guaranty applied in cases where there was no SS entitlement when the table increase in the 1968 COMP was reduced by:

- ◆ The SUP ANN rate; or
  - ◆ 6.55 percent of the basic annuity rate and the difference between that amount and the SUP ANN was less than 15 percent of the 6.55 reduction amount. (This usually occurred when the SUP ANN was less than \$30.)
- C. Spouse Annuity - The RR Act does not provide a supplemental annuity for the spouse nor is the employee's supplemental annuity amount used to determine the amount of the spouse annuity.
- D. Retirement O/M - The supplemental annuity does not affect the computation of the Retirement O/M.
- E. RUIA Benefits - The supplemental annuity does not cause a reduction in unemployment or sickness benefits. A supplemental annuity is not "an annuity payment" or "other social insurance payment" within the meaning of the RUIA Act.
- F. Survivor Benefits - The employee's supplemental annuity does not carry over to the survivor benefit. There is no supplemental annuity for the survivor.
- G. Residual Lump Sum - The amount paid to an employee as a supplemental annuity is not deducted from the gross RLS.

## 315.6 Supplemental Annuity Beginning Date

### 315.6.1 Age 65 Annuitants

A retired employee's supplemental annuity based on 300-359 months of railroad service begins to accrue on the latest of the following dates:

1. The first day of the month in which the employee attains age 65;
2. The day after completing 25 years of service (the day after acquiring 300th month of service);
3. The employee's annuity beginning date;
4. The first day of the twelfth month prior to the month in which the disabled employee's rights were relinquished;
5. The employee's designated supplemental annuity beginning date;
6. October 1, 1981, if the supplemental annuity is based on a deemed current connection; or
7. November 1, 1966.

### **315.6.2 60/30 Annuitants**

For 60/30 annuitants and disability annuitants whose regular annuity beginning date is July 1, 1974 or later, and who are at least age 60 and have 360 months of service, the supplemental annuity begins to accrue on the latest of the following dates:

1. The first day of the month in which the employee attains age 60;
2. The day after completing 30 years of service (the day after acquiring 360th month of service);
3. The employee's annuity beginning date;
4. The first day of the twelfth month prior to the month in which the disabled employee's rights were relinquished;
5. The employee's designated supplemental annuity beginning date;
6. October 1, 1981, if the supplemental annuity is based on a deemed current connection; or
7. January 1, 1975.

### **315.7 Months Supplemental Annuity Not Payable**

The supplemental annuity is subject to the same nonpayment restrictions as the employee annuity, i.e., it is not payable for months in which the annuitant works for a railroad employer.

Before 12/1/88, the supplemental annuity was not payable for months the employee returned to Last Person Pre-retirement Employment (LPE). Effective December 1988 or later, LPE earnings deductions apply to the supplemental annuity (see FOM1 1121).

### **315.8 When Entitlement to Supplemental Annuity Ends**

Supplemental annuity payments terminate when the employee annuity terminates. This is usually the last day of the month before the month in which the annuitant dies.

NOTE: If the employee attained age 65 before 9-1-81, the supplemental annuity ended the last day of the month before the month in which the employee returned to employer service after his closing date (see [FOM1 Art. 3 App. B](#) for closing dates).

### **315.9 Accrued Supplemental Annuity Due at Death**

The Survivor Benefits Division (SBD) handles cases in which a supplemental annuity accrual is due and payable at the time of the employee's death (see FOM1 615).

## **315.10 Supplemental Annuity Denials**

There are two types of supplemental annuity denials: "informal" and "formal."

### **315.10.1 Informal Denial**

The field office makes an informal denial when it informs the employee that they are not entitled to a supplemental annuity because they apparently do not have railroad service before October 1981, have less than 25 years of service, or do not have either a regular or deemed C/C.

### **315.10.2 Formal Denial For Insufficient Railroad Service**

The Retirement Benefits Division (RBD) makes a formal denial if the supplemental annuity item on the employee annuity application is answered "yes", but the employee does not meet the railroad service requirement or the current connection requirement listed in [FOM1 315.2](#).

In RASI denials, Code Paragraph 406A is automatically printed on the RL-20e (and the special legend "SUP ANN DENIED - NO CURRENT CONNECTION" or "SUP ANN DENIED - LESS THAN 25 YRS SVC" is printed on the listing provided to railroad employers (formerly Form RL-5a). If the employee does not meet both conditions, the "CURRENT CONNECTION" legend is printed on the listing. If the case did not process on RASI, release a letter, based on Code Paragraph 406A, to notify the employee of his ineligibility. Send a copy each to the field office and to the last railroad employer.

### **315.10.3 Employee With Required Service Has Not Attained Required Age**

When an employee has a current connection or deemed current connection on the ABD, make no denial if the employee has less than 30, but at least 25 years of service, and has not yet attained age 65; or the employee has at least 30 years of service and has not yet attained age 60. These are "attainment" cases.

If such an employee inquires about the status of their supplemental annuity, this is not a formal denial. Prepare a letter stating the reason the employee is not eligible. Include the month and year they will be eligible for the supplemental annuity.

See [FOM1 315.23](#) for RBD handling of "attainment" cases.

### **315.10.4 Employee Does Not Meet Service Requirement For Employee Annuity**

Do not make a formal denial if the claim will be transferred to the Social Security Administration because the employee does not meet the railroad service requirement for an employee annuity. The employee will be informed on the transfer notice that they are not eligible for a supplemental annuity.

### 315.11 Evidence Requirements for Supplemental Annuity

<u>Evidence</u>	<u>When Required</u>
Employee Filed an Application AA-1	Always. Proof that the employee filed an Application AA-1 is in the APPLE database. The annuity paid based on that application may be verified by checking PREH. The Application AA-1 is imaged to the claim file. [NOTE: In some attainment cases, the AA-1 may have been filed prior to the conversion of AA-1 applications to APPLE or the inception of imaging. The actual paper folder may be needed in these cases to determine if an AA-1 was filed.]
Age	Always. Proof of employee's age is in the APPLE proofs database or in the claim file. Age may be verified by checking PREH. EDM <u>cannot</u> be used to verify the employee's age.
Years of Service (30 years of railroad service at age 60, or 25 years of railroad service at age 65)	Always. Total railroad service months (including military service creditable as railroad service) are on EDM. The EDM screen with the details of the railroad service months can be used to determine if the employee has at least one month of railroad service before 10-1-1981. However, PREH should be used to determine if the employee has enough <u>credited</u> service months to be eligible for a supplemental annuity.
Current Connection or Deemed C/C	Always. The EDM screen with the details of the railroad service months can be used to determine the employee's 12/30 for the current connection determination. It may be necessary to obtain a breakdown of SSA wages for the period starting with the day after the last day of the 12/30 period through the day before the ABD. The employee may claim a deemed current connection on the employee annuity application. This

	should be supported by proofs submitted with the application or already in the claim file.
Military Service Creditable as Railroad Service	When military service increases the years of service for SUP ANN purposes. Periods of military service creditable as railroad service are viewable on the EDM database.
Railroad Pension Information	Always. The information provided on the employee annuity application is sufficient when there is no conflict with the information on the <i>Railroad Employer Pension Table</i> .
Form G-88p	Whenever there is a conflict in the employee's statement on the annuity application and the information on the <i>Railroad Employer Pension Table</i> ; or additional pension information is needed to determine if the supplemental annuity should be reduced for a private railroad pension (see <a href="#">FOM1 315.15</a> for G-88p instructions).

## 315.12 Private Employer Pensions

### 315.12.1 Definition of a Private Employer Pension

Under section 2(h)(2) of the Railroad Retirement Act (RRA), the supplemental annuity is reduced by the amount of a private pension the employee receives from a railroad employer which is attributable to the employer's contributions.

A plan must meet these criteria to qualify as a private pension plan:

1. It is a written plan or arrangement which is communicated to the employees to which it applies.
2. It is established and maintained by the railroad employer for a defined group of employees.
3. It provides for the payment of definitely determinable benefits to employees over a period of years, usually for life, after retirement or disability.
4. The employer is obligated to make fixed contributions to the plan regardless of profits.

The complete definition of a private railroad pension plan is in Section 216.42 of the RRB's regulations (20 CFR §216.42).

### 315.12.2 Types of Private Employer Pension Plans

Two specific types of plans meet the definition of a private railroad pension under the RRB's regulations: *defined benefit plan* and *money purchase plan*.

#### A. Defined Benefit Plan

A *defined benefit plan* is a traditional pension plan, funded by the employer, under which the employee receives a recurring, normally monthly, pension benefit, usually for life. The pension benefit is calculated using a set formula that is stated in the plan, which typically includes factors such as age, earnings and years of service. Because the formula is stated in the plan, the employee can know the amount of their monthly pension benefit before retirement.

#### B. Money Purchase Plan

A *money purchase plan* is a type of defined contribution plan. Unlike in a *defined benefit plan*, a set formula is not used to determine the amount of the employee's pension benefit. Instead, the employer establishes an account for the employee to which the employer (and sometimes also the employee) is obligated to contribute a fixed amount, usually a percentage of the employee's wages. The contributions are then invested on the employee's behalf. The employee usually can choose the investments from investment options provided by the employer. At retirement, the employee receives the balance of their account, which is the total of all contributions, plus or minus investment earnings or losses.

A *money purchase plan* provides for the payment of a monthly pension, although it is very common for a plan participant to elect to receive their account balance in a lump sum payment. The payment of a monthly pension is accomplished by the employer using the balance of the employee's account to purchase an annuity on the employee's behalf. Because the value of the account continually fluctuates due to changes in the value of investments, the employee cannot know the amount of their monthly benefit until they retire and the annuity is purchased.

NOTE: An employer may refer to its *money purchase plan* as a 401(a) plan or 401(a) money purchase plan. A "401(a)" plan, as used in reference to a *money purchase plan*, is not the same as a 401(k) plan.

### 315.12.3 General Counsel Determines If a Plan Is a Private Employer Pension

#### APPENDIX\_A

The RRB's General Counsel determines if a plan qualifies as a private employer pension plan. When RRB receives information that an employer has a pension plan which they have not submitted, the RRB requests the employer to submit a copy of the

plan. When the RRB receives the plan, it is forwarded to the General Counsel. If the General Counsel rules that the plan qualifies as a private pension plan, the plan and the General Counsel's ruling date are added to the Pension Table ([FOM1 Art 3 App. A](#)). The ruling date also is added when a new plan is approved because the supplemental annuity cannot be reduced until the month following the month the General Counsel approves the plan.

### **315.12.4 Plans That Do Not Cause a Reduction in the Supplemental Annuity**

The following types of plans do not cause a reduction to the supplemental annuity:

#### **A. Plans Not Approved by the General Counsel**

The supplemental annuity cannot be reduced by a private employer pension until the plan is approved by the RRB's General Counsel, even if it meets all of the requirements listed in [FOM1 315.12.1](#).

#### **B. Pensions Paid by Railway Labor Organizations**

A pension paid by a labor organization (union) to its office employees or employee representatives is excluded by the legislation that established the reduction to the supplemental annuity and is not considered to be a "private pension plan." These pensions do not cause a reduction in the RRB supplemental annuity.

#### **C. 401(k) Plans**

Prior to January 1, 2014, a 401(k) plan to which the employer was obligated to contribute a fixed amount regardless of profits, e.g., match a percentage of the employee's contributions, qualified as a private railroad pension plan. A distribution from the plan caused a reduction to the supplemental annuity. On January 13, 2014, the RRB's General Counsel issued Legal Opinion L-2014-2 which states that, effective January 1, 2014, 401(k) plans should not be considered private pension plans and distributions from 401(k) plans should not cause a reduction to the supplemental annuity.

#### **D. Monthly Pensions Reduced for Supplemental Annuity**

Under some pension plans, the monthly pension benefit is reduced for the supplemental annuity. The RRB's regulations guarantee that the sum of the reduced pension plus the supplemental annuity cannot be less than the full pension amount (20 CFR 227.4(b)). If the monthly pension benefit is reduced for the supplemental annuity, it will not cause a reduction to the supplemental annuity.

In very rare cases, the monthly pension is reduced by a percentage of the supplemental annuity rather than the full supplemental annuity. In these cases, the supplemental annuity is reduced by the difference between the amount the monthly pension is reduced and the full supplemental annuity.

If the employee is entitled to two private pensions and one is reduced for the supplemental annuity, the supplemental annuity is not reduced for either pension. This is because if the supplemental annuity is reduced to zero by one private pension, the second pension would then be reduced for a supplemental annuity the employee is not, in fact, receiving (see [FOM1 315.22.2](#) for an example).

#### **E. Monthly Pensions Based 100% on Employee Contributions**

Contributions an employee makes to a pension plan are considered to be the employee's own funds. Since the supplemental annuity is reduced only by the amount of a pension attributable to employer contributions by law, pensions based 100% on employee contributions will not reduce the employee's supplemental annuity. For example, if the amount an employer contributes to a pension fund is withheld from the employee's salary, the pension is based entirely on the employee's contributions and will not cause a reduction to the supplemental annuity.

#### **F. Pensions Based Entirely on Non-Creditable Service**

Pensions that are based entirely on non-creditable service do not affect the supplemental annuity. For example, if the employee receives a pension that is 100% based on his service for a trucking subsidiary of the railroad employer, that pension will not affect the supplemental annuity.

#### **G. When Part of Pension Is Based on Non-Railroad Service**

If the pension is based on both "creditable" and "non-creditable" service, only that part of the pension based on "creditable" railroad service can be used to reduce the supplemental annuity.

### **315.13 Job Categories**

Some employers have a single pension plan covering all of its employees. However, most employer pension plans cover only a specific group of employees. The group of employees covered under a particular plan is identified by a job category. The RRB uses three job categories to identify employees covered under an employer pension plan: salaried, non-agreement and agreement.

- **SALARIED (also referred to as exempt, non-contract or non-scheduled)**

The employee is paid a fixed salary, typically stated as an annual amount, but also may be a fixed monthly or bi-weekly amount. This employee usually works in a management, professional or administrative position.

- **NON-AGREEMENT**

The employee is paid an hourly wage and not covered under a collective bargaining agreement, i.e., union contract.

Note: An employer may use the term "non-agreement" to identify all of its employees who are not covered by a union contract, including "salaried" employees. The RRB makes a clear distinction between the two job categories. "Non-agreement" is not interchangeable with "salaried" under the RRB's definitions of these terms.

- **AGREEMENT (also referred to as contract or scheduled)**

The employee is covered by a collective bargaining agreement (union contract). Their job normally is directly related to the daily operation and movement of trains, track and equipment maintenance, etc. Examples are: locomotive engineer, conductor, switchman, track inspector, yardmaster, clerk, electrician, signalman, etc.

## 315.14 Railroad Employer Pension Table

### 315.14.1 Purpose of the Railroad Employer Pension Table

The *Railroad Employer Pension Table* (Pension Table) lists employers with pension plans approved by the General Counsel and the job categories covered by those plans. It is used to cross-reference the pension information the employee provides on their application with the pension information the RRB has in file. If the information conflicts, further investigation and development may be necessary, normally by releasing Form G-88p to the employer.

The Pension Table also is used to provide special handling instructions or additional information about a particular plan that might be helpful to the user.

The Pension Table is in [FOM1 Art. 3 App. A](#).

### 315.14.2 Description of the Railroad Employer Pension Table

The Pension Table has five columns:

- **BA NO** – The RRB identification number assigned to the employer.
- **Railroad Name** – The name of the railroad employer.
- **Employees Covered by Pension** – Identifies the job category of the employees covered by the employer's pension plan(s). See [FOM1 315.14.3](#) for a further explanation of the entries in this column.
- **Send G-88p to the “300” Contact Official for:** – Indicates the contact official to whom Form G-88p should be sent. The name and address of the contact official are in the employer's Contact Official Directory in EDM.

*If "PBGC" is entered in this column, the pension is administered by the Pension Benefit Guarantee Corporation (PBGC). Release Form G-88p, with a Form RL-88p cover letter, to the PBGC plan administrator listed in the employer's Contact Official Directory in EDM (see [FOM1 1720 G-88p](#) Instructions).*

- **Comments** – Special handling instructions or additional information about the plan are entered here.

### 315.14.3 “Employees Covered by Pension” Column of Pension Table

The entry in the Employees Covered by Pension column identifies the job category, or categories, of the employees covered under the employer's pension plan(s). It also identifies pension plans which do not reduce the supplemental annuity because the pension is either reduced for the supplemental annuity or paid by a labor organization to its employees.

These are the possible entries in this column:

- **ALL** – All employees are covered by a pension plan.
- **SALARIED** – Only "salaried" employees are covered by a pension plan.
- **NON-AGREEMENT** – Only "non-agreement" employees are covered by a pension plan.
- **AGREEMENT** – Only "agreement" employees are covered by a pension plan.
- **RED FOR SUP ANN: NO G-88P** – The employer has a private pension plan, but the monthly pension benefit is reduced for the full supplemental annuity. Do not reduce the supplemental annuity or release a G-88p.
- **UNION: NO G-88p** – The pension is paid by a labor organization to its office employees or employee representatives. Do not reduce the supplemental annuity or release a G-88p.

## 315.15 Form G-88p, Employer’s Supplemental Pension Report

### 315.15.1 General

Form G-88p, *Employer’s Supplemental Pension Report*, is released to the employer when there is a conflict in the information the employee provides on their application and the information on the Pension Table, or other additional pension information is needed to determine if the employee's supplemental annuity should be reduced. The form is released by either the field office or RBD, depending on whether the case is a "current" or an "attainment" case (see [FOM1 315.16.1](#) for the definitions of "current" and "attainment" cases).

- The *field office* releases Form G-88p in “current” cases. If a duplicate G-88p is needed to trace on a G-88p the field office originally released, the field office also releases the duplicate.
- *RBD* releases the G-88p in "attainment" and all other cases.

- The G-88p is released electronically if the employer is part of the ERSNet system. An "E" will be entered in the G-88p field of the APPLE Summary screen if a G-88p has been released electronically (see [FOM1 1720 G-88p](#) Instructions).

REMINDER: For paper forms, the office releasing the G-88p should image the form before releasing it.

### 315.15.2 When Form G-88p Should Be Released

#### A. Employee Claims No Pension – Employer and Job Category on Pension Table

There is a conflict when the employee states on their application that they were not covered and have no entitlement to pension benefits under a pension plan with their last or any previous employer, and the last or previous employer and the employee's job category are on the Pension Table.

#### B. Employee Claims Pension – Employer Not on Pension Table

There is a conflict when the employee states on their application that they were covered and entitled to pension benefits under a pension plan with their last or any previous employer, and the employer and employee's job category are not on the Pension Table.

In addition to releasing a G-88p in these cases, send an email to Policy and Systems (Janis Sedlins) advising that the employee indicates they are entitled to pension benefits, but the employer is not on the Pension Table. Include the employee's name, claim number and employer's BA number in the email.

#### C. Other Pension Information Needed

Form G-88p also may be released when any other type of additional pension information is needed to determine the reduction to the supplemental annuity, e.g., to verify a pension beginning date.

### 315.15.3 When Form G-88p Should Not Be Released

#### A. No Conflict

Do not release Form G-88p when there is no conflict in the pension information the employee provides on their application and the information on the Pension Table. There is no conflict when:

- The employee claims entitlement to a railroad pension benefit, and the employer and employee's job category are on the Pension Table.
- The employee claims no entitlement to a railroad pension benefit, and the employer and employee's job category are not on the Pension Table.

## **B. Do Not Release Paper Form G-88p If Released Electronically**

Do not release a paper Form G-88p if a G-88p was already released electronically. APPLE determines if Form G-88p should be released based on the supplemental annuity and pension information entered on the APPLE application. If APPLE determines that a G-88p should be released and the employer is part of the ERSNet system, the form is released electronically to that employer. If G-88p was released electronically, "E" automatically will be entered in the G-88p field of the APPLE Summary screen. Releasing a paper G-88p in these cases would be a duplicate request.

### **315.15.4 Completing Form G-88p**

Refer to [FOM1 1720 G-88p](#) Instructions.

### **315.15.5 G-88p Tracing Schedule**

If Form G-88p was released electronically to an employer through the ERSNet system, the system traces the form automatically. Neither the field office nor RBD need to trace the G-88p if it was released electronically.

RBD should use the following tracing schedule if it has not received the completed paper Form G-88p from the railroad employer within the stated number of days after the date it was released:

- First tracer – After 30 days, email the RRB field office nearest the railroad to trace for the form.
- Second tracer – After 45 days, email the district manager of the RRB field office to trace for the form.
- Third tracer – After 90 days, refer the case to Janis Sedlins in P&S. P&S will attempt to obtain the information from the employer.

### **315.15.6 Acceptable Documents That May Be Used In Lieu of G-88p**

If an acceptable document is submitted that contains all of the pension information required to determine the reduction to the supplemental annuity, such as a statement of benefits, a G-88p does not need to be released (also see [FOM1 1720 G-88p](#) Instructions). A document is acceptable for this purpose when:

- It is clearly from the employer or plan administrator (if the employer contracted with an outside firm to administer the plan).
- It is addressed to the employee.
- It contains all of the information necessary to make the reduction determination. This includes:

- The pension beginning date.
- The amount of the monthly pension or, if the employee also contributed, the amount of the monthly pension attributable to the employer's contributions.
- If the employee elected a lump sum, the date the pension would have begun and the monthly pension amount, or amount attributable to the employer's contributions, the employee would have received if they had not elected the lump sum.
- If the employee had to take a lump sum because his pension account balance was under the minimum required for a monthly benefit, the date the lump sum was paid and the amount of the lump sum attributable to the employer's contributions.

## 315.16 Field Office Handling When Employee Files Application

### 315.16.1 Determine If “Current” or “Attainment” Case

There are two types of cases when the employee is eligible for a supplemental annuity: "current" and "attainment."

**Current Case** – The applicant is currently eligible for the supplemental annuity, or will attain the age requirement for the supplemental annuity, within three months after the annuity beginning date.

**Attainment Case** – The applicant will attain the age requirement for the supplemental annuity more than three months after the annuity beginning date (see [FOM1 315.23](#) for RBD handling of "attainment" cases).

### 315.16.2 When Supplemental Annuity Will Pay Without Examiner Handling

Both “current” and “attainment” supplemental annuity cases usually will pay without examiner handling on the earliest date the supplemental annuity is payable when:

- the APPLE Supplemental Annuity screen does not indicate entitlement to an employer pension; and
- the field office does not enter any code in the Form G-88p status code on the APPLE Summary Screen.

NOTE: Always complete the Form G-88p field on the APPLE Summary screen when the employee indicates an employer pension, even if the supplemental annuity can be adjusted without a G-88p.

RBD examiner handling is required in all other supplemental annuity cases.

### 315.16.3 Always Request Pension Information From Employee

Always request the employee to provide information about their entitlement to a pension benefit from any railroad employer. Request the information in both “current” and “attainment” cases. This information is used for the APPLE Supplemental Annuity screen entries (see [FOM1 315.17.1](#)).

Following is a general guide that may be used when requesting pension information from the employee.

1. Was the employee covered by a pension plan with their last or any previous railroad employer from which they either:
  - are receiving, or will receive, a monthly pension benefit; or
  - received, or will receive, a lump sum pension payment?
2. Employee claims no monthly pension or lump sum pension payment from any railroad pension plan.
  - a) If the employee's last or any previous employer is not on the Pension Table, there is no conflict. No G-88p is needed.
  - b) If the employee's last or any previous employer and job category are on the Pension Table, there is a conflict. A G-88p should be released to the last or previous employer.
3. Employee claims a monthly pension or lump sum pension payment from a pension plan with their last or a previous employer.
  - a) If the employer and employee's job category are on the Pension Table, there is no conflict. No G-88p is needed.
  - b) If the last or previous employer is not on the Pension Table, there is a conflict. A G-88p should be released to the last or previous employer.

## 315.17 Entering Supplemental Annuity Information On APPLE

### 315.17.1 APPLE Supplemental Annuity Screen

Complete the APPLE Supplemental Annuity screen (APMU245) using the pension information the employee provides.

**IMPORTANT:** If the employee worked for more than one railroad employer and the pension benefit is from a previous employer, enter the previous employer's information. Similarly, if the pension is from the last employer, but based on previous service in a different job category, enter the job category on which the pension is based.

**Example 1:** The employee worked for two railroad employers in his career: the first 25 years for Railroad X and the last 10 years for Railroad Y. He was covered under a private pension plan with Railroad X, but not with Railroad Y. On the APPLE Supplemental Annuity screen, enter the information for Railroad X, the employer with which he was covered under the pension plan. Do not enter the information for Railroad Y.

**Example 2:** The employee worked for the same railroad for 33 years. He was a salaried employee for the first 30 years and an agreement employee for the last 3 years. The employer has a pension plan that covers salaried employees, but does not have a pension plan for agreement employees. Because the employee was covered under the salaried pension plan while he was a salaried employee and not covered while he was an agreement employee, enter "salaried", not "agreement" as the employee's job category on the APPLE Supplemental Annuity screen.

Complete the APPLE Supplemental Annuity screen fields as follows:

- **SUP ANN ELIGIBILITY**

Enter "Y" if the employee is, or in the future will be, eligible for a supplemental annuity; or "N" if the employee is not, or will not be, eligible for a supplemental annuity. If you enter "Y", complete the remaining fields on this screen. If you enter "N", continue to the next APPLE screen.

- **RR PENSION**

Enter "1" if the employee states they are receiving, or will receive, a monthly pension benefit.

Enter "2" if the employee states they received, or will receive, a lump sum in lieu of a monthly pension benefit.

Enter "3" if the employee states they received, or will receive, a "small benefit" lump sum.

Enter "4" if the employee states they are not entitled to any type of pension benefit from any railroad employer.

- **ER NUMBER**

Enter the ER (BA) number of the railroad employer from which the employee is entitled to a pension benefit. [Reminder: If the pension is from a previous employer, enter the previous employer's BA number.]

- **RR EMPLOYER NAME**

Enter the name of the railroad employer that corresponds to the BA number entered in the ER NUMBER field.

- **JOB CATEGORY** (see [FOM1 315.13](#) for job category definitions)

Enter "1" if the employee was a "salaried" employee.

Enter "2" if the employee was a "non-agreement" employee.

Enter "3" if the employee was an "agreement" employee.

Enter "4" if the employee's job description does not fit into any of the above categories.

- **PENSION BEGINNING DATE**

If **RR PENSION** entered is:

"1" – Enter the date the monthly pension began, or will begin.

"2" – Enter the date the monthly pension would have begun if the lump sum had not been elected.

"3" – Enter the date the employee received, or will receive, the "small benefit" lump sum.

"4" – Leave blank.

The date entered can be a future date. If the employee does not know when they will receive the monthly pension or lump sum payment, enter an estimated date.

- **PENSION LESS THAN \$43**

Enter "N".

### **315.17.2 APPLE Summary Screen**

Refer to [FOM1 315.15](#) for determining when Form G-88p should be released. Following are the entries for the Form G-88p field on the APPLE Summary Screen (APMU0005):

#### **H = Headquarters Releases G-88p ("Attainment" cases)**

Enter "H" in "attainment" cases when the employee was covered under a railroad pension plan and the Retirement Benefits Division (RBD) must determine if Form G-88p must be released at the time the employee attains the age requirement for the supplemental annuity. If Form G-88p is needed, RBD releases the form.

#### **R = Required – Field Office Releases G-88p**

Enter "R" when Form G-88p is required for the RASI SUP ANN award. The field office should release the G-88p when there is a conflict in the pension information the

employee provided and the information on the Pension Table, as explained in [FOM1 315.15.2](#).

### **N = Not Required**

Enter "N" when Form G-88p is not required. Either the employee is not covered under a railroad pension plan or the pension information the employee provides is sufficient for the RASI SUP ANN award.

### **E = Form G-88p Was Released Electronically**

Form G-88p was released electronically. APPLE determined that Form G-88p was required and the employer is part of the ERSNet system (see [FOM1 1720 G-88p](#) Instructions).

## **315.18 RBD Tickler Call-ups**

### **A. Pension Beginning Date More Than Three Months In Future**

RBD should set tickler call-ups in these situations when the pension beginning date will be more than three months in the future:

- If the pension beginning date is known and will be *more than three months* in the future, set a call-up for two months prior to the month the monthly pension will begin.
- If the pension beginning date is not known, but *will be more than three months* in the future, set a call-up to release Form G-88p as follows:
  - If the employee is age 60 – 62, set a call-up for the month they attain age 62.
  - If the employee is age 62 – 65, set a call-up for the month they attain age 65.

### **B. No Call-up If Pension Beginning Date Within Three Months**

Do not set a call-up if the pension beginning date is *within three months*. Pend the case until the reduction to the supplemental annuity can be made.

### **C. Call-up to Remove Reduction for "Small Benefit" Lump Sum**

If the supplemental annuity is reduced for a "small benefit" lump sum, enter a call-up for two months before the month the reduction should be removed.

## **315.19 Reducing SUP ANN for Employer Pension**

### **315.19.1 Reducing for a Monthly Pension**

#### **A. Reduction Is Permanent**

The reduction to the supplemental annuity for a monthly pension is permanent and remains in effect until entitlement to the supplemental annuity ends, usually with the death of the employee.

## **B. Assume Monthly Pension Benefit Greater Than \$43**

When initially reducing the supplemental annuity for a monthly pension, assume the monthly pension amount, or the amount attributable to employer contributions, is greater than \$43. This assumption is made because monthly pension benefits have increased significantly enough through the years that they rarely are less than \$43.

Use 77.77 for the employer pension reduction amount to reduce the supplemental annuity to zero. However, if the employee claims, and the RRB verifies, that their monthly pension is less than \$43, reduce the supplemental annuity by the actual amount of the monthly pension.

## **C. Effective Dates and Retroactivity of Reduction**

### **1. First Report of Monthly Pension**

When the monthly pension is first reported, either by the employee when they file or by the employer when it returns or submits a G-88p, reduce the supplemental annuity effective the later of the supplemental annuity beginning date or the pension beginning date. This is regardless of when the report is received.

### **2. Adjustment Report – Change In Pension Beginning Date**

When an adjustment report is received showing a change in the monthly pension beginning date, change the reduction effective date to the later of the date shown on the report or the supplemental annuity beginning date. This is regardless of when the report is received.

### **3. Adjustment Report – Change In Monthly Rate**

When an adjustment report is received showing a change in the monthly benefit amount, no action is necessary if the new amount does not affect the supplemental annuity. If the change in rate affects the supplemental annuity, adjust the reduction for the new rate effective the month following the month the report is received.

## **315.19.2 Reducing for a Lump Sum In Lieu of a Monthly Pension**

### **A. Definition of a Lump Sum In Lieu of a Monthly Pension**

*A lump sum in lieu of a monthly pension* is when an employee covered under a private pension plan (either a *defined benefit plan* or a *money purchase plan*) elects to receive the balance of their pension account in a lump sum payment instead of receiving a monthly pension. This applies even if most participants elect a lump sum under the

plan. As long as the payment of a monthly pension benefit is provided as an option under a plan, if the employee elects to receive their pension account in a lump sum payment, it is a *lump sum in lieu of a monthly pension*.

## **B. Making the Reduction to the Supplemental Annuity**

When an employee elects a lump sum in lieu of a monthly pension, they are treated for the purpose of reducing the supplemental annuity as receiving the monthly benefit. In other words, the supplemental annuity is reduced for the monthly pension the employee would have received if they had not elected the lump sum.

1. The reduction is permanent and remains in effect until entitlement to the supplemental annuity ends.
2. Assume the monthly pension the employee would have received is greater than \$43.
3. The reduction is effective the later of:
  - The supplemental annuity beginning date.
  - The date the monthly pension would have begun if the employee had not elected the lump sum.

### Example:

An employee attains age 60 on 11/22/2013 and is entitled to a 60/30 and a supplemental annuity beginning 12/1/2013. He also is eligible for a monthly railroad pension beginning 12/1/2013. When inquiring about his pension, the employee learns the value of his pension account is \$125,000.00. He decides to take that amount in a lump sum payment instead of receiving a monthly pension. In this case, the supplemental annuity is permanently reduced to zero effective 12/1/2013, the supplemental annuity beginning date.

## **C. Lump Sum Elected Before SUP ANN Eligibility**

If an employee terminates employment with a railroad before they are eligible for the supplemental annuity, and elects to receive a lump sum instead of receiving a reduced monthly pension immediately or an unreduced monthly pension in the future, the supplemental annuity is reduced effective with the supplemental annuity beginning date.

### Example:

An employee with 26 years of service attains age 65 on 6/12/2014. He terminated railroad employment at age 57. The railroad pension plan under which the employee was covered provided these options at termination: receive a reduced monthly pension at age 60; receive an unreduced monthly pension at age 65; immediately receive the balance of his pension account in a lump sum. He elected to receive the lump sum. In

this case, the supplemental annuity is permanently reduced to zero effective 7/1/2014, the supplemental annuity beginning date.

#### **D. Lump Sum Paid In Installments**

If the lump sum is paid in installments, the installment payments are not considered periodic pension payments, but part of a single, lump-sum payment. The supplemental annuity is reduced permanently, not just for the months installment payments are made.

#### **E. Employee Rolls Over Pension Account Balance**

When an employee rolls over the balance of their railroad pension account to another account, such as an Individual Retirement Account (IRA), the rollover is considered a lump sum distribution. Therefore, an employee who rolls over their pension account instead of receiving a monthly pension is considered to have elected a *lump sum in lieu of a monthly pension*. The supplemental annuity is permanently reduced effective with the supplemental annuity date.

#### **315.19.3 "Small Benefit" Lump Sum Payment**

Most pension plans do not pay a monthly pension if the value of the employee's pension account is less than a minimum amount specified in the pension plan. The amount typically is \$5,000.00, but may be less under some plans. This is sometimes referred to as a plan's "small benefit" provision. Under a "small benefit" provision, if the value of a plan participant's account is less than the minimum amount stated in the plan, the employee is required to receive the account in a lump sum payment, with no option of receiving a monthly pension.

Because a monthly pension is not payable in these cases, the reduction to the supplemental annuity is not permanent. Instead, the lump sum, or amount of the lump sum attributable to the employer's contributions, is divided by the supplemental annuity. The total is the number of months the supplemental annuity should be withheld to recover the amount of the employer's contributions. The effective date of the reduction is the month following the month the RRB receives the G-88p with the lump sum information from the employer.

#### Example:

The employee attains age 60 on 3/22/2014 and is entitled to a 60/30 and a supplemental annuity beginning 4/1/2014. He states on his application that he was covered under a railroad pension plan for a short time and received a small lump sum from the period he was covered. A G-88p is released to the employer. The completed G-88p is received by the RRB on 6/7/2014. It shows that the employee was paid a "small benefit" lump sum of \$2,222.20 on 4/5/2014. The reduction to the supplemental annuity is calculated as follows:

$2220.20 \div 43 = 51.68$ ; the supplemental annuity is reduced to zero for 51 months effective 7/1/2014 (month after month G-88p received), a partially supplemental annuity

is payable in the 52<sup>nd</sup> month, and the full supplemental annuity is again payable beginning with the 53<sup>rd</sup> month.

Note: An employee may elect to have their supplemental annuity permanently reduced by a small amount rather than have it reduced to zero for a number of months. If the employer can provide an actual or estimated monthly benefit amount, that amount may be used to permanently reduce the supplemental annuity.

### 315.20 Reducing Sup Ann Pending Return of G-88p

Reduce the supplemental annuity to zero from the supplemental annuity beginning date when a G-88p has been released and one of these conflict situations exists:

- The employee states on their application that they are not receiving, or will not receive a monthly pension, or did not, or will not, receive a lump sum pension payment from their last or any previous employer, and the last or previous employer and the employee's job category are on the Pension Table.
- The employee states on their application that they are receiving, or will receive, a monthly pension or received, or will receive, a lump sum pension payment from their last or any previous employer, and the employer is not on the Pension Table.

When the G-88p is returned, make any necessary adjustments based on the information the employer provided, e.g., remove the reduction if the G-88p shows that the employee is not entitled to a monthly pension.

### 315.21 Reopening When Reduction Previously Not Applied

Use the following guidelines to handle cases in which RRB discovers that the reduction to the supplemental annuity was not made timely.

#### A. Within Four Years

- If the employee *stated on the application that they are receiving a monthly pension benefit*, reduce the supplemental annuity retroactively to the date the reduction should have begun and assess the corresponding overpayment **if** the date of the correction award and the date the overpayment is posted is within four years of the date the supplemental annuity was paid. The four year limit can be extended six months if a G-88p was released before the four year limit expired.
- If the employee *stated on the application that they are not, and will not be, entitled to an employer pension*, reduce the supplemental annuity retroactively to the date the reduction should have begun and assess the corresponding overpayment. The four year limit does not apply in these cases.

## B. After Four Years

- If the employee *stated on the application that they are receiving an employer pension*, reduce the supplemental annuity prospectively. Do not assess an overpayment.
- If the employee *stated on the application that they are not, and will not be, entitled to an employer pension*, reduce the supplemental annuity retroactively to the date the reduction should have begun and assess the corresponding overpayment. The four year limit does not apply in these cases.

## 315.22 Special Employer Pension Situations

### 315.22.1 Burlington Northern Santa Fe (BNSF)

#### Pension Payments to UTU Members Who Formerly Worked for ATSF.

Retiring BNSF employees who are members of the United Transportation Union (UTU) and formerly worked for the Atchison, Topeka and Santa Fe (ATSF) before its merger with Burlington Northern (BN) may receive a lump sum payment of around \$65,000 from one of these two pension plans:

- "The BNSF Railway Company Pension Plan for Conductors, Trainmen and Yardmen on the Western Region (Coast Lines) and Texas Division"
- "The BNSF Railway Company Pension Plan for Conductors, Trainmen and Yardmen on the Former Eastern and Western Lines (Excluding Northern and Southern Divisions)"

The plans were established as part of collective bargaining agreements between UTU and ATSF in 1989 and 1992, respectively.

Most employees covered under these plans take the pension in a lump sum payment because that is more advantageous for them. However, because these are defined benefit plans, *the lump sum is in lieu of a monthly pension*. Permanently reduce the supplemental annuity to zero effective with the supplemental annuity beginning date.

Note: Because both plans are nearly identical, the BNSF Contact Official does not differentiate between the two and identifies both as "UTU \$65,000.00" on the G-88p.

### 315.22.2 Pension for Long Island Railroad Locomotive Engineers (BLE-DIV 269)

Most Long Island Railroad (LIRR) agreement employees are covered under one of three pension plans which cause a reduction to the supplemental annuity:

- *The LIRR Company Pension Plan*, which covers all LIRR employees hired before January 1, 1988.

- *The LIRR Money Purchase Plan*, which covers all LIRR employees hired January 1, 1988 or later.
- *The Metro-North Defined Benefit Plan for Agreement Employees*, which covers LIRR agreement employees who were hired January 1, 1988 or later and were on the payroll December 31, 2003 or later.

LIRR also funds an additional pension plan which is only for members of Division 269 of the Brotherhood of Locomotive Engineers (BLE 269). Under this plan, the monthly pension is reduced for the supplemental annuity. Because the monthly pension is reduced for the supplemental annuity under the BLE 269 plan, the supplemental annuities of BLE 269 locomotive engineers are not reduced for any LIRR pension (see [FOM1 315.12.4](#)).

### 315.22.3 CSX-UTU Agreement Pension Plan

CSX agreement employees who are members of UTU and previously worked for one of the CSX predecessor railroads listed below may be covered under the "Retirement Plan for Certain Hourly Employees of CSX Transportation, Inc., under CSXT Labor Agreements with the United Transportation Union (UTU) 4-064-93, 4-086-93, 4-087-93 and 4-134-93".

- Effective 07/01/1993: Employees of the former Baltimore and Ohio Railroad (BA 1302); Pere Marquette or Hocking Valley Railroads; and Three Rivers Railway (BA 3291).
- Effective 08/01/1993: Employees of the former Chesapeake and Ohio Railroad (BA 1401).

This pension benefit usually is paid in a lump sum. However, because this is a defined benefit plan, the lump sum is *in lieu of a monthly pension*. Permanently reduce the supplemental annuity to zero effective with the supplemental annuity beginning date.

Note: All of the railroads listed above ceased to be covered employers when they became part of CSX.

### 315.22.4 Canadian National Railway

#### **A. Employee States Last Employer Was Canadian National**

If an employee states they last worked for Canadian National Railway (CN), do not enter BA 1103 Canadian National as the employer on the APPLE Supplemental Annuity screen until you have verified the railroad under which the employee's service and earnings were reported. This is important because CN is divided into two, separate business entities: CN's Canada Operations (CN-Canada) and CN's U.S. Operations (CN-US). The CN-Canada headquarters are in Montreal, Canada and the CN-US headquarters are in Homewood, IL. All records for the employees of CN-US railroads are maintained in the Homewood, IL headquarters. If BA 1103

Canadian National is entered as the employer on the APPLE Supplemental Annuity screen, the G-88p would be released to CN's Montreal headquarters. Because the records of CN-US employees are not maintained there, releasing the G-88p to the Montreal headquarters could cause a significant delay in handling if the employee actually worked for a CN-US railroad.

The following are the CN-US railroads:

- BA 1303 – Bessemer and Lake Erie
- BA 1516 – Illinois Central
- BA 1607 – Duluth Winnipeg and Pacific (Merged into Wisconsin Central 12/2011)
- BA 1617 – Duluth Missabe and Iron Range (Merged into Wisconsin Central 12/2011)
- BA 2630 – Chicago Central and Pacific
- BA 2633 – Wisconsin Central
- BA 3397 – Elgin Joliet and Eastern
- BA 4227 – Grand Trunk Western (Previously BA 1208)
- BA 4249 – Pittsburgh and Conneaut

## **B. CN-US Agreement Employees Who Are Covered By an Employer Pension Plan**

In 2004, CN acquired these three railroads:

- BA 1303 – Bessemer and Lake Erie
- BA 1617 – Duluth, Missabe and Iron Range
- BA 4249 – Pittsburgh and Conneaut

In 2009, it also acquired the following railroad:

- BA 3397 (previously BA 1309) – Elgin, Joliet and Eastern.

All four railroads were subsidiaries of United States Steel (USS) and the employees of these railroads were covered under the USS pension plan. Because CN was obligated to honor the contracts that the various unions had previously negotiated with USS, the agreement employees of these four railroads remained covered under the pension plan after CN acquired them.

Many of the agreements have since expired. Under most of the newly negotiated agreements, the pension plan that covered the agreement employees of these four railroads is closed to new employees hired after a specific date. However, this does not affect the employees who were covered under the plan prior to the new agreements. They are still covered under the pension plan.

## **C. Former Duluth, Missabe & Iron Range Employees of Wisconsin Central**

In December 2011, BA 1607 Duluth, Winnipeg and Pacific (DW&P) and BA 1617 Duluth, Missabe and Iron Range (DM&IR), were merged into BA 2633 Wisconsin

Central (WC). Both DW&P and DM&IR ceased to be covered employers effective with the merger. Service and compensation of the employees who worked for these railroads are now reported under BA 2633 Wisconsin Central.

At the time of the merger, DW&P and WC agreement employees were not covered under a railroad pension plan. However, the employees of DM&IR were covered. If a current WC employee worked for DM&IR before the merger, enter the information for DM&IR on the APPLE Supplemental Annuity screen, not the information for WC (see [FOM1 315.17.1](#)).

### **315.22.5 Canadian Pacific Railroad**

This is the same situation described in [FOM1 315.22.4.A](#) for Canadian National Railway. If an employee states they last worked for Canadian Pacific Railroad (CP), do not enter BA 1104 Canadian Pacific as the employer on the APPLE Supplemental Annuity screen until you have verified the railroad under which the employee's service and earnings were reported. The records of employees of CP's U.S. railroads are maintained in the CP-US headquarters in Minneapolis, MN. If BA 1104 Canadian Pacific is entered on the APPLE Supplemental Annuity screen, the G-88p will be released to the CP-Canada headquarters in Toronto, Canada. This could cause a significant delay in handling if the employee actually worked for a CP-US railroad.

The CP-US railroads are:

- BA 1606 – Soo Line
- BA 2252 – Delaware and Hudson
- BA 2632 – Dakota, Minnesota and Eastern
- BA 2661 – Iowa, Chicago and Eastern (merged into Dakota, Minnesota and Eastern)

### **315.22.6 Union Pacific Pension Plan – "Level Income" Option**

The *Union Pacific (UP) Pension Plan for Salaried Employees* includes a "Level Income" option. The "Level Income" option allows an individual to receive an increased monthly pension until the attainment of either age 60, 62 or 65, whichever age the individual expects to receive social security benefits or an annuity payable under the RRA. Upon attainment of that predetermined age, the monthly pension decreases, regardless of whether or not the employee has actually started to receive the expected SSA or RRA benefits.

**EXAMPLE:** The employee retires from UP at age 55 with over 30 years of service. He is entitled to a monthly pension of \$500.00. He elects the "Level Income" option, which allows him to receive a monthly pension of \$2000.00 until he becomes entitled to his railroad retirement annuity at age 60. When he becomes entitled to the annuity, his monthly pension benefit is reduced to \$30.00.

The RRB's General Counsel ruled in Legal Opinion L-99-8, dated August 11, 1999, that when the employee elects the "Level Income" option, the supplemental annuity should be reduced by the amount of the monthly benefit he would have received had he not elected that option. In the above example, because the employee would have received a monthly pension benefit of \$500.00 had he not elected the "Level Income" option, the supplemental annuity is reduced by \$500.00, i.e., it is reduced to zero. It is not reduced by \$30.00, the actual monthly amount he receives when he becomes entitled to the retirement annuity.

### **315.22.7 Conrail**

On August 22, 1998, Norfolk Southern and CSX purchased 58% and 42% of Conrail stock, respectively. When this occurred, some Conrail employees left Conrail (early retirement, severance, etc.), others remained with Conrail, and others transferred to either NS or CSX. Those who transferred to NS or CSX eventually were covered under the respective railroad's pension plan, with credit given for Conrail service. Current Conrail employees or former Conrail employees who did not transfer to NS or CSX and were vested under the Conrail Pension Plan prior to August 22, 1998 may be eligible for a Conrail pension benefit

## **315.23 RBD Handling of Attainment Cases**

### **315.23.1 RASI Awards**

If the final employee annuity was paid mechanically, RASI will produce an award message requiring a type 150 or 954 RASIFORM (Key/Master) input when the employee is not eligible for a SUP ANN at the time the employee annuity is paid, but will attain the age requirement within three months. If the employee is eligible for a SUP ANN within three months, RBD will submit the RASIFORM (Key/Master) input. RASI will hold the data until the SUP ANN can be paid.

### **315.23.2 ROC Awards**

In final ROC employee annuity awards, no referral will be produced for any case in which the employee is entitled to a SUP ANN and attains the age requirement within three months after the employee annuity is paid. MAP, the Monthly Attainment Program, scans PREH three months prior to and every month after the attainment month. A MAP referral will be downloaded to STAR and referred to examiners to enter the pension information where pension rights information is indicated on PREH.

### **315.23.3 Relinquishment of Rights for Disability Annuitants**

In RASI cases where relinquishment of rights is necessary before the SUP ANN can be awarded, RASI will release the type code 150 HSL message with the legend "R/R REQUIRED FOR SUP".

RBD will examine the folder to see if the employee has authorized the RRB to automatically relinquish rights when a SUP ANN becomes payable. Form AA-1d authorizes the RRB to relinquish rights when the annuitant becomes entitled to a SUP ANN. In addition, Form G-346, *Employee's Certification*, includes a statement authorizing the RRB to relinquish rights when the employee's spouse becomes entitled to a spouse annuity.

If such authorization is not in file, RBD will request the field office to obtain Form G-88, *Employee's Certificate of Termination of Service and Relinquishment of Rights*, from the employee. RBD will not submit the SUP ANN data to RASI or pay the SUP ANN on ROC until the G-88 is received from the field office. If the G-88 is not received within 30 days, RBD will trace for it through the field office.

If the employee does not want to relinquish rights, RBD will not process the case as a SUP ANN denial, and will not release a denial letter to the annuitant.

If the annuitant later relinquishes rights, RBD will award the SUP ANN on ROC. The SUP ANN may retroact up to 12 months prior to the date the employee's rights are relinquished if the employee was otherwise entitled to a SUP ANN for that entire period.

### **315.24 Reduction to SUP ANN When Employer Coverage Terminates**

In most cases, retired employees continue to receive their employer pensions after an employer's coverage terminates. The pension payments might continue to be made by a successor railroad, an insurance company contracted by the railroad to pay benefits, or the Pension Benefit Guaranty Corporation. Legal Opinion L-76-97 states that the supplemental annuity continues to be reduced by the employer pension and no adjustment is required.

However, the reduction to the supplemental annuity for the employer pension should be removed after the employer coverage terminates if the retired employee either:

- Does not continue to receive the employer pension; or
- Does not receive a lump sum in lieu of continued monthly pension payments.

### **315.25 Income Taxes on SUP ANN**

#### **315.25.1 Federal Income Tax**

The RR Act specifies that supplemental annuities are not exempt from Federal income tax laws. Supplemental annuities are included in income taxable under Federal income tax laws because they are considered to be in the same category as other employer-financed private retirement programs. Refer to TOM1.120.05.10 for information about how supplemental annuities are taxed under federal laws.

### **315.25.2 State Income Tax**

The RRA excludes both regular and supplemental annuities from state income tax laws (see TOM1.130).

### **315.26 Additional Historical Background**

Additional historical background on supplemental annuities is in [FOM1 Art. 3 App. E](#). The appendix includes the legislative history of supplemental annuities, the supplemental annuity cutbacks from 1987 through 1990, how the Railroad Retirement and Survivors Improvement Act of 2001 (RRSIA) affected supplemental annuities, and a brief description of the TACAL program, which was used prior to RRSIA to calculate employers' supplemental annuity taxes.