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Railroad Retirement Age Reductions

Railroad retirement benefits are subject to reduction if an employee with less than 30 years of service retires before attaining full retirement age. While employees with less than 30 years of service may still retire at age 62, the age at which full retirement benefits are payable has been gradually increasing since the year 2000, the same as for social security.

The following questions and answers explain how these early retirement age reductions are applied to railroad retirement annuities.

1. What is the full retirement age for railroad employees with less than 30 years of service, and is it the same for employees covered under social security?

Full retirement age, the earliest age at which a person can begin receiving railroad retirement benefits without any reduction for early retirement, ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as for social security.

2. How are the changes in the maximum age reduction being phased in?

Since 2000, the age requirements for some unreduced railroad retirement benefits have been rising just like the social security requirements. For employees with less than 30 years of service and their spouses, full retirement age increases from 65 to 66, and from 66 to 67, at the rate of two months per year over two separate six-year periods. This also affects how reduced benefits are computed for early retirement.

The gradual 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 age 66 for people born in the years 1943 through 1954. The gradual 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.

3. How does this affect the early retirement age reductions applied to the annuities of those who retire before full retirement age?

The early retirement annuity reductions applied to annuities awarded before full retirement age are increasing. For employees retiring between age 62 and full retirement age with less than 30 years of service, the maximum reduction will be 30 percent by the year 2022. Prior to 2000, the maximum reduction was 20 percent.

Age reductions are applied separately to the tier I and tier II components of an annuity. The tier I 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 (if any). This will result in a gradual increase in the reduction at age 62 to 30 percent for an employee once the age 67 retirement age is in effect.

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These same reductions apply to the tier II component of the annuity. However, if an employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65, and the tier II benefit will not be reduced beyond 20 percent.

The following chart shows how the gradual increase in full retirement age will affect employees.

Employee Retires 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% |

* A person attains a given age the day before his or her birthday. Consequently, someone born on January 1 is considered to have attained his or her given age on December 31 of the previous year.

** If an employee has less than 10 years of railroad service and is already entitled to an age-reduced social security benefit, the tier I reduction is based on the reduction applicable on the beginning date of the social security benefit, even if the employee is already of full retirement age on the beginning date of the railroad retirement annuity.

4. What are some examples of how this will affect the amounts payable to employees retiring before full retirement age with less than 30 years of service?

Take the example of an employee born on February 2, 1956, who retires in 2018 at the age of 62. In terms of today's dollars and current benefit levels, not counting future increases in creditable earnings, assume this employee is eligible for monthly tier I and tier II benefits, before age reductions, of \$1,200 and \$800, respectively, for a total monthly benefit of \$2,000.

Upon retirement at age 62, the employee's tier I benefit would be reduced by 26.667 percent, the maximum age reduction applicable in 2018. This would yield a tier I monthly benefit of \$880; the employee's tier II benefit would also be reduced by 26.667 percent, providing a tier II amount of \$586.66 and a total monthly rate of \$1,466.66. However, if the employee had any railroad service before August 12, 1983, the tier II benefit would be subject to a maximum reduction of only 20 percent, providing a tier II amount of \$640, and a total monthly rate of \$1,520.

As a second example, take an employee born on June 2, 1960, and also eligible for monthly tier I and tier II benefits, before age reductions, of \$1,200 and \$800, respectively, for a total monthly benefit of \$2,000. This employee retires in 2022 at age 62 with no service before August 12, 1983. Consequently, a 30 percent reduction is applied to both the tier I and tier II benefits and the net total annuity would be \$1,400.

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5. How are railroad retirement spouse benefits affected by this change?

If an employee retiring 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 full retirement age. Beginning in the year 2000, full retirement age for a spouse gradually began to rise to age 67, just as for an employee, depending on the year of birth. While reduced spouse benefits are still payable at age 62, the maximum reduction will be 35 percent by the year 2022. However, if an employee had any creditable railroad service prior to August 12, 1983, the increased age reduction is applied only to the tier I portion of the spouse’s benefit. The maximum reduction in tier II, in this case, would only be 25 percent, as under prior law.

The following chart shows how this will affect the spouses of railroad employees if the employee retires with less than 30 years of service.

Spouse Age Reductions

| Year of Birth* | Full Retirement Age** | Annuity Reduction at Age 62 |
|-----------------------|------------------------------|------------------------------------|
| 1937 or earlier | 65 | 25.00% |
| 1938 | 65 and 2 months | 25.833% |
| 1939 | 65 and 4 months | 26.667% |
| 1940 | 65 and 6 months | 27.50% |
| 1941 | 65 and 8 months | 28.333% |
| 1942 | 65 and 10 months | 29.167% |
| 1943 through 1954 | 66 | 30.00% |
| 1955 | 66 and 2 months | 30.833% |
| 1956 | 66 and 4 months | 31.667% |
| 1957 | 66 and 6 months | 32.50% |
| 1958 | 66 and 8 months | 33.333% |
| 1959 | 66 and 10 months | 34.167% |
| 1960 or later | 67 | 35.00% |

* A person attains a given age the day before her or his birthday. Consequently, someone born on January 1 is considered to have attained her or his given age on December 31 of the previous year.

** If the 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.

6. What are some examples of how this will affect the amounts payable to the spouses of employees retiring before full retirement age with less than 30 years of service?

Take for an example the spouse of a railroader with less than 30 years of service, none of it prior to August 12, 1983, who was born on April 2, 1960, and is retiring in 2022 at age 62, with a spouse annuity, in terms of today’s dollars and current benefit payments and before any reductions for age, of \$1,000 a month. With the maximum reduction of 35 percent applicable in 2022, the net monthly benefit would be \$650.

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As a second example, if the same spouse had been born on April 2, 1956, and was retiring in 2018 at age 62, with the maximum age reduction of 31.667 percent, the net monthly benefit would be \$683.33.

7. Are age reductions applied to employee disability annuities?

Employee annuities based on disability are not subject to age reductions **except** for employees with less than 10 years of service, but who have 5 years of service after 1995. Such employees may qualify for a tier I benefit before retirement age based on total disability, but only if they have a disability insured status (also called a “disability freeze”) under Social Security Act rules, counting both railroad retirement and social security-covered earnings. Unlike with a 10-year employee, a tier II benefit is not payable in these disability cases until the employee attains age 62. And, the employee’s tier II benefit will be reduced for early retirement in the same manner as the tier II benefit of an employee who retired at age 62 with less than 30 years of service.

8. Do these changes also affect survivor benefits?

Yes. The eligibility age for a full widow(er)’s annuity is also gradually rising from age 65 for those born before 1940 to age 67 for those born in 1962 or later. A widow(er), surviving divorced spouse or remarried widow(er) whose annuity begins at full retirement age or later will generally receive an annuity unreduced for early retirement. However, if the deceased employee received an annuity that was reduced for early retirement, a reduction would be applied to the tier I amount payable to the widow(er), surviving divorced spouse or remarried widow(er). The maximum age reductions will range from 17.1 percent to 20.36 percent, depending on the widow(er)’s date of birth. (These age reductions apply to both tier I and tier II.) For a surviving divorced spouse or remarried widow(er), the maximum age reduction is 28.5 percent. For a disabled widow(er), disabled surviving divorced spouse or disabled remarried widow(er), the maximum reduction is also 28.5 percent, even if the annuity begins at age 50.

9. Does the increase in full retirement age affect the age at which a person becomes eligible for Medicare benefits?

No. Although the age requirements for some unreduced railroad retirement benefits have risen just like the social security requirements, beneficiaries are still eligible for Medicare at age 65.

10. Do these increases in full retirement age also apply to the earnings limitations and work deductions governing benefit payments to annuitants who work after retirement?

Like social security benefits, railroad retirement tier I and vested dual benefits paid to employees and spouses, and tier I, tier II, and vested dual benefits paid to survivors, are subject to deductions if an annuitant’s earnings exceed certain exempt amounts. These earnings limitations and work deductions apply to all age and service annuitants and spouses under full retirement age regardless of the employee’s years of service. Although employees retiring at age 60 with 30 years of service have no age reduction, these earnings limitations and work deductions still apply until they reach their full retirement age. These earnings limitations also apply to survivor annuitants, with the exception of disabled widow(er)s under age 60 and disabled children.

Likewise, while special earnings restrictions apply to employees entitled to disability annuities, these disability earnings 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 railroad service.

The additional deductions applied to the annuities of retired employees and spouses who work for their last pre-retirement nonrailroad employer continue to apply after the attainment of full retirement age.

11. How can individuals get more information about railroad retirement annuities and their eligibility requirements?

More information is available by calling the RRB toll-free at 1-877-772-5772, or by visiting the agency's website at **RRB.gov**. Persons can also find the address of the RRB office servicing their area by calling the toll-free number, or by clicking on the Field Office Locator tab at **RRB.gov**. Most RRB offices are open to the public on weekdays from 9:00 a.m. to 3:30 p.m., except on Wednesdays when offices are open from 9:00 a.m. to 12:00 p.m. RRB offices are closed on Federal holidays.

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