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Working After Receiving an Annuity

Retirees, and those planning retirement, should be aware of the railroad retirement laws and rules governing benefit payments to annuitants who work after retirement, whether they have retired based on age and service or on disability.

The following questions and answers describe these railroad retirement work restrictions and earnings limitations on post-retirement employment, as well as how these rules can affect retirees engaging in self-employment.

Although the Railroad Retirement Board (RRB) participates in information exchanges with other Federal agencies to identify unreported work and earnings to protect the integrity of its programs, annuitants are obligated to report post-retirement work and earnings. It is important to note that if annuitants fail to report post-retirement work and earnings, the Board may assess overpayments and fines. In some circumstances, law enforcement may consider the annuitant to have committed fraud subject to criminal and civil penalties.

1. What are the basic railroad retirement work restrictions and earnings limitations that apply to post-retirement work?

Neither a regular railroad retirement annuity (whether based on age and service or on disability) nor a supplemental annuity is payable for any month in which a retired or disabled employee, regardless of age, works for an employer covered under the Railroad Retirement Act. This includes work for labor organizations. This is true even if the retired or disabled employee performed service for one day during the month, and includes local lodge compensation totaling \$25 or more for any calendar month. Regardless of the amount of salary, work by a local lodge or division secretary collecting insurance premiums is always considered railroad work and, therefore, no annuity is payable for any month in which such activity occurs.

No spouse annuity is payable in any month in which the employee's annuity is not payable, or for any month the spouse, regardless of age, works for an employer covered under the Railroad Retirement Act. A divorced spouse annuity is not payable for any month in which the divorced 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 at least 2 years, the employee and divorced 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 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.

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Also, like social security benefits, railroad retirement tier I benefits paid to employees, spouses and divorced spouses, and tier I and tier II benefits paid to survivors, are subject to deductions if an annuitant's earnings exceed certain exempt amounts. These earnings deductions do **not** apply to those who have attained full social security retirement age.

Full retirement age for employees and spouses is age 66 for those born from 1943 through 1954 and gradually increases to age 67 for those born in 1960 or later. Full retirement age for survivor annuitants ranges from age 66 for those born from 1945 through 1956 and gradually increases to age 67 for those born in 1962 or later.

Deductions for all annuitants, however, remain in effect for the months before the month of full retirement age during the calendar year of attainment. (The attainment of full retirement age does not mean an annuitant can return to work for an employer covered under the Railroad Retirement Act. As explained above, no annuity is payable for any month in which the annuitant works for a railroad employer, regardless of the annuitant's age).

If a railroad retirement annuitant also receives monthly social security benefits and has not attained full retirement age, his or her social security benefits will be reduced if he or she earns more than the exempt amount, but his or her tier I railroad retirement benefits are not reduced because of excess earnings.

Deductions are also assessed for retired employees and spouses who work for their last pre-retirement nonrailroad employer (see Question 3). Also, **special restrictions apply to disability annuitants** (see Questions 5 and 6).

2. What are the exempt earnings amounts for non-disability annuitants subject to earnings limitations?

For those under full retirement age throughout 2023, the exempt earnings amount rises to \$21,240 from \$19,560 in 2022. For beneficiaries attaining full retirement age in 2023, the exempt earnings amount rises to \$56,520 from \$51,960 in 2022 for the months before the month full retirement age is attained.

For those under full retirement age throughout the year, the earnings deduction is \$1 in benefits for every \$2 of earnings over the exempt amount. For those attaining full retirement age in 2023, the deduction is \$1 for every \$3 of earnings over the exempt amount in the months before 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.

3. What are the deductions applied to the annuities of retired employees and spouses working for their last pre-retirement nonrailroad employer?

Retired employees and spouses, regardless of age, who work for their last pre-retirement nonrailroad employer are subject to an earnings deduction of \$1 for every \$2 in earnings up to a maximum reduction

of 50 percent of their tier II benefit (and railroad retirement supplemental annuity benefit, if applicable). There is no earnings exempt amount for these deductions. They apply even if earnings do not exceed the tier I exempt earnings limits. Also, while tier I earnings deductions stop when an annuitant attains full retirement age, these tier II and supplemental annuity deductions continue to apply regardless of age. Work that begins on the same day as the annuity beginning date is **not** last pre-retirement non-railroad employment.

4. Can a retired employee's earnings also reduce a spouse's benefit?

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. An annuity paid to a divorced spouse may continue despite the employee's work activity. However, the employee's non-railroad earnings over the annual earnings exempt amount may reduce a divorced spouse benefit.

5. How do post-retirement work activity and earnings affect disability annuities?

Any work performed by a disabled annuitant - whether for payment or not - may be considered an indication of recovery from disability and **must be reported promptly**. Failure to report such work activity timely could result in overpaid annuities, which must be repaid, as well as severe financial penalties.

In addition, a disability annuity is not payable for any month in 2023 in which the disabled employee annuitant earns more than \$1,150 (\$1,050 in 2022) in any employment or net self-employment, exclusive of disability-related work expenses. If a disabled employee annuitant's earnings in a year (after deduction of disability-related work expenses) exceed the annual limit, the annuity is not payable for the number of months derived by dividing the amount by which those earnings exceed the annual limit by the amount of the monthly limit. Any resulting fraction of a month equal to or greater than one-half (0.5) is rounded up, increasing the number of months in which the annuity is not payable by one. For example, a disabled employee annuitant earns \$18,900 in 2023, which is \$4,525 over the 2023 annual limit of \$14,375. Dividing \$4,525 by \$1,150 yields 3.93. As .93 is more than one-half, the annuitant would lose 4 months of benefits.

These disability work and earnings restrictions apply until the disabled employee annuitant attains full retirement age which, as explained in the answer to Question 1, varies depending on the year of birth. These work and earnings restrictions apply even if the annuitant has 30 years of railroad service. Also, a disabled employee annuitant who works for his or her last pre-retirement nonrailroad employer would be subject to the deduction that applies in these cases, and which continue to apply after the attainment of full retirement age.

6. Do the special earnings restrictions listed in the answer to Question 5 apply to disabled widow(er) and disabled child annuitants?

The earnings restrictions listed in the answer to Question 5 do **not** apply to disabled widow(er)s **under age 60** or to disabled children. However, the annuity of an unmarried disabled widow(er)

technically becomes an age annuity when the widow(er) attains age 60. Therefore, regular annual earnings restrictions (see Question 2) apply beginning with the month the widow(er) attains age 60 and ending with the month before the month the widow(er) attains full retirement age.

All earnings in the year age 60 is attained are considered in determining excess earnings for that year. However, work deductions may apply only beginning with the month the widow(er) attains age 60.

Also, if a disabled widow(er) works before full retirement age, this may raise a question about the possibility of that individual's recovery from disability, regardless of the amount of earnings. Therefore, any work activity must be reported promptly to avoid overpayments, which are recoverable by the RRB and may also include significant penalties.

7. A railroad retirement employee annuitant is considering becoming a self-employed contractor or consultant, and might be providing services for a railroad or last pre-retirement nonrailroad employer. How would this affect his or her railroad retirement annuity?

The impact on an individual's railroad retirement annuity depends on whether the RRB considers the annuitant to be truly engaging in self-employed contracting or consulting, or considers him or her to be functioning as an employee, and, if so, who the RRB considers to be the actual employer for railroad retirement purposes.

If a retiree is considered to be functioning as a self-employed contractor or consultant, his or her annuity is subject to tier I earnings deductions for net self-employment earnings.

However, if a retiree is considered to be functioning as an employee of a railroad or railroad labor organization, rather than as a self-employed contractor or consultant, the retiree's annuity would be subject to suspension. If the retiree is considered the employee of a nonrailroad employer, the retiree's annuity would be subject to earnings deductions for nonrailroad wages, and to additional deductions if he or she is considered to be working for a last pre-retirement nonrailroad employer.

RRB determinations on contracting or consulting services consider multiple factors which could be evaluated differently depending on the individual circumstances. Anyone requiring a determination as to whether contractor or consultant service is valid self-employment should contact his or her local RRB field office for a determination well in advance of making a commitment to be sure of the effect on annuity payments.

8. How can people get more information about these railroad retirement work restrictions and earnings limitations?

More information is available by visiting the RRB's website, **RRB.gov**, clicking on **FAQ**, and then selecting **Earnings & Working After Retirement**, or by calling an RRB office toll-free at 1-877-772-5772. Persons can find the address of the RRB office serving their area by clicking on the **Field Office Locator** tab at RRB.gov or by calling the agency's toll-free number. RRB field offices currently offer **limited in-person service by appointment**. To schedule an appointment, call 1-877-772-5772.

Individuals should bring a photo ID when visiting a field office, and, depending on guidance from the Centers for Disease Control and Prevention for the county in which the field office is located, may be

required to wear an appropriate face mask. In such circumstances, if visitors do not have a mask, one will be provided for them.

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