



Railroad Retirement Information

U.S. Railroad Retirement Board

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RRB.gov
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information

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Deemed Service Month Credits

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

Railroad employees earn credit for a month of railroad service for every month in which they had compensated service covered by the Railroad Retirement Act (RRA). (Local lodge compensation is disregarded for any calendar month in which it is less than \$25.) In addition, under the RRA's deeming provisions, an employee *may*, in some cases, receive additional railroad retirement service month credits despite not actually working in every month of the year.

The following questions and answers describe the conditions under which an employee may receive deemed railroad retirement service month credits and provide examples of how the number of deemed service months is computed.

1. What requirements must be met before additional service months can be deemed?

A service month can be deemed if an employee has less than twelve service months reported in the year, has sufficient compensation reported, and is in an "employment relation" with a covered railroad employer, or is an employee representative, during that month. (In this context, an employee representative is limited to mean a labor official of a noncovered labor organization who represents employees covered under the Acts administered by the Railroad Retirement Board.)

For this purpose, an employment relation generally exists for an employee on an approved leave of absence (for example, furlough, sick leave, suspension, etc.). An employment relation is severed by retirement, resignation, relinquishing job rights to receive a separation allowance, or termination.

2. How is credit for additional service months computed?

For additional service months to be deemed, the employee's compensation for the year, up to the annual tier II creditable earnings maximum, must exceed an amount equal to 1/12 of the tier II maximum multiplied by the number of service months actually worked. The excess amount is then divided by 1/12 of the tier II maximum; the result, rounded up to the next whole number, equals the maximum number of months that may be deemed as service months for that year. Fewer months may be deemed, if an employment relation, as defined in Question 1, does not exist.

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The following are examples of how credit for additional service months is computed:

- An employee who works five months in 2024 before being furloughed, but earns compensation of \$130,000, could be credited with seven additional service months. One-twelfth of the 2024 \$125,100 tier II maximum (\$10,425) times the employee's actual service months (five) equals \$52,125. The employee's compensation in excess of \$52,125 up to the \$125,100 maximum is \$72,975 which divided by \$10,425 equals seven. Therefore, seven deemed service months could be added to the five months actually worked and the employee would receive credit for 12 service months in 2024.
- Another employee works for five months in 2024 and earns compensation of \$85,200. In this case, the excess amount (\$85,200 minus \$52,125) is \$33,075 which divided by \$10,425 equals 3.17. After rounding, this employee could receive credit for four deemed service months and be credited with a total of nine months of service in 2024.
- A third employee works for four months in 2024 before resigning on April 12, but earns compensation of \$71,000. Since the employee resigned in April, there is no employment relation for the remaining months and no additional service months may be deemed and credited.

3. Should an employee preparing to retire consider deemed service months when designating his or her railroad retirement annuity beginning date?

An employee may wish to consider credit for deemed service months when selecting an annuity beginning date since, in some cases, deemed service months can be used to establish eligibility for certain annuities, increase an annuity's tier II amount, or establish a current connection, as illustrated below. It should be noted that service months cannot be deemed after the annuity beginning date.

The following are examples of how deemed service months can establish annuity eligibility, increase a tier II amount, or establish a current connection, respectively:

- Railroad employees between the ages of 60 and 62 might be able to use deemed service months to establish the 360 months of railroad service needed to qualify for an age and service annuity that is **not** subject to early retirement ("age") reductions. These age reductions are applied to the annuities of people who retire before attaining their full retirement age.

For example, a 60-year-old employee has earned 358 months of total creditable railroad service through May 2024. He last performed railroad service on May 15, 2024, and received \$71,800 in compensation for the year. If he wishes to retire, he must wait until his full retirement age of 67 or accept an age-reduced annuity at age 62. However, to establish eligibility for an annuity that is unreduced for age prior to full retirement age, he would need at least two additional months of service.

The employee's excess amount (\$71,800 minus \$52,125) is \$19,675, which divided by \$10,425 equals 1.88. Therefore, two deemed service months could be added to the five months actually worked and the employee would receive credit for seven service months in 2024 for a total of 360 service months, allowing him to receive an unreduced annuity beginning July 2, 2024.

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- An employee worked in the first four months of 2024 and received compensation of \$69,500. He does not relinquish his rights until July 2, 2024, and applies for an annuity to begin on that date.

The excess amount (\$69,500 minus \$41,700) is \$27,800, which divided by \$10,425 equals 2.66, which yields three deemed service months for a total of seven service months in 2024. Had the employee relinquished his employment rights and applied for an annuity to begin on July 1, he would have been given credit for only six service months.

The employee received the maximum compensation in all of the last five years and had 360 months of service through 2023. The additional service and compensation increases his tier II from \$1,925 to \$1,951.39. However, delaying the annuity beginning date past the second day of the month after the date last worked solely to increase the tier II amount would not generally be to the employee's advantage.

- An employee left the railroad industry in 2006 and engaged in employment covered by the Social Security Act. In July 2023, she returned to railroad employment and worked through May 24, 2024. She received compensation of \$53,650 in 2024. She does not relinquish her rights until June 2, 2024, and applies for an annuity to begin on June 2, 2024.

In this case, the excess amount (\$53,650 minus \$52,125) is \$1,525, which divided by \$10,245 equals .147, which yields one deemed service month. Consequently, the employee is given credit for six service months in 2024. With six months of service in 2024 and six months in 2023, the employee establishes a current connection. Had she designated the earliest annuity beginning date permitted by law, she would not have met the 12-in-30-month requirement for a current connection. (An employee who worked for a railroad in at least 12 months in the 30 months immediately preceding the month his or her railroad retirement annuity begins meets the current connection requirement for a railroad retirement supplemental annuity, occupational disability annuity or survivor annuities for family members.)

4. Can an employee ever receive credit for more than 12 service months in any calendar year?

No. Twelve service months are the maximum that can be credited for any calendar year.

5. Where can an employee get more information on how deemed service months could affect a railroad retirement annuity?

Employees with questions about deemed service months can call an RRB field office toll-free at 1-877-772-5772. Agency field offices also offer in-person service. While persons seeking in-office assistance are encouraged to schedule an appointment with their local field office by calling the agency's toll-free number, those without appointments will not be refused service. However, they may be asked to schedule an appointment for a later time if there is no immediate availability. Individuals should bring a photo ID when visiting a field office. Field office addresses can be found by clicking on the **Field Office Locator** tab at **RRB.gov** or by calling 1-877-772-5772. RRB field offices are generally open Monday through Friday from 9:00 a.m. to 3:00 p.m., except for federal holidays.

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Individuals can also send a secure message to their local RRB field office by accessing Field Office Locator and clicking on the link at the bottom of their local office's page.

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