

PRE-RETIREMENT SEMINAR

***A guide to
railroad retirement benefits***



***A slide presentation by the
Office of the Labor Member
U.S. Railroad Retirement Board
January 2017***

Retired Employee and Spouse Benefits

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	<h1>PRE-RETIREMENT SEMINAR</h1>
	<p>A Guide to Railroad Retirement Benefits</p> <p style="text-align: right;">1</p>

Railroad Retirement Benefits

- **A railroad retirement benefit is called an annuity. These are monthly payments.**
- **Annuities are payable on the first business day of the month for the previous month.**
- **An annuitant must be alive the entire month in order for an annuity to be payable for that month.**
- **Annuities are made up of one or more components called tiers.**

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Service Requirement

- **Minimum service requirement for benefits is 5 years (60 months) of creditable railroad service performed after 1995**
 - Employee must have social security insured status for tier I (using railroad and social security earnings). Generally, 10 years of combined earnings fulfills this requirement.
- **Otherwise need 10 years (120 months) of creditable railroad service**

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- If an employee does not meet the minimum service requirement, railroad retirement credits are transferred to the Social Security Administration at the time of retirement or death.

Creditable Railroad Service

- **Compensation from any covered railroad employer, including unions**
 - Can include earnings, vacation pay, pay for time lost
- **Credit for any month employee worked, even if employee worked only one day**
- **May include deemed service months**

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- Can receive credit in personal injury settlements, or other pay for time lost situations, if allocated to specific months.
- Regarding pay for time lost, including personal injury settlements, a service month can only be credited if compensation allocated for that month is at least 10 times the daily rate of pay. Pay for time lost applies only to months lost due to that injury.
- Additional service months can sometimes be deemed when employee doesn't actually work in every month of the year. For additional service months to be deemed, the employee's compensation for the year, up to the tier II maximum, must exceed an amount equal to 1/12 of the tier II maximum multiplied by the number of service months actually worked.
- No credit is given for local lodge service totaling less than \$25 per month.
- Work for a local lodge must be preceded by creditable railroad service to a rail employer.

Military Service Creditable If

- **Preceded by rail service in same or preceding year, and**
- **Entered involuntarily or during war or national emergency**
- **If used by the RRB, cannot be used as quarters of coverage to qualify under social security**

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War and national emergency periods
Persian Gulf/Current Conflict- August 2, 1990 to date not yet determined
Korea/Vietnam- December 16, 1950 to September 14, 1978
World War II- September 8, 1939 to June 14, 1948

- **Compensation credited:**
 - Years after 1974 Up to social security maximum
 - 1968 – 1974 \$260 per month
 - 1937 – 1967 \$160 per month
- **Creditable military service can be used to meet minimum service requirements – 10 years, or 5 years performed after 1995.**

Current Connection

- **Current connection needed for:**
 - Survivor benefits
 - Occupational disability annuities
 - Supplemental annuities
- **Not needed for any other type of annuity (such as a 60/30 retirement annuity)**
- **Current connection can only be broken by working for nonrailroad employer after leaving railroad service and before railroad retirement annuity begins**

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- Once a current connection is established at the time of retirement, including disability cases, an employee never loses it, no matter what kind of work is performed thereafter.
- Any specific questions about current connection, contact an RRB field office.

Current Connection (Continued)

- **Under certain conditions, can be deemed for supplemental and survivor benefits**
- **Self-employment and certain Federal employment do not break a current connection**

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- For current connection to be deemed, employee must have separated from railroad industry *involuntarily* since October 1, 1975, must have had at least 25 years of service at separation, and must not have declined an offer of employment in the same class or craft in the railroad industry regardless of the distance to the new position.
- A deemed current connection *does not* establish a current connection for occupational disability annuities.
- Self-employment in an unincorporated business will not break a current connection; self-employment can break a current connection if the business is incorporated.
 - Membership in a Limited Liability Corporation (LLC) is generally self-employment and will not break a current connection. Employees hired by the members who own an LLC may break their current connection. Employment with a Subchapter “S” corporation is not self-employment and will break a current connection.
- Work for the following U.S. Government agencies will *not* break a current connection: Department of Transportation; National Transportation Safety Board; National Mediation Board; Railroad Retirement Board; Surface Transportation Board; Transportation Security Administration.

Tier I

- **Tier I approximates social security benefit payable if all work were performed under SSA**
- **Social security credits combined with railroad retirement credits in computing tier I**
 - Calculated using social security formulas
 - Reduced for age, if required
 - Reduced for social security benefits
 - May be reduced for pensions from work not covered by social security
 - If a disability annuity and under age 65, may be reduced for worker's compensation

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- Tier I is subject to garnishment for court-ordered child support or spousal maintenance.

Tier II

- **Considers railroad work only**
 - Computed under a separate formula
 - Comparable to an industrial pension
 - Reduced for age, if required

- **Based on:**
 - Average Monthly Compensation for 60 months of highest earnings (up to tier II maximum) and
 - Total years of railroad service

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- Tier II is subject to garnishment and is also divisible as property if the RRB receives a court order (such as a divorce decree, legal separation, or annulment) that complies with certain regulations.
- Employees receiving a disability annuity based on 5 years (60 months) of railroad service after 1995, but less than 10 years (120 months) of total service, must be 62 to be eligible for tier II.
- Tier II formula: Average Monthly Compensation x Years of Service x .007

Example - Using Maximum tier II creditable compensation:

– 2013	\$84,300
– 2014	\$87,000
– 2015	\$88,200
– 2016	\$88,200
– 2017	\$94,500

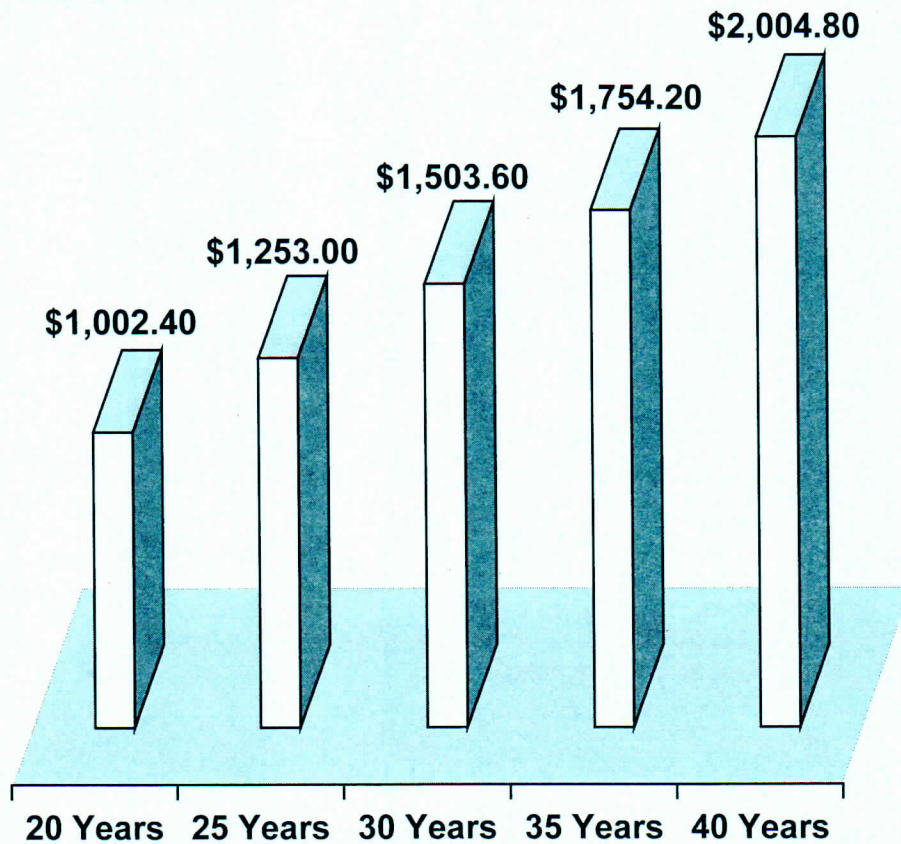
This provides average monthly compensation of \$7,370.



Additional Service May Provide Higher Tier II Amount

The following illustrates the effect of additional years of service on tier II amounts. It assumes a railroad employee had the maximum tier II creditable compensation for the 5 years ending in 2016. Even if an employee earns less than the maximum, additional service would still increase the annuity proportionately.

Tier II equals:



RRB/SSA Comparison Chart

	RRB		SSA	
	Monthly	Annual	Monthly	Annual
Average Employee Age Annuity on the Rolls *	\$3,350	\$40,200	\$1,350	\$16,200
Average Spouse Annuity on the Rolls	\$990	\$11,800	\$680	\$8,160
Average Employee Age Annuity Awarded in 2016 *	\$3,835	\$46,020	\$1,825	\$21,900
Average Spouse Annuity Awarded in 2016 *	\$1,455	\$17,460	\$910	\$10,920
Average Disability Annuity Awarded in 2016	\$2,850	\$34,200	\$1,290	\$15,480
Occupational Disability Annuity?	Yes	Yes	No	No
Full Annuity at 60 with 30 Years?	Yes	Yes	No	No
Average Widow(er) Annuity on the Rolls	\$1,605	\$19,260	\$1,255	\$15,060
Average Widow(er) Annuity Awarded in 2016	\$2,065	\$24,780	\$1,210	\$14,520

*Career rail employee with at least 30 years of service. (The RRB figures do not include employees initially awarded an annuity based on disability.)

Note.—Amounts shown are as of the close of fiscal year ending September 30, 2016.

Supplemental Annuities

- **Eligibility Requirements:**

- 25 years of railroad service, and
- Railroad service began before 10-1-81, and
- Current connection

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- Supplemental annuity payable at:
 - Age 60 if 30 years of service; otherwise age 65
- Maximum monthly supplemental annuity is \$43.
- If employee also receives private pension paid for entirely or in part by a railroad, supplemental annuity subject to reduction.
- Private pensions paid by railway labor organizations will not cause a reduction in supplemental annuities.
- Supplemental annuities are subject to division as property if the RRB receives a court document (such as a divorce decree, legal separation, or annulment) that complies with certain regulations.

	Retirement Annuities
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Retirement Annuities

- **Employee annuity**

- Benefits can be paid to retired railroad employees on the basis of age or disability

- **Spouse annuity**

- Benefits can be paid to the retired employee's spouse on the basis of age or caring for the employee's minor or disabled child
- Benefits may also be payable to an employee's divorced spouse on the basis of age, even if the employee has not retired

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Employee Annuities: Less Than 30 Years of Service

- **Reduced tier I and tier II payable at age 62**
 - Age reduction varies from 20% to 30%, depending on year of birth
- **Unreduced tier I and tier II payable at full-retirement age**
 - Full retirement age ranges from 65 to 67, depending on year of birth

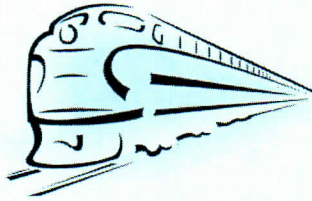
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Employees with 10 years (120 months) of creditable service:

- Employees who had railroad service before August 12, 1983, have a maximum tier II reduction of 20% and the full retirement age is 65 for tier II purposes.
- Regardless of the amount of railroad service, in most instances an employee who has reached full retirement age and is still working for a railroad should file for social security benefits if eligible. Social security will pay full benefits as work restrictions no longer apply. Check with an RRB field office to confirm advantage of filing.
- See chart on page 19 for more information on age reductions.

Employees with at least 5 years (60-119 months) of creditable service after 1995:

- Age reductions same as for those with 10-29 years of service, unless already entitled to age-reduced social security benefit. In that case, tier I age reduction is based on reduction applicable on beginning date of social security benefit, even if employee is already of full retirement age on beginning date of railroad retirement annuity.



EMPLOYEE FULL RETIREMENT AGE

Retirement With Less Than 30 Years of Service

If Employee Born In*	At Age 62 Annuity Will Be Reduced By	<u>OR</u>	For Unreduced Annuity To Be Payable, Retirement Age Must Be**
1937 or earlier	20.00%		65
1938	20.83%		65 and 2 months
1939	21.67%		65 and 4 months
1940	22.50%		65 and 6 months
1941	23.33%		65 and 8 months
1942	24.17%		65 and 10 months
1943 through 1954	25.00%		66
1955	25.83%		66 and 2 months
1956	26.67%		66 and 4 months
1957	27.50%		66 and 6 months
1958	28.33%		66 and 8 months
1959	29.17%		66 and 10 months
1960 or later	30.00%		67

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

Note.— If the employee had any railroad service before August 12, 1983, the tier II reduction remains 20% and the full retirement age remains 65 for tier II purposes.

Regular Age Annuities Summary

<u>Years of Service</u>	<u>Reduced Annuity</u>	<u>Full Annuity</u>
5 after 1995	Ages 62-66*	Ages 65-67*
10 – 29	Ages 62-66*	Ages 65-67*
30 +	None	Age 60

* Depending on the year of the employee's birth. For those with less than 10 years of railroad service and already entitled to an age-reduced social security benefit, tier I age reduction is based on reduction applicable on beginning date of social security benefit, even if employee is already of full retirement age on beginning date of railroad retirement annuity.

Age reductions are permanent.

Employee Annuities: 30 Years of Service

- **Employees retiring at age 60 or older**
 - No age reduction in tier I or tier II

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- Although employees retiring at 60 with 30 years of service have no age reduction, work deductions still apply until they reach their full retirement age.

Employee Disability Annuities

	<u>Age</u>	<u>Service</u>	<u>Current Connection</u>
Total Disability	Under full retirement age	10 years (or 5 years after 1995)	No
Occupational Disability	Under 60	20 years	Yes
	60 to full retirement age	10 years	Yes
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- Five-month waiting period after month of onset of disability before benefits can begin; however, sickness benefits may be payable during waiting period. Waiting period is five *full* months. Employees need not wait until the end of the waiting period to file an application.
- Employee can be in compensated service while filing a disability application as long as compensated service terminates within 90 days from date of filing and the compensated service is not active service.
- In order for the supplemental annuity to be paid or for an eligible spouse to receive benefits, a disability annuitant under full retirement age must relinquish rights.

Employee Disability Annuities: Total

- **Permanent physical or mental disability that prevents *any* substantial work**
 - 10 years (120 months) of service – no age reduction in tier I or tier II
 - At least 5 years (60-119 months) of service after 1995 – no age reduction in tier I, reduced tier II payable at 62
 - Must meet earnings requirement (as defined below)*
- **May qualify for early Medicare coverage and lower Federal income tax on tier I**
 - In all cases (10 years or at least 5 years of service after 1995), must meet same earnings requirement*
- **Tier II is taxed like a private pension** **16**

*Earnings requirement mentioned above based on age at time disability began.

The following rules apply to:

- *Employee with 60-119 months of service* (to qualify for disability annuity) ***and***
- *Any disabled annuitant* (to qualify for early Medicare and reduced tier I tax)

If disability began at...

- **Age 31 or older** - *Must meet following two provisions.*
 - 1) Employee must have earned railroad retirement or social security work credits for each year after age 21 up to the year disability began. (See chart at right.)

and

 - 2) Must have earned credit for 20 calendar quarters of railroad retirement or social security work during a 40 quarter period ending in or after the quarter in which disability began, *unless the employee's impairment meets the definition of blindness.*

BORN AFTER 1929; AGE DISABILITY BEGAN	NUMBER OF CREDITS NEEDED
31 - 42	20
44	22
46	24
48	26
50	28
52	30
54	32
56	34
58	36
60	38
62 or older	40

- **Age 24 to 31** - Employee must have earned railroad retirement or social security work credits for half of the calendar quarters between the first quarter after age 21 and the quarter in which disability began.

Note.-- If employee does not meet these requirements but was previously entitled to a period of disability that began before age 31, employee must have earned railroad retirement or social security credits for half of the calendar quarters between the first quarter after age 21 and the quarter in which the current disability began (excluding the prior period(s) of disability).

Employee Disability Annuities: Occupational

- **Permanent physical or mental disability that prevents the employee from working in his or her regular railroad occupation**
 - Generally, the job the employee worked the longest in the last 5 years
- **Not eligible for early Medicare**
- **Taxed like a private pension**

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- No age reduction.
- If the employee later becomes totally disabled, and he or she met the earnings requirement at the beginning date of the annuity, then employee may file for early Medicare coverage at that point. Otherwise, Medicare begins at 65.

Spouse Annuity Requirements

- **Employee retired, receiving annuity, meets age requirements**
- **Spouse married 1 year to employee and meets age requirement, or is natural or adoptive parent of their child**

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- Exception to 1 year marriage requirement--spouse was eligible for a railroad retirement widow(er)'s, parent's, or disabled child's annuity in the month before marrying the employee or the spouse was previously married to the employee and received a spouse annuity.
- Spouse must give up railroad employment, if any.
- Marriage does not have to take place before retirement or leaving railroad work in order for spouse annuity to be payable.
- If the employee retired on a disability annuity, the spouse becomes eligible for benefits when the employee reaches his or her regular retirement age. In addition, the spouse must meet the age requirement or have the employee's minor or disabled child in care.
- An employee disability annuitant under full retirement age must relinquish rights to return to work for any rail employer before a spouse annuity may be paid.
- Benefits can be paid to eligible spouses in same-sex marriages.

Spouse Eligibility Provisions – Child-in-Care

- **For spouse to be eligible based on child-in-care, child must be:**

- The employee's natural or adopted child or stepchild; and
- Dependent on the employee; and
- Unmarried; and
- Under age 18, or have a permanent disability that began before age 22

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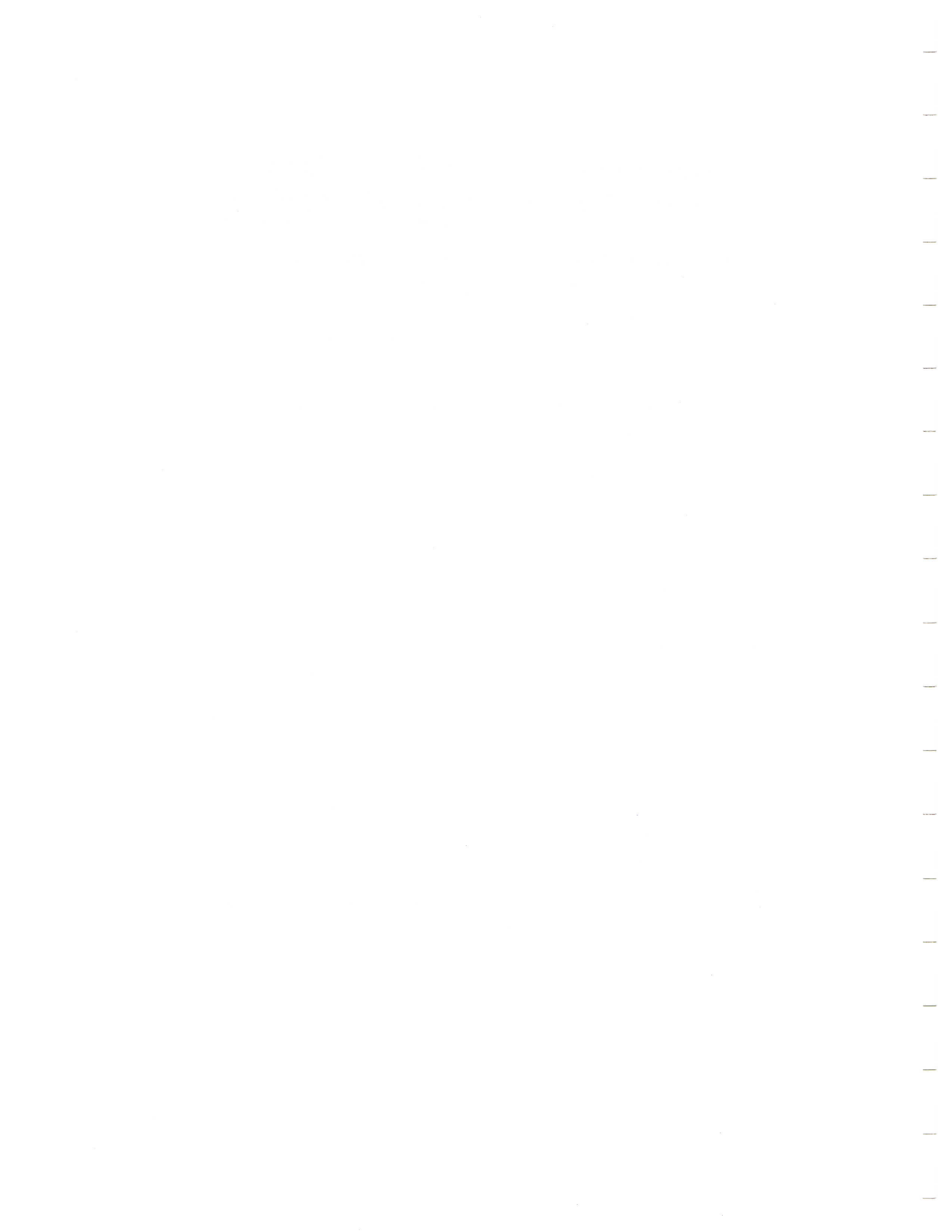
- Under child-in-care provisions, the employee's spouse may also qualify for a spouse annuity if he/she is caring for a dependent grandchild of the employee, and both of the grandchild's parents are deceased or disabled.

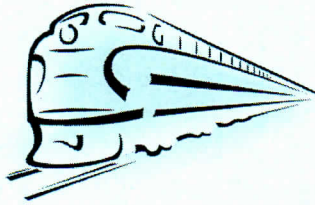
Spouse Eligibility Provisions – Less Than 30 Years of Service

- **Spouse of employee who retired at 62 or over with less than 30 years of service**
 - Receives reduced annuity at 62
 - or
 - Unreduced annuity at full retirement age (65-67*), or any age with child in care
- *Depending upon the spouse's date of birth

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- See chart on page 29 for age reductions for spouses of those employees retiring with less than 30 years of service.
- Children not paid directly when employee retired.
- If employee retired with less than 10 years of service, 5 of which are after 1995, reduced tier II benefit is payable to spouse at 62. Reduced tier I amount is only payable to spouse if employee had insured status under social security based on combined railroad and social security earnings.
- If 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.





SPOUSE FULL RETIREMENT AGE

*When Employee Retires With Less Than 30 Years
of Service and Spouse Retires at Age 62*

If Spouse Born In	At Age 62 Spouse Annuity Will Be Reduced By*	<u>OR</u>	For Unreduced Annuity To Be Payable, Spouse Retirement Age Must Be
1937 or earlier	25.00%		65
1938	25.83%		65 and 2 months
1939	26.67%		65 and 4 months
1940	27.50%		65 and 6 months
1941	28.33%		65 and 8 months
1942	29.17%		65 and 10 months
1943 through 1954	30.00%		66
1955	30.83%		66 and 2 months
1956	31.67%		66 and 4 months
1957	32.50%		66 and 6 months
1958	33.33%		66 and 8 months
1959	34.17%		66 and 10 months
1960 or later	35.00%		67

These reductions also apply to divorced spouses.

* 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.

Note.— If the employee had any railroad service before August 12, 1983, the tier II reduction remains 25% for the spouse and the full retirement age remains 65 for tier II purposes.

Spouse Eligibility Provisions: 30 Years of Service

- **Spouse of 60/30 employee**

- If employee annuity began after 2001, spouse can receive full annuity at 60 or any age with minor or disabled child in care

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- If employee was awarded a disability annuity, has attained age 60, and has 30 years of service, the spouse can receive a full annuity at age 60, regardless of whether the employee annuity began before 2002, as long as the spouse's annuity beginning date is after 2001.

When Spouse Annuities Stop

- **If the employee's annuity terminates**
- **If based on child-in-care, when youngest child no longer:**
 - Under age 18 or disabled; or
 - In the spouse's care; or
 - Unmarried
- **If employee and spouse divorce**
- **If spouse dies**

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- While a divorce ends eligibility for a spouse annuity, a divorced spouse may qualify for a divorced spouse's annuity.
- Payment of any annuity stops upon the annuitant's death (or child's death if spouse annuity is based on caring for the child). The annuity is not payable for any day in the month of death.

Spouse Tier Components

- **TIER I**

- 50% of employee tier I
- May be reduced for age/early retirement
- Reduced for social security or other RRB annuity
- May be reduced by public service pension based on own earnings

- **TIER II**

- 45% of employee tier II
- May be reduced for age/early retirement
- Not payable to divorced spouse

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Tier I

- Reduction for public pension is 2/3 amount of pension based on own earnings. Generally doesn't apply if employment on which pension is based was covered under social security throughout last 60 months of public employment or if spouse eligible for pension before December 1982.
- May be reduced if employee under age 65 receiving disability annuity and workers' compensation or public disability benefits.

Tier II

- May be payable even if no tier I amount payable; for example, if spouse tier I reduced to zero due to social security or public pension entitlement.

Divorced Spouse Requirements

- **Employee must be 62 or over**
- **Divorced spouse**
 - Married to employee at least 10 years
 - Not presently married
 - Age 62 or over
- **Divorced spouse receives tier I only**
 - If employee retired with 5 years of service after 1995, benefit payable only if employee had insured status under social security

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- The employee need not be receiving an annuity for a divorced spouse to receive one as long as the employee is at least 62 and fully insured under the Social Security Act and they have been divorced for at least 2 years.
- Payment of divorced spouse annuity has no effect on annuity payable to employee or current spouse.
- Child in care *does not* qualify divorced spouse for benefits.
- A divorced spouse annuity beginning before full retirement age is reduced even if the employee has 30 years of service.

Property Settlements

- **Employee tier II benefits and supplemental annuities are subject to property settlements in divorce, annulment, or separation cases**
- **Tier I benefits are not subject to division**

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- The RRB must honor court orders that treat non-tier I benefits as property subject to division in proceedings related to divorce, annulment, or legal separation, and which order the RRB to make payments to the divorced spouse. For greater detail on this subject, view the *Attorney's Guide to the Partition of Railroad Retirement Annuities* on our website (www.rrb.gov).
- In separation or divorce cases, there is no limit on the amount subject to division of employee's tier II benefits and supplemental annuities.
- Payment of a partition amount as part of a court-ordered property distribution can be made, or continue, after the employee's death unless a court order requires termination of payments upon the employee's death.
- Court-ordered payment of a partition amount can be made even if no survivor benefits are payable by the RRB.
- Partitions may be paid to a divorced spouse even if the employee is not receiving an annuity, under the condition that both the employee and divorced spouse are 62 and have been divorced for at least 2 years.

	Retirement Work Deductions

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Working After Retirement

- **Annuity not payable if employee or spouse working for railroad or rail union**
 - must relinquish rights
- **All employees and spouses under full retirement age subject to work deductions**

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- Earnings include all wages received for service plus any net earnings from self-employment. Interest, dividends, etc. not considered earnings for this purpose.
- Earnings of \$25 or more a month by a local lodge employee will prevent payment of the annuity for that month.
- Employment begun after the employee's annuity beginning date will not break a current connection.

If employee/spouse was born *	Full retirement age is
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 through 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

* A person attains a given age the day before his or her birthday.

Retirement – Tier I Earnings Deductions

- **Prior to full retirement age, some or all of tier I reduced if earnings over certain amounts**
- **Reduction eliminated once full retirement age attained**

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Retirement – Tier I Earnings Deductions (Continued)

- **Prior to year full retirement age attained:**

- Deduction of \$1 for every \$2 earned over annual exempt amount (\$16,920 in 2017)

- **In year full retirement age attained:**

- Deduction of \$1 for every \$3 earned over annual exempt amount (\$44,880 in 2017)
- However, earnings only considered through month before full retirement age attained

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- RRB examines net earnings from self-employment after allowable business expenses are deducted.
- Work deductions apply to all employees and spouses under full retirement age regardless of the employee's years of service. 60/30 annuitants are subject to work deductions until they reach full retirement age.
- No deduction once full retirement age attained.
- Spouse is subject to tier I deduction not only for spouse's excess earnings, but possibly for employee's as well.
- Spouse annuity not payable if employee annuity not payable.
- An annuity to a divorced spouse or a court-ordered partition payment may be made despite the employee's work activity.

Retirement – Tier II Last Non-Railroad Employer

- **If employee or spouse continues work for last pre-retirement non-railroad employer (LPE):**
 - Tier II reduced by \$1 for each \$2 of earnings - maximum reduction of 50%
 - Tier II affected by *all* earnings, regardless of amount, and, unlike tier I, deductions continue after full retirement age

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- Self-employment, and work that begins on the same day as the annuity beginning date, is not considered last pre-retirement nonrailroad employment.
- Spouse benefit subject to tier II deductions not only for spouse's earnings, but also for employee's. However, spouse's earnings have no effect on employee's annuity.
- Supplemental annuities are also subject to LPE work deductions.

Disability – Earnings Restrictions

- **Work by disability annuitant must be consistent with disabled status**
- **Disability annuity not payable for any month with earnings over \$910 in 2017, exclusive of disability-related work expenses**
- **All work activity must be reported**
- **Work restrictions apply to both occupational and total disability annuities**

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- Withheld payments restored if earnings for 2017 less than \$11,375.
- Any work or earnings reviewed to determine whether it indicates recovery from disability.
- Considered a disability annuitant until attainment of full retirement age.

**A disability annuitant considering employment
must first contact an RRB field office.**

	Survivor Benefits
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- Survivor benefits include monthly benefits and lump-sum payments.

Insured Status

- **Railroad Retirement Board pays survivor annuities if deceased employee had**
 - 10 years of service or, if less than 10 years, at least 5 years after 1995
 - and
 - Current connection at retirement or death
- **Otherwise, railroad retirement credits transferred to social security**

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- 10 years of service, or, if less than 10 years, at least 5 years after 1995 also required for lump-sum death benefits.
- Survivor benefits based on combined railroad retirement and social security credits. Benefits payable by either Railroad Retirement Board or Social Security Administration but not both, even if employee received benefits under both programs.

Survivor Annuities

- **Widow, Widower, Surviving Divorced Spouse, or Mother (Father)**

- Age 60
- Ages 50-59 if disabled - 5 month waiting period in most cases
- Any age if caring for minor or disabled child

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- **WIDOW(ER)** - Widow(er)s must be unmarried, unless they remarried after age 60, or after age 50 and they were disabled before remarriage. Generally, must have been married to employee 9 months prior to death.

Age reductions applied to tier I and tier II portions of widow(er)s' annuities awarded before full retirement age. See chart on page 47.

A widow(er) can receive an annuity if caring for a child who is under age 18 or disabled.

- **DISABLED WIDOW(ER)** - For disability, must be totally and permanently disabled and unable to work in any regular employment. Disability must have begun within 7 years after the employee's death or within 7 years after termination of annuity based on caring for employee's child. Generally, a 9-month marriage requirement applies.

- **REMARRIED WIDOW(ER), SURVIVING DIVORCED SPOUSE, AND SURVIVING DIVORCED MOTHER (FATHER)** - Receive tier I only. However, payment of a partition amount to a former spouse as part of a property distribution can be made after the employee's death.

A surviving divorced spouse must be unmarried unless the remarriage was after age 60 or age 50, if disabled. The surviving divorced spouse must have been married to the employee for a period at least 10 years immediately before the date the divorce became final.

A surviving divorced mother (father) can receive an annuity if caring for a child who is under age 16 or disabled.

A surviving divorced mother (father) generally must be unmarried at the time of entitlement. The 10-year marriage requirement does not apply in this case.

Survivor Annuities (Continued)

- **Unmarried Child**
 - **Under age 19 (if 18, must be attending no higher than secondary school)**
 - **Age 18 or over if totally disabled before age 22**
- **Dependent Parent**
 - **Age 60**
 - **Meets certain other conditions**

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- Dependent grandchild can also qualify, if both the grandchild's parents are deceased or disabled.
- Parent must have been dependent on the employee for at least half of the parent's support.
- To learn more about qualifying children, contact the RRB.

Survivor Tier Components

- **TIER I**

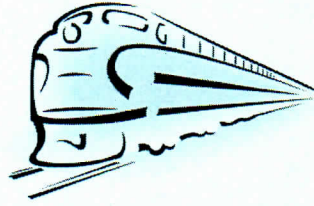
- Amount social security would generally pay, less any social security benefit

- **TIER II**

- Based on percentage of employee's tier II

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- Tier I based on employee's combined railroad retirement and social security credits. Reduced if employee had early retirement reduction.
- For widow(er)s, surviving divorced spouses, and remarried widow(er)s, tier I may also be reduced by 2/3 of certain public pensions.
- Reduced for social security benefit or other railroad retirement annuity.
- Widow(er)s, surviving divorced spouses, and remarried widow(er)s receive unreduced tier I amount if annuity begins at full retirement age.
- As shown on chart on page 47, full retirement age is increasing from age 65 to age 67 and reductions at age 60 will range from 17.10% to 20.36% depending on the widow(er)'s year of birth.
- If employee had less than 10 years of service but at least 5 years of service after 1995, tier II benefits payable to survivor. Tier I payable only if employee had a social security insured status (using railroad and social security earnings). Generally, 10 years of combined earnings fulfills this requirement.
- Tier II is not payable to surviving divorced spouses or remarried widow(er)s.



WIDOW(ER) FULL RETIREMENT AGE

If Widow(er) Born In	At Age 60 Widow(er) Will Be Deemed To Be Age 62 And Annuity Will Be Reduced By	<u>OR</u>	For Unreduced Annuity To Be Payable, Widow(er) Retirement Age Must Be
1939 or earlier	17.10%		65
1940	17.47%		65 and 2 months
1941	17.81%		65 and 4 months
1942	18.14%		65 and 6 months
1943	18.44%		65 and 8 months
1944	18.73%		65 and 10 months
1945 through 1956	19.00%		66
1957	19.26%		66 and 2 months
1958	19.50%		66 and 4 months
1959	19.73%		66 and 6 months
1960	19.95%		66 and 8 months
1961	20.16%		66 and 10 months
1962 or later	20.36%		67

Note.— Maximum age reductions for remarried widow(er)s and surviving divorced spouses are 28.50% at age 60. Maximum age reductions for disabled widow(er)s, disabled remarried widow(er)s, and disabled surviving divorced spouses are also 28.50%.

Lump-Sum Death Benefit

- **Payable only if no survivor immediately eligible for annuity**
- **10 years of service, or 5 years after 1995, and current connection required**
 - If less than 10 years, must also meet social security insured status requirements
- **If employee did not have 10 years of service before 1975, lump sum limited to \$255 and payable only to widow(er) living in same household**

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- If monthly benefits immediately payable, no lump-sum benefit can be paid.
- If employee had at least 10 years of service on December 31, 1974, payable to living-with widow(er) or payer of funeral expenses--\$1,013 average.
- Unlike social security, not payable if annuity payable.
- The \$255 amount same as under social security.

	ITEMS AFFECTING ALL RETIREMENT AND SURVIVOR BENEFITS
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- Some items affect all retired employee, spouse, and survivor benefits. These include:
 - Annuity beginning dates;
 - Filing an application;
 - Filing for social security benefits;
 - Cost-of-living increases;
 - Income taxes;
 - Medicare;
 - Appeals;
 - Online and toll-free services.

Annuity Beginning Dates

- **Employee and spouse annuities effective first day of month after**
 - age 60 attained--30 years of service
 - age 62 attained--less than 30 years of service
- **Annuities effective first day of month full retirement age is attained**
 - less than 30 years of service
- **Widow(er)s' benefits effective beginning first day of month of employee's death**
 - or first day of month widow(er) age 60 (50 if disabled)

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- Under certain conditions, an employee annuity can begin the day after the actual last day worked in the railroad industry. However, an annuity cannot begin on the 31st day of the month. If the annuity begins other than the first day of the month, benefit rate payable for that month is prorated over actual days of entitlement.
- Employee and spouse annuities can't start until employee off payroll of railroad and union (if applicable).
- 6-month retroactive limit on full age employee and spouse retirements.
- Retroactivity for widow(er)s 60-61 or reduced 60/30 spouses is 6 months if it does not increase age reduction (does not apply to divorced or remarried widow(er)s).
- 12-month retroactive limit on disability annuities for employees and widow(er)s; 6 months for disabled children.

Filing an Application

- **File up to 3 months prior to annuity beginning date**
- **Contact RRB field office for appointment**
- **Can file in person or over the phone**
- **Provide proofs based on the type of application filed**
- **Need checking/savings account information for direct deposit enrollment**

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- Employees are encouraged to submit proof of age and military service well in advance of retirement in order to expedite the application process. Proof of age is needed before application can be processed.
- All proofs must be originals, certified copies, or faxes sent directly to the RRB from the official custodian of the document.
- Medical evidence of disability is required.
- The first payment an annuitant receives from the RRB may be a partial payment. Annuitant will continue to receive this amount until the final rate is awarded. Once final rate certified, annuitant will receive all back payments due.
- Beneficiaries are required to enroll in either the Direct Deposit program, which electronically transfers payments into an individual's checking or savings account, or the U.S. Department of the Treasury's Direct Express program, which electronically transfers Federal benefit payments to an individual's Direct Express-issued Debit MasterCard®. Enrollment waivers are available only under very limited conditions.
- Participants in the Direct Deposit and Direct Express programs don't have to worry about the mail being late or a check being lost or stolen. Payments are available in the beneficiary's account the morning of the payment date.

Filing for Social Security Benefits

**Railroad workers and retirees should
contact an RRB field office before
filing for any social security benefits.**

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- A major cause of overpayments is a lack of information about the coordination between railroad retirement and social security benefits.
- It may be advantageous to file a claim with social security if:
 - an employee has minor or disabled children;
 - an employee is still working for a railroad and has attained full retirement age; or
 - a spouse has reached full retirement age.
- It is generally disadvantageous to file a claim with social security if the employee and spouse are both railroad employees.

**RRB field offices can help annuitants decide if and
when they should file for social security benefits.**

Cost-of-Living Adjustments (COLAs)

Tier I	Same as social security COLAs based on Consumer Price Index
Tier II	32.5% of tier I increase
Vested Dual Benefit	Not increased
Supplemental Annuity	Not increased

COLAs GENERALLY PAYABLE IN JANUARY 42

- Tier I cost-of-living increases, like social security cost-of-living increases, were 0.3% in January 2017. Tier II cost-of-living increases were 0.1%.
- When a cost-of living increase is payable, if annuitant also receives social security benefits, the increased tier I portion is reduced by the increased social security benefit.

Income Taxes

- **Tier I benefits equivalent to social security benefits may be subject to Federal income tax**
 - Depends on amount of certain other income

- **Tier I benefits exceeding social security levels, as well as tier II benefits, vested dual benefits, and supplemental annuities are subject to Federal income tax**
 - Treated like private pensions

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- Beneficiaries can choose to have taxes withheld (or not).
- Additional information on the tax treatment of railroad retirement benefits can be found in IRS Publication 525, *Taxable and Nontaxable Income*; Publication 575, *Pension and Annuity Income*; Publication 915, *Social Security and Equivalent Railroad Retirement Benefits*; and Publication 939, *General Rule for Pensions and Annuities*.
- Railroad retirement benefits are *not* subject to State or local income tax.
- Legal partition is taxable to the recipient; garnishment is taxable to the employee.
- The RRB issues tax statements each January and notifies the annuitant and Internal Revenue Service of amounts paid and withheld.

Retirement Health Insurance

- **Since the RRB does not handle retirement health insurance, please contact your human resources office or health insurance carrier:**
 - For information about benefits available to you and your family after you retire
 - To learn if there are any restrictions on your filing date with the RRB

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Medicare

- **Hospital insurance (Part A) helps pay for inpatient hospital care, skilled nursing facility, home health care, and hospice**
- **Medical insurance (Part B) helps pay for doctors' services, outpatient care, medical services and supplies, and some preventive services**
- **Medicare Advantage Plans (Part C)**
- **Medicare Prescription Drug Coverage (Part D)**

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- Medicare available at age 65 even though full retirement age is increasing from age 65 to age 67 for retirement and survivor benefits.
- Enrollment for both hospital and medical insurance is automatic at age 65 for people receiving an annuity, but medical insurance may be declined. Coverage can begin earlier if person is totally disabled, has permanent kidney failure, or has Amyotrophic Lateral Sclerosis (ALS).
- If not receiving an annuity, contact RRB office before age 65 to apply. Best time to apply is during 3 months before the month age 65 is reached. Coverage will begin with month age 65 reached.
- Hospital insurance financed by payroll tax on employees and employers - 1.45% of all earnings. An additional 0.9 percent in hospital insurance taxes is withheld from employees on earnings above \$200,000.
- Medical insurance financed by monthly premiums and Federal general revenue funds. Also has \$183 deductible in 2017.
- Depending on modified adjusted gross income, some beneficiaries pay Part B and/or Part D premiums plus income-related monthly adjustment amounts.
- Enrollment in prescription drug coverage is voluntary. Variety of options available with different coverage and costs.
- In addition to a monthly premium, Part D enrollees pay a yearly deductible and part of the cost of prescriptions, including a copayment or coinsurance.
- Medicare provides basic health care coverage – doesn't cover all medical expenses and doesn't cover long-term care.

Appeals Process

- 1. Request reconsideration of an initial agency decision, or reconsideration or waiver of an overpayment, in writing, from an RRB office within 60 days**
- 2. Appeal to Bureau of Hearings and Appeals within 60 days**
- 3. Appeal to the three-member Board within 60 days**
- 4. Appeal to the U.S. Circuit Court of Appeals within one year if retirement/survivor appeal and within 90 days if unemployment/sickness appeal**

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- Appeal to Bureau of Hearings and Appeals - may be decided on the basis of the written record or a hearing may be held by telephone, videoconference, or in person. When held in person, the hearing is usually held near the claimant's home town so claimant doesn't incur large expenses.
- Appeal to Board - reviewed by the three-member Board on the basis of the written record, which may be supplemented.

After You Retire

- **Be sure to contact the RRB to report changes in:**
 - Address or bank account
 - Work or earnings
 - Marital status
 - Filing status for:
 - Public Pension
 - SSA
 - Disability status

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RRB Online at www.rrb.gov

- **The RRB's website can be used to:**

- Pay unemployment/sickness or retirement/survivor bills
- Request a duplicate tax statement
- Request a replacement Medicare card
- Request proof of monthly annuity rate
- Request history of service and compensation

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- www.rrb.gov can also be accessed for viewing:
 - Addresses of RRB field offices;
 - Benefit publications;
 - News releases covering topics of general interest to the railroad community;
 - Reports, plans, and inventories;
 - Links to helpful railroad union and government websites.
- Also visit the Labor Member's section of the website at www.rrb.gov/lmo/labor_info.asp for reporting information, jobs for railroad workers, and other helpful material.
- **The Pre-Retirement Seminar slide presentation is also available online.** Just click on the Office of the Labor Member Educational Materials link found in the Spotlight section of our homepage, then select Pre-Retirement Seminars.

RRB Toll-Free Service 1-877-772-5772

- **Provides easy access to RRB field office representatives**
- **Also includes automated menus available 24 hours a day, 7 days a week**

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- Automated menus can be used to obtain:
 - Statements of current monthly retirement benefit rate;
 - Replacement Medicare cards and tax statements;
 - Statements of creditable railroad service and compensation;
 - Field office addresses;
 - Information about unemployment/sickness claims.
- Most RRB field offices are open to the public on weekdays from 9:00 a.m. to 3:30 p.m., except on Wednesdays when offices close to the public at noon. All RRB offices are closed on Federal holidays.



Glossary

Accrual	Amount of back benefits due.
Age and Service Annuity	Monthly benefit payable to employees who meet service requirements.
Age Reduction	Permanent reduction made in the computation of a retirement or survivor annuity if an individual chooses to receive benefits prior to the age required for a full unreduced annuity. Does not apply to those retiring at 60 after 2001 with 30 years of service.
Annuity	Monthly railroad retirement benefit payment.
Creditable Compensation	The amount of money an employee is paid for service that counts toward railroad retirement benefits.
Current Connection	An employee has a current connection if he or she has 12 months of railroad service in the 30-month period immediately preceding the employee's railroad retirement annuity beginning date or death. If an employee does not qualify on this basis, but has 12 months of service in an earlier 30-month period, he or she may still meet the current connection requirement. A current connection is required for survivor, supplemental, and occupational disability annuities. It is not required for annuities based on age and service or total disability.
Deemed Service Months	Additional service months may be deemed, or credited, in some cases where an employee does not actually work in every month of the year. Employee must have sufficient yearly tier II compensation and be in an employment tier II relation with a covered railroad employer, or be an employee representative, during a deemed service month.
Direct Deposit	Electronic deposits of payments directly to beneficiary's checking or savings account.

Direct Express	U.S. Treasury program for electronically issuing payments to individuals without checking or savings accounts. Payments are transferred to a beneficiary's Direct Express-issued Debit MasterCard®.
Earnings	Income from work performed for another person or company, or from self-employment. Does not include investments, interest income, etc.
Employer	An interstate railroad or affiliate engaged in railroad-connected operations. Employer associations and national railroad labor organizations and subordinate units are also railroad employers.
Full Retirement Age	Age at which full retirement annuity payable (gradually increasing from 65 to 67, depending on year of birth). Unreduced annuity is payable to those age 60 with 30 years of service but work deductions still apply while under full retirement age.
Medicare Hospital Insurance (Part A)	Helps pay for medically necessary inpatient care in a hospital, skilled nursing facility, or psychiatric hospital, and for hospice and home health care.
Medicare Medical Insurance (Part B)	Helps pay for medically necessary physician services and many other medical services and supplies not covered by Part A.
Medicare Advantage Plans (Part C)	Plans (offered by private companies approved by Medicare) which combine Part A and Part B and, in some cases, Part D coverage.
Medicare Prescription Drug Coverage (Part D)	Voluntary prescription drug coverage that helps pay for brand name and generic drugs. Drug plan costs and coverage vary from plan to plan.
Occupational Disability Annuity	Annuity payable when an employee meets certain age and service requirements with a current connection and is permanently disabled for his or her regular railroad occupation.

Service Month

A month of service is credited if an employee has at least one day of earnings, vacation pay, certain sick pay, or other compensation credited by a railroad employer or union. Special rules apply if service months are allocated as a result of a personal injury settlement.

Spouse Annuity

Annuity payable to the wife or husband of an employee annuitant based on age or on caring for the employee's unmarried child who is under age 18 or disabled before age 22. Benefits can be paid to eligible spouses in same-sex marriages.

Supplemental Annuity

Additional amount payable if employee has at least 25 years of railroad service beginning before October 1, 1981, and a current connection.

Tier I Benefit

A component of a railroad retirement annuity which approximates a social security benefit. Based on railroad and social security earnings.

Tier II Benefit

A component of a railroad retirement annuity which is paid in addition to a tier I benefit. Based solely on railroad work.

Total Disability Annuity

Annuity payable when employee meets certain age and service requirements and is unable to engage in any substantial gainful employment due to a permanent medical condition. Also payable to disabled widow(er)s ages 50-59 and unmarried, disabled children over age 18 who became totally disabled before age 22.

Vested Dual Benefit

Additional amount payable if employee qualified for both railroad retirement and social security benefits before 1975 and met certain vesting requirements.

Work Restrictions

Annuity not payable if working for railroad or rail union. Employee and spouse tier I, vested dual benefits, and survivor benefits reduced if earnings over certain limits unless full retirement age has been reached. Work performed for retired railroad employee's or spouse's last pre-retirement nonrailroad employer reduces tier II and supplemental benefits.





U.S. RAILROAD RETIREMENT BOARD
Office of the Labor Member
844 North Rush Street
Chicago, IL 60611-1275

www.rrb.gov
Toll Free: (877) 772-5772