
Age and Service Employee Annuity



**United States of America
Railroad Retirement Board
Visit our Web site at www.rrb.gov**

Form **RB-1** (05-09)

INTRODUCTION

This booklet contains important information regarding your employee annuity under the Railroad Retirement Act (RRA). In order to receive a railroad retirement employee annuity, you must file an application and meet the requirements explained in this booklet. It includes information concerning the earliest date your annuity can begin and reductions that might apply to your annuity. We recommend that you read this booklet before you file your application.

If you file for an annuity based on disability, you must also file a Form AA-1D *Application for Determination of Employee's Disability*. Refer to the booklet RB-1D *Employee Disability Benefits* for an explanation of the disability requirements.

Part VII of this booklet explains what will happen after you file your application and includes a discussion of how and when you will receive your monthly payments.

Your spouse, or divorced spouse, must file a separate spouse annuity application to qualify for an annuity on your earnings record. Booklet RB-30 *Spouse/Divorced Spouse Annuity* explains the spouse/divorced spouse entitlement requirements.

Railroad Retirement Board (RRB) representatives will be happy to discuss and explain the information included in this booklet. To locate the nearest office, visit our Web site at www.rrb.gov or call 877-772-5772. When contacting the RRB by telephone or mail, always provide your RRB claim number, your name, and your daytime telephone number.

Your railroad retirement annuity is affected by certain events that may occur. The booklet RB-9 *Employee and Spouse Annuities - Events That Must Be Reported* provides a description of these events and an explanation of how you should report them. Because these events can take place any time after you receive your annuity payments, you should keep the RB-9 booklet for future reference.

Important Notices

Be sure to read the important notices at the end of this booklet.

Other Booklets of Interest

- IB-2 *Railroad Retirement and Survivor Benefits*
- RB-3 *Furnishing Evidence to Support Your Claim*
- G-179 *Special Guaranty in Employee and Spouse Annuities*

RRB booklets are available on the Railroad Retirement Board's Web site at www.rrb.gov.

TABLE OF CONTENTS

	Page
PART I - APPLYING FOR YOUR ANNUITY	
Chapter 1	Requirements to Receive an Age and Service Annuity 1
Chapter 2	How Family Members Can Affect Your Annuity 3
Chapter 3	Credit for Railroad Work 3
Chapter 4	Credit for Military Service 4
Chapter 5	Current Connection 5
Chapter 6	Requirements for a Supplemental Annuity 7
PART II - WHEN YOUR ANNUITY CAN BEGIN	
Chapter 7	File an Application 7
Chapter 8	Earliest Annuity Beginning Date Permitted By Law 7
Chapter 9	Stop Railroad Work 8
Chapter 10	The Effects of Unemployment or Sickness Benefits 8
Chapter 11	The Effects of a Dismissal Allowance, Pay For Time Lost And Some Types of Vacation Pay 9
Chapter 12	The Effects of a Separation Allowance After Your Date Last Worked 9
PART III - REDUCTIONS FOR EARLY RETIREMENT	
Chapter 13	Basic Formula 10
Chapter 14	Full Retirement Age for Employees Who Have Less Than 360 Service Months 11
Chapter 15	Age Reduction for Employees Who Have Less Than 360 Service Months 11
PART IV - DEDUCTIONS FOR EARNINGS	
Chapter 16	Self-Employment and Other Nonrailroad Work 12
Chapter 17	Tier 1 Work Deductions 12
Chapter 18	Last Pre-Retirement Nonrailroad Employment 14
Chapter 19	Tier 2 and Supplemental Annuity Work Deductions 14
PART V - REDUCTIONS FOR OTHER BENEFITS	
Chapter 20	Social Security Benefits 14
Chapter 21	Non-Covered Service Pensions 15
Chapter 22	Other Railroad Retirement Annuities 15
Chapter 23	Worker's Compensation and Public Disability Benefits 16
PART VI - REDUCTIONS FOR OTHER FEDERAL PROGRAMS	
Chapter 24	Medicare Coverage and You 17
Chapter 25	Withholding for Income Tax 19
PART VII - AFTER YOU APPLY FOR YOUR ANNUITY	
Chapter 26	Notice of Decision About Your Age and Service Application 19
Chapter 27	How Payments Are Made 19
Chapter 28	Direct Deposit to a Financial Institution 20
Chapter 29	Change of Address 20
Chapter 30	Receiving a Tax Refund of Excess Social Security Tax 20
Chapter 31	Receiving a Railroad Separation Allowance Payment 21
Chapter 32	Records You Should Keep 21

IMPORTANT NOTICES

Nondiscrimination on the Basis of Disability
Fraud and Abuse Hot Line
Computer Matching and Privacy Protection Act Notice
Paperwork Reduction Act and Privacy Act Notices

PART I - APPLYING FOR YOUR ANNUITY

This section contains information that will help you to complete your application correctly. Included are the requirements you must meet to receive an annuity. You may file your application up to three months before your annuity beginning date.

Booklet RB-3, *Furnishing Evidence to Support Your Claim* explains acceptable evidence for proofs required to process your annuity application. Shorten the processing time for your annuity application by submitting proof of your date of birth and military service to your local Railroad Retirement Board (RRB) office now, even if you will not file your application within three months. Whenever sending documents to the RRB, always include your name, social security number, and daytime telephone number where you can be reached.

We recommend that you read this booklet and booklet RB-3 before you file your annuity application.

Chapter 1 - Requirements to Receive an Age and Service Annuity

You may qualify for a monthly age and service employee annuity if you meet certain requirements. This section describes types of age and service annuities and the different conditions for each.

If you are filing for a disability annuity, you should also refer to booklet RB-1D *Employee Disability Benefits* which explains disability annuity requirements. However, if your disability annuity is denied, and you indicate that you would accept a reduced age annuity, if eligible, read this section and Part III for information about the reduced age and service annuity.

A. Age Requirement - The RRB considers you to have attained your age on the day before your birthday. The age at which you can receive an age and service annuity is based on your months of railroad service.

Determining Earliest Retirement Age	
If you have at least:	Your annuity can begin the first full month you are
360 months of railroad service,	age 60.
120-359 months of railroad service,	age 62.
60-119 months of railroad service,	age 62.

Note - The age requirements for a supplemental annuity are in Chapter 6

B. Cessation of Railroad Service - Your age and service annuity cannot begin until you stop all railroad work for pay and relinquish rights to railroad employment. Also note that, after the annuity is awarded, payment cannot be made for any month in which you return to work for a railroad employer.

The RRB will release a Form G-88A.1 listing *Request for Verification of Date Last Carried on Payroll* to your last railroad employer if your date last worked is within 15 months of the date that you file your employee annuity application. This will notify your employer of your claimed date last worked and relinquishment of rights.

C. Relinquishment of Rights - Before an age and service annuity can be paid, you must relinquish all seniority or other rights to return to work for any railroad employer. While an age and service annuity can begin to accrue as early as the day after you stop working for the railroad, it cannot be awarded until you relinquish rights to railroad employment.

Example - A qualified age and service applicant, who stops working on December 31, but does not relinquish rights until March 15, is entitled to an annuity from January 1. Although benefits accrue from January 1, the actual payment cannot be made before March 15, the day relinquishment of rights is accomplished.

The relinquishment of rights only affects the benefits under the Railroad Retirement Act (RRA). The relinquishment of rights does not bind the railroad should the employer choose to provide certain employee benefits (i.e., health insurance, an employee buyout) after you stop working.

1. *How Relinquishment of Rights is Accomplished* - To relinquish your rights to railroad employment, use your employee annuity application. Indicate that you either no longer have seniority or other rights to work for a railroad employer or, if you are filing in advance of your annuity beginning date, that you will give up those rights as of the date indicated as your last day of railroad employment.

Under advance filing procedure, you may file for an age and service annuity up to three months before your annuity beginning date. If you are still working in railroad service when you file, this means that the date that you certify on your annuity application as the date you will stop railroad service and relinquish rights is a date in the future. If your plans change, you must promptly report any change in your last day of railroad service to the nearest RRB field office. Otherwise your annuity beginning date could be incorrect, resulting in erroneous payments.

2. *Relinquishment of Rights In Wrongful Termination Cases* - If you are prosecuting a claim before the National Railroad Adjustment Board for reinstatement and for time lost from the effective date of a termination action that you believe is wrongful, you must ask the RRB field office to include the following statement over your signature in the "Remarks" section of your employee annuity application: "I do not at this time possess any rights to return to the service of an employer. This statement shall be without prejudice to my claim that I was wrongfully deprived of such rights on (date of termination)."

You must also request the RRB field office to prepare an "Assignment of Claim" statement for your signature. This states that you will refund any annuity payments you receive for any period for which you may subsequently be awarded pay for time lost.

3. *Protest of Relinquishment of Rights* - Once effective, you cannot revoke the

relinquishment of rights, even if you offer to refund the amount of the RRA annuities that were paid based on the relinquishment of rights.

- D. *Additional Requirements for Employee Annuities Based on 60-119 Months of Railroad Service with at Least 60 Months of Railroad Service after 1995* - If you file for an employee disability annuity that is based on 60-119 months of railroad service with at least 60 months of railroad service after 1995, a Tier 2 component is not payable to you before the month in which you attain age 62. For age and service and disability annuities, you must have a *Social Security (SS) Act Insured Status* based on combined railroad earnings, creditable military service earnings, and social security earnings to qualify yourself and your spouse for Tier 1 components.

An *SS Act Insured Status* is based on *Quarters of Coverage (QC)*. In general, the SS Act specifies an amount for each calendar year that will qualify the wage earner for a QC for that year. If you earn that amount (or a multiple of that amount up to 4 QCs), your earnings record will be credited with those QCs.

You have an *SS Act Insured Status* if:

1. *Employee Annuities Based on Age* - You must have a *Fully Insured Status* as defined in the SS Act, but using combined railroad earnings, creditable military service earnings, and social security earnings. The SS Act QC requirement for a *Fully Insured Status* for employees born after 1928 is 40 QCs; or,
2. *Employee Annuities Based on Disability* - You must have a *Disability Freeze (D/F)* as defined in the SS Act, but using combined railroad earnings, creditable military service earnings, and social security earnings. The SS Act requirements are:
 - a. You must be rated totally and permanently disabled;
 - b. You must have a *Fully Insured Status*. (Generally, the QC requirement for a *Fully Insured Status* is at least one QC for each calendar year after the year

you attained age 21, through the year you became disabled.); and,

- c. You must have at least 20 QCs in a period of 40 consecutive calendar quarters (10 years) ending with the quarter of the disability onset date. This is also referred to as the 20-in-40 QC test.

Chapter 2 - How Family Members Can Affect Your Annuity

Information concerning your marriage history is requested on your employee annuity application to determine the possible eligibility of any spouse or divorced spouse on your earnings record. If you are married when you apply for benefits, be sure to ask the RRB representative whether your spouse is eligible for an annuity. If you are, or your spouse is, too young to qualify your spouse for benefits at that time, ask when your spouse will become eligible. Your spouse or divorced spouse is required to file a separate application to receive benefits on your earnings record. The eligibility requirements are explained in booklet RB-30 *Spouse/Divorced Spouse Annuity*.

You may also be eligible for an increase in your annuity called the *Special Guaranty* computation, if members of your family meet the requirements under Social Security (SS) Act rules using your railroad service as if it had been covered under the SS Act. In most cases, your regular railroad retirement annuity rate will exceed the amount that the Social Security Administration (SSA) would have paid. Therefore, your annuity application asks only for basic information, such as the number of children you have who would qualify under this provision. The term child includes your unmarried natural child, or dependent and unmarried adopted child, stepchild, or, under certain conditions, your grandchild if both parents are deceased or disabled.

Your child may be included in the *Special Guaranty* computation if the child is:

1. under age 18;
2. age 18 or older with a permanent disability that began before the child attained age 22 that makes the child unable to perform any type of regular employment; or,

3. age 18-19 and in full-time attendance at an elementary or secondary school.

The RRB field office where you file your application will test your annuity rate to determine if the *Special Guaranty* could apply. If it could apply, our field office will contact you for further information. For more information on the *Special Guaranty* computation, read booklet G-179 *Special Guaranty in Employee and Spouse Annuities*.

Chapter 3 - Credit for Railroad Work

As previously explained, you must stop all railroad work in order to qualify for an employee annuity. A railroad employer is any company or labor organization covered under the RRA. Covered railroad employers include railroads that engage in interstate business, railroad associations, and national railway labor organizations.

- A. **Actual Railroad Service** - Your employer reports your railroad service and earnings to the RRB under your social security number. Shortly after each year in which you have railroad earnings, the RRB mails Form BA-6 *Certificate of Service Months and Compensation* to you. This annual statement has a record of your creditable railroad service months and compensation after 1936 and verified military service credits.

You can also call the RRB at 877-772-5772, to request Form G-90c *Service and Compensation History Statement* for your earnings record.

- B. **Deemed Railroad Service** - For years after 1984, you may be entitled to additional railroad service months if you did not actually work in every month of the year. For additional service months to be deemed, your compensation for the year must exceed an amount equal to 1/12 of the Tier 2 maximum multiplied by the number of railroad service months you actually worked. The excess amount is then divided by 1/12 of the Tier 2 maximum. The result, rounded up to a whole number, is the number of deemed railroad service months.

In order to qualify for these deemed railroad service months, you must have had an

employment relation for the months you did not perform actual railroad service. This means that you were:

1. on bona fide leave of absence from the employer;
2. not retired or discharged, but by reason of continuous disability, unable to return to service;
3. out of service by reason of discharge later determined to be wrongful; or,
4. an employee representative or employee of an employee representative.

Deemed service months cannot be given for months after the beginning date of your annuity or after the date you relinquish rights to railroad employment.

Chapter 4 - Credit for Military Service

A. Proof of Military Service - If you ever served in active duty in the United States Armed Forces, the RRB may be able to use that military service to increase your annuity. You must first submit a copy of your latest Department of Defense Form 214, or any official record that shows your dates of federal military service. Shorten the processing time of your future benefit application by submitting proof of your military service now. When sending documents to the RRB, always include your name, your social security number, and a daytime telephone number where you can be reached.

If your military service records were destroyed, either in the 1973 fire at the National Records Center in St. Louis, or in some other way, you may request a new military service record from your service branch with Form SF-180 *Request Pertaining to Military Records*. This form is available from the RRB or the NARA at www.archives.gov.

B. Basic Requirements Under the Railroad Retirement Act (RRA) - The Railroad Retirement Act (RRA) allows credit for military service that began in a war period or period of national emergency and for involuntary (draft) military service. This prevents career railroad employees from losing retirement credits while actively serving in the national defense. To

receive credit for military service, you must always meet one of the general railroad service requirements of Item 1 below and must meet one of the specific requirements in Item 2, Item 3, or Item 4, which follow.

1. *General Requirements under the RRA* - The RRA allows credit for military service as railroad service months only if, prior to the beginning of your military service, either in the same calendar year or in the next preceding calendar year as the enlistment, induction, or call from inactive duty, you:
 - a. performed compensated service for an employer under the RRA;
 - b. were entitled to *Pay for Time Lost* as an employee for an employer under the RRA; or,
 - c. were serving as an employee representative as defined in the RRA.
2. *Involuntary Military Service and Periods of Creditable Voluntary Military Service* - Involuntary military service is always creditable under the RRA. In addition, voluntary military service that began in the following war periods or periods of national emergency are creditable:
 - a. September 8, 1939, through June 14, 1948 (if you voluntarily entered military service January 1, 1947, through June 14, 1948, you can only receive credit through June 14, 1948);
 - b. June 15, 1948, through December 15, 1950, provided the additional requirements described in Item 3 are met;
 - c. December 16, 1950, through September 14, 1978 (but any voluntary active duty extending beyond September 14, 1978, is not creditable); and,
 - d. August 2, 1990, to a date not yet determined.

In addition to these war periods or periods of national emergency, some active duty in the federal military reserve may be creditable as explained in Item 4.

3. *Voluntary Military Service in the Period June 15, 1948, through December 15, 1950* - Railroad workers who voluntarily served in the Armed Forces between June 15, 1948, and December 15, 1950, can be given railroad service credit for their military service. In addition to the requirement of railroad service prior to entering active military service described in Item 1 above, the RRA allows credit for voluntary active military service in the period June 15, 1948, through December 15, 1950, if you:

- a. performed compensated service for an employer under the RRA in the year released from active military service or in the next year; and,
- b. did not work for a nonrailroad employer after leaving military service and before resuming railroad employment.

4. *Creditable Military Reserve Duty* - Members of a reserve component of the uniformed services who are called to active duty can receive railroad service credits for any such active duty or active duty for training, provided that one of the requirements described in Item 1 above was met as of the date called up.

C. Basic Requirements Under the Social Security Act Rules - Since most military service performed after 1956 is creditable under the SS Act, the wage credits are posted to your SS Act wage record. The few cases in which military service is not creditable under the SS Act involve military service performed before 1957 that was either less than 90 days or that had a type of discharge other than honorable.

When military service is used as railroad service months in your Tier 2 component, the SS Act prohibits the use of the same military service as wages.

D. Affect in Your Annuity Rate

1. *Tier 1 Component* - Military service creditable under the RRA or SS Act can be used to increase the yearly earnings amounts used in the computation of your

Tier 1 component, subject to the yearly earnings maximum. This is true even when the same military service is used as railroad service months in your Tier 2 component.

If you qualified for an annuity based on 60-119 months of railroad service with at least 60 months of railroad service after 1995, military service creditable under the RRA or SS Act can be used as compensation *Quarters of Coverage* to meet the total minimum 40 QCs necessary for the *SSA Insured Status* requirement for a Tier 1 component that is explained in Chapter 1(C). This is true even when the same military service is used as railroad service months in your Tier 2 component.

2. *Tier 2 Component and Supplemental Annuity* - Military service creditable under the RRA can be used as railroad service months in the computation of your Tier 2 component or supplemental annuity. However, only one railroad service credit is allowed for a calendar month. If you have actual railroad service in the same month as the military service, only one railroad service credit is given for that month.

3. *Vested Dual Benefit (VDB)* - If you have at least 120 months of railroad service before 1975 and acquired an *SSA Insured Status* before 1975 (see Chapter 1), you can receive an additional annuity component called the *Vested Dual Benefit (VDB)*. Military service performed before 1975, creditable under SS Act rules, can be used as wages and wage *Quarters of Coverage* before 1975, to help meet the "wages only" requirements for a VDB. However, when military service is used as railroad service months in your Tier 2 component, the SS Act prohibits the use of military service as wage *Quarters of Coverage* for a VDB.

Chapter 5 - Current Connection

You must have a *Current Connection* with the railroad industry in order to receive a supplemental annuity or an occupational disability annuity. Future survivor benefits can be paid by

the RRB only if you have a *Current Connection*. The RRB will determine whether or not you have a *Current Connection* when your annuity application is processed.

A. Requirements for a Regular Current Connection - You have a regular *Current Connection* with the railroad industry if you meet either of the following conditions:

1. you worked for a railroad in at least 12 of the 30 consecutive months before the month in which your annuity begins or
2. you worked in the railroad industry in at least 12 months in any other period of 30 consecutive months before the month your annuity begins without any intervening regular employment.

B. Work that will not Break a Current Connection - The following types of work do not break a *Current Connection*:

1. Work for the following government agencies:
 - a. Alaska Railroad (as long as it is owned by the State of Alaska);
 - b. U.S. Department of Transportation;
 - c. Surface Transportation Board (or its predecessor the Interstate Commerce Commission);
 - d. National Mediation Board;
 - e. National Transportation Safety Board; or,
 - f. Railroad Retirement Board.
2. Service for a railroad whose principal operation is in Canada and service by a Canadian citizen in Canada for a railroad whose principal operation is in the United States.
3. Self-employment as defined under the Railroad Retirement Act (see Chapter 16).
4. Nonrailroad work after your annuity beginning date.

C. Deemed Current Connection - If you do not have a regular *Current Connection*, you may have a *Deemed Current Connection* for a supplemental annuity or future benefits payable to your survivors. Your *Current Connection* is deemed to be maintained, even if you have regular nonrailroad employment before your annuity begins, if you:

1. have at least 25 years of railroad service; and,
2. either stopped working in the railroad industry "involuntarily and without fault" for a non-medical reason on, or after, October 1, 1975, or, were on furlough or leave of absence or were absent because of injury on or after October 1, 1975, and were not called back to work; and,
3. did not decline an offer to return to railroad employment in the same "class or craft" as your most recent railroad service (regardless of the number of miles you would have had to move to accept such job).

NOTE: An employee cannot be on furlough, leave of absence, or absent because of injury status after relinquishment of rights to railroad service.

If you meet all the above requirements, your *Current Connection* would not be broken, even if you work in regular employment after your 30-month period and before retirement or death.

D. Proof of Deemed Current Connection - RRB records will confirm if you have 25 years of service.

You must supply the proof that you did not voluntarily end your railroad employment. The best evidence is the letter from your employer that describes the circumstances of your separation. Other acceptable proofs are personnel, payroll, and health insurance records that show your employment status. If none of these documents exist when your application is filed, it will be necessary for you to secure an affidavit from a railroad or union official or from two of your former co-workers who can be identified by the RRB as railroad employees.

Chapter 6 - Requirements for Supplemental Annuity

Some retired railroad employees may be eligible to receive a supplemental annuity from the RRB. This is in addition to the regular age and service or disability annuity.

A. *Requirements for a Supplemental Annuity* -

To be eligible for a supplemental annuity, you must meet all of the following requirements:

1. *Age and Railroad Service* - You must be at least age 65 with at least 300 months (25 years) of creditable railroad service, or at least age 60 with at least 360 months (30 years) of creditable railroad service. (Note that the age requirement for the supplemental annuity is not affected by the definition of *Full Retirement Age (FRA)* explained in Chapter 14.);
2. *Qualified for Annuity* - You must be eligible for, and have filed for, an age and service or disability annuity. The supplemental annuity can never begin before the regular age and service or disability annuity;
3. *Railroad Service Before October 1, 1981* - You must have railroad service creditable to at least one month before October 1, 1981; and,
4. *Current Connection* - You must have a *Current Connection* with the railroad industry as explained in Chapter 5.

B. *Reduction for Employer Pension* - The amount of your supplemental annuity is reduced if you are receiving a monthly pension from your railroad employer that is based in whole or in part on railroad employer contributions. It is also reduced for any lump-sum distribution of the employer contributions that you receive from your pension plan, in lieu of a monthly rate. The lump-sum distribution is considered to be paid, even if you roll-over the funds to another pension account. Your own contributions to your pension account do not affect your supplemental annuity.

On your annuity application, you will be asked to include the name of the railroad employer(s) with whom you still hold pension

rights (other than railroad retirement). Indicate the category (choose one only) that most accurately applies to the job position that vested you for the employer monthly pension or lump-sum pension payment.

The RRB will forward Form G-88p *Employer's Supplemental Pension Report* to your railroad employer when you:

1. are retiring from a job position that is covered by an employer monthly pension or lump-sum pension plan that could cause a reduction to your RRB supplemental annuity or
2. indicate that you are receiving, or will receive, an employer monthly pension or lump-sum pension payment.

PART II - WHEN YOUR ANNUITY CAN BEGIN

Refer to booklet RB-1D *Employee Disability Benefits* if you are applying for a disability annuity.

Chapter 7 - File an Application

You must file an application for an employee annuity to receive railroad retirement benefits based on your age and service. When you file an application for an age and service annuity, you may select the day you want your annuity to begin. You have two choices: the earliest date permitted by law, or a later date designated by you.

Chapter 8 - Earliest Annuity Beginning Date Permitted By Law

A. *General* - Most applicants select the earliest date permitted by law. This means the RRB will set your annuity beginning date as the very first day it could legally begin. If you choose to select a beginning date yourself, your annuity will begin on that date. However, the date you choose cannot be before the earliest date permitted by law.

The earliest age and service annuity beginning date permitted by law is the latest of the following:

1. The day after the actual day you last worked in the railroad industry.
2. The day after the last day of a period of *Dismissal Allowance, Pay for Time Lost, or some types of Vacation Pay* from the railroad industry.
3. The first day of the first full month you meet the age requirement, as described in Chapter 1.
4. The first day of the month in which your application is filed if your annuity is reduced for early retirement, as described in Chapter 15.
5. The first day of the sixth month before the month in which you file your annuity application if your annuity is not reduced for early retirement.

B. Advance Filing - If items 1-3 above apply, you can file your age and service application up to three months before the earliest annuity beginning date permitted by law. This will shorten the processing time of your annuity application.

C. Delayed Filing - Note that when you delay filing for benefits, when Items 4-5 above apply, you may lose benefits for some or all of the period before the month in which you file.

Chapter 9 - Stop Railroad Work

Your age and service annuity cannot begin until you stop all railroad work for pay. Also note that, after the annuity is awarded, payment cannot be made for any month in which you return to work for a railroad employer.

Under advance filing procedure, you may file for an age and service annuity up to three months before your annuity beginning date. If you are still working in railroad service when you file, this means that the date that you certify on your annuity application as the date you will stop railroad service and relinquish rights is a date in the future. If your plans change, you must promptly report any change in your last day of

railroad service to the nearest RRB field office. Otherwise, your annuity beginning date could be incorrect, resulting in erroneous payments.

The RRB will release a Form G-88A.1 listing *Request for Verification of Date Last Carried on Payroll* to your last railroad employer if your date last worked is within 15 months of the date that you file your employee annuity application. This will notify your employer of your claimed date last worked and relinquishment of rights.

Chapter 10 - The Effects of Unemployment or Sickness Benefits After Your Date Last Worked

A. Benefits Under the Railroad Unemployment Insurance Act - Provided you meet the eligibility requirements, you may receive benefits under the Railroad Unemployment Insurance Act (RUIA) after your actual date last worked. These benefits have no effect on your annuity beginning date. Your annuity can begin as early as the day after your actual date last worked. However, any RUIA benefits paid to you after your annuity beginning date will be recovered from your annuity accrual.

B. Sick Pay Under Certain Wage Continuation Plans - Any railroad sick pay, for months after your actual date last worked, that you received under certain wage continuation plans, other than being carried on the payroll at all or part of your regular pay, can be credited to your Tier 1 component for up to six months after your actual date last worked. But, this type of sick pay is not creditable as railroad service months to your Tier 2 component. The sick pay agreement must be established through a company policy or labor agreement.

Check your pay receipt for the period of sickness to determine if this provision applies to you. If the payment was subject to Tier 1, and not Tier 2 tax, the payment is sick pay and has no effect on your annuity beginning date. Your annuity can begin as early as the day after your actual date last worked. Examples of this type of payment are the Trustmark or Provident sick pay plans provided by some railroads.

Chapter 11 - The Effects of Dismissal Allowance, Pay For Time Lost, and Some Types of Vacation Pay

This section concerns payments that you may receive from your employer after the actual date you last performed service for the railroad, but while you were still carried on their payroll. These payments can have an effect on your annuity beginning date.

A. Dismissal Allowance - Under the Railroad Retirement Act, a *Dismissal Allowance* consists of monthly compensation payments for a specific period made to an employee who retains an employment relation. This is also often called *Wage Continuation* or *Guaranty Payments*. The following, though not exhaustive, is evidence of an employment relation:

1. For these payments, your resignation and relinquishment of rights are not effective until the end of the period for which the payments are made.
2. You may be recalled during the period of the allowance. This can apply even if the agreement between you and the railroad is silent on the question of recall.
3. You remain covered under various employee plans.
4. You continue to receive employee benefits.

B. Pay For Time Lost - *Pay For Time Lost* includes:

1. *Personal Injury Settlements* which allocate a portion of the damage as lost compensation for a specific period following the injury and
2. *Short Term Disability* for a specific period for which you are carried on the payroll and receive all or part of your regular pay while absent from work due to sickness.

C. Vacation Pay - Some types of *Vacation Pay* affect your annuity if you are carried on the payroll after your actual date last worked and retain an employment relation.

When you file your annuity application, the payments described in Section A-C above should be entered as *Pay for Time Lost* to prevent an incorrect annuity beginning date from being established. Your annuity cannot begin until the day after the last day for which the *Dismissal Allowance, Pay for Time Lost, or Vacation Pay* is paid.

When possible, it is sometimes to your advantage to accept the payments in a lump-sum. You will not receive as many railroad service months, but this allows your annuity to begin at an earlier date. If you need help in making this decision, the RRB field office will provide you with the necessary annuity estimates.

If you accept a *Dismissal Allowance, Pay for Time Lost, or Vacation Pay*, you cannot receive RUIA benefits for the period of time for which you receive these benefits. This is true regardless of whether you leave railroad employment voluntarily or involuntarily.

If you receive an injury settlement or *Dismissal Allowance*, bring any documentation (i.e., a copy of your settlement) with you when you file your employee annuity application. If your case is still pending at that time, advise the RRB field office that you intend to claim a period of *Pay for Time Lost* after your actual date last worked. They will indicate the type of payment in "Remarks" on your application so the RRB can correctly determine your annuity beginning date.

Chapter 12 - The Effects of a Separation Allowance After Your Date Last Worked

This section concerns payments that you may receive from your employer after the actual date you last performed service for the railroad, but after you resigned and relinquished your rights to railroad employment. These payments do not have an effect on your annuity beginning date.

Under the Railroad Retirement Act, a *Separation Allowance* is compensation paid, from railroad operating funds, to an employee who agrees to relinquish job rights to obtain the payment. The payment can be made in a lump-sum or in periodic installment payments.

The entire amount of the *Separation Allowance* is creditable to your Tier 1 component, as of the

date you relinquish your rights, up to the annual Tier 1 maximum for that year. However, only the amount up to the Tier 2 monthly maximum times the number of creditable railroad service months for the year in which you relinquish your rights is creditable to your Tier 2 component. No railroad service months are credited to any month after the month in which you relinquish your rights, even if the *Separation Allowance* is paid in monthly installments.

However, you may be entitled to a *Separation Allowance Lump-Sum Payment (SALSA)* as explained in Chapter 31 of this booklet. This amount is a refund of any Tier 2 taxes withheld from *Separation Allowance* payments when they do not result in railroad service months or Tier 2 credit.

In cases where an employee, with at least 25 years of railroad service, has no option to remain in the service of the railroad employer, the acceptance of a *Separation Allowance* does not mean that the termination is voluntary. The employee can still qualify for a *Deemed Current Connection*, as explained in Chapter 5.

However, if you are offered a job of equal class and craft, regardless of the distance you would have to travel, and you chose a *Separation Allowance* instead of keeping your seniority rights to railroad employment, you would be considered to have voluntarily terminated railroad employment and would not be protected by the *Deemed Current Connection*.

If you accept a *Separation Allowance*, you cannot receive RUIA benefits for roughly the period of time (called the disqualification period) it would have taken to earn the amount of the *Separation Allowance*, whether the *Separation Allowance* is paid in a lump-sum or installments.

If you have not obtained new employment by the end of the disqualification period and are still actively seeking work, you may be eligible for unemployment benefits at that time. You must meet all the usual eligibility requirements, including the availability for work requirement. An employee can establish availability for work by demonstrating a willingness to work and making significant efforts to obtain work. In judging your willingness to work, the RRB considers, among other factors, the reason you accepted the *Separation Allowance* and the

extent of your work-seeking efforts during the disqualification period. Therefore, if you are offered a job of equal class and craft and you chose a *Separation Allowance* instead of keeping your seniority rights to railroad employment, you would be considered to have voluntarily terminated railroad employment and may not qualify for RUIA benefits.

Example - If your salary was \$3,000 a month without overtime pay, and your *Separation Allowance* was \$12,000, you would be disqualified from receiving RUIA benefits for approximately four months. You could receive RUIA benefits for the months after the end of the four-month disqualification period only if you meet the availability for work requirement.

Note that lump-sum payments from a pension trust fund are not considered to be *Separation Allowances* under the RRA, even if the railroad or the RUIA refers to them as *Separation Allowances*. These payments are not subject to Tier 1 or Tier 2 taxes and do not increase the Tier 1 component. However, they can create a disqualification period for benefits under the RUIA and can cause a reduction to supplemental annuity benefits, as explained in Chapter 6.

PART III - BASIC FORMULA AND REDUCTIONS FOR EARLY RETIREMENT

Chapter 13 - Basic Formula

Regular railroad retirement annuities are calculated under the following two-tier formula:

- A. Tier 1 component** - The first tier is based on railroad retirement credits and any social security credits an employee has acquired. If you have at least 120 months of railroad service, or 60-119 months of railroad service with at least 60 months of railroad service after 1995, the amount of the first tier is calculated using social security formulas and age requirements. Exception: If you have at least 360 months of railroad service or are disabled and have at least 120 months of railroad service, the amount of the first tier is calculated using social security formulas and railroad retirement age and service requirements.

B. Tier 2 component - The second tier is based on railroad retirement credits only, and may be compared to the retirement benefits sometimes paid to workers in other industries in addition to social security benefits.

Chapter 14 - Full Retirement Age for Employees Who Have Less Than 360 Months of Railroad Service

The term *Full Retirement Age (FRA)* means the age at which an employee with less than 360 months of railroad service can receive a full annuity (not reduced for early retirement).

If you have less than 360 months of railroad service, this applies to you. *FRA* for your Tier 1 age reduction is age 65 if you were born before January 2, 1938. The *FRA* for persons born after January 1, 1938, will gradually increase over a 20-year period to age 67, as illustrated in the following chart.

DETERMINING YOUR FULL RETIREMENT AGE

If you were born:	then your Full Retirement Age is:
Before 1-2-1938	65
1-2-1938 thru 1-1-1939	65 and 2 months
1-2-1939 thru 1-1-1940	65 and 4 months
1-2-1940 thru 1-1-1941	65 and 6 months
1-2-1941 thru 1-1-1942	65 and 8 months
1-2-1942 thru 1-1-1943	65 and 10 months
1-2-1943 thru 1-1-1955	66
1-2-1955 thru 1-1-1956	66 and 2 months
1-2-1956 thru 1-1-1957	66 and 4 months
1-2-1957 thru 1-1-1958	66 and 6 months
1-2-1958 thru 1-1-1959	66 and 8 months
1-2-1959 thru 1-1-1960	66 and 10 months
1-2-1960 and later	67

(*Full Retirement Age* also affects Tier 1 component work deductions due to earnings as described in Chapter 17, regardless of your total years of railroad service.)

Chapter 15 - Age Reductions for Employees Who Have Less than 360 Months of Railroad Service

A. Tier 1 Component Age Reduction - Your employee annuity Tier 1 component age reduction depends on your total years of railroad service.

1. *You Have 60-119 Months of Railroad Service with at Least 60 Months of Railroad Service After 1995* - Your Tier 1 is reduced by 1/180 for the first 36 months you are under FRA and by 1/240 for each additional month you are under FRA on your RRA annuity beginning date (ABD), or if earlier, your social security benefit date of entitlement; or,
2. *You Have 120-359 Months of Railroad Service* - Your Tier 1 is reduced by 1/180 for the first 36 months you are under FRA and by 1/240 for each additional month you are under FRA on your annuity beginning date.

B. Tier 2 Component Age Reduction - Your employee annuity Tier 2 component age reduction depends on whether or not you have railroad service before August 12, 1983.

1. *You Began Your Railroad Service Before August 12, 1983* - Your Tier 2 age reduction is 1/180 for each month you are under age 65 on your annuity beginning date; or
2. *You Began Your Railroad Service After August 11, 1983* - Your Tier 2 will be reduced by 1/180 for each of the first 36 months you are under FRA and 1/240 for each additional month you are under FRA on your annuity beginning date.

NOTE: If you receive a disability annuity based on 60-119 months of railroad service with at least 60 months of railroad service after 1995, your Tier 2 component is not payable until the first full month you are age 62. Then it will be reduced in the same manner as a Tier 2 component for an age and service employee.

PART IV - DEDUCTIONS FOR EARNINGS

Your annuity is not payable for any month in which you are in railroad service. In addition, nonrailroad earnings after your annuity beginning date may affect your annuity computation.

If you are filing for a disability annuity, refer to the earnings restrictions in booklet RB-1D, *Employee Disability Benefits*.

Otherwise, the age and service annuity Tier 1 and Tier 2 deductions for earnings are explained below.

Chapter 16 - Self-Employment and Other Nonrailroad Work

Earnings from nonrailroad employment, including self-employment, may affect your annuity computation. Nonrailroad work is any job that is not in the railroad industry. This includes work for a Canadian railroad that is not covered under the Railroad Retirement Act and work as an elected or appointed public official.

We ask for information regarding your nonrailroad work, any government jobs you may have had, and any self-employment to determine whether or not you have a current connection with the railroad industry (as explained in Chapter 5). Earnings after your annuity beginning date from any nonrailroad employment or self-employment may also cause work deductions.

If you are claiming self-employment, the RRB determines whether or not you are performing "substantial services" as an independent contractor. The payment of self-employment taxes may be evidence of an independent contractor status, but is not conclusive. If you are working for an incorporated business that you own, the RRB does not consider that work self-employment. If you are self-employed as a consultant, the RRB considers how your self-employment compares to the work you did for your former railroad or non-railroad employer before you applied for your annuity. You should complete and return Form AA-4 *Self-Employment and Substantial Service Questionnaire* to provide the RRB with the necessary information to make that determination.

For more information about self-employment, see Form G-177L *General Information about Continuing in or Returning to Nonrailroad Employment after Retirement under the Railroad Retirement Act*.

Chapter 17 - Tier 1 Work Deductions

Tier 1, *Vested Dual Benefit*, or *Special Guaranty Computation* work deductions do not apply for any months you are *Full Retirement Age* (FRA) (see Chapter 14) or older. If you are FRA, or older,

on your annuity beginning date, you may skip to Chapter 18. If you are under *FRA*, earnings from any nonrailroad employment (including self-employment) over the *Annual Earnings Exempt Amount* cause work deductions to your Tier 1, any *Vested Dual Benefit* payable, and to any *Special Guaranty* computation.

The term *Annual Earnings Exempt Amount* means the amount of money you can earn in non-railroad employment in a year without losing part of your annuity or the annuities of others entitled on your earnings record. There are separate *Annual Earnings Exempt Amounts* for persons under *FRA*, and for the year in which the person attains *FRA*, as explained in the following chart.

When you have earnings over the *Annual Earnings Exempt Amount* for your age group, the excess is charged against your annuity and the annuities of all others entitled on your earnings record. However, if a divorced spouse is entitled on your earnings record, effective from the second anniversary of the divorce, your earnings have no effect on the divorced spouse annuity.

DETERMINING AMOUNT OF YOUR WORK DEDUCTION		
For a year in which you:	You may lose up to \$1 in Tier 1 components for every:	The reduction:
attain <i>FRA</i> ,	\$3.00 of earnings over the <i>Annual Earnings Exempt Amount</i> for your age group. However, your earnings are only counted for months before the month in which you attain <i>FRA</i> .	is removed effective the month in which you attain <i>FRA</i>
are under <i>FRA</i> for the entire year,	\$2.00 of earnings over the <i>Annual Earnings Exempt Amount</i> for your age group.	applies for the full year.
work outside the U.S. for 45 or more hours per month,	\$2.00 of earnings. There is no <i>Annual Earnings Exempt Amount</i> for work outside the U.S. However, your earnings are only counted for months before the month in which you attain <i>FRA</i> .	is removed effective the month in which you attain <i>FRA</i> .

Refer to Form G-77a *How Work Affects Your Railroad Retirement Benefits* for the *Annual Earnings Exempt Amount* to use when completing the earnings items on your annuity application.

- A. **Definition of Earnings for Tier 1, *Vested Dual Benefit*, or *Special Guaranty Computation*** - In general, earnings restrictions apply to gross earnings from employment and net

earnings from self-employment. Gross earnings are all salaries (including amounts deferred to a 401(k) pension account), commissions, bonuses, retroactive wage increases, or any allowances for room or board earned in the calendar year. If these earnings are from an employer covered under the SS Act, the amount of the gross earnings is the amount reported for social security tax under the Federal Insurance Contributions Act (FICA). Net earnings from self-employment equals the amount of gross income minus expenses that were reported for social security tax under the Self-Employment Contributions Act (SECA). Add your earnings from employment and self-employment together to determine the total earnings for the calendar year for the purpose of Tier 1, *Vested Dual Benefit*, or *Special Guaranty Computation* work deductions.

Do not include as earnings any money that you received for any reason other than work, such as interest from savings, income from investments, gifts, inheritances, pensions or other retirement benefits.

B. Exception for First Year of Entitlement - In the year your annuity begins, deductions for your own earnings are based on your earnings for the entire year, not just the earnings after you retire. However, a special rule may be used to apply work deductions in the first year you are entitled to an annuity and have a *Non-Work Month*.

A *Non-Work Month* is a month in which you earn less than the *Monthly Earnings Exempt Amount* for your age (the *Annual Earnings Exempt Amount* for your age divided by 12) or, if self-employed, render no substantial services. (The RRB uses Form AA-4 *Self-Employment and Substantial Service Questionnaire* to determine months in which you rendered no substantial services.)

1. *Special Rule Applies* - In the year the special rule is applied, deductions for your own earnings are not applied to any *Non-Work Month*. If you have high earnings before your annuity begins but do not earn more than the *Monthly Earnings Exempt Amount* in any month

after your annuity begins, Tier 1, *Vested Dual Benefit* or *Special Guaranty Computation* work deductions for your own earnings will not be required.

2. *Special Rule does not Apply* - If you earn more than the *Monthly Earnings Exempt Amount* in one or more months after your annuity begins, deductions are assessed to those months up to the amount required based on your total earnings for the year. Also, after the first year in which you have a *Non-Work Month*, this monthly test does not apply. If your earnings are high enough, Tier 1, *Vested Dual Benefit* or *Special Guaranty Computation* work deductions will be assessed to your annuity for the entire year, even if you only work part of the year.

C. Exception for Social Security Benefit Entitlement - No earnings deductions are made by the RRB to your Tier 1 component if you are receiving social security benefits. Earnings deductions may be made by the Social Security Administration in your social security benefit. If your annuity includes a *Vested Dual Benefit*, however, the RRB will assess earnings deductions to that part of your annuity.

D. Exception for Those Who do not have a Work Deduction Insured Status - Ask your RRB field office if this exception applies to you. Most employees currently retiring are not eligible for this exception because they do have a *Work Deduction Insured Status*.

However, there are a few employees who may not have accumulated the number of wage *Quarters of Coverage*, or compensation *Quarters of Coverage* after 1974, to have a *Work Deduction Insured Status*. For example, employees working for Canadian railroads have not accumulated *Quarters of Coverage* since 1983.

This exception only affects the Tier 1 and *Vested Dual Benefit* work deductions. A *Work Deduction Insured Status* is not required for work deductions under the *Special Guaranty* computation.

Chapter 18 - Last Pre-Retirement Nonrailroad Employment

A. Definition - Your *Last Pre-Retirement Nonrailroad Employer* (LPE) is defined as any nonrailroad individual, company or institution for whom you are working on the date your employee annuity begins or for whom you stopped working in order to receive an annuity. A few exceptions for types of nonrailroad work are listed in Section B.

The nonrailroad employer is always your LPE if you are working in nonrailroad employment on the date your employee annuity begins or, if you have stopped working, you still hold rights to return to service of the nonrailroad employer on the date your employee annuity begins.

The nonrailroad employer is presumed to be your LPE if you stopped working within the six months preceding your annuity beginning date. When you were working for two or more persons, companies, or institutions within the six months preceding your annuity beginning date, all such employers are presumed to be your LPE.

B. Work That is not Considered Last Pre-Retirement Nonrailroad Employment - Nonrailroad employment after the date your annuity begins is not LPE unless you worked for that employer before the date your annuity begins. Also, some types of nonrailroad work are not considered LPE, no matter when they are done.

The following types of work are not LPE:

1. military service;
2. mail handling under contract for the U.S. Post Office;
3. jury duty;
4. employment for which you are reimbursed only for your expenses;
5. certain seasonal employment where you do not have rights to return to the employment (such as working in a department store during the Christmas season);

6. work as a member (owner) of a Limited Liability Corporation; or,
7. self-employment as defined under the Railroad Retirement Act.

Even though earnings from employment described above are not from LPE, they can cause Tier 1 work deductions, as explained in Chapter 17.

Chapter 19 - Tier 2 and Supplemental Annuity Work Deductions

Any earnings from your *Last Pre-Retirement Nonrailroad Employer* (LPE) in or after the month your annuity begins will reduce your Tier 2 component, your spouse's Tier 2 component, and any supplemental annuity. Your LPE is explained in Chapter 18. The reduction is \$1 for each \$2 earned (subject to a maximum reduction of 50 percent of the Tier 2 and supplemental annuity).

The reduction to Tier 2 and the supplemental annuity occurs at any age, even after you attain *Full Retirement Age* (FRA). There is no *Annual Earnings Exempt Amount*, or *Monthly Earnings Exempt Amount* for the first year of entitlement, for LPE work deductions. Work deductions for LPE apply no matter how much money you earn in LPE.

Earnings from self-employment or other nonrailroad employment are not added to your LPE earnings when computing Tier 2 or supplemental annuity work deductions.

PART V - REDUCTIONS FOR OTHER BENEFITS

Chapter 20 - Social Security Benefits

If you are entitled to Social Security (SS) benefits based on any wage record, your Tier 1 component will be offset for those SS benefits (before any withholding under the SS Act for your earnings over the *Annual Earnings Exempt Amount*). This is why your SS benefits may be certified to the RRB for payment. If you have already filed for your SS benefits, it is important to include the SS benefit information on your annuity application. This will help to prevent an overpayment of your annuity.

A. Annuity Based on at Least 120 Months of Railroad Service - Your railroad retirement application may be used to protect your filing date for SS benefits if you have not yet filed at the Social Security Administration (SSA) and will be entitled to the SS benefits within three months. This means the date you file your railroad retirement application can be used as the date you file for SS benefits. If you want to use your railroad retirement application to protect your filing date, the RRB representative will prepare Form RR-8 *Notice of Protection of Filing Date for Social Security Benefits* and send a copy to your local SSA office. The SSA office will contact you to secure an application for SS benefits.

Your railroad retirement application may protect your filing date, but it is not an application for SS benefits. You must file a separate application for those benefits at SSA.

In many cases, filing for SS benefits will not affect your total benefit rate, because of the deduction in your Tier 1 component. It is usually not to your advantage to apply for benefits at both agencies. It is a good idea to discuss this matter with an RRB representative before deciding to file for SS benefits. Contact your local RRB office for information about your situation before filing at SSA.

B. Annuity Based on 60-119 Months of Railroad Service With at Least 60 Months of Railroad Service After 1995 - Your railroad retirement application is also deemed to be an application for any SS benefits that you may be entitled to on your own earnings record or the earnings record of your spouse.

Chapter 21 - Non-Covered Service Pensions

A *Non-Covered Service Pension* (NCSP) is any payment based on earnings for services performed after 1956 that are not covered as employment under the Social Security (SS) Act or the Railroad Retirement Act (RRA). This payment may either be a monthly check or a lump-sum payment. This information is important because it may reduce the amount of your Tier 1 component.

A. Exceptions for Non-Covered Service Pension Reduction - You are not subject to the non-

covered service pension reduction if your date of birth is before January 2, 1924, or if you have at least 30 *Years of Coverage*. Approximately 1 *Year of Coverage* is credited for each year in which you have wages, compensation, or self-employment earnings equal to or more than the following: 25 percent of the SSA maximum creditable earnings for years before 1979, 25 percent of the Tier 2 maximum creditable earnings for years 1979-1990, and 15 percent of the Tier 2 maximum creditable earnings for years after 1990. Ask your RRB representative if this exception applies to you.

Also note that the following monthly benefits are not considered to be non-covered service pensions:

1. A private pension from your railroad employer.
2. Payment from the Department of Veterans Affairs.
3. Pensions based on military service active duty.
4. Pensions based on the earnings of another person.

B. When Non-Covered Service Pension Reduction May Apply - If none of the exceptions above apply, your date of birth is January 2, 1924, or later, and you are receiving or expect to receive a pension or annuity (or a lump-sum payment in excess of your own contributions to the pension plan) that is based on any work performed after 1956 not covered by the SS Act or the RRA, the RRB will use Form G-209 *Employee Non-Covered Service Pension Questionnaire* to obtain the information necessary to compute any offset for your non-covered service pension.

Chapter 22 - Other Railroad Retirement Annuities

If you are entitled to more than one railroad retirement annuity, your employee annuity is not reduced for the other railroad retirement annuity. But your employee annuity can have an effect on the other railroad retirement annuity.

A. Spouse Annuity - If you are entitled to both a Railroad Retirement Act (RRA) employee annuity based on your own earnings record and an RRA spouse annuity based on a different earnings record, the reduction to your RRA spouse annuity depends on whether or not there is railroad service before January 1, 1975, on either earnings record:

1. If either earnings record has railroad service before January 1, 1975, your RRA spouse annuity Tier 1 is reduced by your RRA employee annuity Tier 1. The reduction may be restored to your RRA spouse annuity Tier 2.
2. If neither earnings record has railroad service before January 1, 1975, your RRA spouse annuity Tier 1 and Tier 2 is reduced by your own RRA employee annuity Tier 1 and Tier 2. The reduction is not restored to your RRA spouse annuity Tier 2.

B. Widow(er) Annuity - If you are entitled to both an RRA employee annuity based on your own earnings record and an RRA widow(er) annuity based on a different earnings record, the reduction to your RRA widow(er) annuity depends on railroad service before January 1, 1975.

1. If either earnings record has at least 120 months of railroad service before January 1, 1975, your RRA widow(er) annuity Tier 1 is reduced by your own RRA employee annuity Tier 1. If you are a widow, the reduction may be partially restored to your RRA widow annuity Tier 2. If you are a widower, you may be eligible for the restored amount if you were dependent on your deceased spouse for 1/2 of your support.
2. If either earnings record has some railroad service before January 1, 1975, but neither earnings record has 120 months of railroad service before January 1, 1975, your RRA widow(er) annuity Tier 1 is reduced by your own RRA employee annuity Tier 1. The reduction is not restored to your widow(er) annuity Tier 2.
3. If neither earnings record has any railroad service before January 1, 1975, your RRA widow(er) annuity Tier 1 and Tier 2 is

reduced by your RRA employee annuity Tier 1 and Tier 2. The reduction is not restored to your RRA widow(er) annuity Tier 2.

C. Divorced Spouse Annuity - If you are entitled to both an RRA employee annuity based on your own earnings record and an RRA divorced spouse annuity based on a different earnings record, your RRA divorced spouse annuity is reduced by your RRA employee annuity.

D. Surviving Divorced Spouse Annuity or Remarried Widow Annuity - If you are entitled to both an RRA employee annuity, based on your own earnings record, and an RRA surviving divorced spouse annuity or RRA remarried widow(er) annuity, based on a different earnings record, the reduction depends on railroad service before January 1, 1975.

1. If there is railroad service before January 1, 1975, on either earnings record, your RRA surviving divorced spouse annuity or RRA remarried widow(er) annuity will be reduced by your RRA employee annuity Tier 1.
2. If neither earnings record has railroad service before January 1, 1975, your RRA surviving divorced spouse annuity or RRA remarried widow(er) annuity is reduced by your RRA employee annuity Tier 1 and Tier 2.

Chapter 23 - Worker's Compensation and Public Disability Benefits

The *Worker's Compensation and Public Disability Benefit (WC/PDB)* provision only applies to disability annuitants. If you are not filing for a disability annuity, you can skip this chapter.

The Tier 1 component of your disability annuity may be reduced if you are receiving WC benefits or certain PDBs. The WC benefits that affect your annuity are those payments made to you by a Federal or State worker's compensation insurance law for a work-related injury or disease you may have. The PDBs that may affect your annuity are those payments made to you by a Federal, State, or local government based on employment that is not entirely covered by the Social Security (SS) Act.

Generally, when 85 percent or more of the period of service for a Federal, State, or local government is covered under the SS Act, a PDB based on that service paid by Federal, State, or local plan will not cause a reduction. Also, payments from the Department of Veterans Affairs will not cause a reduction.

Military service disability pensions based entirely on active duty before 1957 will cause a PDB reduction.

If you receive WC or a PDB based on any employment from a Federal, State, or local government that was not covered under the SS Act, you must submit proof of the amounts and effective dates of your WC or PDB.

PART VI - REDUCTIONS FOR OTHER FEDERAL PROGRAMS

Chapter 24 - Medicare Coverage and You

A. General Information About Medicare - Medicare is a two-part Federal health insurance program, administered by the Centers for Medicare & Medicaid Services (CMS), for people who are age 65 or older, who are totally and permanently disabled, or who have permanent kidney failure. One part of Medicare is *Hospital Insurance* (also known as Part A). The other part is *Medical Insurance* (also known as Part B).

If you are eligible for Medicare because of permanent kidney failure (End Stage Renal Disease), you must call or visit your local Social Security Administration office or call the Social Security Administration at 1-800-772-1213 to enroll in Medicare Part A and Part B. For all other Medicare eligibility, the RRB can help you enroll in Medicare Part A and Part B.

1. *Hospital Insurance* (Part A) can help pay for four kinds of care:
 - a. inpatient hospital care;
 - b. inpatient care in a skilled nursing facility following a hospital stay;

- c. care in your home by a home health agency; and,
- d. hospice care.

As soon as you are determined to be eligible for Medicare, you will automatically be enrolled for *Hospital Insurance* (Part A). You do not pay a monthly premium for your *Hospital Insurance* (Part A).

2. *Medical Insurance* (Part B) can help pay for additional kinds of medically necessary care:
 - a. doctors' services;
 - b. outpatient hospital services; and,
 - c. a number of other medical services and supplies that are not covered by *Hospital Insurance* (Part A).

B. Medical Insurance (Part B) at Age 65 or Older - Enrollment for *Medical Insurance* (Part B) depends on your age when you file your annuity application.

1. If you are under age 64 years and 5 months when you file your annuity application, you will be automatically enrolled in *Medical Insurance* (Part B) at age 65, unless you decline this coverage.
2. If you are at least age 64 years and 5 months, when you file your annuity application, you can use your employee annuity application to enroll for *Medical Insurance* (Part B).

If you want *Medical Insurance* (Part B) at age 65, you must pay a premium for each month you have this insurance. If you receive an annuity, the premium will usually be deducted from your monthly annuity.

If you do not want *Medical Insurance* (Part B) at age 65, and then later decide that you do want to sign up, your protection may be delayed and your premiums may be more expensive.

If at any time, you wish to cancel the election that you make on your annuity application, you must contact the nearest office of the RRB.

C. *Special Enrollment Period* - You may delay enrolling in *Medical Insurance* (Part B) coverage without penalty if you are covered under a *Group Health Plan* (GHP) at age 65. The GHP must be based on your own employment or your spouse's employment. You may enroll in *Medical Insurance* (Part B) at any time while you are covered under the GHP; or, you can enroll during a *Special Enrollment Period* (SEP). Your SEP begins when the employment on which the GHP is based ends or the first month you are no longer covered under the GHP, whichever comes first. The SEP lasts for 8 months.

The beginning date of your *Medical Insurance* (Part B) coverage depends on the status of your GHP coverage when you file for the *Medical Insurance* (Part B).

1. If you file for *Medical Insurance* (Part B) during any month in which you are enrolled in a GHP, or in the first month of your SEP, you can choose the effective date of your *Medical Insurance* (Part B). The effective date can be the first day of the month you file or the first day of any of the following three months after the month of filing.

Example 1 - If your GHP coverage based on current employment has not ended and you file for *Medical Insurance* (Part B) in May, you can choose May 1, June 1, July 1, or August 1 for your *Medical Insurance* (Part B) effective date.

Example 2 - If your GHP coverage based on current employment ends on March 19, and you file for *Medical Insurance* (Part B), the following applies:

- a. If you file anytime after March 19, but before April 1, you can choose the effective date of March 1, April 1, May 1, or June 1 for your *Medical Insurance* (Part B).
 - b. If you file anytime in April, you can choose the effective date of April 1, May 1, June 1, or July 1 for your *Medical Insurance* (Part B).
2. If you file for *Medical Insurance* (Part B) during the other seven months of your

SEP, your *Medical Insurance* (Part B) will begin the first day of the month after the month you file. The beginning date can be no later than the ninth month after the start of your SEP.

Example - If your GHP coverage based on employment ends on March 19, and you file for *Medical Insurance* (Part B) anytime during the period May 1 through November 30, your *Medical Insurance* (Part B) will begin the month after the month in which you file your annuity application.

If you are already enrolled in *Medical Insurance* (Part B) and are paying higher premiums due to late enrollment, and you had GHP coverage at age 65, you may use your annuity application to request a review of the *Medical Insurance* (Part B) premium rate you are paying.

D. *Prescription Drugs* - In 2003, new Medicare legislation was enacted. Among other things, the legislation provides for a prescription drug benefit for Medicare beneficiaries. Until that benefit goes into effect in 2006, Medicare beneficiaries will be able to purchase a prescription drug discount card. Individuals with incomes below certain levels may qualify for a \$600 credit to be added to the discount card that can be used to help pay for prescription drugs.

E. *Early Medicare Based on Disability* - You can also be covered by Medicare before age 65 if you are eligible for a monthly railroad retirement annuity and are totally disabled for all employment. If you are filing for an age and service annuity before the month you will attain age 63, and you are totally disabled, you may use your annuity application to request a disability determination for early Medicare coverage only. Also complete and return Form AA-1D *Application for Determination of Employee's Disability*. Refer to booklet RB-1D *Employee Disability Benefits* for an explanation of the disability requirements.

If you are filing for a disability annuity, the RRB will automatically do a disability determination for an RRA annuity and early Medicare coverage.

F. More Information About Medicare - You may find answers to your Medicare questions by contacting the nearest RRB office; going to www.medicare.gov; or calling 1-800-MEDICARE (1-800-633-4227).

Chapter 25 - Federal Income Tax Withholding

Withholding for Federal Income Tax may occur, either based on your election filed on Form W-4P *Withholding Election Form*, or, if you do not file a Form W-4P, based on a status of "Married with three dependents."

PART VII - AFTER YOU APPLY FOR YOUR ANNUITY

The chapters in this part of the booklet explain what the Railroad Retirement Board (RRB) does after you file your annuity application. Included is important information about how soon you can expect a decision on your application.

Chapter 26 - Notice of Decision About Your Age and Service Application

When you are ready to retire, contact your RRB field office to file your employee annuity application. Our goal is to process your application as quickly as possible. Claims for some benefits may take longer to handle than others if they are more complex, or if we have to get information from other people or organizations. If this happens, we will give you an explanation and an estimate of the time required to make a decision.

Sometimes we will not be able to make a decision on your application for benefits without some additional information from you. If so, we will contact you by telephone or mail and ask you to send us the required forms, proofs, or statements.

If you do not receive a notice that additional information is needed, you should receive the decision on your annuity application as follows:

A. Advance Filing Cases - When you file up to three months before the earliest date your annuity can begin (see Chapter 8), you should receive your annuity award letter and

first payment within 35 days of the date your annuity can begin. However, note that no payment is due until the first day of the month after the first month of annuity entitlement, as explained in Chapter 27.

B. Other Than Advance Filing Cases - If you do not file your annuity application in advance of the earliest date in which your annuity can begin, you should receive your annuity award letter and first payment within 65 days from the date you file your annuity application.

C. Annuity Denial - If you cannot be paid an annuity, the RRB will send you a decision within 35 days of the beginning date that you requested, if you filed in advance, or within 65 days of the date you filed, if you did not file in advance. The letter will explain why you cannot be paid and what you can do if you disagree with the reason you cannot be paid. If you think we made the wrong decision about your benefits, you have the right to ask for a review and to appeal within the required time limit shown in the denial letter.

Chapter 27 - How Payments Are Made

The first payment you receive from the RRB will be separate from your annuity award letter. Annuities are payable at the beginning of the month following the month for which the annuity accrued. The payment that you receive at the beginning of the month actually represents the annuity that accrued for the previous month.

A. Advance Filing Cases - When you file up to three months before the earliest date your annuity can begin (see Chapter 8), no payment is due until the first day of the month after the first month of annuity entitlement.

B. Other Than Advance Filing Cases - If you are not filing in advance of your annuity beginning date, the initial payment may be a partial payment, with an estimated monthly rate, representing payment due through the end of the preceding month. You will continue to receive this partial amount until your final rate can be determined and awarded. Once your final rate has been certified, you will receive any increase due from your annuity

beginning date. You may receive this payment at any time during the month.

Remember: The payment that you receive after your initial payment will be made once a month on the first day of the month. If the first day of the month falls on a Sunday or a holiday, you will receive the payment on the next business day. The payment that you receive at the beginning of each month actually represents the annuity that accrued for the previous month.

Chapter 28 - Direct Deposit to a Financial Institution

The Federal Government now requires that most government payments be sent directly to a savings or checking account at a financial institution instead of being sent to the recipient's home. Under the RRB's Direct Deposit program, your monthly annuity payment will be made directly to your savings or checking account at the financial institution that you indicate on your annuity application. You will find that this is both safe and convenient.

If you decline direct deposit based on hardship, you can still change your mind at a later date. Telephone or visit your RRB field office. Have one of your personal checks handy because it contains the information needed to start direct deposit. The field office personnel will enter the information into our payment system and tell you when the direct deposit will take effect.

You may also take one of your annuity checks to your financial institution and ask them to complete an automated Quick\$start enrollment or a Form SF-1199A *Authorization for Deposit of Federal Recurring Benefits*. Your financial institution will have this form on hand. Your financial institution will submit your enrollment to the RRB. Shortly after the RRB receives your direct deposit information, your monthly annuity payment will start going directly to your savings or checking account.

If you later change your account or financial institution, follow the steps indicated above for direct deposit to your new account. **Keep your old account open until the direct deposit of payments to your new account begins.**

Even though your payments are on direct deposit, be sure to keep your home address on our records current as explained in Chapter 29.

Chapter 29 - Change of Address

Notify the nearest RRB office immediately if you change your address, even when your monthly annuity payments are going directly to your savings or checking account. All correspondence from the RRB is sent to your home mailing address on record. This mailing address is used to send any material other than your payments to you (such as notices of cost-of-living increases, Medicare information, new *Annual Earnings Exempt Amounts*, and tax statements). If you do not report your change of address, the RRB cannot be responsible for any important information that you do not receive.

A notice of change of address must always include:

- your RRB claim number;
- your name;
- your new address;
- your old address; and
- the date you will start receiving mail at the new address.
- If you have a spouse who is also receiving an RRA annuity, state whether the change of address applies to both of you or to you alone.

Chapter 30 - Receiving a Tax Refund of Excess Social Security Tax

If, in any year before you retired, you worked for more than one railroad employer or worked in both railroad employment and social security-covered employment, your combined gross earnings from employment or net earnings from self-employment may have exceeded the Tier 1 yearly earnings maximum for that year. You may qualify for a refund of any excess taxes that were withheld from your earnings under the Federal Insurance Contributions Act (FICA) or the Railroad Retirement Tax Act (RRTA) or that you paid under the Self-Employment Contributions Act (SECA).

A. Earnings After Year 1974 - Your combined railroad and social security-covered earnings

may exceed the Tier 1 yearly earnings maximum in any year after 1974, if you either:

1. work in both railroad employment (RRTA) and social security-covered employment (FICA) or
2. work for two railroad employers (RRTA).

You can obtain a refund of the FICA or RRRTA tax for the earnings in excess of the Tier 1 yearly earnings maximum. Claim the amount of the excess FICA or RRRTA tax on your income tax return (U.S. Individual Income Tax Form 1040 or Form 1040A, under Excess FICA or RRRTA Tax Withheld). This is how people who have never worked in the railroad industry get refunds for their excess social security taxes. There is a three year statute of limitations on such claims.

B. Earnings 1951 through 1974 - If your combined railroad and social security-covered earnings exceeded the yearly earnings maximum in any year from 1951 through 1974, you qualify for the refund of excess tax if you have at least 120 months (10 years) of railroad service and are not entitled to a *Vested Dual Benefit*. The refund is the amount of the RRRTA, FICA, or SECA tax based on the amount of your yearly earnings that exceeded the yearly earnings maximum for that year. If you qualify for this refund, you do not have to apply for it. The RRB will automatically pay it to you when you retire. If you die before receiving this refund, it will be paid to your survivors.

Chapter 31 - Receiving a Railroad Separation Allowance Payment

You may be entitled to an additional lump-sum payment if you received a *Separation Allowance* after 1984 and such payment did not provide additional railroad retirement service credits, as explained in Chapter 12.

A. Computation of Lump Sum - The *Separation Allowance* lump-sum payment for the year(s) the *Separation Allowance* was paid is computed as follows:

Step 1-Subtract the amount of the *Separation Allowance* used in the total railroad service credits from the total amount of the *Separation Allowance* subject to Tier 2 taxation.

Step 2 -If the result of Step 1 is greater than zero, multiply the result of step 1 by the amount of the employee Tier 2 contribution rate(s) under the Railroad Retirement Tax Act (26 USC 3221) for the year(s) the *Separation Allowance* was paid.

B. Eligibility Requirements - To be eligible for a *Separation Allowance* lump-sum payment, you must have completed at least 120 months of railroad service, or 60-119 months of railroad service with at least 60 months of railroad service after 1995. If you qualify for the payment, you do not have to apply for it. The RRB will automatically pay it to you when you retire. If you die before receiving this payment, it will be paid to your survivors.

Chapter 32 - Records You Should Keep

We recommend that you keep this booklet after you file your annuity application. It contains important information concerning your entitlement to benefits.

You should also keep your:

1. annuity award notice or denial notice;
2. notes from the RRB representatives who helped you file your annuity application. The notes should detail any special aspects of your claim (such as why a certain employer was or was not your LPE);
3. copy of the Form AA-1, *Receipt for Your Claim*;
4. copy of Federal Income Tax Form W-4P *Withholding Election Form*; and,
5. booklet RB-9 *Employee and Spouse Annuities - Events That Must Be Reported* to help you comply with the RRB's reporting requirements.

Nondiscrimination on the Basis of Disability

Under Section 504 of the Rehabilitation Act of 1973 and Railroad Retirement Board (RRB) regulations, no qualified person may be discriminated against on the basis of disability. RRB programs and activities must be accessible to all qualified applicants and beneficiaries, including those with impaired vision or hearing. Disabled persons needing assistance (including auxiliary aids or program information in accessible formats) should contact the nearest RRB office. Complaints of alleged discrimination by the RRB on the basis of disability must be filed within 90 days in writing with the Director of Administration, Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois, 60611-2092. Questions about individual rights under this regulation may be directed to the RRB's Director of Equal Opportunity at the same address.

Fraud and Abuse Hot Line

Call the toll-free Fraud and Abuse Hot Line if you have reason to believe that someone is receiving railroad retirement or unemployment-sickness benefits to which (s)he is not entitled; that persons responsible for the financial affairs of minors or incompetent beneficiaries are misappropriating benefits; or that a doctor, hospital, or other provider of health care services is performing unnecessary or inappropriate services or is billing Medicare for services not received. You may also use the Hot Line to report any suspected misconduct by a Railroad Retirement Board (RRB) employee. The Hot Line has been installed by the RRB's Inspector General to receive any evidence of fraud or abuse of the RRB's benefit programs.

Call (toll-free) 1-800-772-4258. Or you may send your complaints in writing to the Railroad Retirement Board, OIG, Hot Line Officer, 844 North Rush Street, Chicago, Illinois, 60611-2092. Please do not call the Hot Line with questions about eligibility requirements, delayed claims, or similar problems. Such matters should be directed to the nearest RRB field office.

Computer Matching and Privacy Protection Act Notice

The Computer Matching and Privacy Protection Act of 1988 requires the Railroad Retirement Board (RRB) to advise you that information you have provided may be used, without your consent, in automated matching programs. These matching programs are a computer comparison of RRB records with records kept by other Federal, State, or local government agencies. Information from these matching programs can be used to establish or verify a person's eligibility for Federally funded or administered benefit programs and for repayment of payments or delinquent debts under these programs.

Burden Statement

We estimate the application process takes an average of 30 to 62 minutes per response to complete, including the time for reviewing the instructions, getting the needed data, and reviewing the completed application. Federal agencies may not conduct or sponsor, and respondents are not required to respond to, a collection of information unless it displays a valid OMB number. If you wish, send any comments regarding the accuracy of our estimates or any other aspect of this process, including suggestions for reducing completion time, to the Chief of Information Resources Management, Railroad Retirement Board, 844 N. Rush Street, Chicago, Illinois 60611-2092.

Paperwork Reduction Act and Privacy Act Notices

This notice is given under the Paperwork Reduction Act of 1995 and the Privacy Act of 1974.

The Privacy Act requires that the Railroad Retirement Board (RRB) tell you the following whenever we ask you for information:

1. The law which allows us to ask for the information;
2. whether that law requires you to give us that information and what, if anything, might happen to you if you do not give it to us;
3. the reason why the information is requested; and
4. the persons, organizations, and agencies to which we may release the information without your permission.

The RRB's authority for requesting this information is Section 7(b) of the Railroad Retirement Act (RRA) of 1974. Providing us with this information is voluntary on your part. However, if you fail to provide us with the requested information, we may be unable to pay you any benefits. The RRB needs this information to determine whether or not you are eligible to receive such benefits, and, if so, the amount you are entitled to receive. If your annuity application is approved and we begin to pay you benefits, information that we may request from you in the future will be used to determine whether you are entitled to continue to receive such benefits.

Although the information we request is almost never used for any purpose other than the payment of benefits under the RRA, the RRB does have the authority to release information to the indicated individuals, organizations, and/or agencies listed below without your approval:

1. An attorney, the Office of the President, a Congressional office, a labor union or the Department of State's embassy or consular office if they allege to be representing you at your request.
2. Other people who are receiving benefits based on the same railroad retirement account as you are, if the information affects their payments from the RRB.
3. A person who will receive benefits on your behalf if the RRB decided that some medical condition keeps you from receiving your own benefits; such information may also be released in determining whether such a medical condition exists and who is suitable to receive such benefits for you.
4. People or organizations who are working for the RRB. Such information may include medical records.
5. The U.S. Treasury Department or U.S. Postal Service to issue payments and to investigate lost, forged, or stolen checks.
6. Your last employer to make sure that you are eligible to receive railroad retirement benefits and you continue to receive any available medical benefits, and any railroad industry employer (or its insurance company) to make sure that you can receive any private retirement or insurance benefits which may be offered by the employer.
7. The Social Security Administration, Centers for Medicare & Medicaid Services, Pension Benefit Guaranty Corporation, Office of Personnel Management, Department of Veterans Affairs, or Federal, state, or local welfare or public aid agencies to determine if you can receive benefits for these organizations and if any previous benefits were paid incorrectly.
8. The Internal Revenue Service or state and local taxing authorities for figuring your taxes and for use in audits.
9. Your last address and the name of your last employer may be released to the Department of Health and Human Services to be used in the Parent Locator Service.
10. The General Accounting Office for audits and collecting overpayments owed to the RRB or the Social Security Administration.
11. The U.S. Department of Labor as required by the Federal Coal Mine and Safety Act.
12. Information can be released, in certain cases, for law enforcement purposes and for court proceedings
13. Information about the determination and recovery of an overpayment made to you may be released to any other person from whom any portion of the overpayment is being recovered.
14. Your name and address may be released to a Member of Congress to inform you about current or proposed legislation, which could affect the railroad retirement system.
15. Professional Standard Review Organizations and State Licensing Boards when services provided by physicians or practitioners suggest unethical or unprofessional conduct.