Calculating Railroad Retirement Employee Annuities - Benefit Information

Many railroad workers and annuitants want to know how their railroad retirement benefits are calculated.

The following describes the various components of a railroad retirement annuity, defines terms, and explains the calculation of each component. It also provides various tables at the end to help individuals understand how their annuities are calculated.

The calculation of annuities is presented in general terms. For specific cases, please contact your local Railroad Retirement Board office. Addresses and telephone numbers of Board offices are listed in telephone directories with other U.S. Government agencies. They are also available by calling the Board's Help Line at 800-808-0772 or by visiting the Board's Web site at www.rrb.gov.

Components of a regular annuity:

There are as many as 4 components of a regular annuity:

- Tier 1
- Tier 2
- Vested Dual Benefit
- Supplemental Annuity

Specific information about each component is shown below.

Tier 1

Tier 1 is based on earnings an employee has acquired under both railroad retirement and social security covered employment.

The calculation uses the social security benefit formula, but with railroad retirement age and service requirements.

NOTE: Certain factors may differ for annuities based on disability.

Tier 2

Tier 2 is based only on railroad earnings.

It is computed under a separate formula that compares to retirement benefits paid over and above social security benefits to workers in other industries.

Vested Dual Benefit

The vested dual benefit is payable as part of the regular annuity if an employee qualified for both railroad retirement and social security benefits before 1975 and met certain vesting requirements.

Supplemental Annuity

A supplemental annuity may also be payable to an employee who is age 60 and has at least 30 years of creditable railroad service; or is age 65 and has 25-29 years of railroad service.

A "current connection" with the railroad industry is required for supplemental annuities. Eligibility is further limited to employees who had some rail service before October 1981.

A current connection is generally defined as having at least 12 months of railroad service in the 30 months preceding death or retirement. An employee whose last 12 months of railroad service occurred prior to the 30 months before retirement or death may maintain a current connection if the employee did not perform any regular employment between the end of the 30-month period containing the last 12 months of railroad service and the month of retirement or death. For purposes of the supplemental annuity or survivors' benefits, an employee who was terminated involuntarily and without fault on or after October 1, 1975, after 25 years of service and did not thereafter decline an offer of employment in the same class or craft in the railroad industry is deemed to have a current connection.

Terms used in Tier 1

The Railroad Retirement Board calculates the tier 1 component for annuities based on age and service using a number of factors.

The following is an explanation of the terms involved.

First year of eligibility

For most cases, the Railroad Retirement Board considers the year the employee attains age 62, becomes disabled, or dies as his or her first year of eligibility.

However, in cases where benefits (either full or reduced) are paid at ages 60-61 based on 30 years of railroad service, the Railroad Retirement Board deems the year the annuity begins as the eligibility year.

Indexing

Indexing is a process for bringing the actual reported earnings for prior years of employment up to the dollar value level of the recent earnings.

Indexing year

The indexing year is the second year prior to the first year of eligibility.

EXAMPLE:

For a person attaining age 62 in 2004, the indexing year is 2002.

However, an employee born on January 1 is deemed to have attained his or her first year of eligibility in the prior year. Consequently, the applicable "indexing year," "indexing factors," and "bend points" will be for that earlier year.

Indexing factors

To determine the indexing factor for a particular year, divide the average wage for the indexing year by the average wage in each prior year to obtain the indexing factor for each prior year.

Average wage for indexing year ÷
Average wage for (year) = Indexing factor for (year)

NOTE: Table 1 shows the indexing factors applicable to the earnings of workers who were first eligible in 2002-2005. The column entitled "National Wage Series" shows the average annual wage from 1951-2003.

EXAMPLE:

For a person who attains age 62 in 2004, the

- indexing year is 2002.
- average annual wage for 2002 was $33,252.09.

To index earnings for a particular year, e.g., 1975, obtain from Table 1 the average annual wage for that year ($8,630.92). Then divide the average annual wage for 2002 ($33,252.09) by $8,630.92, which yields an indexing factor of 3.8526704.

Indexed earnings

For indexed earnings, multiply the employee's actual earnings covered under railroad retirement and/or social security in a particular year, up to the maximum earnings creditable, by the indexing factor to obtain the indexed earnings.

Employee's actual reported earnings for (year) x
Indexing factor = Indexed earnings for (year)
(but not exceeding the maximum annual taxable earnings)

NOTE: Refer to Table 3 for the maximum annual taxable earnings amounts.

EXAMPLE:

Actual covered earnings in 1975 of $10,000 multiplied by 3.8526704, result in indexed earnings of $38,526.70 for 1975.

AIME

The AIME (Average Indexed Monthly Earnings) is the quotient obtained by dividing the total indexed earnings in the benefit computation years by the divisor months. The amounts less than $1 in the quotient are dropped so that the AIME is expressed in whole dollar amounts.

PIA

The PIA (primary insurance amount) is an amount determined by applying a formula to the AIME.

The formula consists of brackets in which 3 percentages are applied to the amounts of the AIME.

The dollar amounts defining the brackets are called "bend points," and the bend points are different for each calendar year the first year of eligibility is attained.

NOTE: Table 5 shows the bend points for the years 1979-2005.

Full PIA

The full PIA is payable to an employee retiring

- at age 60 with 30 (or more) years of service.
- at full retirement age with less than 30 years of service.
- at any age on the basis of disability.

Reduced PIA

The retirement age for unreduced benefits is gradually rising from 65 to 67, depending on the year of birth.

- maximum annuity reduction for retirement at age 62 is gradually increasing from 20 percent to 30 percent.

The retirement age for benefits increases as follows:

If attaining age 62 in ...	Then retirement age is:
2000 through 2004	increasing from 65 to 66 at the rate of two months per year.
2005 through 2016	age 66.
2017 through 2021	increasing from 66 to 67 at the rate of two months per year.
2022 and later	age 67.

Reduced benefits continue to be available but at greater reductions.

For employees retiring in the year 2000 and later at age 62 with less than 30 years of service Table 2 shows the age reduction increases required.

NOTE: Age reductions were required in the tier 1 component of 30-year employees who retired at ages 60-61 before 2002 and attained age 60 or completed 30 years of service after June 1984. The age reductions are applied only to tier 1. If an employee affected by this provision was born before 1938 and attained 60/30 eligibility after December 1985, tier 1 is permanently reduced by 20% if the employee was born on the first or second day of the month. Otherwise the reduction is 19.444%. For those born after 1937 who retired before 2002, the reduction ranged from 20.833% to 23.333%, depending on the year of birth. (In reduced 60/30 cases, tier 1 was rounded down to the nearest dollar.) In both cases, tier 1 is frozen until the first month throughout which the employee is age 62. It is then recomputed to reflect interim increases in national wage levels and will become subject to future cost-of-living increases. No reduction will apply if the employee retired at age 62 or older with 30 years of service, or at age 60 with 30 years of service and retirement is after 2001.

Reduced PIA

The reduced PIA is payable to an employee retiring as early as age 62 with less than 30 years of service.

To compute the reduced PIA, reduce the monthly benefit by 5/9 of 1% (or 1/180) for each of the first 36 months the employee is under full retirement age when the annuity begins and 5/12 of 1% (or 1/240) for each additional month.

EXAMPLE:

An employee born in 1941 retires in 2004 at age 63 with less than 30 years of service. His annuity begins with the month he is age 63.

- The PIA is $750.
- This PIA is reduced by 17.778% (5/9 of 1% (0.0055555) multiplied by 32 months, with 32 being the number of months under his full retirement age of 65 years and 8 months).
- Subtract the resulting reduction, $133.34, from $750 to obtain $616.66. Use this amount to the exact cent.

EXAMPLE:

An employee born in 1942 retires in 2004 at age 62 with less than 30 years of service. His annuity begins with the first full month he is age 62.

- The PIA is $750.
- This PIA is reduced by 23.75% (5/9 of 1% (0.0055555) multiplied by 36 months and 5/12 of 1% (0.0041666) multiplied by 9 months, with 45 being the number of months under his full retirement age of 65 years and 10 months).
- Subtract the resulting reduction, $178.13, from $750 to obtain $571.87. Use this amount to the exact cent.

Determining the Tier 1 amount

There are 8 steps in computing a tier 1 benefit amount for those whose first year of eligibility is in 1991 or later. They are listed below.

Step 1

Determine the number of computation years to use.

The number of computation years is 35 for employees whose first year of eligibility was in 1991 or later (it will likely be fewer than 35 years if disabled).

Step 2

Index creditable earnings.

Determine the employee's first year of eligibility.

First Year of Eligibility	Then multiply each year's indexing factor by the employee's actual railroad and social security earnings for that same year.
2002 through 2005	Use Table 1 and select the appropriate column of indexing factors.
Earlier than 2002	Refer to previous section entitled Indexing year, Indexing factors, and Indexed earnings under "Terms used in Tier 1" for the formulas to use.

Step 3

Compute the AIME as follows:

- Select the highest 35 years of indexed creditable earnings from Step 2, if the person's first year of eligibility is 1991 or later (it will likely be fewer than 35 years if disabled).
- Total them.
- Divide by 420 months (which is 35 years expressed in months).
- Round the result to the nearest lower dollar.

EXAMPLE:

For a person attaining age 62 in 2004, the highest 35 years of indexed earnings are used.

If the sum of these earnings equals $500,000, the AIME is $1,190 ($500,000 divided by 420 months = $1,190.48, rounded to $1,190).

Step 4

Compute the PIA.

- Determine the "bend points" for the first year of eligibility.
- Using the AIME, calculate:
  90% of the first AIME bend point, plus 32% of the amount in excess of the first bend point but less than or equal to the second bend point, plus 15% of the amount over the second bend point.

NOTE: Receipt of a pension from noncovered employment based, in part or in whole, on employment not covered by social security or railroad retirement after 1956 may cause a reduced percentage amount to be applied to the first AIME bend point.

An explanation of this calculation is contained in the Appendix:

- Round the result to the nearest lower ten cents.
- Apply a cost-of-living increase (if needed) for each year between the first year of eligibility and the year of retirement.
- Round the result to the nearest lower ten cents.

Examples of PIA computations:

For retired employees who attained age 62 in 2004, the bend points are $612 and $3,689.

Thus the formula is 90% of the first $612 of AIME; plus 32% of the next $3,077 of AIME; plus 15% of the AIME above $3,689.

The following are examples of PIA computations for such employees who attained age 62 in 2004 with different AIME amounts:

Example	**IF AIME is . . .**	**Then PIA is . . .**	**Based on**
1	$600	$540	90% of $600.
2	$1,800	$930.96 rounded <u>$930.90</u>	90% of $612 ($550.80); plus 32% of $1,188 ($380.16).
3	$3,800	$1,552.09 rounded <u>$1,552</u>	90% of $612 ($550.80); plus 32% of $3,077 ($984.64); plus 15% of $111 ($16.65).

For retired employees who attained age 62 in prior years, the bend points will be different and the PIA is increased to reflect cost-of-living adjustments between the year of attainment of age 62 and the year of retirement.

After the PIA is calculated for the year of attainment of age 62, apply the cost-of-living increases due for each year through 2003. The result is the 2004 PIA.

EXAMPLE:

An employee who attained age 62 in 2001 would receive cost-of-living adjustments for the years 2001-2003. The adjustments are cumulative, with each step rounded to the next lower ten cents.

If the age 62 PIA was $600, the cost-of-living adjustments would be:

Year	PIA	Multiplied by . . .	Equals…(rounded)
2001	$600	1.026	$615.60
2002	$615.60	1.014	$624.20
2003	$624.20	1.021	$637.30
$637.30 would be the PIA effective December 2003.			

Step 5

Consider if delayed retirement credits are due.

Did the worker delay retirement past full retirement age

or

were benefits withheld because of work deductions after full retirement age?

If yes, the delayed retirement credit is 13/24 of 1% per month up until age 70 for those who attain full retirement age January 1, 2002, or later with a birth date January 2, 1937, through January 1, 1939.

For those who attain full retirement age in later years, the delayed retirement credit gradually increases every other year until it becomes 8% per year beginning in 2008 (earned in 2008 but payable effective 2009).

Delayed retirement credits earned in a particular year are payable effective with January of the following year. (If earned in the year the worker turns age 70, the delayed retirement credits are payable effective with the month age 70 is attained).

If no, go to Step 6 below.

Step 6

Consider receipt of workers' compensation or public disability benefits.

For employees who are under age 65 and receiving a disability annuity, the tier 1 amount is, under certain circumstances, reduced for receipt of workers' compensation or public disability benefits.

Step 7

Consider age reductions.

Is the employee retiring at age 60 or older with 30 years of railroad service

or

full retirement age or older with less than 30 years of railroad service?

If yes, go to Step 8. No age reductions apply.

If no, the tier I benefit is actuarially reduced.

The monthly benefit is reduced by 5/9 of 1% (or 1/180) for each of the first 36 months the employee is under full retirement age when the annuity begins and 5/12 of 1% (or 1/240) for each additional month.

Refer to Table 2 to determine maximum reductions in the year 2000 and later.

Step 8

Consider reducing for receipt of any social security benefits.

Is the employee receiving any social security benefits (whether paid on the employee's own earnings record or on another person's earnings record)?

If yes, reduce the tier 1 amount by the amount of the social security benefit.

If no, this is the net tier 1 payable to the employee.

Determining the Tier 2 amount

Gross tier 2

The formula for the gross tier 2 amount is 7/10 of 1% of the employee's average monthly railroad earnings (up to the tier 2 taxable maximum earnings base) in the 60 months of highest earnings, times the years of service in the rail industry.

$$.007 \times \text{Average monthly earnings} \times \text{Years of service} = \text{Tier 2 for highest 60 months of earnings}$$

Table 4 shows the tier 2 taxable maximum earnings base from 1973-2005.

Example 1

An employee retired in December 2003 with 40 years of service. His earnings for the 5 years ending in 2003 (which were also his highest 60 months of earnings) were:

1999	$44,000
2000	$46,000
2001	$47,000
2002	$50,000
2003	$53,000

His total earnings ($240,000) divided by 60 equals average monthly earnings of $4,000. Multiplied by .007 (7/10 of 1 percent) yields $28, which when multiplied by his years of service (40) provides a tier 2 of $1,120.

Example 2

An employee retired in December 2003 with 35 years of service. Her annual earnings for the 5 years ending in 2003 (which were also her highest 60 months of earnings) were:

1999	$55,000
2000	$58,000
2001	$60,000
2002	$64,000
2003	$66,000

As her earnings were over the tier 2 taxable maximums, and since only annual earnings up to the tier 2 tax base can be considered in computing tier 2, the following amounts would be used:

1999	$53,700
2000	$56,700
2001	$59,700
2002	$63,000
2003	$64,500

Her total creditable earnings for tier 2 purposes were $297,600, which yield average monthly earnings of $4,960. Multiplied by .007, this yields $34.72, which when multiplied by 35 provides a tier 2 of $1,215.20.

Effect of a vested dual benefit

Reduce the gross tier 2 component by 25% of any gross employee vested dual benefit payable.

Age reductions

Apply age reductions to tier 2 for those employees retiring between ages 62 and full retirement age with less than 30 years of service.

The reduction is 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins and 1/240 for each additional month.

Full retirement age is gradually rising as mentioned earlier. However, if an employee had any creditable railroad service before August 12, 1983, the retirement age for tier 2 purposes will remain 65.

No age reduction applies to employees who retire with 30 years of service.

NOTE. -- Employees with 5-9 years of creditable service after 1995 are eligible for tier 2 benefits the first full month they are age 62. Their tier II benefits are subject to the same reductions that apply to employees with 10 to 29 years of service. If they are eligible on the basis of total disability, a tier 2 benefit is not payable until age 62 and that amount is reduced for early retirement.

Determining the Vested Dual Benefit Amount

Amount payable

For employees meeting the vesting requirements, the additional amount is determined by computing PIA's based solely on the individual's

- railroad service before 1975,
- social security covered earnings before 1975, and
- combined railroad and nonrailroad earnings before 1975.

The vested dual benefit is the amount by which the total of the first two PIA computations exceeds the third PIA computation.

Cost-of-living increase

Increase the vested dual benefit by the cumulative cost-of-living percentage applicable to tier 1 benefits that occurred between

January 1,1975, and the date of retirement

or

January 1, 1982, whichever was earlier.

The computed amount is then frozen; that is, no further cost-of-living increases are applied thereafter.

Age reductions

Apply the same formula for age reductions as used for the tier 1 component of those employees retiring at ages 62 through full retirement age with less than 30 years of service.

No age reduction applies to employees who retire with 30 years of service.

Determining the Supplemental Annuity Amount

Amount payable

For employees meeting eligibility requirements, the amount payable is equal to

- $23 for the first 25 years of service
- plus $4 for each full year of service over 25 (up to a maximum of $43 (30 years of service)

NOTE. For any fractional years between 25 and 30, a fraction of $4 is added to the minimum rate of $23.

Effect of receiving an employer private pension

If paid for by ...	Then…
Employer contributions	Reduced • by the amount of the pension based entirely or in part on the railroad employer's contributions. Exception: If the employer reduces the private pension because of the supplemental annuity, then restore the amount of the employer reduction to the supplemental annuity but do not raise it over the $43 maximum. not reduced • for a pension paid by a railroad labor organization.
Employee contributions	not reduced • for any part of the amount of private pension based on the employee's contributions.

Appendix

Railroad Retirement Employee Annuities and Pensions from Work Not Covered by Social Security or Railroad Retirement

For employees first eligible for a railroad retirement annuity **and** a Federal, State or local government pension after 1985, there may be a reduction in their tier 1 benefits for receipt of a public pension based, in part or in whole, on employment not covered by social security or railroad retirement after 1956. This may also apply to certain other payments not covered by railroad retirement or social security, such as from a non-profit organization or from a foreign government or a foreign employer. It includes both periodic payments, as well as lump-sum payments made in lieu of periodic payments. It does **not** include military service pensions, payments by the Department of Veterans Affairs, or certain benefits payable by a foreign government as a result of a totalization agreement between that government and the United States.

The reduction in the employee tier 1 benefit for receipt of a noncovered service pension is not based on deducting the pension from tier 1. Instead, the reduction is built into the tier 1 benefit computation.

As explained earlier, a tier 1 benefit is calculated in the same way as a social security benefit. In computing a tier 1 benefit, an employee's creditable earnings are adjusted to take into account the changes in wage levels over a worker's lifetime. This procedure, called indexing, increases creditable earnings from past years to reflect average national wage levels at the time of the employee's retirement. The adjusted earnings are used to calculate the employee's "average indexed monthly earnings" (AIME) and a formula is applied to determine the gross tier 1 amount.

This benefit formula has 3 levels. Each level of earnings is multiplied by a specified percentage. The first level of earnings is multiplied by 90%, the second by 32%, and the final level by 15%. The results are added to obtain the basic benefit rate.

For those first eligible in 2004, the gross tier 1 benefit is equal to 90% of the first $612 of the AIME, plus 32% of the AIME over $612 up to $3,689, plus 15% of those earnings in excess of $3,689.

Beginning with 1986, a reduction in the 90% factor was phased in until, for employees subject to the noncovered service pension reduction and who became eligible in 1990 or later, the 90% factor is reduced to 40%. For example, an employee born in 1942 is eligible for a noncovered service pension and has less than 30 years' service. Her annuity begins with the first full month she is age 62. Her AIME is $1,800. She would receive, after the reduction for early retirement, a tier 1 benefit of $475.80, rather than the $709.12 otherwise payable.

The following illustrates how these amounts are computed:

Without reduction for noncovered service pension			**With reduction for noncovered service pension**		
AIME is…	PIA is …	Based on…	AIME is…	PIA is…	Based on…
$1,800	$930.96 rounded $930.90	90% of $612 ($550.80); plus 32% of $1,188 ($380.16)	$1,800	$624.96 rounded $624.90	40% of $612 ($244.80) plus 32% of $1,188 ($380.16)

Without the reduction for a noncovered service pension, the PIA is rounded down to $930. It is then reduced by 23.75% (5/9 of 1% (0.0055555) multiplied by 36 months and 5/12 of 1% (0.0041666) multiplied by 9 months, with 45 being the number of months under her full retirement age of 65 years and 10 months). The resulting reduction, $220.88, is subtracted from $930 to obtain $709.12. Use this amount to the exact cent.

With the reduction for a noncovered service pension, the reduced PIA is rounded down to $624. It is then also reduced by 23.75%. The resulting reduction, $148.20, is subtracted from $624 to obtain $475.80, which is used to the exact cent.

However, for employees with relatively low noncovered service pensions there is a guarantee that the PIA cannot be reduced by more than 50% of the pension.

Railroad retirement employee annuitants also receiving a noncovered service pension who attained age 62 before 1986, or who became entitled to a railroad retirement disability annuity before 1986 and remained entitled to it in any of the 12 months before attaining age 62 (even if the employee attained age 62 after 1985) are not affected by the noncovered service pension reduction.

Railroad retirement employee annuitants who received, or were eligible to receive, their noncovered service pensions before 1986 would not be affected. They are considered eligible if they met the requirements of the pension plan before January 1986, even if they continued to work.

The reduction also does not apply to:

- Federal workers hired after December 31, 1983;
- Persons employed on December 31, 1983, by a nonprofit organization that was exempt from social security and became mandatorily covered under social security on that date;
- Railroad employees whose pension is based entirely on noncovered employment before 1957; and
- Also, railroad employees eligible for a noncovered service pension who have 30 or more years of substantial railroad retirement and/or social security earnings are generally exempt from the reduction (a year of substantial earnings is not the same as a year of service). Employees with 21 to 29 years of substantial earnings may be subject to a lesser reduction.

The table below lists the amount of earnings considered substantial for each year:

1937 – 50	[1]$ 900
1951 – 54	900
1955 – 58	1,050
1959 – 65	1,200
1966 – 67	1,650
1968 – 71	1,950
1972	2,250
1973	2,700
1974	3,300
1975	3,525
1976	3,825
1977	4,125
1978	4,425
1979	4,725
1980	5,100
1981	5,550

1982	6,075
1983	6,675
1984	7,050
1985	7,425
1986	7,875
1987	8,175
1988	8,400
1989	8,925
1990	9,525
1991	9,900
1992	10,350
1993	10,725
1994	11,250
1995	11,325
1996	11,625
1997	12,150
1998	12,675
1999	13,425
2000	14,175
2001	14,925
2002	15,750
2003	16,125
2004	16,275
2005	16,725

1 Total credited earnings from 1937-50 are divided by $900 to get the number of years of coverage (maximum of 14 years).

The next table shows the percentage used depending on the number of years of substantial earnings:

30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Tables

Table 1. – Indexing Factors and Average Wages 1951 – 2005

Year	National Wage Series	Indexing Factors for worker where first year of eligibility is in			
		2002	2003	2004	2005
1951	2,799.16	11.4873105	11.7613570	11.8793102	12.1697045
1952	2,973.32	10.8144498	11.0724443	11.1834885	11.4568731
1953	3,139.44	10.2422152	10.4865581	10.5917265	10.8506453
1954	3,155.64	10.1896351	10.4327236	10.5373522	10.7949418
1955	3,301.44	9.7396348	9.9719880	10.0719959	10.3182096
1956	3,532.36	9.1029284	9.3200919	9.4135620	6.6436801
1957	3,641.72	8.8295695	9.0402118	9.1308750	9.3540827
1958	3,673.80	8.7524688	8.9612717	9.0511432	9.2724019
1959	3,855.80	8.3393381	8.5382852	8.6239146	8.8347295
1960	4,007.12	8.0244215	8.2158558	8.2982516	8.5011055
1961	4,086.76	7.8680471	8.0557508	8.1365409	8.3354418
1962	4,291.40	7.4928508	7.6716037	7.7485413	7.9379573
1963	4,396.64	7.3134985	7.4879726	7.5630686	7.7479507
1964	4,576.32	7.0263487	7.1939724	7.2661199	7.4437430
1965	4,658.72	6.9020718	7.0667308	7.1376022	7.3120836
1966	4,938.36	6.5112345	6.6665695	6.7334277	6.8980289
1967	5,213.44	6.1676782	6.3148171	6.3781476	6.5340639
1968	5,571.76	5.7710346	5.9087111	5.9679688	6.1138581
1969	5,893.76	5.4557396	5.5858942	5.6419145	5.7798332
1970	6,186.24	5.1977970	5.3217981	5.3751697	5.5065678
1971	6,497.08	4.9491187	5.0671871	5.1180053	5.2431169
1972	7,133.80	4.5073902	4.6149205	4.6612030	4.7751479
1973	7,580.16	4.2419711	4.3431695	4.3867267	4.4939619
1974	8,030.76	4.0039573	4.0994775	4.1405907	4.2418090
1975	8,630.92	3.7255379	3.8144161	3.8526704	3.9468504
1976	9,226.48	3.4850582	3.5681994	3.6039844	3.6920852
1977	9,779.44	3.2880022	3.3664423	3.4002039	3.4833232
1978	10,556.03	3.0461092	3.1187786	3.1500564	3.2270607
1979	11,479.46	2.8010743	2.8678980	2.8966598	2.9674697
1980	12,513.46	2.5696186	2.6309206	2.6573058	2.7222647
1981	13,773.10	2.3346102	2.3903057	2.4142778	2.4732958
1982	14,531.34	2.2127911	2.2655805	2.2883017	2.3442401
1983	15,239.24	2.1100015	2.1603387	2.1820045	2.2353444
1984	16,135.07	1.9928528	2.0403952	2.0608581	2.1112366
1985	16,822.51	1.9114163	1.9570159	1.9766426	2.0249624
1986	17,321.82	1.8563188	1.9006040	1.9196649	1.9665918
1987	18,426.51	1.7450304	1.7866606	1.8045788	1.8486925
1988	19,334.04	1.6631196	1.7027957	1.7198728	1.7619158
1989	20,099.55	1.5997781	1.6379431	1.6543699	1.6948116
1990	21,027.98	1.5291445	1.5656245	1.5813259	1.6199820
1991	21,811.60	1.4742073	1.5093767	1.5245140	1.5617813
1992	22,935.42	1.4019721	1.4354182	1.4498139	1.4852551
1993	23,132.67	1.3900177	1.4231786	1.4374514	1.4725905
1994	23,753.53	1.3536860	1.3859801	1.3998799	1.4341005
1995	24,705.66	1.3015163	1.3325659	1.3459300	1.3788318

1996	25,913.90	1.2408329	1.2704348	1.2831758	1.3145435
1997	27,426.00	1.1724211	1.2003909	1.2124294	1.2420677
1998	28,861.44	1.1141100	1.1406888	1.1521286	1.1802928
1999	30,469.84	1.0552999	1.0804756	1.0913116	1.1179891
2000	32,154.82	1.0000000	1.0238565	1.0341246	1.0594042
2001	32,921.92	1.0000000	1.0000000	1.0100289	1.0347194
2002	33,252.09	1.0000000	1.0000000	1.0000000	1.0244454
2003	34,064.95	1.0000000	1.0000000	1.0000000	1.0000000
2004		1.0000000	1.0000000	1.0000000	1.0000000
2005		1.0000000	1.0000000	1.0000000	1.0000000

Table 2. – Employee Full Retirement Age with Less than 30 Years of Service

Year of Birth	Full Retirement Age	Annuity Reduction at Age 62
1937 or earlier	65	20.00%
1938	65 and 2 months	20.833%
1939	65 and 4 months	21.667%
1940	65 and 6 months	22.50%
1941	65 and 8 months	23.333%
1942	65 and 10 months	24.167%
1943 through 1954	66	25.00%
1955	66 and 2 months	25.833%
1956	66 and 4 months	26.667%
1957	66 and 6 months	27.50%
1958	66 and 8 months	28.333%
1959	66 and 10 months	29.167%
1960 or later	67	30.00%

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

Table 3. – Tier 1 Maximum Annual Taxable Earnings 1937 – 2005

Year	Maximum Annual Taxable Earnings
1937 – 1950	$3,000
1951 – 1954	3,600
1955 – 1958	4,200
1959 – 1965	4,800
1966 – 1967	6,600
1968 – 1971	7,800
1972	9,000
1973	10,800
1974	13,200

1975	14,100
1976	15,300
1977	16,500
1978	17,700
1979	22,900
1980	25,900
1981	29,700
1982	32,400
1983	35,700
1984	37,800
1985	39,600
1986	42,000
1987	43,800
1988	45,000
1989	48,000
1990	51,300
1991	53,400
1992	55,500
1993	57,600
1994	60,600
1995	61,200
1996	62,700
1997	65,400
1998	68,400
1999	72,600
2000	76,200
2001	80,400
2002	84,900
2003	87,000
2004	87,900
2005	90,000

Table 4. – Tier 2 Maximum Annual Taxable Earnings Base * 1973 – 2005

Year	Maximum Annual Taxable Earnings
1973	$ 900
1974	1,100
1975	1,175
1976	1,275
1977	1,375
1978	1,475
1979	1,575
1980	1,700
1981	1,850
1982	2,025
1983	2,225
1984	2,350

1985	29,700
1986	31,500
1987	32,700
1988	33,600
1989	35,700
1990	38,100
1991	39,600
1992	41,400
1993	42,900
1994	45,000
1995	45,300
1996	46,500
1997	48,600
1998	50,700
1999	53,700
2000	56,700
2001	59,700
2002	63,000
2003	64,500
2004	65,100
2005	66,900

* Earnings bases are monthly through 1984 and annual for 1985 and later.

Table 5. – Bend Point Table
Dollar Amounts (Bend Points) in PIA Formula 1979 – 2005

Year	First	Second
1979	$180	$1,085
1980	194	1,171
1981	211	1,274
1982	230	1,388
1983	254	1,528
1984	267	1,612
1985	280	1,691
1986	297	1,790
1987	310	1,866
1988	319	1,922
1989	339	2,044
1990	356	2,145
1991	370	2,230
1992	387	2,333
1993	401	2,420
1994	422	2,545
1995	426	2,567
1996	437	2,635
1997	455	2,741
1998	477	2,875

1999	505	3,043
2000	531	3,202
2001	561	3,381
2002	592	3,567
2003	606	3,653
2004	612	3,689
2005	627	3,779