214.1 General

The 1981 amendments to the Railroad Retirement Act provide that the compensation used to compute an employee's average monthly compensation (AMC) used to compute the tier II of an annuity payable under those amendments should be indexed if:

A. The employee did not work in the railroad industry in the 60-month period immediately preceding the annuity beginning date (ABD); and

B. The employee's major employment during that 60-month period was with one of the government agencies listed in FOM 225.35.2. L-95-10 defines "major employment to include employment with such agencies when that employment was for a greater period of time during the 60 months preceding the ABD than was employment not for such agencies." If the employee did not work for any other employer in the 60-month period, the government agency would be his "major employer," even if he only worked for that agency for a short time.

If an employee did not work in the railroad industry in the 60-month period preceding the ABD and (s)he claims employment during that period with one of the government agencies listed above, verification of that employment must be obtained before the AMC can be indexed. Until verification is received, the annuity computation must be based on the unindexed AMC shown on Form G-90. Once verification of the government service employment is received, the annuity can be recertified using the indexed AMC.

214.2 Requesting Verification of Government Service Employment

The field office should secure from the employee a verification statement from his/her qualifying government service employer, or enter information from a DEQY on the APPLE proof screen, when the employee files his/her application. If neither is possible, RBD will request verification of government service employment for the 60-month period preceding the railroad annuity beginning date by obtaining a DEQY or by completing RL-610 on RRAILS. The address of the employer may be obtained from RCM 10.6.8.

214.3 Action upon Verifying Employment

If the DEQY indicates employment for one of the government agencies listed above as the employee claims, and it was the employee's major employment during the 60-month period immediately preceding the annuity beginning date (ABD), RBD requests an indexed AMC computation via Form G-563. Effective with annuities initially awarded on or after October 1, 1983, RBD also requests an indexed FAMC computation on the Form G-563. RBD adjusts the annuity accordingly.

If the DEQY indicates that the employee did not work for one of the government agencies listed above during any of the 60 months in the period immediately preceding the ABD, the employee's compensation cannot be indexed when computing the Average Monthly Compensation (AMC) or Final Average Monthly Compensation

(FAMC). RBD will notify the employee and the field office if the employee claimed this service (i.e., shown in remarks section of APPLE, etc.) to advise that the annuitant is not entitled to the increase in tier II.

NOTE: If the employee did not have any other employment during the 60-month period preceding his ABD, the government employment was his major employment, even if he worked in only 1 month during that period. If the employee had another employer during any month in that 60-month period and you are unable to determine whether the government employment was his major employment, refer the case to RAC.

214.4 Indexed AMC

The indexed AMC is calculated as follows:

Step 1) Index all tier 2 compensation as follows:

$$\text{(Unindexed Monthly Compensation)} \times \frac{\text{(Average annual wage for indexing year)}}{\text{(Average annual wage for year N)}} = \text{(Indexed Monthly Compensation)}$$

The Average Annual Wage for 1951 is used for compensation being indexed prior to 1951. The ABD year is used as the eligibility year.

Step 2) Determine the 60 highest months of indexed compensation.

Step 3) Add the indexed compensation for the 60 highest months.

Step 4) Determine whether the High 60 month indexed compensation total exceeds the tier 2 annual raw compensation maximum total for the five calendar years preceding the ABD year. (This provision ensures that an employee entitled to an indexed tier 2 will not receive a higher tier 2 amount than what an individual with the same ABD year, maximum tier 2 earnings, and entitlement to a regular (unindexed) tier 2 would receive.)

- If so, cut back the high 60 indexed earnings total to the five year tier 2 annual raw compensation maximum total (see example below).

- If not, use the indexed earnings for the actual compensation posted.

Example: The employee's ABD is 10/1/2005. The maximum indexed earnings that can be used is limited to $309,000 (2004 = $65,100, 2003 = $64,500, 2002 = $63,000, 2001 = $59,700, 2000 = $56,700). The employee's indexed earnings from actual compensation (using 1990-1994 earnings) totals $313,840.63. The employee's high 60 month total must be cutback to $309,000.

Step 5) Divide the total of (4) by 60.

214.5 Indexed FAMC

The Railroad Retirement Solvency Act of 1983 provides a unique final FAMC for employees whose AMC is determined under the indexed AMC computation above and whose annuities are first awarded on or after October 1, 1983. The FAMC is calculated as follows:

Step 1: Determine the 24 months of highest indexed compensation used in calculating the AMC. (This will not necessarily be months in the 10 years before the annuity beginning date);

Step 2: Divide by 24.