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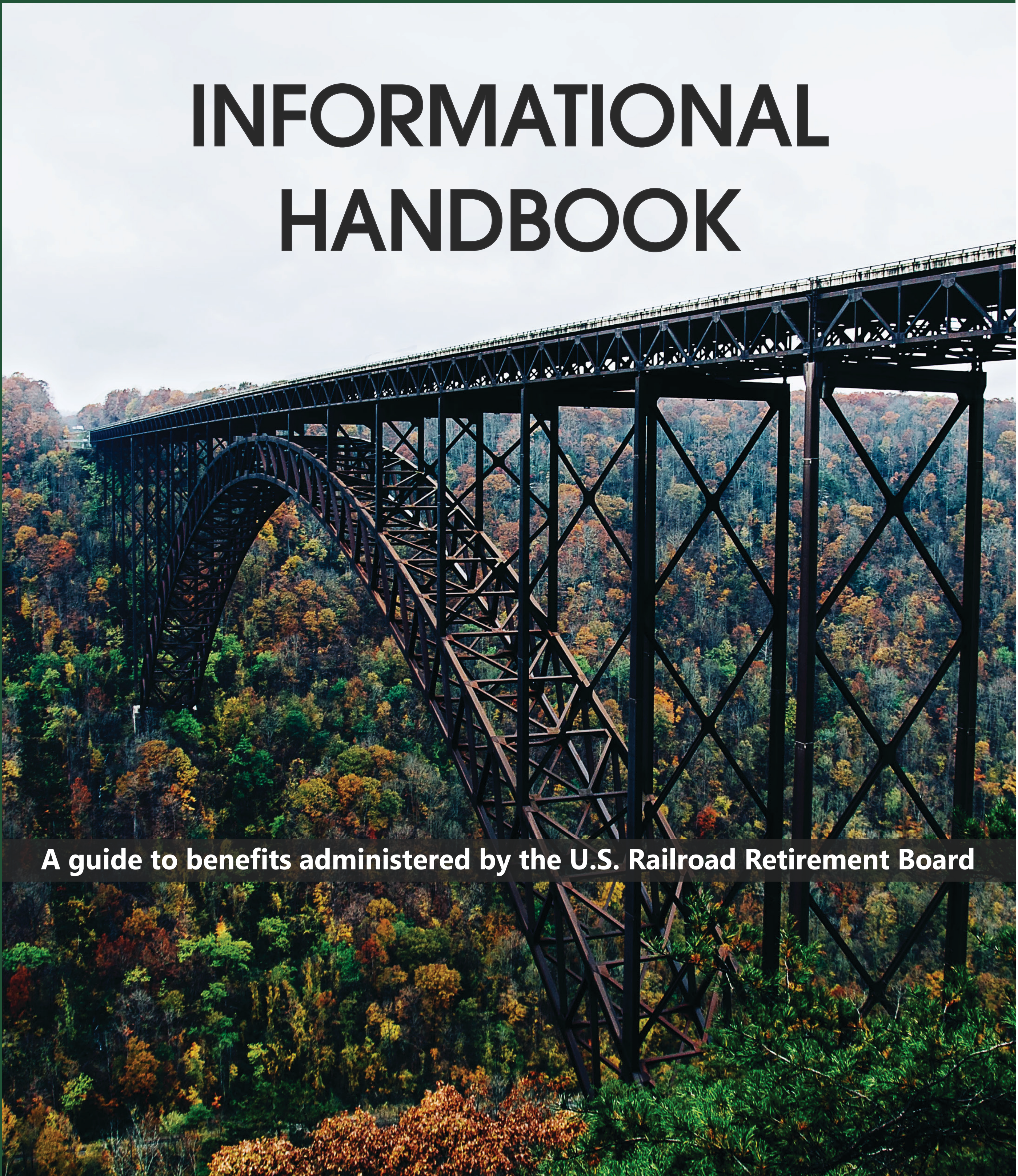
INFORMATIONAL HANDBOOK



A guide to benefits administered by the U.S. Railroad Retirement Board

Presented by the Office of the Labor Member

U.S. Railroad Retirement Board

MISSION STATEMENT

The Railroad Retirement Board's mission is to administer retirement/survivor and unemployment/sickness insurance benefit programs for railroad workers and their families under the Railroad Retirement Act and the Railroad Unemployment Insurance Act. These programs provide income protection during old age and in the event of disability, death or temporary unemployment and sickness. The Railroad Retirement Board also administers aspects of the Medicare program and has administrative responsibilities under the Social Security Act and the Internal Revenue Code.

In carrying out its mission, the Railroad Retirement Board will pay benefits to the right people, in the right amounts, in a timely manner, and will take appropriate action to safeguard our customers' trust funds. The Railroad Retirement Board will treat every person who comes into contact with the agency with courtesy and concern, and respond to all inquiries promptly, accurately and clearly.

RAILROAD RETIREMENT AND UNEMPLOYMENT INSURANCE SYSTEMS

HANDBOOK

U.S. RAILROAD RETIREMENT BOARD
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Introduction

John Bragg

The Office of the Labor Member is pleased to welcome you to our Pre-Retirement Seminar. Many of you may be familiar with our office and the Informational Conference Program we had been offering to union officials since 1957. We conducted these conferences at the request of the Chief Executives of the railway labor unions to help educate local representatives about the benefits available to members and their families under the Railroad Retirement and Railroad Unemployment Insurance Acts.

Thousands of railroad labor representatives have attended our conferences over the years and achieved a much better understanding of the provisions and financing of the railroad retirement and unemployment insurance systems, and of the administrative organization of the RRB. In turn, they have helped improve the effectiveness of our benefit program operations by passing on to their fellow railroad employees the information they acquired at our conferences.

A few years ago, we broadened the scope of our educational efforts to reach another segment within the railroad community, specifically employees and spouses within 5 years of retirement. We designed our Pre-Retirement Seminar program to help those nearing retirement better understand the benefits available to them, and know what to expect during the application process.

In recent years we've noticed a significant drop in conference attendance, while the seminars grew in popularity. The new-found interest and enthusiasm generated from our Pre-Retirement Seminars has encouraged us to reshape our platform. To ensure our outreach efforts fulfill your current needs, and to help us better manage costs and field office resources, we combined these usually separate programs into a single event (called Pre-Retirement Seminars) open to those nearing retirement and all local union officers.

These seminars are hosted by a number of field offices per year on a rotating schedule, and conducted using helpful informational materials that are updated frequently. While most of our program focuses on various aspects of railroad retirement benefits, each seminar closes with a brief presentation on railroad unemployment and sickness benefits to help prepare union officers for sharing reliable information with their members.

The informational kit you received today contains helpful publications and handouts as well as a program booklet of our presentation with detailed side notes and fact sheets. Online and downloadable versions of items included with seminar kits are available at **RRB.gov/LMO/kits**.

Please complete the evaluation form before you leave today to help us identify any ways we can improve our program in the future.

Thank you very much for joining us today. We're grateful for the opportunity to promote a better understanding of our benefit programs among the railroad community.

John Bragg

John Bragg
Labor Member

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CHAPTER 1

Development of the Railroad Retirement System

Private pension plans originated in the railroad industry in 1874 when the first formal industrial pension plan in North America was established. By 1927, over 80 percent of all railroad employees in the United States worked for employers who had formal plans in operation, but only a small proportion of employees ever received benefits under these plans. The pension plans had a number of serious defects. They generally paid inadequate benefits and had limited provisions for disability retirement. Credits could not be transferred freely from employer to employer, and the employers could terminate the plans at will. With few exceptions, the plans were inadequately financed and could not withstand even temporary difficulties.

The Great Depression of the early 1930s led to movements for retirement plans on a national basis because few of the nation's elderly were covered under any type of retirement plan. Railroad employees were particularly concerned because the private railroad pension plans could not keep up with the demands made upon them by the general deterioration of employment conditions and by the great accumulation of older workers in the industry. While the social security system was in the planning stage, railroad workers sought a separate railroad retirement system which would continue and broaden the existing railroad programs under a uniform national plan. The proposed social security system was not scheduled to begin monthly benefit payments for several years and would not give credit for service performed prior to 1937, while conditions in the railroad industry called for immediate benefit payments based on prior service.

Legislation was enacted in 1934, 1935, and 1937 to establish a railroad retirement system separate from the social security program legislated in 1935. Such legislation, taking into account the particular circumstances of the rail industry, was not without precedent. Many laws pertaining to rail operations and safety had already been enacted since the Interstate Commerce Act of 1887. Since passage of the Railroad Retirement Acts of the 1930s, numerous other railroad laws have subsequently been enacted.

THE RAILROAD RETIREMENT ACTS OF 1934 AND 1935

The Railroad Retirement Act of 1934 set up the first retirement system for nongovernmental workers in this country to be administered by the Federal Government. However, the Act was declared unconstitutional by a Federal district court, and this decision was sustained by the Supreme Court. The Railroad Retirement and Carriers' Taxing Acts of 1935 were enacted to avoid the constitutional difficulties encountered by the 1934 Act. However, these Acts were also challenged in the courts, and a Federal district court held that neither the employees nor their employers could be compelled to pay railroad retirement taxes. The court, however, did not prohibit the payment of benefits, and the Railroad Retirement Board (RRB) began awarding annuities in July 1936 under the provisions of the 1935 Act.

While an appeal was pending, railroad management and labor, at the request of President Roosevelt, formed a joint committee to negotiate their differences. The result was a memorandum of agreement which led to the Railroad Retirement and Carriers' Taxing Acts of 1937 establishing the railroad retirement system. The pensions of retired employees on the railroads' private pension rolls were transferred to the RRB's rolls with pension reductions restored. The benefit payments of almost 50,000 pensioners were taken over by the RRB in July 1937. There followed an immediate reduction in both the number of employed and unemployed older railroad workers. By the end of 1938, the number of workers age 65 and over in active railroad service was less than one-half of the number two years earlier. Almost 100,000 employees had retired under the system by that date, 80 percent of them under the nondisability provisions.

THE RAILROAD RETIREMENT ACT OF 1937 AND LATER AMENDMENTS

The 1937 Act set up a staff retirement plan which provided annuities to aged retired employees based on their creditable railroad earnings and service. The amounts of retirement annuities awarded were directly related to the employee's earnings and length of service, with a maximum of $120 a month. Creditable earnings were limited to a maximum of $300 a month, while no more than 30 years of service could be credited when service before 1937 was counted. Annuities could be paid at age 65 or later, regardless of length of service, or at ages 60-64 (on a reduced basis) after 30 years of service.

The conditions for paying annuities based on disability were severely restricted. The disability had to be total and permanent and 30 years of service were required for full annuities. Employees could receive disability annuities at ages 60-64 after less than 30 years of service, but on a reduced basis.

The Act made little provision for dependents of deceased employees and no provision for spouse annuities. A survivor could receive a lump sum equal to 4 percent of the employee's creditable earnings after 1936, less any annuity payments already made. In addition, a retiring employee could elect to receive a reduced annuity in order to provide an annuity to his surviving spouse.

The system was financed by a schedule of taxes beginning with 2.75 percent each on employers and employees applicable to the first $300 of monthly compensation.

Amendments to the 1937 Act

Numerous amendments after 1937 increased benefits and added, to what began as a staff retirement system, social insurance features similar to those provided by the social security system.

The first significant sets of amendments were enacted in 1946 and 1951. By initiating coordination in certain areas with the social security system, they laid the foundation for the evolution of the system's present structure. Amendments enacted in 1946 added survivor benefits to the railroad retirement system which were similar to those provided under social security coverage, but approximately 25 percent higher.

These amendments also introduced the first step of coordination with the social security system by dividing jurisdiction over individual survivor benefits between the RRB and the Social Security Administration. Benefits to survivors were thereafter based on combined railroad retirement and social security earnings credits.

Provisions for annuities based on occupational disability—a staff retirement feature—were also established by the 1946 amendments. The provision for occupational disability annuities recognized that employees who were not totally disabled could be prevented from earning a living because they could not perform their regular railroad jobs. The 1946 amendments also reduced the service requirements for total disability annuities, making it possible for comparatively young disabled employees to receive benefits.

In addition, the amounts of disability retirement annuities were increased through the elimination of the reduction for employees with less than 30 years of service and the extension of new minimum provisions of the law to annuities based on disability. In 1954, annuities were provided for disabled children of deceased employees. And in 1968, disabled widows ages 50-59 were added to those who could receive benefits.

In 1951 amendments added annuities for the spouses of retired railroad employees. This legislation completed the addition of social insurance features to the railroad retirement system and expanded the coordination of the railroad retirement and social security systems.

Provision was made for social security to assume jurisdiction of benefits for employees not having at least 10 years of railroad service, and a minimum guaranty was provided to ensure that railroad retirement benefits would be no less than the benefit, or additional benefit, the social security system would have paid on the basis of the railroad service involved. In addition, a financial interchange was established between the two systems to apportion the costs of benefits and taxes, related to railroad service, on an equitable basis.

In 1965 provision was made to coordinate the railroad retirement tax base and tax rate with those of the social security system. This provision and the existing provisions for the financial interchange served as an operating vehicle through which the Medicare program was easily extended in 1965 to railroad employees and members of their families, on the same basis as it was provided for social security beneficiaries. The addition of a strictly staff benefit for career employees was provided in 1966 in the form of supplemental railroad retirement annuities.

By 1970 amendments to the Act provided for regular annuities of more than double the amount provided under the original formula. The amounts of earnings creditable and taxable were $650 a month in 1970 compared with $300 originally. Tax rates had substantially increased in order to finance the new types of benefits, the increases in benefit amounts and other liberalizations in the program. The rate of regular railroad retirement taxes, still divided equally between employees and employers in 1971, was 9.95 percent on each as compared with 3.5 percent in 1946.

The annuities being paid in 1970 included a general benefit increase of 15 percent provided in that year following a social security benefit increase of 15 percent. In the following two years of an inflationary spiral in the national economy, social security and railroad retirement benefits were again substantially increased, by 10 percent in 1971 and 20 percent in 1972. However, these three increases were provided for railroad retirement annuities on a temporary basis only. The costs of making these three increases, aggregating 51.8 percent, permanent without adequate financing would have jeopardized the solvency of the system. Congress directed that a Commission on Railroad Retirement be formed to study the railroad retirement system and its financing for the purpose of recommending to Congress changes in the system that would ensure adequate benefit levels on an actuarially sound basis.

The preliminary recommendations of management and labor for revision of the railroad retirement system, recorded in a Memorandum of Understanding, were enacted by the Congress in 1973. The major provisions, which reflected components of an industry-wide wage settlement, effected a redistribution of railroad retirement taxes and earlier retirement as follows. Generally effective October 1, 1973, employee and employer tax rates under the Railroad Retirement Tax Act were revised so as to reduce the employee rate to the percentage rate paid by employees in social security-covered employment, with the employer absorbing the difference so that total tax income to the program was maintained at the level in effect before the change. Employee rates consequently were lowered from 10.60 percent of creditable earnings to 5.85 percent; employer rates correspondingly increased from 10.60 percent to 15.35 percent. Effective July 1, 1974, all employees at least 60 years of age and having 30 years or more of creditable railroad service could retire without their annuities being subject to reduction for retirement before age 65. Under previous law, only female employees were granted this advantage.

Commission on Railroad Retirement REPORT

Major changes in the law were recommended in the Commission's 1972 report as its basic solution to the serious problems of the system. Essentially, these involved a proposed restructuring of the railroad retirement system with two separate tiers of benefits, tier I being a social security-type benefit and tier II a supplemental staff benefit. In addition, the Commission recommended a phase-out of dual railroad retirement-social security benefits with some protection for the vested rights to such benefits already acquired by employees.

Under the 1937 Act, an individual engaging in covered employment under both the Railroad Retirement Act and the Social Security Act was entitled to benefits under both Acts, assuming he or she met at least the minimum requirements for benefit eligibility. By the early 1970s, approximately 40 percent of all beneficiaries on the RRB's rolls were also receiving social security benefits. Because of certain duplications in their dual benefits, considered a windfall element, the total of their benefits from both systems averaged more than the annuities of railroad employees who worked in the rail industry exclusively, and who had paid proportionally higher retirement taxes for the purpose of receiving higher benefits. At the same time, dual benefits were a cost to the railroad retirement system because they reduced the system's income from its financial interchange with the social security system. (By the mid-1970s, the costs to the railroad retirement system of dual benefits exceeded $450 million per year and would have been a major factor in bankrupting the railroad retirement system if allowed to continue. The cumulative total loss to the system by 1974 had been about $4 billion.)

Upon the release of the Commission's report, Congress ordered that representatives of employees and representatives of carriers negotiate mutual recommendations for a restructuring of the railroad retirement system which would put it on a sound financial basis, taking into account the report and recommendations of the Commission on Railroad Retirement.

THE RAILROAD RETIREMENT ACT OF 1974

The Railroad Retirement Act of 1974, reflecting the basic principles of the Commission Report and incorporating the subsequent management-labor agreement, was enacted on October 16, 1974.

Two-Tier Formulas

The 1974 Act provided a first tier formula yielding amounts equivalent to social security benefits, taking into account both railroad retirement and non-railroad social security credits. A second tier formula, based on railroad service exclusively, provided benefits comparable to those paid over and above social security benefits by other industrial pension systems. The total annuity yielded by the tier formulas continued traditional levels of railroad retirement benefits and reflected the three cost-of-living increases aggregating 51.8 percent, which had been provided between 1970 and 1972 on a temporary basis.

Dual Benefit Phase-Out

The 1974 Act eliminated duplications in dual railroad retirement-social security benefits for new hires and individuals not vested as of December 31, 1974, under both programs. Dual benefits for vested employees were protected through provision for payment of an amount in their annuities referred to as a vested dual benefit. However, such vested dual benefit amounts were not allowed to increase because of any social security or railroad credits earned after December 31, 1974.

For career employees, vesting was defined as having 10 years of railroad service on December 31, 1974, and, in addition, having enough quarters of coverage under the social security program to be entitled to a benefit at age 62 if no further social security credits were acquired after December 31, 1974.

Vesting for employees who had fully qualified for benefits under both systems but had left the industry prior to 1974 presented a difficult problem. The 1974 Act favored employees who had remained in the railroad industry more than those who left railroad employment. Accordingly, active or long-term employees in the railroad industry, in a sense, were placed in the same situation as employees who had already retired, while former employees were made subject to more stringent requirements. The resulting vesting provisions were subsequently tested in the courts and upheld by the U.S. Supreme Court in 1980.

Cost-of-Living Increases

The 1972 amendments to the Social Security Act introduced provisions for cost-of-living adjustments in social security benefits on the basis of changes in the Consumer Price Index. Under the two-tier plan, the first tier railroad retirement benefit increases automatically the same way social security benefits increase. Four separate tier II cost-of-living adjustments were provided during the six-year period commencing January 1, 1975. (A fifth increase was provided in subsequent legislation.)

Benefit Improvements

The 1974 Act also provided improvements in existing benefits. The initial agreement of labor and management had enabled employees to retire on or after July 1, 1974, on unreduced annuities if they met the eligibility requirements of attaining age 60 and completing 30 years of service. But an employee could not receive a supplemental annuity until age 65 nor could a spouse receive a spouse annuity until the employee reached age 65. The Act revised the eligibility requirements for these benefits so that they were coordinated directly with the employee annuity requirements. Under the 1937 Act, the vast majority of widows and other survivors received benefits based upon 110 percent of the comparable social security benefit, and the resulting amount was generally felt to be inadequate in relation to the level of other railroad benefits. The 1974 Act survivor formula increased the calculation basis to 130 percent from the former 110 percent.

Financing

It was anticipated that the changes in the benefit formulas, the reduction in dual benefits, higher investment earnings, plus provisions for additional funds from the Federal Government to pay the phase-out costs of dual benefits, together would place the railroad retirement system on a reasonably sound basis. However, the cost estimates made at that time did not anticipate the resurgence of substantial inflation in the latter part of the decade, which led to a recurrence of financial difficulties for the railroad retirement system.

With regard to financing the phase-out costs of dual benefits, the joint management-labor committee initially proposed that the cost of vested dual benefit payments be paid out of the social security trust funds, as this element was basically a social security benefit. However, Congress concluded that the cost should be borne by the General Treasury. It was thought that it would be unfair to impose this cost upon current and future employees who would not (except where vested rights are involved) be permitted to receive dual benefits upon retirement, or upon the railroads since the excess benefit arose out of nonrailroad employment performed by these individuals. Payment out of the General Treasury was supported by a precedent regarding military service and by the fact that the dual benefit problem had been brought about by prior congressional action repealing past dual benefit restrictions over the objections of the railroads.

1981 AMENDMENTS

By 1980, recurring inflation and recession combined with other factors placed financial stresses on the railroad retirement system which made it clear that further financial action was needed to maintain the system. Railroad retirement amendments were subsequently enacted on August 13, 1981, as part of an Omnibus Budget Reconciliation Act. The amendments were generally effective October 1, 1981.

Taxes

These amendments increased railroad retirement taxes on both rail employers and employees. While tier I taxes on employers and employees remained at the same rate as social security taxes, 6.65 percent in 1981, the 9.5 percent tier II tax paid by employers was increased to 11.75 percent and employees assumed a tier II tax of 2 percent. The amendments also gave the RRB the authority to borrow from U.S. Treasury general funds on the basis of forthcoming financial interchange income if Railroad Retirement Account funds were insufficient to pay benefits during a month.

Benefit Provisions

Although the two-tier benefit structure provided by the 1974 Act was left intact, changes were made in the tier II formula and there were other changes in benefit provisions. The amendments revised the employee, spouse, and survivor formulas for annuity portions paid over and above social security levels. Generally, for career retirees whose annuities are awarded on or after October 1, 1981, the simplified formula yields awards that automatically keep pace with average wage increases in the last 60 months of service. The 1981 law continued tier II employee and spouse cost-of-living increases, while revising survivor cost-of-living increases to correspond with those provided employees and spouses. It also broadened the current connection requirement applicable to certain career employee benefits. While the amended law eliminated future supplemental annuity closing dates, it restricted future supplemental annuity eligibility to employees with some service prior to October 1981. (Under prior law, an employee who worked in railroad service after a specified closing date, based on his or her 65th birthday, would permanently forfeit entitlement to a supplemental annuity.) In addition, the amendments provided benefits for divorced spouses, surviving divorced spouses, and remarried widow(er)s which are like those provided under the Social Security Act.

This legislation also required prorated adjustments in individual vested dual benefit payments, depending upon the amounts appropriated to the fund created for these payments, and the level of vested dual benefit payments was made contingent on the annual Federal budget and appropriations process. The amendments restricted the further award of vested dual benefit payments to vested employees with dual coverage on their own earnings and precluded further awards of vested dual benefit payments to spouses or widow(er)s. Furthermore, after 1981, no further cost-of-living adjustments are made to vested dual benefit payments.

Other Financing Provisions

The 1981 amendments mandated, in the event of certain adverse financial indicators, that railway management and labor, and the White House, make further financing recommendations to Congress. And the new law required the RRB to reduce annuity levels during any fiscal year in which it appears there would be insufficient funds with which to make full benefit payments on a timely basis for every month of the year.

In the first half of 1981, when the amendments were developed, it was anticipated that the financing arrangements would provide the railroad retirement system with adequate funding throughout the 1980s. However, the continuing recession in the national economy depressed rail traffic levels to the extent that large-scale layoffs were underway by the first quarter of 1982. Average monthly employment in fiscal year 1982 dropped to 457,000 from the 512,000 average of the previous year, and it subsequently declined to 388,000 in the first quarter of 1983. The decline in employment limited payroll tax income accordingly. In addition, increased unemployment benefit payments resulting from the layoffs made such unprecedented demands on the Railroad Unemployment Insurance Account that it owed $500 million to the Railroad Retirement Account by the end of March 1983.

The condition of the Railroad Retirement Account consequently deteriorated to the point that the RRB was required to prepare to reduce annuity levels on October 1, 1983, by an estimated 40 percent of tier II portions, in the absence of remedial financial legislation.

THE 1983 RAILROAD RETIREMENT SOLVENCY ACT

The scheduled annuity reductions were averted by enactment of the Railroad Retirement Solvency Act on August 12, 1983. The 1983 Act was based on negotiated recommendations of management and labor, and also incorporated recommendations of Congress and the Administration. The amendments were, in part, patterned after major social security amendments enacted earlier in the year, which had already effected changes in railroad retirement taxes and benefits through coordinating provisions in the Railroad Retirement Act.

Taxes

Under the Railroad Retirement Solvency Act, tier II taxes on employers increased from 11.75 percent to 12.75 percent in January 1984, to 13.75 percent in January 1985, and to 14.75 percent in January 1986. Tier II taxes on employees increased from 2 percent to 2.75 percent in 1984, to 3.50 percent in 1985, and to 4.25 percent in 1986. And since 1985, railroad retirement taxes are applied to earnings on an annual, rather than a monthly, basis. As a result of the 1983 social security amendments, tier I taxes on employers and employees increased from 6.70 percent to 7 percent in January 1984, to 7.05 percent in 1985, to 7.15 percent in 1986, to 7.51 percent in 1988, and to 7.65 percent in 1990. (The tier I tax rate has remained unchanged since 1990; however, it was temporarily reduced to 5.65 percent on employees in 2011 and 2012.)

The 1983 social security amendments subjected railroad retirement tier I annuity portions to Federal income taxes on the same basis as social security benefits and the Solvency Act made tier II benefits and vested dual benefit payments subject to Federal income tax on the same basis as private pensions, beginning with tax year 1984. The revenues raised from income taxes on tier I and vested dual benefits are used for benefit payments. Revenues raised by the tax on tier II benefits were to be used for benefit payments through fiscal year 1988, after which the revenues would remain in general U.S. Treasury funds. Subsequent legislation extended these transfers permanently.

Other Financing Provisions

The Railroad Retirement Account was reimbursed in three installments from the general fund of the U.S. Treasury for shortfalls in vested dual benefit appropriations between 1975 and 1981. The railroad retirement system's authority to borrow general U.S. Treasury funds until the RRB receives financial interchange funds from the social security system was broadened to place financial interchange monies in the Railroad Retirement Account on a current basis.

Benefit Provisions

The 1983 social security amendments deferred July 1983 cost-of-living increases to January 1984 and required that future increases be made in January of subsequent years.

This deferral applied to railroad retirement tier I annuity amounts as well as social security benefits. The Railroad Retirement Solvency Act correspondingly changed the future payment dates of tier II cost-of-living increases from July 1 to January 1, with the first increase payable on January 1, 1985. It also required an offset of the dollar amount of the next five percent of tier I cost-of-living increases from tier II benefits.

The Act modified early retirement provisions for 30-year employees attaining age 60 after June 1984 by applying certain reductions to the tier I portions of their annuities if they retired before age 62. The reductions did not affect tier II benefits, and employees who acquired 30 years of service and attained age 60 before July 1, 1984, could still retire at any time with full benefits, as under prior law. (The Railroad Retirement and Survivors' Improvement Act of 2001, as described on pages 16-18, eliminated these reductions for 60/30 employees retiring after 2001.) The 1983 law established a five-month waiting period for railroad retirement disability annuities, just as for social security disability benefits, and altered the tier I computation of annuities subject to reduction for certain non-covered service pensions. It required the RRB to honor court orders that treat non-tier I railroad retirement benefits as property subject to division in proceedings related to divorce, annulment, or legal separation. And the Act limited the retroactivity of applications for benefits to a maximum of six months to conform to the Social Security Act, except for disability benefit applications, which can retroact 12 months.

The Solvency Act eliminated annuity reductions made under prior law when military service was counted as railroad service and was also the basis for benefits under another Federal law. It conformed railroad retirement student benefit provisions to social security student benefit provisions and eliminated age reductions applied to disabled widow(er)s' annuities for months they were under age 60 when their annuities began.

LEGISLATION ENACTED 1985-2000

The Balanced Budget and Emergency Deficit Control Act of 1985, known as the **Gramm/Rudman/Hollings Act**, enacted in December 1985, required decreases in vested dual benefit payments during the 1986 fiscal year and suspension of the January 1986 cost-of-living increase in the tier II portions of railroad retirement annuities. Gramm/Rudman and/or related budget legislation reduced vested dual benefits and supplemental annuities periodically in subsequent years.

Budget reconciliation legislation enacted in April 1986 included changes in Internal Revenue Code provisions increasing income taxes on some railroad retirement annuities. Effective with tax year 1986, the tier I portion of a railroad retirement annuity, which is treated as a social security benefit for Federal income tax purposes, was limited for tax purposes to amounts actually equivalent to social security benefits. This primarily affected tier I early retirement benefits payable between ages 60 and 62 and some occupational disability benefits that are now treated like private pensions.

The Tax Reform Act of October 1986 eliminated, for annuities beginning after July 1, 1986, the three-year recovery rule for contributory pensions which had been applicable to railroad retirement benefits exceeding social security equivalent levels. Under the tax reform law, railroad retirement benefits exceeding social security equivalent levels are taxable immediately upon retirement. For tax reporting purposes, benefit payments are prorated on the basis of estimated life expectancies to exempt an employee's previously-taxed pension contributions.

While the railroad retirement trust funds held a reserve of $6.9 billion at the end of fiscal year 1987, the continuing decline in railroad employment had caused concern over the system's financing in the next century.

A Federal budget deficit reduction bill enacted in December 1987 increased tier II tax rates in January 1988 to 16.10 percent on employers and 4.90 percent on employees, and extended for one year, until October 1, 1989, the time during which revenues from Federal income taxes on tier II railroad retirement benefits could be transferred to the Railroad Retirement Account for use in paying benefits.

1988 Amendments

The Railroad Unemployment Insurance and Retirement Improvement Act was included in the Technical and Miscellaneous Revenue Act of 1988, enacted November 10, 1988. The railroad retirement amendments in the Act eliminated the provision suspending annuities of retired employees and spouses who work for their last pre-retirement nonrailroad employers, but provided for tier II earnings deductions in such cases. The Act also increased the amount disabled railroad retirement annuitants could earn without reducing their benefits from $200 per month to $400 per month, exclusive of work-related expenses.

In addition, it provided railroad retirement military service credits under certain conditions for railroad workers who served in the Armed Forces between June 15, 1948, and December 15, 1950, but had not been allowed service credit because there was not a national state of emergency in force during this period before the Korean War.

The Act also provided a lump sum, equal to railroad retirement tier II payroll taxes deducted from separation or severance payments made after 1984, to be paid upon retirement to employees meeting minimum service requirements if the separation or severance payments did not yield additional railroad retirement service or earnings credits.

Social security amendments included in this legislation modified the non-covered service pension reductions applied to the social security and tier I railroad retirement benefits of employees awarded certain Federal, State, or local government pensions in recent years.

Omnibus budget reconciliation legislation enacted in 1989 included a number of railroad retirement and social security provisions affecting payroll taxes and benefits in 1990 and subsequent years. The budget law increased the amount of earnings subject to social security and railroad retirement payroll taxes, and specified that 401(k) contributions and some employer-paid life insurance premiums are subject to railroad retirement payroll taxes, conforming railroad retirement with social security.

The 1989 budget law also revised sequestration of railroad retirement supplemental annuities under the Gramm/Rudman Act in fiscal year 1990. **Subsequent 1990 omnibus budget legislation** permanently exempted supplemental annuities from reductions under the Gramm/Rudman Act. The 1990 budget law also increased the maximum compensation subject to Medicare hospital insurance payroll tax and mandated an expedited payroll tax deposit schedule for large employers covered by social security or railroad retirement. **Budget legislation enacted in 1993** made all earnings subject to the Medicare payroll tax and, for those in high tax brackets, made a larger amount of social security and railroad retirement tier I benefits subject to Federal income tax.

The time during which revenues from Federal income taxes on tier II railroad retirement benefits could be transferred to the Railroad Retirement Account for use in paying benefits was extended one year in 1989, and 1990 budget legislation further extended the date until October 1, 1992. **In 1994**, legislation extended the transfers, retroactive to October 1992, on a permanent basis which improved the financing of the railroad retirement system.

Legislation enacted in April 2000 eased the earnings restrictions affecting social security beneficiaries working after full retirement age. The legislation also applied to railroad retirement annuitants, but it did not change the railroad retirement work restrictions applying to last pre-retirement employment which are not included in the Social Security Act.

THE RAILROAD RETIREMENT AND SURVIVORS' IMPROVEMENT ACT OF 2001

The Railroad Retirement and Survivors' Improvement Act of 2001, signed into law December 21, 2001, liberalized early retirement benefits for 30-year employees and their spouses, eliminated a cap on monthly retirement and disability benefits, lowered the minimum service requirement from 10 years (120 months) to 5 years (60 months) of service if performed after 1995, and provided increased benefits for some widow(er)s. Financing sections in the law provided for the investment of railroad retirement funds in nongovernmental assets, adjustments in the payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax. The law was based on joint recommendations to Congress negotiated by a coalition of rail labor organizations and rail freight carriers.

60/30 Retirement

The law amended the Railroad Retirement Act by eliminating the early retirement reduction applied to the annuities of 30-year employees retiring between the ages of 60 and 62 if their annuities begin January 1, 2002, or later. The spouses of such employees are also eligible for full annuities at age 60. Full 60/30 benefits had not been payable since 1983 legislation reduced such early retirement benefits.

Maximum Provision

The law eliminated, effective January 1, 2002, a maximum on the amount of combined monthly employee and spouse benefit payments which had been intended to prevent benefits from exceeding an amount based on an employee's earnings immediately prior to retirement. This maximum provision had the unintended effect of reducing benefits for former employees with no earnings, or low earnings, in the 10-year period prior to retirement, and for long-service employees with moderate earnings.

Basic Service Requirement

The legislation lowered the minimum eligibility requirement for regular railroad retirement annuities from 10 years (120 months) of creditable railroad service to 5 years (60 months) of creditable railroad service for those with 5 years of service rendered after 1995. This provision was effective January 1, 2002, and was not retroactive.

Widow(er)s' Benefits

The legislation established an initial minimum amount based on the two-tier annuity amount that would have been payable to the railroad employee at the time the widow(er)'s annuity is awarded, minus any applicable reductions. Widow(er)'s annuities computed on the basis of the initial minimum amount will not increase until the amount payable under previous law plus cost-of-living increases is higher than the initial minimum amount.

This provision was effective February 1, 2002, and was not retroactive. It applied to widow(er)s on the rolls before the effective date only if the annuity the widow(er) was receiving on the effective date was less than she or he would have received had the legislation been in effect on the date the widow(er)'s annuity began.

Investment Changes

The legislation provided for the transfer of railroad retirement funds from the Railroad Retirement Accounts to the National Railroad Retirement Investment Trust, whose Board of seven trustees is empowered to invest Trust assets in nongovernmental assets, such as equities and debt, as well as in governmental securities. The sole purpose of the Trust is to manage and invest railroad retirement assets.

The Trust is a tax-exempt entity independent from the Federal Government. Its Board of Trustees is comprised of the following: three members selected by rail labor to represent the interests of labor; three members selected by rail management to represent management interests; and one independent member selected by a majority of the other six members. The Trustees are subject to fiduciary standards similar to those required by the Employee Retirement Income Security Act. The Trust must submit an annual report to Congress on its operations.

Effect on Payroll Tax Rates

The legislation reduced tier II tax rates on rail employers, including rail labor unions, in calendar years 2002 and 2003, and beginning with 2004 provides automatic adjustments in the tier II tax rates for both employers and employees.

It also repealed the supplemental annuity work-hour tax rate paid by employers, beginning with calendar year 2002.

The tier II tax rate on rail employers and rail labor organizations was reduced from 16.10 percent to 15.60 percent in 2002 and to 14.20 percent in 2003. The tier II tax rate for rail employee representatives was 14.75 percent in calendar year 2002 and 14.20 percent in 2003.

While there was no change in the tier II tax rate of 4.90 percent on employees in the years 2002 and 2003, starting with calendar year 2004 tier II taxes on both employers and employees have been based on the ratio of certain asset balances to the sum of benefits and administrative expenses (the average account benefits ratio). Depending on the average account benefits ratio, tier II taxes for employers range between 8.20 percent and 22.10 percent, while the tier II tax rate for employees ranges between 0 percent and 4.90 percent. In 2005, as a result of this provision, the tier II tax rate on employees decreased to 4.40 percent from 4.90 percent. The rate on employers and rail employee representatives decreased to 12.60 percent from 13.10 percent. The 2006 rates were the same as in 2005. In 2007, the tier II tax rate on employees decreased from 4.40 percent to 3.90 percent and on employers it decreased from 12.60 percent to 12.10 percent. Those rates remained the same through 2012. In 2013, the tier II tax rate on employees increased from 3.90 percent to 4.40 percent. The rate on employers increased from 12.10 percent to 12.60 percent. Those rates did not change in 2014. In 2015, the tier II tax rate on employees increased from 4.40 percent to 4.90 percent. The rate on employers increased from 12.60 percent to 13.10 percent. Those rates remain unchanged through 2020.

Supplemental Annuity Funding

In addition to repealing the supplemental annuity work-hour tax, the legislation eliminated the separate Supplemental Annuity Account. Supplemental annuities are funded through the National Railroad Retirement Investment Trust.

COURT DECISIONS, LEGISLATION ENACTED 2006-2015

The Pension Protection Act of 2006 was signed into law August 17, 2006. The Act, effective August 17, 2007, provided divorced spouses a railroad retirement annuity independent of the employee's actual entitlement and extended court-ordered partition payments to surviving former spouses. **Legislation enacted January 12, 2007**, increased the amount employees receiving railroad retirement disability annuities can earn without losing any benefits. Legislation modifying partition payments was signed into law on December 23, 2008.

The Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010 was signed into law December 17, 2010. Among its provisions, the Act temporarily lowered the social security payroll tax rate on employees, and the corresponding tier I payroll tax rate on railroad employees, by 2 percentage points for calendar year 2011. **The Temporary Payroll Tax Cut Continuation Act of 2011** extending the temporary payroll tax reduction through February 2012 was signed into law December 23, 2011. **The Middle Class Tax Relief and Job Creation Act of 2012**, signed into law February 22, 2012, extended the reduction through 2012.

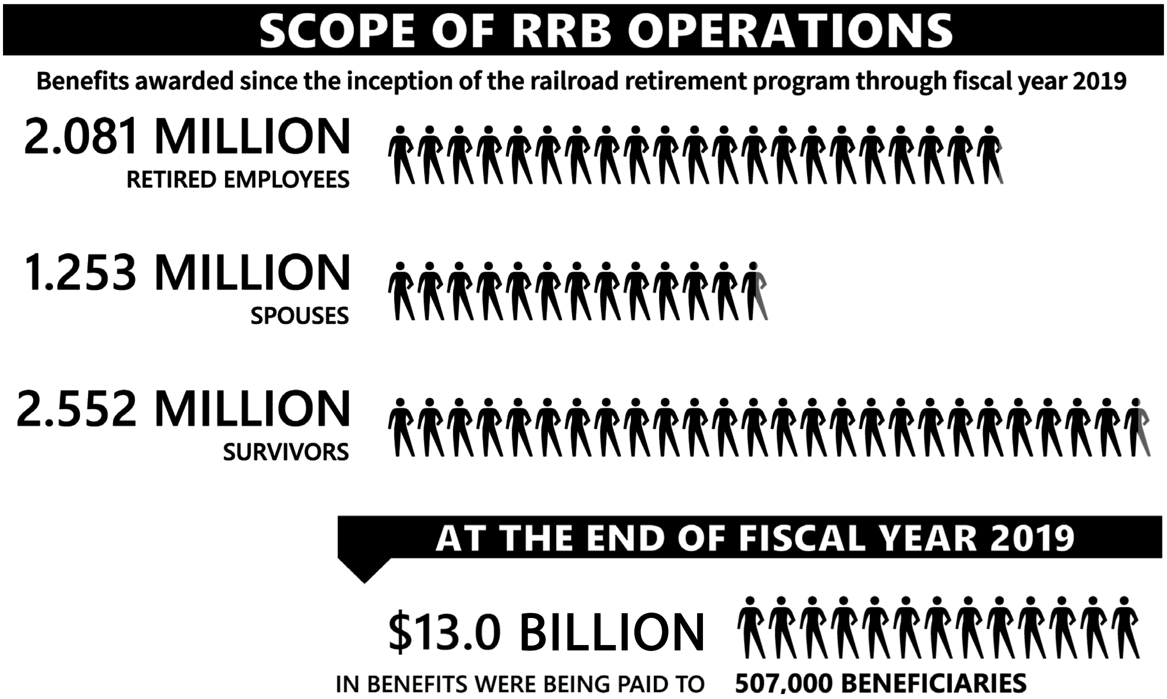
On June 26, 2013, the Supreme Court found unconstitutional Section 3 of the **Defense of Marriage Act**, which had prevented the Federal Government from recognizing marriages of same-sex couples. As a result, the RRB began accepting applications for benefits from those eligible spouses in same-sex marriages who were validly licensed under State law. On June 26, 2015, the Supreme Court further found that the Constitution required all States to license same-sex marriages, and to recognize lawfully licensed same-sex marriages performed in other States.

EMPLOYMENT, PAYROLLS, AND TAX COLLECTIONS

Railroad employment has varied considerably over the years. The total number of employees with some service in a given year has ranged from a high of 3 million in the war year 1945 to its lowest level of 247,000 in calendar year 2017. Employment increased to 249,000 in 2018. The average number employed has varied between a high of 1.7 million in the war years 1944-45 to a low of approximately 221,000 in 2010. Average employment in 2018 decreased 1,000 from the previous year, to 224,000.

In 2019, total railroad payroll was an estimated $20.0 billion, while the taxable payrolls (on the $132,900 tier I and the $98,700 tier II annual bases) were an estimated $18.7 billion and $17.4 billion, respectively. Tier I payroll includes miscellaneous compensation, such as sick pay. The employee tax rates for 2019 were

7.65 percent for tier I and 4.9 percent for tier II. Employer rates were 7.65 percent and 13.1 percent, respectively. The tier I rate is divided into 6.2 percent for retirement/disability and 1.45 percent for Medicare hospital insurance. While the 6.2 percent rate applied to the $132,900 annual base, all of an employee's compensation was subject to the 1.45 percent Medicare tax. Employees pay an additional 0.9 percent in Medicare hospital insurance taxes on earnings above $200,000 (for those who file an individual return) or $250,000 (for those who file a joint return). Retirement tax collections in fiscal year 2019 were approximately $6.2 billion.



CHAPTER 2

Provisions of the Railroad Retirement Act

Railroad retirement benefits are based on months of service and earnings credits. Service performed for a covered employer or as an employee representative is creditable toward all types of benefits under the Railroad Retirement Act. Earnings are creditable up to certain annual maximums on the amount of compensation subject to railroad retirement taxes as shown in the table at the end of the next chapter.

An employee will receive credit for a month of railroad service for every month in which he or she had some compensated service for a covered employer (under the Railroad Retirement Act), even if the employee only performs one day of service in a given month. Service for an employer is creditable if it is compensated and the employee is subject to the continuing supervision of the employer. (However, any local lodge compensation earned after 1974 is disregarded if it is less than $25 for any calendar month.) Covered employers include interstate railroads and their affiliates engaged in railroad-connected operations, as well as employer associations and national railway labor organizations and their subordinate units.

Service months need not be consecutive, and, in some cases, military service may be counted as railroad service. Special rules may apply for crediting of service months resulting from a settlement for an on-the-job injury.

Additional service months may be deemed in some cases where an employee does not actually work in every month of the year. For additional service months to be deemed, the employee's compensation for the year, up to the tier II maximum, must exceed an amount equal to 1/12 of the tier II maximum multiplied by the number of service months actually worked.

The excess amount is then divided by 1/12 of the tier II maximum; the result, rounded up to a whole number, equals the maximum number of months that may be deemed as service months for that year. The employee must be in an employment relation (on an approved leave of absence) with a covered railroad employer, or be an employee representative, during a deemed service month. An employee may never be credited with more than 12 service months in any calendar year.

Except for benefits paid for on-the-job injuries, sickness benefits are subject to tier I railroad retirement taxes if paid within 6 months after the month in which the employee last worked. They are credited as compensation for tier I benefits, but are not credited as service months.

How much creditable railroad service is needed for a regular employee annuity?

10 YEARS (120 MONTHS)

OR

5 YEARS (60 MONTHS) IF PERFORMED AFTER 1995

CREDITABLE MILITARY SERVICE

Active military service may be credited towards retirement benefits under certain conditions. To be creditable as compensation under the Railroad Retirement Act, service in the U.S. Armed Forces must be preceded by railroad service in the same or preceding calendar year. With the exceptions noted, the employee must also have entered active military service when the United States was at war or in a state of national emergency, or have served in the Armed Forces involuntarily.

If an employee's military service began during a war or national emergency period, any active duty service he or she was required to continue in beyond the end of the war or national emergency is creditable. Voluntary service extending beyond September 14, 1978, is not creditable.

Railroad workers who voluntarily served in the Armed Forces between June 15, 1948, and December 15, 1950, when there was no declared national state of emergency in force, can be given railroad retirement credit for their military service if they performed railroad service in the year they entered or the year before they entered military service and if they returned to rail service in the year their military service ended or in the following year, and had no intervening nonrailroad employment.

Veterans should contact the RRB well in advance of retirement regarding required proof of military service.

WAR AND NATIONAL EMERGENCY PERIODS

- **August 2, 1990 to date as yet undetermined**
- **December 16, 1950 to September 14, 1978**
- **September 8, 1939 to June 14, 1948**

SERVICE AND EARNINGS RECORDS

Employers are required to report their employees' service and earnings compensation to the RRB, which maintains a record of all covered railroad service and creditable earnings after 1936. The RRB saves this information under each employee's social security number (as reported by the employer).

Each June, the RRB sends a *Certificate of Service Months and Compensation* (Form BA-6) to employees who worked in the rail industry during the previous year. This statement is important because it provides employees with a current and cumulative record of their railroad service and compensation. It includes deemed service months, separation (or severance) allowances, and miscellaneous compensation, such as taxable sickness payments. It also includes cumulative amounts of railroad retirement payroll taxes paid by the employee over and above social security equivalent payroll taxes, and reflects creditable military service previously reported to the RRB.

Employees are encouraged to carefully review Form BA-6 for accuracy upon receipt. If an employee disagrees with the information shown on Form BA-6, he or she should notify the RRB as soon as possible. The law limits the period during which corrections can be made to 4 years. All correspondence reporting an inaccuracy on Form BA-6 must include the employee's social security number, as well as any supporting documentation, such as copies of pay stubs. Employees can mail this information to any RRB field office or to RRB headquarters at:

Protest Unit - CESC
U.S. Railroad Retirement Board
844 North Rush Street
Chicago, IL 60611-1275

Similar information is available online to employees who have an account at **RRB.gov/myRRB**. After signing in to **myRRB**, employees can view their individual railroad retirement records of service months and compensation through the feature labeled *View Service & Compensation.* Though this alternative record does not replace Form BA-6, it will display the employee's service and compensation as soon as his or her employer posts it to RRB systems. This feature is only available to employees with **myRRB** accounts.

EMPLOYEE AND SPOUSE ANNUITIES

AGE AND SERVICE, DISABILITY, AND SUPPLEMENTAL ANNUITIES

The basic requirement for a regular employee annuity is at least 10 years (120 months) of creditable railroad service, or 5 years (60 months) of creditable railroad service if performed after 1995. Benefits then become payable after the employee meets certain other requirements, which depend, in turn, on the type of annuity payable.

An AGE AND SERVICE ANNUITY can be paid to:

Employees with 30 or more years of creditable service. They are eligible for regular annuities based on age and service the first full month they are age 60. There is no age reduction for those who retire after 2001 with at least 30 years of service.

Employees with 10-29 years of creditable service, or 5-9 years, if at least 5 years were after 1995. They are eligible for regular annuities based on age and service the first full month they are age 62. Early retirement annuity reductions are applied to annuities awarded before the employee's full retirement age, which is gradually rising to age 67 for those born in 1960 or later, the same as under social security.

Reduced annuities are still payable at age 62 to those with less than 30 years of service, but the maximum reduction is gradually rising to 30 percent from 20 percent by the year 2022 as a result of social security legislation enacted in 1983. Part of the annuity (tier II) is not reduced beyond 20 percent if the employee had any creditable railroad service before August 12, 1983. Railroad retirement tiers are explained in greater detail on page 31.

The annuities of employees retiring after the first full month they are age 60 (for those with 30 years of service) can begin with the first day they are eligible, with up to 6 months' retroactivity.

The annuities of employees retiring at or after age 62 with an age reduction (for those with less than 30 years of service) can begin with the first day of the month during which the application is filed.

An annuity based on age cannot be paid until the employee stops railroad employment, files an application, and gives up any rights to return to work for a railroad employer.

Table 1.— Determining Full Retirement Age

BIRTH YEAR*	FULL RETIREMENT AGE
1943 – 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

*A person attains a given age the day before his or her birthday, and those born on the first or second day of a month are eligible for an annuity beginning date on the first of that month.

A DISABILITY ANNUITY can be paid for:

TOTAL DISABILITY
A physical or mental disability that prevents any regular employment.

Total disability, at any age, if an employee is disabled for *all regular work* and has at least 10 years (120 months) of creditable railroad service. Employees with 5-9 years of creditable railroad service, if at least 5 years were after 1995, may qualify for tier I only (as defined on page 31) before retirement age on the basis of total disability if they also meet certain social security earnings requirements. An age reduced tier II amount would be payable at age 62.

OCCUPATIONAL DISABILITY

An employee is disabled for his or her regular railroad occupation (generally, the job he or she worked the longest in the last 5 years) and the condition is expected to last at least 12 months or longer.

Occupational disability, at age 60, if an employee has at least 10 years (120 months) of railroad service or at any age if the employee has at least 20 years (240 months) of service, when the employee is disabled for his or her *regular railroad occupation*. **A current connection with the railroad industry is also required for an annuity based on *occupational*, rather than *total*, disability.**

A 5-month waiting period beginning with the month after the month of the onset of disability is required before any disability annuity payments can begin.

An employee can be in compensated service while filing a disability annuity application as long as the compensated service is not active service and terminates within 90 days from the date of filing. However, in order for a supplemental annuity to be paid by the RRB, or for an eligible spouse to begin receiving annuity payments, a disabled annuitant under full retirement age must relinquish employment rights.

A SUPPLEMENTAL ANNUITY can be paid at:

Age 60, if the employee has at least 30 years of creditable railroad service.

Age 65, if the employee has 25-29 years of railroad service.

In addition to the service requirements, a *current connection* with the railroad industry is required for all supplemental annuities. An employee must also be receiving a railroad retirement age and service or disability annuity before a supplemental annuity can be paid. Eligibility is further limited to employees who had at least one month of creditable rail service before October 1981.

CURRENT CONNECTION

An employee who worked for a railroad in at least 12 months in the 30 months immediately preceding the month his or her railroad retirement annuity begins will meet the current connection requirement for a supplemental annuity, occupational disability annuity, or the survivor benefits described later in this chapter. (If the employee died before retirement, railroad service in at least 12 months in the 30 months before the month of death will meet the current connection requirement for the purpose of paying survivor benefits.)

Once a current connection is established at the time a railroad retirement annuity begins, an employee never loses it, no matter what kind of work he or she may perform thereafter.

If an employee does not qualify for a current connection on this basis, but has 12 months of service in an earlier 30-month period, he or she may still meet the current connection requirement. This alternative generally applies if the employee did not have any regular employment outside the railroad industry after the end of the last 30-month period which included 12 months of railroad service, and before the month the annuity begins or the month of death. Full or part-time work for a nonrailroad employer in the interval between the end of the last 30-month period including 12 months of railroad service and the month an employee's annuity begins, or the month of death if earlier, can break a current connection.

Self-employment in an unincorporated business will **not** break a current connection; however, self-employment can break a current connection if the business is incorporated.

Working for certain U.S. Government agencies (Department of Transportation, National Transportation Safety Board, Surface Transportation Board, Transportation Security Administration, National Mediation Board, and Railroad Retirement Board) will **not** break a current connection. State employment with the Alaska Railroad, as long as that railroad remains an entity of the State of Alaska, will not break a current connection. Also, railroad service in Canada for a Canadian railroad will neither break nor preserve a current connection.

A current connection can also be maintained, for purposes of supplemental and survivor annuities, but **not** for an occupational disability annuity, if the employee completed 25 years of railroad service, was involuntarily terminated without fault from his or her last job in the railroad industry, and did not thereafter decline an offer of employment in the same class or craft in the railroad industry regardless of the distance to the new position. A termination of railroad service is considered voluntary unless there was no choice available to the individual to remain in service. Generally, where an employee has no option to remain in the service of his or her railroad employer, the termination of the employment is considered involuntary, regardless of whether the employee does or does not receive a separation allowance. However, each case is decided by the RRB on an individual basis. This exception to the normal current connection requirements became effective October 1, 1981, but only for employees still living on that date who left the rail industry on or after October 1, 1975, or who were on leave of absence, on furlough, or absent due to injury on October 1, 1975.

SPOUSE ANNUITIES

The age requirements for a spouse annuity depend on the employee's:

- **age and date of retirement**
- **years of railroad service**

Retired employee age 60, with 30 years of service

If a retired employee with 30 years of service is age 60, the employee's spouse is also eligible for an annuity the first full month the spouse is age 60. Certain early retirement reductions are applied if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 *before* 2002. If the employee was awarded a disability annuity, has attained age 60 and has 30 years of service, the spouse can receive an unreduced annuity the first full month she or he is age 60, regardless of whether the employee annuity began before or after 2002 as long as the spouse's annuity beginning date is after 2001.

Retired employee age 62, with less than 30 years of service

If a retired employee with less than 30 years of service is age 62, the employee's spouse is also eligible for an annuity the first full month the spouse is age

62. Early retirement reductions are applied to the spouse annuity if the spouse retires prior to her or his full retirement age. Full retirement age for a spouse is gradually rising to age 67, just as for an employee, depending on the year of birth. Reduced benefits are still payable at age 62, but the maximum reduction will be 35 percent rather than 25 percent by the year 2022. The tier II portion of a spouse annuity (as defined on page 31) is not reduced beyond 25 percent if the employee had any creditable railroad service before August 12, 1983.

Spouse of an age and service employee, with child in care

A spouse of an employee receiving an age and service annuity (or a spouse of a disability annuitant who is otherwise eligible for an age and service annuity) is eligible for a spouse annuity at any age if he or she is caring for the employee's unmarried child under age 18. The spouse is also eligible if caring for the employee's disabled child of any age who became disabled before age 22.

The employee must have been married to the spouse for at least 1 year, unless the spouse is the natural parent of their child, or the spouse was eligible or potentially eligible for a railroad retirement widow(er)'s, parent's, or disabled child's annuity in the month before marrying the employee, or the spouse was previously married to the employee and received a spouse annuity. A spouse of an employee is not eligible for railroad retirement benefits based solely on the spouse's own disability.

Divorced spouse if marriage lasted for at least 10 years

An annuity may also be payable to the divorced wife or husband of a retired employee if their marriage lasted for a period of at least 10 years immediately before the date the divorce became final, both have attained age 62 for a full month, and the divorced spouse is not currently married. The amount of a divorced spouse's annuity is, in effect, equal to what social security would pay in the same situation and therefore less than the amount of the spouse annuity otherwise payable (tier I only). A divorced spouse can receive an annuity even if the employee has not retired, provided they have been divorced for a period of not less than 2 years, the employee and former spouse are at least age 62, and the employee is fully insured under the Social Security Act using combined railroad and social security earnings. Also, a court-ordered partition payment may be paid even if the employee is not entitled to an annuity provided that the employee has 10 years of railroad service or 5 years after 1995 and both the employee and former spouse are 62.

ANNUITY ESTIMATES

Railroad employees who have a **myRRB** account can get estimates of future annuities for themselves and their spouses online using the feature *Get Retirement Benefits Estimate*. The estimates are based on the service and earnings records maintained by the RRB and show the earliest date the employee can receive a full annuity and, if applicable, the earliest date he or she can receive a reduced annuity. Employees can also contact any RRB field office to request annuity estimates with approximate figures. Estimates can only be furnished for employees with at least 10 years of railroad service, or 5 years of service after 1995; it is not possible to provide a precise amount if the employee is not currently eligible.

TWO-TIER ANNUITIES AND DUAL BENEFITS

Regular railroad retirement annuities are calculated under a two-tier formula. The annuity formula components for employees and spouses are described later in this chapter.

The **FIRST TIER** is based on railroad retirement credits and any social security credits an employee has acquired. The amount of the first tier is calculated using social security formulas, but with railroad retirement age and service requirements.

The **SECOND TIER** is based on railroad retirement credits only, and may be compared to the retirement benefits paid over and above social security benefits to workers in other industries.

An additional amount may also be 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.

(Text continues on page 33.)

Table 2.— Fiscal year 2019 annuity awards to 30-year employees retiring before full retirement age

	AVERAGE AWARD	AVERAGE YEARS OF SERVICE
Employee	$4,258	36.6
Employee and spouse	5,920	36.7

Note.--For employees with at least 25 years of service and a current connection, a supplemental annuity may be payable. The supplemental annuity amount is $23 plus $4 for each year of service over 25 years, up to a maximum of $43 for employees with 30 or more years of service. Figures in the tables on this page include supplemental annuity amounts.

Table 3.— Fiscal year 2019 annuity awards based on service averaging less than 30 years

	AVERAGE AWARD	AVERAGE YEARS OF SERVICE
Employee full retirement age or over	$2,579	20.2
Employee full retirement age or over and spouse	3,606	22.1
Employee under full retirement age with less than 30 years of service	2,068	16.1
Employee under full retirement age with less than 30 years of service and spouse	2,865	16.3
Employee retiring because of disability	2,881	19.3

Employees with Railroad Retirement and Social Security Benefits

If a retired or disabled railroad retirement annuitant is also awarded social security benefits, the Social Security Administration determines the amount of the social security benefit due. The RRB then issues a combined monthly benefit payment after the railroad retirement annuity (tier I only) has been reduced by the amount of the social security benefit.

The tier I portion of an employee annuity is based on his or her combined railroad retirement and social security credits, computed under social security formulas, and approximates what social security would pay if railroad work were covered by that system. It is reduced by the amount of any actual social security benefit paid on the basis of the employee's nonrailroad employment in order to prevent a duplication of benefits based on social security-covered earnings. The tier I amount is also reduced in the event a social security benefit is payable to the employee on the basis of another person's earnings. This reduction follows principles of social security law which limit payment to the higher of any two or more benefits payable to an individual at one time. An annuitant is required to advise the RRB if any benefits are received directly from the Social Security Administration or if those benefits increase (other than for a cost-of-living increase).

Employees with Public, Non-Profit, or Foreign Pensions

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 the tier I amount 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 payments from a non-profit organization, a foreign government, or a foreign employer. This 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.

Workers' Compensation

If an employee is receiving a *disability* annuity, the tier I portion may, under certain circumstances, be reduced for receipt of workers' compensation or public disability benefits.

If an annuitant becomes entitled to any pensions or benefits as described above, the RRB must be notified immediately.

SPOUSES WITH DUAL BENEFITS

Social Security Benefits

The tier I portion of a spouse annuity is reduced for any social security entitlement, regardless of whether the social security benefit is based on the spouse's own earnings, the employee's earnings or the earnings of another person. This reduction follows principles of social security law which limit payment to the higher of any two or more benefits payable to an individual at one time.

Public Pensions

The tier I portion of a spouse annuity may also be reduced for receipt of any Federal, State, or local government pension separately payable to the spouse based on the spouse's own earnings. The reduction generally does not apply if the employment on which the pension is based was covered under the Social Security Act throughout the last 60 months of public employment.

Most military service pensions and payments from the Department of Veterans Affairs will not cause a reduction. Pensions paid by a foreign government or interstate instrumentality will also not cause a reduction. For spouses subject to a public pension reduction, the tier I reduction is equal to 2/3 of the amount of the public pension.

Employee Annuity

If both individuals in a marriage are railroad employees and both started railroad employment after 1974, the amount of any spouse or divorced spouse annuity is reduced by the amount of the employee annuity to which the spouse or divorced spouse is also entitled.

If either one had some railroad service before 1975, the spouse or divorced spouse tier I amount is reduced by the amount of the railroad employee tier I to which the spouse or divorced spouse is entitled. The spouse or divorced spouse tier I amount cannot be reduced below zero. The initial reduction is restored in the spouse tier II amount. Divorced spouses are not entitled to a tier II component and are not eligible to have the reduction restored.

MINIMUM GUARANTY

Under a special minimum guaranty provision, railroad families will not receive less in monthly benefits than they would have if railroad earnings were covered by social security rather than railroad retirement laws. This guaranty is intended to cover situations in which one or more members of a family would otherwise be eligible for a type of social security benefit which is not provided under the Railroad Retirement Act.

For example, social security provides children's benefits when an employee is totally disabled, retired, or deceased. The Railroad Retirement Act only provides children's benefits if the employee is deceased. Therefore, if a retired rail employee has children who would otherwise be eligible for a benefit under social security, the employee's annuity would be increased to reflect what social security would pay the family, unless the annuity is already more than that amount.

COST-OF-LIVING INCREASES IN EMPLOYEE AND SPOUSE RETIREMENT BENEFITS

After retirement, the *tier I* portions of both employee and spouse annuities are generally increased for higher living costs at the same time, and by the same percentage, as social security benefits. These increases, effective December 1 and included in the January payment, are based on the rise in the Consumer Price Index from the third quarter of the last year a cost-of-living adjustment became effective to the corresponding period of the current year. Generally, if the Index increases by 5 percent, for example, the tier I portion increases by 5 percent. Under certain circumstances, the increase can be based on average national wage increases rather than price increases.

If an annuitant is receiving both railroad retirement and social security benefits, the increased tier I portion is reduced by the increased social security benefit.

The *tier II* portions of retired employee and spouse annuities are normally increased by 32.5 percent of the increase in the Consumer Price Index.

Tier II cost-of-living increases are generally payable at the same time as tier I cost-of-living increases. Supplemental annuities are not increased by these cost-of-living adjustments.

WORKING AFTER RETIREMENT

Neither a regular annuity, a supplemental annuity, nor a spouse annuity is payable for any month in which a retired or disabled employee, regardless of age, works for an employer covered under the Railroad Retirement Act. This includes work for labor organizations. However, service for less than $25 a month to a local lodge will not prevent payment of the annuity for that month. Regardless of the amount of salary, work by a local lodge or division secretary collecting insurance premiums is always considered railroad work and therefore, no annuity is payable for any month in which such activity occurs.

Retired employees and spouses, regardless of age, who work for their last pre-retirement nonrailroad employer are also subject to an earnings deduction in their tier II and supplemental annuity benefits, if applicable, of $1 for every $2 in earnings up to a maximum reduction of 50 percent. Last pre-retirement nonrailroad employment is employment that continues through the annuity beginning date or ended within 6 months of the annuity beginning date. These reductions continue after full retirement age. Work that begins on the same day as the annuity beginning date is not last pre-retirement nonrailroad employment.

Retired employees and spouses who have not yet attained full social security retirement age, which ranges from age 66 for those born from 1943 through 1954 to age 67 for those born in 1960 or later, may also be subject to additional earnings deductions for any earnings, in or outside the rail industry, that exceed certain exempt amounts. The tier I benefit of these employee and spouse annuities is subject to deduction if earnings exceed the exempt amounts applicable to social security beneficiaries. Prior to the calendar year in which full social security retirement age is attained, the deduction is $1 in benefits for every $2 of annual earnings exceeding an exempt amount ($18,240 in 2020).

If the employee or spouse has a tier I reduction for social security benefits, the tier I benefit is not reduced for excess earnings.

In the first year in which an employee, subject to these earnings deductions, is both entitled to an annuity and has a *non-work* month, a full tier I benefit can be paid for those months in which the employee had low earnings or did not have substantial self-employment, no matter what total earnings for the year were. A non-work month is one in which the employee neither earns over 1/12th of the annual exempt amount nor has substantial self-employment. Non-work months can be claimed in only one calendar year, which need not necessarily be the first year of entitlement.

In the calendar year in which an individual attains full social security retirement age, deductions of $1 are made in the tier I benefit for every $3 earned in excess of an exempt amount ($48,600 in 2020), but only counting those earnings in the months prior to the month full retirement age is attained. This tier I benefit deduction will stop effective with the month full retirement age is attained.

Earnings received for services rendered, plus any net earnings from self-employment, are considered when assessing deductions for earnings. Interest, dividends, certain rental income, or income from some stocks, bonds, or other investments are not generally considered earnings for this purpose.

Annuitants under full retirement age who work after retirement and expect that their earnings for a year will be more than the annual exempt amount must promptly notify the RRB and furnish an estimate of their expected earnings in order to prevent an overpayment and penalties. They should also notify the RRB if their original estimate changes significantly. Annuitants should report final earnings by April 15 of the following year.

Retired employees and spouses who return to work for a railroad or for their last pre-retirement nonrailroad employer must notify the RRB, regardless of earnings or age.

A spouse benefit is subject to reductions not only for the spouse's earnings, but also for the earnings of the employee, regardless of whether the earnings are from service for the last pre-retirement nonrailroad employer or other post-retirement employment. An annuity paid to a divorced spouse may continue despite the employee's work activity. However, the employee's nonrailroad earnings over the annual earnings exempt amount may reduce a divorced spouse benefit.

A spouse annuity is not payable for any month in which the employee's annuity is not payable, or for any month in which the spouse, regardless of age, works for an employer covered under the Railroad Retirement Act. A divorced spouse annuity is not payable for any month in which the divorced spouse, regardless of age, works for an employer covered under the Railroad Retirement Act. A divorced spouse can receive an annuity even if the employee has not retired, provided they have been divorced for at least 2 years, the employee and former spouse are at least age 62, and the employee is fully insured under the Social Security Act using combined railroad and social security earnings.

Disability Work Restrictions

If an annuity is based on disability, there are certain work restrictions that can affect payment, depending on the amount of earnings. The annuity is not payable for any month in which the disabled employee annuitant works for an employer covered under the Railroad Retirement Act. The annuity is not payable for any month in 2020 in which the disabled employee annuitant earns over $990 in any employment or net self-employment, exclusive of disability-related work expenses. Withheld payments will be restored if earnings for the year are less than $12,375 after deduction of disability-related work expenses. Failure to report such earnings could involve a significant penalty charge.

These disability work restrictions apply until the disabled employee annuitant attains full retirement age, which ranges from age 66 to age 67, depending on the year of birth. These work restrictions apply even if an annuitant has 30 years of railroad service. Earnings deductions continue to apply to those working for their last pre-retirement nonrailroad employer.

Any work performed by a disabled annuitant, whether for payment or not, may be considered an indication of recovery from disability and **must be reported promptly**. Failure to report work activity timely could result in overpaid annuities, which must be repaid, as well as severe financial penalties.

WHEN ANNUITIES STOP

Payment of any annuity stops upon the annuitant's death, and the annuity is not payable for any day in the month of death.

A *disability annuity* stops after the employee recovers from the disability; it can be reinstated if the disabling condition recurs.

A *spouse annuity* stops if the employee's annuity terminates, or the spouse annuity was based on caring for a child and the child is no longer under age 18 or disabled or the child is no longer in the spouse's care. However, the spouse annuity may continue if she or he is qualified without the child or it can resume when the spouse attains a qualifying age.

While a *divorce* ends eligibility for a spouse annuity, a divorced spouse may, under conditions described previously, qualify for a divorced spouse's annuity.

A *divorced spouse's annuity* stops upon remarriage or upon entitlement to a social security benefit based on her or his own earnings if the unreduced social security benefit is equal to or greater than one-half of the employee's unreduced tier I amount. A divorced spouse's annuity may be reduced or stopped if the divorced spouse is also entitled to a railroad retirement annuity.

Annuitants should notify the RRB timely if one of the above changes occurs. The RRB will take action to recover any overpayment (sometimes with interest or penalties) resulting from an annuitant's failure to report. Individuals who fail to report changes promptly or who make a false statement are also subject to a fine or imprisonment.

SURVIVOR BENEFITS

Annuities are payable to surviving widow(er)s, children, and certain other dependents. Lump-sum benefits are payable after the death of a railroad employee only if there are no qualified survivors of the employee immediately eligible for monthly annuities. With the exception of a residual lump-sum death benefit, eligibility for survivor benefits depends on whether or not the employee was *insured* under the Railroad Retirement Act at the time of death.

An employee is insured if he or she has at least 10 years (120 months) of railroad service, or 5 years (60 months) performed after 1995, and a *current connection* with the railroad industry as of the month the annuity begins or the month of death, whichever occurs first. The current connection requirement is described earlier in this chapter.

If a deceased employee was not so insured, jurisdiction of any survivor benefits payable is transferred to the Social Security Administration and any survivor benefits are paid by that agency instead of the RRB. Regardless of which agency has jurisdiction, the deceased employee's railroad retirement and social security credits will be combined for the purpose of benefit computations.

WIDOWS' AND WIDOWERS' ANNUITIES

Widows' and widowers' annuities are payable at:

Age 60; age reductions are applied to annuities awarded before full retirement age. The eligibility age for unreduced annuities is gradually rising from age 65 to age 67, depending on the year of birth.

Ages 50-59 if the widow(er) is totally disabled and unable to work in any regular employment. The disability must have begun within 7 years after the employee's death or within 7 years after the termination of an annuity based on caring for a child of the deceased employee. In most cases, a 5-month waiting period is required after the onset of disability before a disability annuity can begin.

Any age if the widow(er) is caring for an unmarried child of the deceased employee under age 18 or a disabled child of any age who became disabled before age 22.

Generally, the widow(er) must have been married to the employee for at least 9 months prior to death, unless she or he was the natural or adoptive parent of their child, the employee's death was accidental or while on active duty in the U.S. Armed Forces, the widow(er) was potentially entitled to certain railroad retirement or social security benefits in the month before the month of marriage, or the marriage was postponed due to State restrictions on the employee's prior marriage and divorce due to mental incompetence or similar incapacity.

Survivor annuities may also be payable to a **surviving divorced spouse or remarried widow(er).** Benefits are limited to the amount social security would pay and therefore are less than the amount of the survivor annuity otherwise payable. However, a former spouse may be paid a court-ordered partition amount, even after the employee's death.

A surviving divorced spouse may qualify if she or he was married to the employee for a period of at least 10 years immediately before the date the divorce became final, is unmarried or remarried under the conditions described in the next paragraph, and is age 60 or older (50 if disabled). A surviving divorced spouse who is unmarried can qualify at any age if caring for the employee's child and the child is under age 16 or disabled, in which case the 10-year marriage requirement does not apply.

The portion of a survivor annuity equivalent to a social security benefit (tier I) may be paid to a widow(er) or surviving divorced spouse who remarries after age 60, or to a disabled widow(er) or disabled surviving divorced spouse who remarries after age 50; however, remarriage prior to age 60 (or age 50 if disabled) would not prevent eligibility if such remarriage ends. Such social security level benefits may also be paid to a younger widow(er) or surviving divorced spouse caring for the employee's child who is under age 16 or disabled, if the remarriage is to a person entitled to railroad retirement or social security benefits, or the remarriage ends.

OTHER SURVIVOR ANNUITIES

Other survivor annuities are payable to:

An unmarried child under age 18.

An unmarried child age 18 in full-time attendance at an elementary or secondary school or in approved homeschooling until the student attains age 19 or the end of the school term in progress when the student attains age 19. In most cases where a student attains age 19 during the school term, benefits are limited to the 2 months following the month age 19 is attained. These benefits will be terminated earlier if the student marries, graduates, or ceases full-time attendance.

An unmarried disabled child over age 18 if the child became totally disabled before age 22.

An unmarried dependent grandchild meeting any of the requirements described above for a child, if both the grandchild's parents are deceased or disabled.

A parent at age 60 who was dependent on the employee for at least half of the parent's support. If the employee was also survived by a widow(er), surviving divorced spouse, or child who could ever qualify for an annuity, the parent's annuity is limited to the amount that social security would pay (tier I).

Table 4.— Number and average amount of benefits awarded under the Railroad Retirement Act, fiscal year 2019

TYPE OF BENEFIT	NUMBER	AVERAGE AMOUNT
MONTHLY BENEFITS		
Full retirement age or over	1,900	$2,574
Less than full retirement age		
Unreduced	3,500	4,231
Reduced	2,300	2,068
Age retirements, total	7,700	3,173
Disability retirements	1,800	2,880
Regular employee annuities, total	9,400	3,118
Supplemental employee annuities[1]	3,300	41
Unreduced spouse annuities	6,400	1,283
Reduced spouse annuities	2,600	608
Divorced spouse annuities	800	719
Spouse and divorced spouse annuities, total	9,800	1,057
Aged widow(er)s	5,000	2,299
Disabled widow(er)s	100	1,563
Widowed mothers and fathers	100	1,940
Remarried widow(er)s	100	1,249
Divorced widow(er)s	700	1,271
Children	400	1,487
Parents[2]	......	1,229
Survivor annuities, total	6,500	2,097
Total[3]	29,000	....
LUMP-SUM BENEFITS		
Lump-sum death payments	2,100	$948
Residual payments[2]	......	1,969
Total	2,100	....

[1] Averages are after court-ordered partitions.
[2] Fewer than 50.
[3] Excludes partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity.

Note.--Detailed figures may not add to totals shown because of rounding.

Table 5.— Number and average amount of monthly benefits under the Railroad Retirement Act in current pay status on September 30, 2019

TYPE OF BENEFIT	NUMBER	AVERAGE AMOUNT
Full retirement age or over	22,500	$2,308
Less than full retirement age		
Unreduced	107,400	3,701
Reduced	58,500	1,698
Age retirements, total	188,400	2,912
Disability retirements[1]		
Under full retirement age	22,600	2,822
Full retirement age and over	48,500	2,564
Regular employee annuities, total	259,400	2,839
Supplemental employee annuities[2]	117,800	42
Unreduced spouse annuities	99,200	1,323
Reduced spouse annuities	43,600	522
Divorced spouse annuities	5,300	685
Spouse and divorced spouse annuities, total	148,200	1,065
Aged widow(er)s	82,000	1,780
Disabled widow(er)s	3,300	1,401
Widowed mothers and fathers	600	1,942
Remarried widow(er)s	2,700	1,152
Divorced widow(er)s	9,800	1,168
Children	8,000	1,157
Parents[3]	......	983
Survivor annuities, total	106,300	1,650
Partition payments[4]	2,100	321
Total	633,700	....

1 Full retirement age is gradually increasing from age 65 to age 67 for those born between 1937 and 1960. Those born before 1938 have a full retirement age of 65, and those born after 1959 have a full retirement age of 67. Annuities to disability retirees at full retirement age and over are payable as age annuities.

2 Averages are after court-ordered partitions.

3 Fewer than 50.

4 Limited to partition payments to spouses and divorced spouses where the employee is deceased or not otherwise entitled to an annuity. Partition payments from employees on the rolls are included with the employees' annuities.

Note.--Detailed figures may not add to totals shown because of rounding.

SURVIVOR ANNUITY ESTIMATES

Survivors can call the agency toll-free (1-877-772-5772) to speak with a field service representative and request an annuity estimate. Active or retired employees who are concerned about the amount of benefits which would be payable to their survivors may also receive estimates from field service staff. Pre-retirement counseling is also available by appointment at any RRB field office.

The following information may be helpful in providing an idea of the amount of potential survivor benefits:

The average annuity awarded to widow(er)s in fiscal year 2019, excluding re-married widow(er)s and surviving divorced spouses, was $2,279 a month. On average, children received $1,487 a month, while total family benefits for widow(er)s with children averaged $4,175 a month. The average annuity awarded to remarried widow(er)s or surviving divorced spouses in fiscal year 2019 was $1,268 a month.

SURVIVOR ANNUITY TIERS

Like retirement annuities, survivor annuities consist of tier I and tier II components.

TIER I Based on deceased employee's combined railroad retirement and social security credits, and generally equivalent to the amount that would be payable under social security.

TIER II Percentages of deceased employee's tier II amount; (similar to a private pension, tier II benefit is based on employee's railroad earnings and service months).

Survivor annuity amounts may also be determined under certain minimum provisions which guarantee that a widow(er)'s annuity will be at least equal to the two-tier benefit the deceased employee would have received at the time of the award of the widow(er)'s annuity, minus certain reductions including those for age and receipt of social security benefits, and no less than the spouse annuity she or he was receiving just prior to the employee's death.

SURVIVORS WITH DUAL BENEFITS

Social Security Benefits

The tier I portion is reduced by the amount of any social security benefits received by a survivor annuitant, whether the social security benefits are based on the survivor's own earnings or those of another individual. This reduction follows the principles of social security law which, in effect, limit payment to the higher of any two or more benefits payable to an individual at one time. When both railroad retirement annuities and social security benefits are payable, they are generally combined into a single payment issued through the RRB. A survivor annuitant must notify the RRB if any benefits are received directly from the Social Security Administration or if those benefits increase other than for a cost-of-living increase.

Public Pensions

The tier I portion of a widow(er)'s annuity may be reduced for receipt of any Federal, State, or local government pension based on the widow(er)'s own earnings. The reduction generally does not apply if the employment on which the pension is based was covered under the Social Security Act throughout the last 60 months of public employment.

Most military service pensions and payments from the Department of Veterans Affairs will not cause a reduction. Pensions paid by a foreign government or interstate instrumentality will also not cause a reduction. For those subject to a public pension reduction, the tier I reduction is equal to 2/3 of the amount of the public pension.

Employee Annuity

If a widow(er) is also entitled to a railroad retirement employee annuity, and both the widow(er) and the deceased employee started railroad employment after 1974, the survivor annuity (tier I and tier II) payable to the widow(er) is reduced by the full amount of the widow(er)'s own employee annuity.

If the widow, dependent widower, or the deceased employee had at least 120 months of service before 1975, the tier I portion of the survivor annuity is reduced by the net tier I portion of the widow(er)'s own employee annuity. The tier I reduction may, under certain circumstances, be partially restored in the survivor tier II amount. This restored amount is only payable if the survivor benefit calculated under the Railroad Retirement Act of 1937 would result in a higher annuity than the amount awarded under current law.

If either the deceased employee or the survivor annuitant had some railroad service before 1975 but less than 10 years of service, the widow(er)'s own employee annuity and the tier II portion of the survivor annuity would be payable to the widow(er). The tier I portion of the survivor annuity would be payable only to the extent that it exceeds the tier I portion of the widow(er)'s own employee annuity.

COST-OF-LIVING INCREASES IN SURVIVOR ANNUITIES

Cost-of-living increases, effective December 1 and included in the January payment, are made on the basis of increases in national prices or, in some circumstances, average national wages, and calculated the same way as cost-of-living increases in employee and spouse annuities.

However, in the case of widow(er)s' annuities computed on the basis of the initial minimum amount provided under 2001 legislation, the monthly payment will not increase until the amount payable under previous law plus subsequent cost-of-living increases is higher than the initial minimum amount.

WORK AND EARNINGS LIMITATIONS

A survivor annuity is not payable for any month the survivor works for an employer covered under the Railroad Retirement Act, regardless of the survivor's age.

Survivors who are receiving social security benefits have their railroad retirement annuity and social security benefit combined for earnings limitations purposes. Prior to the calendar year in which full retirement age is attained, there is a deduction of $1 in benefits for every $2 earned over an exempt amount ($18,240 in 2020). The deduction is $1 for every $3 earned over an exempt amount ($48,600 in 2020) for the months in the calendar year in which the individual attains full retirement age, up to the month of attainment. Work deductions stop effective with the month full retirement age is attained. In the first year in which a survivor is both entitled to an annuity and has a non-work month, a full annuity can be paid for those months in which the survivor had low earnings or did not have substantial self-employment, no matter what total earnings for the year were.

These earnings restrictions do not apply to disabled widow(er)s under age 60 or to disabled children. However, any work or earnings by a disability annuitant must be reported and are reviewed to determine whether they indicate recovery from the disability.

As work and earnings may affect the payment of an annuity, they must be reported promptly to the RRB in order to prevent potential overpayments.

WHEN SURVIVOR PAYMENTS STOP

All survivor payments stop upon death; no annuity is payable for the month of death.

A widow(er)'s annuity will be reduced upon remarriage and, in some cases, payment will be prevented. A widow(er)'s, surviving divorced spouse's, and remarried widow(er)'s annuity could also end upon entitlement to another survivor or spouse annuity under the Railroad Retirement Act which is greater than the widow(er)'s annuity.

A surviving divorced spouse's or remarried widow(er)'s annuity could stop when entitled to a social security benefit which equals or exceeds the deceased employee's basic tier I amount and reduces the annuity amount to zero.

A widow(er)'s, remarried widow(er)'s, or surviving divorced spouse's annuity which is based on a child in care will end if the child is no longer in the person's care, the child's eligibility ceases, or, in most situations, remarriage occurs. Provided the child in care is not disabled, this type of annuity also ends when the child reaches age 18 (for widow(er)s), or age 16 (for remarried widow(er)s and surviving divorced spouses).

A child's or grandchild's annuity will stop if he or she marries, reaches age 18, or recovers from the disability upon which his or her annuity was based. If the child is 18 and a full-time elementary or high school student, the annuity stops when full-time attendance ceases, at graduation, or upon attainment of age 19.

In most cases, when a student attains age 19 during the school term, benefits are extended to the 2 months following the month age 19 is attained.

An annuity will stop if it was based on disability and the beneficiary recovers from the disability before age 60. A disability annuity can be reinstated if the disability recurs within 7 years and the widow(er) is still under age 60.

A parent's survivor annuity may stop upon remarriage; in certain cases a remarried parent is entitled to a tier I benefit.

Any of the above occurrences must be reported promptly to the RRB in order to prevent an overpayment.

LUMP-SUM DEATH BENEFITS

A lump-sum death benefit is payable to certain survivors of an employee with 10 or more years of railroad service, or less than 10 years if at least 5 years were after 1995, and a current connection with the railroad industry if there is no survivor immediately eligible for a monthly annuity upon the employee's death.

If the employee did not have 10 years of service before 1975, the lump sum is limited to $255 and is payable *only* to the widow(er) living in the same household as the employee at the time of the employee's death.

If the employee had less than 10 years of service but had 5 years after 1995, he or she must have met social security's insured status requirements for the lump sum to be payable.

If the employee had 10 years of service before 1975, the lump sum is payable to the living-with widow(er). If there is no such widow(er), the lump sum may be paid to the funeral home or the payer of the funeral expenses. These lump sums averaged $1,027 in fiscal year 2019.

If a widow(er) is eligible for monthly benefits at the time of the employee's death, but the widow(er) had excess earnings deductions which prevented annuity payments or for any other reason did not receive monthly benefits in the 12-month period beginning with the month of the employee's death totaling at least as much as the lump sum, the difference between the lump-sum benefit and monthly benefits actually paid, if any, is payable in the form of a deferred lump-sum benefit.

The average for all types of lump sums was $948 in fiscal year 2019.

The railroad retirement system also provides, under certain conditions, a **residual lump-sum** death benefit which ensures that a railroad family receives at least as much in benefits as the employee paid in railroad retirement taxes before 1975. This benefit is, in effect, a refund of an employee's pre-1975 railroad retirement taxes, after subtraction of any benefits previously paid on the basis of the employee's service. This benefit is seldom payable.

A lump-sum death benefit may be payable if there is no survivor immediately eligible for monthly benefits.

RETIREMENT AND SURVIVOR INFORMATION

APPLYING FOR AN ANNUITY

Applications for railroad retirement or survivor benefits are generally filed at one of the RRB's field offices, with a traveling RRB representative at a customer outreach program service location, or by telephone and mail. The RRB accepts applications up to 3 months in advance of an annuity beginning date, which allows the agency to complete the processing of most new claims by a person's retirement date. An employee can be in compensated service while filing a disability application provided that the compensated service is not active service and terminates within 90 days from the date of filing. When an employee files a disability application while still in compensated service, it will be necessary for the employee to provide a specific ending date of the compensation. Compensated service includes not only compensation with respect to active service performed by an employee for an employer, but also includes pay for time lost, wage continuation payments, certain employee protection payments, and any other payment for which the employee will receive additional creditable service.

Persons applying for railroad retirement or survivor benefits will be required to enroll in either the Direct Deposit program, which electronically transfers payments into an individual's checking or savings account, or the U.S. Department of the Treasury's Direct Express program, which electronically transfers

Federal payments to an individual's Direct Express-issued Debit MasterCard®. Enrollment waivers are available only under very limited conditions.

Retroactivity of a retirement annuity application is limited to 1 year for disability annuities and 6 months for full age annuities. There is generally no retroactivity for reduced age annuities.

Applicants for railroad retirement-survivor benefits can check with an RRB field office as to when they can expect their first payment. Customer service standards and progress reports are available at **RRB.gov** and in field offices.

To expedite filing, applicants should contact an RRB field office to schedule a pre-retirement consultation with field staff who will review benefit requirements and answer questions. Certain documents are required when filing a railroad retirement annuity application, including:

FOR EMPLOYEES AND SPOUSES:

- Proof of an employee's **age**.
- Proof of any **military service**.
- Proof of **marriage** if the spouse is eligible or will shortly become eligible for a spouse annuity. A divorced spouse must furnish proof of **divorce** from the employee.
- Proof of the spouse's or divorced spouse's **age**.
- Proof of a **child's relationship and age**, if the spouse is applying for an annuity based on caring for the employee's child.
- Information about any **public service pension** for which the applicant qualifies.
- **Banking information** for Direct Deposit of benefit payments (needed at time application is filed).

A photocopy of a record is not accepted as an official document. To avoid delays in application processing, any proof submitted must be an original or certified copy.

The best proof of age is a certified copy of a civil or church document recorded at or close to the time of birth. The best proof of marriage is a certified copy of the public or church record or the original marriage certificate. A divorced spouse would be expected to furnish a certified copy of the final divorce decree. Proof of military service may be a certificate of discharge, or any official military record that shows the dates of service.

Employees are encouraged to file proofs of age, and especially of any military service, well in advance of retirement in order to expedite the annuity application process and avoid delays resulting from inadequate proofs.

Applicants for disability annuities are required to submit supporting medical information and should have as much medical documentation and information available as possible at the time of filing. They are sometimes asked to take a special medical examination given by a doctor designated by the RRB.

An annuity is effective as of the first full month throughout which the employee and/or spouse is age 60 with 30 years of service, or age 62 in the case of reduced annuities with less than 30 years of service. An annuity is effective the first day of the month full retirement age is attained in the case of unreduced annuities with less than 30 years of service.

Any social security benefits due the retired employee or family member are paid through the RRB. Even though the RRB processes payment, the Social Security Administration is responsible for all adjudication.

FOR SURVIVORS:

A widow(er) must furnish proof of age, proof of marriage, and proof of the employee's death. A surviving divorced spouse must furnish proof of divorce from the employee. If applying for a disability annuity, the widow(er) must also provide supporting medical evidence. A parent must furnish proof of relationship to the employee and proof of support from the employee.

If children are eligible for benefits, proof of the relationship and age of each child is needed. If a child is over age 18 and disabled, supporting medical evidence is required. Eighteen-year-old students must provide proof of full-time elementary or high school attendance. A stepchild of the employee must furnish proof of dependency on the employee.

Retroactivity of a survivor annuity application is 1 year for disabled widow(er)s and 6 months for full retirement age widow(er)s, mothers (fathers), children, and parents. Retroactivity for widow(er)s ages 60-61 is 6 months if it does not increase the age reduction (this does not apply to surviving divorced spouses or remarried widow(er)s). Otherwise, there is generally no retroactivity for reduced age widow(er)s' annuities. Lump-sum death benefit applications must be filed within 2 years after an employee's death. There is no time limit for a residual payment.

GARNISHMENT AND PROPERTY SETTLEMENTS

Garnishment

Certain percentages of an employee, spouse, or survivor annuity may be subject to legal process (*i.e.,* garnishment) to enforce an obligation for child support and/or alimony payments.

Property Settlements

Tier I benefits are not subject to property settlements. Employee tier II benefits and supplemental annuities are subject to court-ordered property settlements in proceedings related to divorce, annulment, or legal separation.

REPRESENTATIVE PAYEES

Railroad retirement or health insurance benefit payments can be made to a representative payee for a beneficiary if it would best serve the interests of the beneficiary. Payments made in this way are generally for a child, or an adult incapable of using the benefits in his or her own interest. The representative payee must use the benefits for the beneficiary's best interest. The benefits are generally used to provide for basic needs. The representative payee must report events which could affect the payment of the benefits and be able to account for the benefits.

IF REQUIREMENTS FOR BENEFITS ARE NOT MET

Retirement annuities are not payable by the RRB unless the employee has 5 years (60 months) of creditable service after 1995 or 10 years (120 months) of service at any time. Service includes any creditable military service.

Survivor annuities are not payable unless the employee had a current connection with the railroad industry and either 5 years (60 months) of creditable service after 1995 or 10 years (120 months) of service at any time.

In either of the above circumstances, if the requirements are not met, the employee's railroad retirement (tier I) credits are treated as social security credits by the Social Security Administration. Benefits paid by that agency would accordingly take into account both railroad and social security covered earnings.

The Railroad Retirement Act does not allow a former railroad employee to withdraw his or her retirement (tier II) taxes. Like social security taxes, railroad retirement taxes are not refundable unless retirement tax withholding has exceeded annual maximums (see pages 54-55).

DURATION OF BENEFITS

For practical purposes, the average duration of monthly benefits to retired employees is measured by the life expectancies of the beneficiaries at the time their benefits begin, which take into account their age, sex, and other factors.

A non-disabled male employee retiring at age 60 has a life expectancy of 22.5 years, while a non-disabled female employee retiring at age 60 may expect to receive her annuity for 25.6 years.

Table 6.— Duration of benefits

AGE OF BENEFICIARY WHEN ANNUITY BEGINS	AVERAGE DURATION (YEARS)
Retired male employee	
60	22.5
65	18.3
70	14.4
Retired female employee	
60	25.6
65	21.1
70	16.9
Disabled annuitant[1]	
60	18.0
Spouse[1]	
60	25.4
65	21.0
70	17.0
Aged widow(er)[1]	
60	23.0
65	19.0
70	15.3

[1] For both sexes combined.

RAILROAD RETIREMENT TAXES

By law, railroad retirement tier I payroll taxes are coordinated with social security taxes and increase automatically when social security taxes rise. Employees and employers pay tier I taxes which are the same as social security taxes. In addition, both employees and employers pay tier II taxes to finance railroad retirement benefit payments over and above social security levels. A table showing tax rates from 1937 on is at the end of the next chapter.

The tier I tax on employees and employers is 7.65 percent in 2020. The tier II tax on employees is 4.90 percent, while the tier II tax rate on rail employers, rail labor organizations, and rail employee representatives is 13.10 percent in 2020. An employee representative is a labor official of a non-covered labor organization who represents employees covered under the Acts administered by the RRB.

Railroad retirement taxes apply to earnings received on an annual basis. The amounts of earnings subject to these taxes are determined each year on the basis of national wage levels.

DUAL TAX PAYMENTS

Railroad employees who also worked for a social security-covered employer in the same year may, under certain circumstances, receive a tax credit equivalent to any excess social security taxes withheld.

Employees who worked for two or more railroads in a year, or who had tier I taxes withheld from their RRB sickness benefits in addition to their railroad earnings, may be eligible for a tax credit of any excess tier I or tier II railroad retirement taxes withheld. Employees who had tier I taxes withheld from their supplemental sickness benefits may also be eligible for a tax credit of any excess tier I tax. Such tax credits may be claimed on an employee's Federal income tax return.

Employees who worked for two or more railroads, or had both railroad retirement and social security taxes withheld from their earnings, should see Internal Revenue Service publication 505, *Tax Withholding and Estimated Tax*, for information on how to figure any excess railroad retirement or social security tax withheld.

Dual Railroad Retirement-Social Security Taxes Paid, 1951-74

An employee with 10 or more years of railroad service may be entitled to a refund of excess social security taxes if his or her combined taxable earnings from the railroad retirement and social security systems in any year in the period 1951-74 exceeded a maximum annual amount creditable under the Railroad Retirement Act. Eligible employees will receive their refunds from the RRB at retirement without applying for them. In the event an employee should die before receiving the refund, payment will be made to the employee's survivors.

Table 7.— 2020 Regular Railroad Retirement Taxes

	TAX RATE	MAXIMUM ANNUAL TAXABLE EARNINGS
TIER I		
Employees & Employers	7.65% *	$137,700
TIER II		
Employees	4.90%	$102,300
Employers	13.10%	$102,300

Annual regular taxes on employees earning $137,700

	TIER I	TIER II	TOTAL
Employees	$10,534.05	$5,012.70	$15,546.75
Employers	$10,534.05	$13,401.30	$23,935.35

*The tier I tax rate is divided into 6.20 percent for railroad retirement and 1.45 percent for Medicare hospital insurance. The 2020 maximum earnings base for railroad retirement is $137,700, and the Medicare hospital insurance tax is applied to all earnings. Consequently, employee and employer contributions continue to be made at the 1.45 percent rate, even after the employee has earned $137,700.

An additional 0.9 percent in hospital insurance taxes (2.35 percent in total) applies to an individual's income exceeding $200,000, or $250,000 for a married couple filing a joint tax return. While employers will begin withholding the additional Medicare tax as soon as an individual's wages exceed the $200,000 threshold, the final amount owed or refunded will be calculated as part of the individual's Federal income tax return.

SEPARATION OR SEVERANCE ALLOWANCES

A separation (or severance) allowance is compensation paid to an employee who relinquishes job rights to obtain the payment. This compensation is credited under the Railroad Retirement and Unemployment Insurance Acts to either the month last worked or, if later, the month in which the employee relinquishes his or her employment relationship. It is important to note that no additional service months can be credited after the month rights are relinquished.

Frequently, separation allowances are made in a single payment to an employee. If this election is made, consideration should be given to the individual's income tax obligations for that year because the lump-sum payment will be added to any other wages paid to the employee in that year.

Occasionally, employees will elect to have their separation allowances paid to them in monthly or periodic payments. If this option is selected, the individual needs to be aware that these payments, like lump-sum separation allowances, will be subject to tier I, tier II, and Medicare tax rates up to the annual maximum earnings bases in effect when the compensation is paid--even though no additional service months can be credited after the month rights are relinquished.

All compensation subject to tier I payroll taxes will be considered in the computation of a railroad retirement annuity, regardless of the type of separation allowance selected. To the extent that a separation allowance does not yield additional tier II railroad retirement service credits, a lump-sum payment equal to the individual's railroad retirement tier II payroll taxes deducted will be paid to employees meeting minimum service requirements at retirement or to their survivors. The lump-sum provision applies to separation and severance payments made after 1984.

Dismissal allowances differ from separation allowances in that dismissal allowances are monthly compensation allowances made to employees who retain job rights, unlike separation allowances where job rights are relinquished. Dismissal allowances are considered compensation and are creditable under the Railroad Retirement and Unemployment Insurance Acts to the month for which they are allocated.

FEDERAL INCOME TAX AND RAILROAD RETIREMENT BENEFITS

Regular railroad retirement annuities consisting of tier I and tier II components have been subject to United States Federal income tax since 1984. Supplemental annuities have been subject to Federal income tax since 1966.

Because railroad retirement annuities are **not** taxable by States, according to the Railroad Retirement Act, the RRB will **not** withhold State income tax.

Annuitants are taxed under either U.S. citizen rules or nonresident alien rules. Most nonresident aliens receiving annuities from the RRB are citizens of Canada.

In most cases, part of a railroad retirement annuity is treated like a social security benefit for income tax purposes, while other parts of the annuity are treated like private pensions for tax purposes. Most annuitants are sent two tax statements from the RRB each January, even though they receive only a single annuity payment each month.

The part of a railroad retirement annuity equivalent to a social security benefit based on comparable earnings is treated for Federal income tax purposes the same way as a social security benefit. The amount of these benefits that may be subject to Federal income tax, if any, depends on the annuitant's income. (To determine if any amount of the social security equivalent benefit is taxable, annuitants should refer to IRS publication 915, *Social Security and Equivalent Railroad Retirement Benefits*.) If part of the benefit is taxable, how much is taxable depends on the total amount of an annuitant's benefit payments and other income. Usually, the higher that total amount, the greater the taxable part of an annuitant's benefit.

Generally, up to 50 percent of an annuitant's social security equivalent benefit will be taxable. However, up to 85 percent of these benefits can be taxable if either of the following situations applies.

- The total of one-half of an annuitant's social security equivalent benefit payments plus all his or her other income is more than $34,000 ($44,000 if a beneficiary is married filing jointly).
- An annuitant is married filing separately and lived with his or her spouse at any time during the year.

An annuitant can choose to have Federal income taxes withheld from the social security equivalent benefit portion of his or her tier I amount by filing IRS Form W-4V, *Voluntary Withholding Request*, at any RRB office. IRS Form W-4V is available at **IRS.gov** or from Internal Revenue Service offices. The RRB does not withhold taxes from this portion of an annuity unless IRS Form W-4V is filed.

Railroad retirement annuity payments exceeding social security equivalent payments, including supplemental annuities, are all treated like private pensions for Federal income tax purposes. In some cases, primarily those in which early retirement benefits are payable to retired employees and spouses between ages 60 and 62, some occupational disability benefits, and other categories of unique railroad retirement entitlements, the entire annuity may be treated like a private pension. This is because social security benefits based on age and service are not payable before age 62, social security disability benefit entitlement requires total disability, and the Social Security Administration does not pay some categories of beneficiaries paid by the RRB.

Annuitants who wish to have Federal income taxes withheld from the portions of their annuity over and above social security equivalent benefits must complete a tax withholding election on Form RRB W-4P, *Withholding Certificate For Railroad Retirement Payments*, and send it to the RRB. This form is available to download and print at **RRB.gov** under **Benefits** (Income Taxes).

An annuitant is **not** required to file Form RRB W-4P. If that form is not filed, the RRB will withhold taxes only if the combined portions of an annuity payment over and above social security equivalent benefits equal or exceed an annual threshold amount. In that case, the RRB withholds taxes as if the annuitants were married and claiming three allowances.

Additional information on the tax treatment of railroad retirement benefits can be found in IRS Publication 525, *Taxable and Nontaxable Income*, Publication 575, *Pension and Annuity Income*, and Publication 939, *General Rule for Pensions and Annuities.*

FOR MORE INFORMATION

TOLL-FREE SERVICE
1-877-772-5772

The RRB's toll-free service is equipped with an automated menu offering a variety of self-serve options and easy access to field representatives. Following menu prompts, callers can locate the nearest RRB office, listen to general benefit information and special announcements, and request personal items including a replacement Medicare card, a letter showing their current monthly benefit rate, a duplicate tax statement for the most recently completed tax year, or a statement of creditable railroad service and compensation. Railroad employees can also get information about their unemployment and sickness claims. In addition, callers may opt to be transferred to an office to speak with a representative or leave a message.

TTY NUMBER
312-751-4701

The agency also maintains a TTY number, 312-751-4701, to accommodate those with hearing or speech impairments.

Many of these same self-serve features are available at **RRB.gov/myRRB**. In addition, the RRB's website has information about benefit requirements, customer service standards, and other topics of interest. Publications are also available to view and download.

MONITORING BENEFIT PAYMENTS

Under several monitoring programs now in effect, the RRB maintains contact with retirement and survivor beneficiaries in order to ensure the reporting of events which would require suspension or termination of monthly benefits. The records of beneficiaries are also checked with the Social Security Administration because annuities may be affected by nonrailroad earnings and because entitlement to social security benefits affects the amount of all annuities.

Representative Payees

Each person who is paid on behalf of another periodically receives a questionnaire. The purpose of the questionnaire is to determine whether the beneficiary is still living, how much of the benefits were used for support of the beneficiary, and how any savings were invested.

Disability Annuitants

Disability annuitants receive a notice annually reminding them of their obligation to report all events which may affect their continuing entitlement to a disability annuity. They must notify the RRB if they perform any work (including self-employment). They must also notify the RRB if their doctor tells them their condition has improved and they are able to work.

If a disability annuitant had substantial earnings, his or her physical condition is reviewed in order to determine whether or not there was a recovery from the disability. Notices are sent annually until the annuitant reaches his or her full retirement age.

THE RIGHT TO APPEAL

Railroad workers, spouses, or survivors whose claims for benefits under the Railroad Retirement Act are denied, or those who are dissatisfied with a decision on their claims, have the right to appeal; that is, they may ask for a reconsideration of any such unfavorable determinations. The notification letter sent to the applicant at the time of the original award or denial of the claim informs him or her of the right to appeal.

An individual has 60 days from the date of the initial notice of a decision on his or her claim to file a written statement requesting reconsideration from the RRB unit that denied the claim. This step is mandatory before a decision may be appealed to the RRB's Bureau of Hearings and Appeals.

In cases involving overpayments, requests for waiver of recovery of the overpayment must be filed within 60 days of the date of the overpayment notice. In such cases, recovery of the overpayment will be deferred and a personal conference may be held, if requested. A request for waiver received after 60 days will be considered but will not defer collection of the overpayment, and any amount of the overpayment recovered prior to the date on which the waiver request is filed will not be subject to waiver.

An individual has 60 days from the date of the reconsideration or waiver decision to file an appeal with the RRB's Bureau of Hearings and Appeals, a bureau independent of the units responsible for reconsideration decisions. This appeal must be filed using RRB Form HA-1, which is available at **RRB.gov** under the **Resources** tab (**Appeals**), and at every RRB field office. The Bureau of Hearings and Appeals may, if necessary, further investigate the case and obtain reports through field representatives, designated medical examiners, and others who may be in a position to furnish information pertinent to the appellant's claim. If the appeal involves a question of fact, the appellant has the right to request an oral hearing. In most cases, videoconferencing or phone hearings are held. In cases where an in-person hearing is held, it may be conducted in the RRB office closest to the appellant's home.

If an appellant is not satisfied with the Bureau of Hearings and Appeals' decision, he or she may appeal to the three-member Board, which heads the agency, within 60 days from the date on which notice of the Bureau of Hearings and Appeals' decision is mailed. This appeal must be filed using RRB Form HA-1, which, as stated previously, may be obtained from **RRB.gov**, or the agency's field offices. The three-member Board will base its decision on the evidence before the hearings officer and ordinarily will not accept additional evidence or conduct a hearing.

An appellant who is not satisfied with the Board's final decision may apply for a review of the case by a U.S. Circuit Court of Appeals. The petition for review must be filed within one year after notice of the three-member Board's decision has been mailed to the appellant.

EMPLOYEE AND SPOUSE ANNUITY FORMULA COMPONENTS

The following describes railroad retirement annuity formula components as applied to new awards. The cost-of-living adjustments applied to annuities are described in previous pages of this chapter.

EMPLOYEE RETIREMENT ANNUITY

The amount of a regular annuity is the total of portions which are computed separately under different formulas and called tiers.

TIER I

The first tier is calculated in generally the same way as a social security benefit. Any social security credits of an employee are combined with his or her railroad retirement credits for tier I computation purposes.

An employee's creditable earnings are adjusted to consider 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 just prior to the employee's first year of eligibility. The adjusted earnings are used to calculate *average indexed monthly earnings*, and a benefit formula is then applied to determine the gross tier I amount.

For those first eligible in 2020, the gross tier I is equal to:

- 90 percent of the first $960 of average indexed monthly earnings,
  plus
- 32 percent of the amount of these earnings over $960 up to $5,785,
  plus
- 15 percent of these earnings in excess of $5,785.

For employees with less than 10 years of railroad service, tier I benefits are calculated only if the employee has at least 5 years of service after 1995 and an *insured status* under Social Security Act rules (usually 40 quarters of coverage), counting both railroad retirement and social security covered earnings.

Delayed Retirement Credits

Tier I benefits are increased by a certain percentage for each month an employee delays retirement past full retirement age, up until age 70. For those born January 2, 1943, or later, the delayed retirement credit is 2/3 of 1 percent per month (8 percent per year). Those born prior to January 2, 1943, earn a lesser percentage credit. Delayed retirement credits are not given to an employee with less than 10 years of railroad service even if the employee is over full retirement age when retiring from his or her railroad job, if the employee is also entitled to an age-reduced social security retirement benefit and the beginning date of that social security benefit precedes the beginning date of his or her railroad retirement annuity.

Full Retirement Age

Social security legislation enacted in 1983 affected railroad retirement benefits through coordinating provisions of the Railroad Retirement Act. As a result, since the year 2000, the age requirements for some unreduced railroad retirement benefits have been rising just like the social security requirements. The minimum age requirements for railroad retirement benefits have not changed, but the maximum early retirement annuity reduction is increasing.

Age Reductions

For employees retiring between age 62 and their full retirement age with less than 30 years of service, age reductions are applied separately to the components of an annuity. As mentioned earlier, the full retirement age is gradually rising to 67, depending on the year of birth. The maximum annuity reduction for retirement at age 62 is also gradually increasing from to 30 percent. There is no age reduction for those who retire after 2001 with 30 years of service.

The full retirement age is 66 for employees and spouses born in the years 1943 through 1954. The full retirement age increases gradually for those born from 1955 to 1960, until it reaches age 67. For people born in 1960 or later, the full retirement age will be age 67.

Reduced benefits continue to be available at age 62, but at greater reductions. The early retirement reduction factor for an employee is 1/180 for each of the first 36 months of the reduction period regardless of the age of initial entitlement and decreases to 1/240 for each month (if any) over 36, as mentioned earlier. This will result in a gradual increase in the reduction at age 62 to 30 percent for an employee once the age 67 retirement age is in effect.

If an employee has less than 10 years of railroad service and is already entitled to an age-reduced social security benefit, the age reduction in his or her tier I will be based on the age reduction applicable on the beginning date of the employee's social security benefit, even if the employee is already of full retirement age on the beginning date of his or her railroad retirement annuity.

Age reductions were required in the tier I annuity amounts 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 were applied *only* to the tier I annuity portion. If an employee affected by this provision was born before 1938 and attained 60/30 eligibility after December 1985, tier I was permanently reduced by approximately 20 percent. For those born after 1937 who retired before 2002, the reduction gradually increased as described earlier. In both cases, the tier I amount was frozen until the first month throughout which the employee was age 62. It was then recomputed to reflect interim increases in national wage levels and became subject to future cost-of-living increases. There was no reduction 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.

Table 8.— Employee Retiring with Less than 30 Years of Service

YEAR OF BIRTH*	FULL RETIREMENT AGE	ANNUITY REDUCTION AT AGE 62
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, and those born on either the first or second day of a month are eligible for an annuity beginning date on the first of that month.

Workers' Compensation or Public Disability Benefit Reductions

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

Social Security Reductions

After any required age reduction, the tier I amount is reduced by the amount of any social security benefits also payable but not to an amount below zero.

Reductions for Public, Non-Profit, or Foreign Pensions

For employees who attain eligibility for both tier I benefits and c*ertain government pension or other payments* after 1985, a reduction may be required for receipt of a public pension based, in part or in whole, on employment not covered by railroad retirement or social security after 1956. This also applies to payments from a non-profit organization or from certain foreign governments or employers. Usually, an employee's tier I benefit will not be reduced by more than 1/2 of his or her pension from noncovered employment. However, if the employee is under full retirement age and is receiving a disability annuity, the tier I benefit may be reduced by an additional amount if the pension from noncovered employment is a public disability benefit.

TIER II

The second tier of a regular annuity is computed under a separate formula, and is based on railroad service alone. Tier II benefits are equal to 7/10 of one percent of the employee's average monthly earnings using the tier II tax base in the 60 months of highest earnings, times his or her years of service in the rail industry.

Age Reductions

Age reductions required for those employees retiring between age 62 and their full retirement age with less than 30 years of service are also applied to the tier II component of an annuity. The reduction is 1/180 for each of the first 36 months the employee is under his or her full retirement age when his or her annuity begins and 1/240 for each additional month (if any).

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

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

SUPPLEMENTAL ANNUITY FORMULA

The amount of a supplemental annuity awarded after 1974 is equal to $23 plus $4 for each year of service over 25, up to a maximum of $43. A fraction of $4 is added for each fractional year of service.

If a retired employee also receives a private pension paid for entirely or in part by a railroad, the supplemental annuity is subject to reduction. The reduction is equal to the amount of the pension paid for by the employer. If the employer reduces the private pension because of the supplemental annuity, the amount of the reduction is restored to the supplemental annuity but does not raise it over the $43 maximum.

There is no reduction in the supplemental annuity for any part of a private pension paid for by the employee alone, nor is there a reduction for a pension paid by a railroad labor organization.

SPOUSE ANNUITY

TIER I

The spouse annuity formula is based on certain percentages of the employee's tier I and tier II amounts.

The tier I portion of a spouse annuity, before any applicable reductions, is 50 percent of the railroad employee's unreduced tier I amount.

Spouse Age Reductions

Age reductions required for those spouses (between age 62 and their full retirement age) of employees retiring with less than 30 years of service are applied separately to each annuity component. Full retirement age for a spouse is gradually rising, just as for an employee. Actuarially reduced benefits continue to be available but at greater reductions. The tier I reduction is 1/144 for each of the first 36 months the spouse is under full retirement age when her or his annuity begins and will decrease to 1/240 for each month (if any) over 36. This will result in a gradual increase in the reduction at age 62 from 25 percent to 35 percent for a spouse once the age 67 retirement age is in effect. If an employee has less than 10 years of railroad service and the spouse is already entitled to an age-reduced social security benefit, the age reduction in her or his tier I will be based on the age reduction applicable on the beginning date of the spouse's social security benefit, even if the spouse is already of full retirement age on the beginning date of her or his railroad retirement annuity.

December 2001 legislation eliminated the tier I age reduction for employees ages 60 or 61 with 30 or more years of service whose railroad retirement annuities began January 1, 2002, or later. The spouses of these employees are also eligible for full annuities at age 60.

Age reductions required for spouses of employees with 30 years of service who attained 60/30 eligibility after June 1984 but whose annuities began before January 2002 are applied only to the tier I portion of the spouse annuity. If the employee attained 60/30 eligibility before July 1984, retired at age 62 with 30 years of service or began receiving an annuity at ages 60 or 61 after 2001 with 30 years of service, the spouse tier I portion is not subject to these reductions.

If the employee's annuity is subject to 60/30 age reductions, the spouse of such an employee may receive a reduced tier I benefit, unless the spouse is already of full retirement age.

In reduced 60/30 spouse cases, the tier I benefit is equal to 1/2 of the employee's reduced tier I on the employee's annuity beginning date and is also frozen until the first full month throughout which **both** the employee and spouse are age 62. Then, it is recomputed based on 1/2 of the employee's age 62 **gross** tier I amount and reduced for each month the spouse is under her or his full retirement age at that time. If at the time of recomputation the spouse is already at full retirement age, or the spouse has a minor or disabled child in care, no age reduction would apply.

The spouse of a disability annuitant who is otherwise eligible for a 60/30 age annuity received an age reduction if the spouse's annuity beginning date was before 2002. If the spouse's annuity beginning date is January 1, 2002, or later, the spouse can receive an unreduced annuity as early as age 60. If the spouse is entitled based on having a minor or disabled child in care, there is no age reduction.

Reductions for Other Benefits

After any applicable age reduction required for the spouse's early retirement, the spouse tier I amount is reduced by the amount of **any social security benefit to which the spouse is entitled**.

The tier I amount may **also be reduced for certain Federal, State, or local government pension payments** based on the spouse's own earnings. For spouses subject to the public pension reduction, the tier I reduction is equal to 2/3 of the public pension.

The spouse tier I amount may also be reduced if the employee under full retirement age is receiving a disability annuity and a worker's compensation or public disability benefit.

While these offsets can reduce or even completely wipe out the tier I benefit otherwise payable to a spouse, **they do not affect the tier II benefit potentially payable to that spouse**.

The annuity of a **divorced spouse** is limited to the tier I amount and thus equal to what social security would pay.

TIER II

The spouse tier II amount, before any applicable reductions, is 45 percent of the employee's unreduced tier II amount.

Age Reductions

As mentioned earlier, age reductions are gradually increasing. The tier II age reduction for spouses of employees retiring with less than 30 years of service is 1/144 for each of the first 36 months the spouse is under her or his full retirement age when her or his annuity begins and decreases to 1/240 for each month (if any) over 36. However, if a railroad employee had any creditable railroad service before August 12, 1983, the employee and spouse retirement age for tier II purposes remains 65. Age reductions are not applied to spouse annuities based on the spouse's caring for a child.

DUAL ANNUITIES

If a spouse is also a railroad employee annuitant and both the employee and spouse started railroad employment after 1974, the amount of any spouse or divorced spouse annuity is reduced by the amount of the employee annuity to which the spouse is also entitled.

If both the employee and spouse are railroad employees and either one had some railroad service before 1975, the spouse tier I amount is reduced by the amount of the railroad employee tier I to which the spouse is entitled and that initial reduction is restored in the spouse tier II amount. The spouse tier I amount cannot be reduced to an amount below zero.

A spouse who is also entitled to a survivor annuity on a different earnings record will receive only the higher benefit.

SURVIVOR ANNUITY FORMULA COMPONENTS

TIER I

The survivor tier I amount is based on the deceased employee's combined railroad retirement and social security credits, and is computed using social security formulas. In general, the survivor tier I amount is equal to the amount of survivor benefits that would have been payable under social security.

The **gross survivor tier I amount** (before reductions for early retirement, or other benefits) is generally equivalent to the unreduced tier I retirement benefit the deceased employee had, or would have, received.

For surviving aged or disabled widow(er)s, remarried widow(er)s, and surviving divorced spouses whose annuities begin a year or more after the employee's death, the *average indexed monthly earnings*, upon which the tier I benefit is based, may be reindexed using a later year if it would result in a higher benefit, provided the employee died before age 62. The reindexing takes into account changes in national earnings levels which occur after the employee's death but before the survivor becomes eligible for benefits. This provides a benefit consistent with earnings levels at the time of the survivor's eligibility, rather than the time of the employee's death.

A widow(er), surviving divorced spouse, or remarried widow(er) **whose annuity begins at full retirement age or later** receives the full tier I amount unless the deceased employee received an annuity that was reduced for early retirement. The eligibility age for a full widow(er)'s annuity is gradually rising to age 67. The maximum age reduction is also rising to 20.36 percent, depending on the widow(er)'s date of birth. For a surviving divorced spouse or remarried widow(er), the maximum age reduction is 28.5 percent. For a disabled widow(er), disabled surviving divorced spouse, or disabled remarried widow(er), the maximum reduction is 28.5 percent, even if the annuity begins at age 50.

A widow(er) or surviving divorced spouse whose eligibility is based on **caring for a child** of the employee receives 75 percent of the full tier I amount. Benefits to a surviving divorced spouse end when the child is 16. An **eligible child** also receives 75 percent of the full tier I amount. The total amount the family can receive is subject to a maximum (usually applicable if there are three or more family members, not counting aged or disabled surviving divorced spouses, entitled to survivor annuities).

A **dependent parent** can receive 82.5 percent of the full tier I amount, but if both parents are eligible, the total amount cannot be more than 150 percent of the full tier I amount.

Dual Benefit Reduction

The tier I amount described above is **reduced by the amount of any social security benefit** or by the tier I amount of any railroad retirement employee annuity the survivor also receives. In the case of a widow or dependent widower who is also a railroad employee annuitant, and either the widow(er) or the deceased employee had at least 10 years of railroad service before 1975, the tier I reduction may, under certain circumstances, be partially restored in the survivor tier II amount. If either the deceased employee or the widow(er) had some railroad service before 1975 but less than 10 years, the survivor tier I portion is payable only to the extent that it exceeds the tier I portion of the widow(er)'s own employee annuity.

The tier I amount may also be reduced by certain **Federal, State, or local government pensions** which are based on a widow(er)'s own earnings. For widow(er)s subject to the government pension reduction, the tier I reduction is equal to 2/3 of the public pension.

TIER II

Widow(er)s

December 2001 legislation established an **initial minimum amount** which yields, in effect, a widow(er)'s tier II benefit equal to the tier II benefit the employee would have received at the time of the award of the widow(er)'s annuity, minus any applicable age reduction. It does this by providing an additional amount, initially set at 50 percent of the employee's tier II, to the 100 percent tier I and 50 percent tier II benefits provided under prior law.

This additional amount is offset each year by the dollar amount of the cost-of-living increases payable in both the tier I and tier II benefits provided under prior law. Consequently, such a widow(er)'s net benefit payment will not increase until such time as the widow(er)'s annuity, as computed under prior law with all interim cost-of-living increases otherwise payable, exceeds the widow(er)'s annuity computed under the initial minimum amount formula.

The initial minimum amount provision applies to all widow(er)s whose annuities begin February 1, 2002, or later, and to some, but not all, widow(er)s on the rolls before that date. If, because of previous cost-of-living adjustments, annuities awarded before February 2002 were already higher than the annuity that would be payable under the December 2001 legislation, the provision did not apply.

In most cases, the same age reductions that apply to tier I amounts also apply to tier II amounts.

If the widow(er) qualifies for a railroad retirement employee annuity and neither the widow(er) nor the deceased employee had any railroad service before 1975, the survivor annuity (tier I and tier II) payable to the widow(er) is reduced by the total amount of the widow(er)'s own employee annuity.

Other Survivors

Each child receives 15 percent of the deceased employee's tier II amount, and each surviving parent receives 35 percent. The minimum total tier II amount payable to a family is 35 percent of the employee's tier II amount, and the maximum, 130 percent.

A tier II benefit is not provided for a surviving divorced spouse or a remarried widow(er). However, partition payments may be extended to surviving former spouses pursuant to divorce agreements. A tier II benefit is not payable to surviving parents if other family members may receive benefits or if the parent has remarried.

SURVIVOR-SPOUSE GUARANTY

A widow(er) who received a spouse annuity from the RRB is guaranteed that the amount of any widow(er)'s benefit payable will not be less than the annuity she or he was receiving as a spouse in the month before the employee died. If the survivor-spouse guaranty applies, increases are not payable until the regular survivor formula produces more in benefits than the spouse guaranty. At that point, benefit components are based on the regular survivor formula and both tier I and tier II amounts are increased for the cost of living.

CHAPTER 3

Financing of the Railroad Retirement System

Railroad retirement and survivor benefits are financed by the following sources of income:

1. Payroll taxes on railroad earnings paid by covered employees and employers.

2. Income from a financial interchange with the social security trust funds.

3. Earnings on investments. Funds not needed immediately for benefit payments or administrative expenses are transferred to the National Railroad Retirement Investment Trust for investment as explained on pages 77-78.

4. Borrowing from general revenues related to certain features of the financial interchange mentioned in (2).

5. Appropriations from general revenues.

6. Revenues from Federal income taxes on railroad retirement benefits.

Each of these income sources is described briefly in this chapter.

Note.- The Social Security Equivalent Benefit (SSEB) Account came into existence on October 1, 1984. Certain items of income to the railroad retirement system are credited to that account, and the portion of benefits which is equivalent to social security benefits is charged to that account. The existence of the account changes only the manner of accounting for income and outgo, but does not change the financing of the railroad retirement system in any way. For this reason, the term **Railroad Retirement Account** may be read as referring to the combined Railroad Retirement and SSEB Accounts.

1. PAYROLL TAXES

Payroll taxes levied on covered employers and their employees are the primary source of income to the Railroad Retirement Account.

Payroll taxes had been paid in equal shares by employers and employees from 1937 through September 1973. From October 1973 through September 1981, the employee rate was the same as the employee rate under social security, while the employer rate was 9.5 percentage points higher than the corresponding rate under social security. The tax rate equivalent to that which would be paid under social security is commonly called the tier I tax. Payroll taxes in excess of the tier I rate are called tier II taxes.

The 1981 railroad retirement amendments raised employer tier II taxes and instituted an employee tier II tax. Amendments in 1983 and 1987 further raised both employee and employer payroll taxes. Amendments in 1989 specified 401(k) contributions and some employer-paid life insurance premiums as subject to railroad retirement payroll taxes.

The Railroad Retirement and Survivors' Improvement Act of 2001 significantly revised the financing of the railroad retirement system through provisions for the investment of railroad retirement funds in nongovernmental assets, adjustments in the payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax. Supplemental annuities continue to be payable and are funded by the National Railroad Retirement Investment Trust.

In 2020, the employee and employer tier I tax rate of 7.65 percent is divided into 6.20 percent for railroad retirement and 1.45 percent for Medicare hospital insurance. In 2020, tier II taxes are 13.10 percent on employers and employee representatives and 4.90 percent on employees. An additional 0.9 percent in Medicare hospital insurance taxes (2.35 percent in total) is withheld from employees on earnings above $200,000.

Tier II taxes on both employers and employees are based on an *average account benefits ratio*. Depending on the average account benefits ratio, the tier II tax rate for employers ranges between 8.20 percent and 22.10 percent, while the tier II tax rate for employees is between 0 percent and 4.90 percent.

The *account benefits ratio* is, with respect to any fiscal year, the amount determined by the RRB by dividing the fair market value of the assets in the Railroad Retirement Account and the National Railroad Retirement Investment Trust as described on pages 77-78 (and for years before 2002, the Social Security Equivalent Benefit Account) as of the close of such fiscal year by the total benefits and administrative expenses paid from the Railroad Retirement Account and the National Railroad Retirement Investment Trust during such fiscal year. If the ratio is not an exact multiple of 0.1, it is raised to the next highest multiple of 0.1.

Likewise, the term *average account benefits ratio* means, with respect to any calendar year, the average determined by the Secretary of the Treasury of the account benefits ratios for the 10 most recent fiscal years ending before such calendar year.

Tax schedules from 1937 on are shown in the table at the end of this chapter.

Tier I taxes are ultimately transferred to the social security and hospital insurance trust funds through the financial interchange. The tier II tax is used to finance tier II benefits, supplemental annuity benefits, and also the portion of tier I benefits not reimbursed through the financial interchange.

Earnings Base

The taxable amounts of an employee's earnings are subject to tier I and tier II maximums, which are both indexed to annual increases in national wage levels. The tier I maximum is the same as the social security wage base. The tier II earnings limit is what the social security limit would be if the 1977 social security amendments had not been enacted.

2. FINANCIAL INTERCHANGE

The financial interchange between the railroad retirement and social security systems is intended to put the Social Security Old-Age, Survivors, and Disability Insurance (OASDI) and Hospital Insurance (HI) trust funds in the same position they would have been had railroad employment been covered under the Social Security and Federal Insurance Contributions Acts. It follows that all computations under the financial interchange are performed according to social security law. The amount of benefits payable under the Railroad Retirement Act has no effect on the results.

The financial interchange provision was introduced by the 1951 amendments to the Railroad Retirement Act and was made retroactive to January 1, 1937. The initial determination covered the period from January 1937 through June 1952 and indicated a balance of $488.2 million in favor of the social security system. Only interest was paid on that amount until the debt was liquidated by subsequent offsets in favor of the railroad retirement system. Since the liquidation of the original balance, annual transfers reflecting the experience of the preceding fiscal year have always favored railroad retirement. The 2019 net transfer alone amounted to $4.4 billion.

The experience under the financial interchange proved to be more favorable to the railroad retirement system than was originally anticipated. There were two primary causes for this. The first was a series of successive amendments to the Social Security Act which raised benefits immediately while tax increases were deferred. The second factor was the decline in railroad employment, which reduced the taxes payable to social security but had little immediate effect on the benefit reimbursements.

Financial Interchange Determinations

Placing the social security trust funds in the same position they would have been had railroad employment been covered under social security since its inception involves computing the amount of social security payroll and income taxes relating to railroad employment and computing the amount of additional benefits which social security would have paid to railroad retirement beneficiaries during the same fiscal year. In the computation of the latter amount, credit is given for any social security benefits actually paid to railroad retirement beneficiaries. When benefit reimbursements exceed payroll and income taxes, the difference, with an allowance for interest and administrative expenses, is transferred from the social security trust funds to the Social Security Equivalent Benefit Account. If taxes exceed benefit reimbursements (this has not happened since 1951), a transfer would be made in favor of the social security trust funds.

3. INVESTMENTS

The National Railroad Retirement Investment Trust was established by the Railroad Retirement and Survivors' Improvement Act of 2001. The Trust, a tax-exempt entity independent from the Federal Government, became effective February 1, 2002.

The sole purpose of the Trust is to manage and invest railroad retirement assets. The Railroad Retirement and Survivors' Improvement Act authorizes the Trust to invest the assets of the Railroad Retirement Account in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the Act, investment of Railroad Retirement Account assets was limited to U.S. Government securities.

The Trust's Board of Trustees is comprised of seven individuals, three selected by railroad labor unions and three by railroad companies. The seventh is an independent Trustee selected by the other six Trustees. The terms are for 3 years and are staggered.

The Trustees are required to discharge their duties solely in the interest of the RRB, and through it, the participants and beneficiaries of the programs funded under the Railroad Retirement Act. The Trustees are subject to fiduciary rules similar to those required by the Employee Retirement Income Security Act.

The financial statements of the Trust are required to be audited annually by an independent public accountant. In addition, the Trust must submit an annual report to Congress on its operations, including a statement of financial position, a statement of cash flows, a statement on internal accounting and administrative control systems, the independent auditor's report, and any other information necessary to inform Congress about the operations and financial condition of the Trust. All National Railroad Retirement Investment Trust annual management reports and quarterly updates are available at **RRB.gov** under **Financial & Reporting**.

4. BORROWING FROM GENERAL REVENUES RELATED TO THE FINANCIAL INTERCHANGE

Financial interchange transfers are made in a lump sum for a whole fiscal year in the June following the close of a fiscal year. For example, the transfer reflecting transactions which occurred from October 2017 through September 2018 took place in June 2019. At any time, therefore, there are between 9 and 21 months' worth of financial interchange transfers which, in a sense, are owed the RRB. The RRB receives interest on this money, so this practice does no long-term harm to the financial condition of the Railroad Retirement Account. The lag in the transfers, however, periodically caused short-term cash-flow problems in past years.

In order to avoid any further cash-flow problems from this lag, the 1983 amendments provided for monthly loans from U.S. Treasury general funds. Each loan is equal to an estimate of the transfer the RRB would have received in the preceding month if the financial interchange with social security were on an up-to-date basis, with interest adjustments. The RRB must repay these loans when it receives the transfer from social security against which the money was advanced.

5. APPROPRIATIONS FROM GENERAL REVENUES

As previously noted, under the financial interchange, the railroad retirement system gives the social security system the taxes social security would have collected, and the social security system gives the railroad retirement system the additional benefits social security would have paid to railroad workers and their families over what it actually pays them.

The word *additional* in the preceding sentence is important because it is possible for a railroad employee to be covered under both railroad retirement and social security. The social security coverage may be based on earnings from moonlighting while in a railroad job or from coverage under the two systems at different times. Fulfilling the purpose of the financial interchange requires deducting from social security's fund only the difference between what social security would have paid had it covered railroad employment and what it actually pays the person based on his or her nonrailroad employment. Under the financial interchange, therefore, social security subtracts an employee's social security benefit from the amount it would otherwise give to the railroad retirement system.

This arrangement gave rise to problems that became acute in the early 1970s. The problems arose from the weighting in the social security formula in favor of low-earning, short-service workers. A railroad employee's nonrailroad earnings usually added little to the benefit social security would have paid on combined railroad and nonrailroad earnings (called gross tier I today). However, the employee might qualify for the minimum social security benefit, receiving much more from social security than the nonrailroad earnings added to his or her gross tier I benefit.

In order to improve the system's financial condition, the Railroad Retirement Act of 1974 provided that the tier I component of the railroad retirement annuity be reduced by any social security benefit. This essentially integrated the two systems and eliminated the advantage of qualifying for benefits under both systems.

It was generally considered unfair to eliminate this advantage entirely for those already retired or close to retirement when the 1974 Act became effective. The 1974 Act, therefore, provided for a restoration of social security benefits that were considered vested at the end of 1974. The restored amount is known as the *vested dual benefit*. This benefit was available to qualifying spouses and survivors as well as to qualifying employees.

For employees retiring in 1975 or later, the vested dual benefit was to be equal to:

- a social security benefit based on social security earnings, ***plus***
- a social security benefit based on railroad earnings, ***minus***
- a social security benefit based on combined railroad and social security earnings.

Social security or railroad earnings after 1974 were not to be included in this calculation, and the *social security benefit* referred to is the one which would have been calculated at the end of 1974. The resulting amount was to be increased by all the automatic social security cost-of-living adjustments between 1974 and the date the employee retired.

For spouses and survivors, the formulas were different and more complicated than those for employees.

The 1981 amendments made significant changes regarding vested dual benefits. Spouses and survivors were not to be awarded vested dual benefits after August 13, 1981, though they would continue to receive these benefits if they were awarded before that date. Also, vested dual benefits awarded to employees would take into account cost-of-living increases only through 1981, rather than through the date of retirement.

Since October 1981, vested dual benefits have been paid from a segregated Dual Benefits Payments Account, and appropriations have been made to that account. This means that, starting in fiscal year 1982, each annual appropriation is to be sufficient to pay the benefits for that year. If the appropriation for a fiscal year is less than required for full funding, the RRB must reduce benefits to a level that the amount appropriated will cover.

The appropriation for vested dual benefits in fiscal year 1982 was less than required for full funding, resulting in a cutback in benefits during that year. Full funding was restored for the last two months of fiscal year 1982. The appropriation was less than required in fiscal year 1986, resulting in a cutback during April-September of that year. The appropriation was again less than required in fiscal year 1988, which resulted in a cutback during April-September. Benefits were cut back in January 1996 due to a lapse in government funding and then restored later that same month. For years other than those mentioned, full benefits have been paid.

6. TAXATION OF RAILROAD RETIREMENT BENEFITS

Social security amendments in 1983 subjected railroad retirement tier I benefits to Federal income taxes on the same basis as social security benefits, and subsequent railroad retirement legislation subjected benefits over and above social security levels to Federal income tax on the same basis as private pensions, beginning with taxable year 1984. Revenues raised from income taxes on tier I, tier II, and vested dual benefits are used for benefit payments.

FINANCIAL POSITION OF THE RAILROAD RETIREMENT SYSTEM

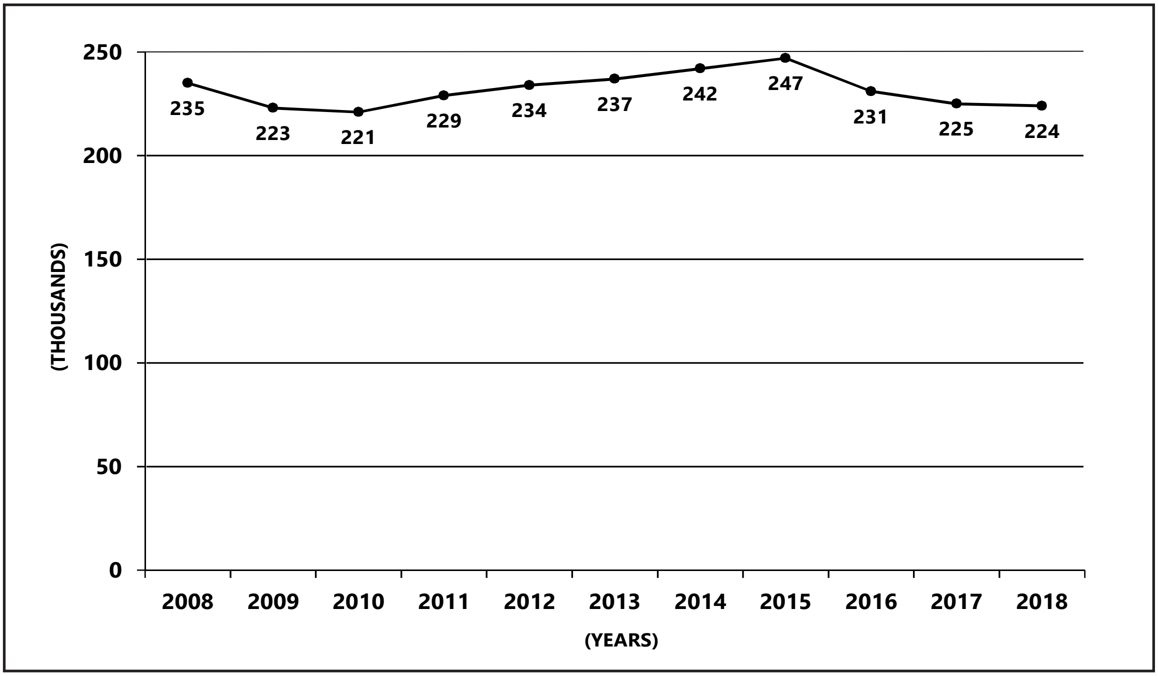
The financial condition of the railroad retirement system is closely related to the size of the railroad work force. This is because, as mentioned previously, payroll taxes on covered employers and their employees are the primary source of income to the system. Clearly, a large labor force will generate more revenue for the system than a small labor force. Although railroad employment has declined significantly from the historical high in the 1940s, the chart on the next page shows that employment has been fluctuating in recent years.

A drop in employment necessitated the strong corrective action taken in the 1981 and 1983 amendments. In the absence of these amendments, substantial reductions in payments would have been required.

The omnibus budget legislation enacted December 22, 1987, increased railroad retirement payroll tax rates in January 1988 by a total of 2 percent, and it provided for revenues from Federal income taxes on certain railroad retirement benefits to be transferred to the railroad retirement system for an additional year, fiscal year 1989. Subsequent legislation extended these income tax transfers on a permanent basis.

Legislation in 2001 provided for the investment of railroad retirement funds in nongovernmental assets, adjustments in the payroll tax rates paid by employers and employees, and the repeal of a supplemental annuity work-hour tax.

Table 9.— Average railroad employment, 2008-2018



FINANCIAL REPORT

The Railroad Retirement Board's 2019 railroad retirement financial report was submitted to Congress in June 2019. The report was generally favorable. It concluded that barring a sudden, unanticipated, large decrease in railroad employment, or substantial investment losses, the railroad retirement system will experience no cash-flow problems during the next 25 years. The long-term stability of the system, however, is still uncertain. Under the current financing structure, actual levels of railroad employment and investment return over the coming years will largely determine whether corrective action is necessary. No financing changes were recommended.

As of September 30, 2019, total railroad retirement system assets, comprising assets managed by the National Railroad Retirement Investment Trust and the railroad retirement system accounts at the Treasury, equaled approximately $27.3 billion.

Table 10.— Railroad Retirement and Survivor Program - U.S. Treasury Accounts Consolidated Financing Sources, Costs, and Net Position (Millions)[1]

FOR THE FISCAL YEAR ENDED SEPTEMBER 30	2019	2018
Financing Sources:		
Payroll Taxes	$6,089.3	$6,319.9
Financial Interchange	4,709.7	4,285.3
Interest on Investments and Other Revenue	45.9	38.5
Federal Income Taxes	731.0	770.0
General Appropriations	24.3	26.9
Other	(1,163.8)	(73.3)
Transfers to the National Railroad Retirement Investment Trust	0.0	0.0
Transfers from the National Railroad Retirement Investment Trust	1,794.0	1,809.0
Total Financing Sources	12,230.4	13,176.3
Costs:		
Benefit Payments	13,008.8	12,436.1
Interest Expense	113.8	106.7
Salaries and Expenses[2]	164.2	163.1
Other	22.8	254.9
Total Costs	13,309.6	12,960.8
Financing Sources over Costs	(1,079.2)	215.5
Net Position - Beginning of Period	27,333.2	27,117.7
Net Position - End of Period[3]	$26,253.9	$27,333.2

[1] Source of data is the RRB's Performance and Accountability Report.

[2] Includes unemployment and sickness insurance salaries and expenses of approximately $21.0 million and $21.5 million in each of the fiscal years 2019 and 2018, respectively.

[3] Totals may not sum due to rounding.

Table 11.— National Railroad Retirement Investment Trust (NRRIT) Fiscal Year 2019 Summary

Market value of assets managed by NRRIT on September 30, 2019	$25.4 billion
Rate of return of investment portfolio managed by NRRIT for full year ended September 30, 2019	2.82%

Source: NRRIT

Note — All NRRIT annual management reports and quarterly updates are available at **RRB.gov**.

Table 12.— Tax rates and maximum taxable earnings under the social security program

Period	Maximum annual taxable earnings		Tax rate (percent)							
			Employer and employee, each				Self-employed person			
	OASDI	HI	Total	OASI	DI	HI	Total	OASI	DI	HI
1937-1949	$3,000	...	1.0	1.0	...	...	...	...	...	...
1950	3,000	...	1.5	1.5	...	...	...	...	...	...
1951-1953	3,600	...	1.5	1.5	...	...	2.25	2.25	...	...
1954	3,600	...	2.0	2.0	...	...	3.0	3.0	...	...
1955-1956	4,200	...	2.0	2.0	...	...	3.0	3.0	...	...
1957-1958	4,200	...	2.25	2.0	0.25	...	3.375	3.0	0.375	...
1959	4,800	...	2.5	2.25	0.25	...	3.75	3.375	0.375	...
1960-1961	4,800	...	3.0	2.75	0.25	...	4.5	4.125	0.375	...
1962	4,800	...	3.125	2.875	0.25	...	4.7	4.325	0.375	...
1963-1965	4,800	...	3.625	3.375	0.25	...	5.4	5.025	0.375	...
1966	6,600	$6,600	4.2	3.5	0.35	0.35	6.15	5.275	0.525	0.35
1967	6,600	6,600	4.4	3.55	0.35	0.5	6.4	5.375	0.525	0.5
1968	7,800	7,800	4.4	3.325	0.475	0.6	6.4	5.0875	0.7125	0.6
1969	7,800	7,800	4.8	3.725	0.475	0.6	6.9	5.5875	0.7125	0.6
1970	7,800	7,800	4.8	3.65	0.55	0.6	6.9	5.475	0.825	0.6
1971	7,800	7,800	5.2	4.05	0.55	0.6	7.5	6.075	0.825	0.6
1972	9,000	9,000	5.2	4.05	0.55	0.6	7.5	6.075	0.825	0.6
1973	10,800	10,800	5.85	4.3	0.55	1.0	8.0	6.205	0.795	1.0
1974	13,200	13,200	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9
1975	14,100	14,100	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9
1976	15,300	15,300	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9
1977	16,500	16,500	5.85	4.375	0.575	0.9	7.9	6.185	0.815	0.9
1978	17,700	17,700	6.05	4.275	0.775	1.0	8.1	6.01	1.09	1.0
1979	22,900	22,900	6.13	4.33	0.75	1.05	8.1	6.01	1.04	1.05
1980	25,900	25,900	6.13	4.52	0.56	1.05	8.1	6.2725	0.7775	1.05
1981	29,700	29,700	6.65	4.7	0.65	1.3	9.3	7.025	0.975	1.3
1982	32,400	32,400	6.7	4.575	0.825	1.3	9.35	6.8125	1.2375	1.3
1983	35,700	35,700	6.7	4.775	0.625	1.3	9.35	7.1125	0.9375	1.3
1984	37,800	37,800	[1]7.0	5.2	0.5	1.3	[1]14.0	10.4	1.0	2.6
1985	39,600	39,600	7.05	5.2	0.5	1.35	[1]14.1	10.4	1.0	2.7
1986	42,000	42,000	7.15	5.2	0.5	1.45	[1]14.3	10.4	1.0	2.9
1987	43,800	43,800	7.15	5.2	0.5	1.45	[1]14.3	10.4	1.0	2.9
1988	45,000	45,000	7.51	5.53	0.53	1.45	[1]15.02	11.06	1.06	2.9
1989	48,000	48,000	7.51	5.53	0.53	1.45	[1]15.02	11.06	1.06	2.9

See continuation of table and footnotes on next page.

Table 12.— Continued

Period	Maximum annual taxable earnings		Tax rate (percent)							
			Employer and employee, each				Self-employed person			
	OASDI	HI	Total	OASI	DI	HI	Total	OASI	DI	HI
1990	$51,300	$51,300	7.65	5.6	0.6	1.45	15.3	11.2	1.2	2.9
1991	53,400	125,000	7.65	5.6	0.6	1.45	15.3	11.2	1.2	2.9
1992	55,500	130,200	7.65	5.6	0.6	1.45	15.3	11.2	1.2	2.9
1993	57,600	135,000	7.65	5.6	0.6	1.45	15.3	11.2	1.2	2.9
1994	60,600	No Limit	7.65	5.26	0.94	1.45	15.3	10.52	1.88	2.9
1995	61,200	No Limit	7.65	5.26	0.94	1.45	15.3	10.52	1.88	2.9
1996	62,700	No Limit	7.65	5.26	0.94	1.45	15.3	10.52	1.88	2.9
1997	65,400	No Limit	7.65	5.35	0.85	1.45	15.3	10.7	1.7	2.9
1998	68,400	No Limit	7.65	5.35	0.85	1.45	15.3	10.7	1.7	2.9
1999	72,600	No Limit	7.65	5.35	0.85	1.45	15.3	10.7	1.7	2.9
2000	76,200	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2001	80,400	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2002	84,900	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2003	87,000	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2004	87,900	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2005	90,000	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2006	94,200	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2007	97,500	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2008	102,000	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2009	106,800	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2010	106,800	No Limit	7.65	5.3	0.9	1.45	15.3	10.6	1.8	2.9
2011	106,800	No Limit	[2]7.65	5.3	0.9	1.45	[2]15.3	10.6	1.8	2.9
2012	110,100	No Limit	[2]7.65	5.3	0.9	1.45	[2]15.3	10.6	1.8	2.9
2013	113,700	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9
2014	117,000	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9
2015	118,500	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9
2016	118,500	No Limit	7.65	5.015	1.185	[3]1.45	15.3	10.03	2.37	[3]2.9
2017	127,200	No Limit	7.65	5.015	1.185	[3]1.45	15.3	10.03	2.37	[3]2.9
2018	128,400	No Limit	7.65	5.015	1.185	[3]1.45	15.3	10.03	2.37	[3]2.9
2019	132,900	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9
2020	137,700	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9
2021	[4]	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9
2022 and later	[4]	No Limit	7.65	5.3	0.9	[3]1.45	15.3	10.6	1.8	[3]2.9

1 Before tax credit. Employees received a credit of 0.3 percent in 1984. The self-employed received a credit of 2.7 percent in 1984, 2.3 percent in 1985, and 2.0 percent in 1986-1989. The trust funds received general revenue equivalent to the credits.

2 Before payroll tax holiday. In calendar years 2011 and 2012, the tax rate for employees and the self-employed was reduced 2 percentage points. The trust funds received general revenue equivalent to the reduction in revenue.

3 Beginning in 2013, employees pay an additional 0.9 percent on earnings above $200,000 (for those who file an individual tax return) or $250,000 (for those who file a joint tax return). This additional HI tax rate is not reflected in the tax rates shown in the table.

4 Based on automatic adjustments in proportion to increases in average earnings levels.

Table 13.— Tax rates and maximum taxable earnings under the railroad retirement and railroad unemployment insurance programs

Period	Railroad Retirement: Maximum earnings base[1]: Tier I[2]	Railroad Retirement: Maximum earnings base[1]: Tier II	Railroad Retirement: Tax rate (percent)[1]: Tier I: Employer & employee each	Railroad Retirement: Tax rate (percent)[1]: Tier II: Employer	Railroad Retirement: Tax rate (percent)[1]: Tier II: Employee	Railroad Unemployment Insurance: Maximum monthly taxable earnings	Railroad Unemployment Insurance: Employer tax rate (percent)[3]	Unemployment Repayment Tax[4]: Maximum taxable earnings	Unemployment Repayment Tax[4]: Employer tax rate (percent)	Supplemental Annuities: Period	Supplemental Annuities: Employer tax rate (cents/hr.)[5]
1937-6/39	$300	...	2.75	...	...	...	...	...	...	11/66-3/70	2
7/39-12/39	300	...	2.75	...	...	$300	3.0	...	...	4/70-6/70	6
1940-1942	300	...	3.0	...	...	300	3.0	..	...	7/70-12/70	7
1943-1945	300	...	3.25	...	...	300	3.0	...	...	1/71-6/72	6
1946	300	...	3.5	...	...	300	3.0	...	...	7/72-12/74	7½
1947	300	...	5.75	...	...	300	3.0	...	...	1/75-12/75	8½
1948	300	...	5.75	...	...	300	0.5	...	...	1/76-12/76	12
1949-1951	300	...	6.0	...	...	300	0.5	...	...	1/77-12/77	12½
1952-6/54	300	...	6.25	...	...	300	0.5	...	...	1/78-12/78	12
7/54-12/54	350	...	6.25	...	...	350	0.5	...	...	1/79-12/80	12½
1955	350	...	6.25	...	...	350	0.5	...	...	1/81-12/81	14½
1956	350	...	6.25	...	...	350	1.5	...	...	1/82-12/82	17
1957	350	...	6.25	...	...	350	2.0	...	...	1/83-12/83	18½
1958	350	...	6.25	...	...	350	2.5	...	...	1/84-12/85	20
1/59-5/59	350	...	6.25	...	...	350	3.0	...	...	1/86-12/86	22½
6/59-12/59	400	...	6.75	...	...	400	3.75	...	...	1/87-12/87	24
1960-1961	400	...	6.75	...	...	400	3.75	...	...	1/88-6/91	26
1962	400	...	7.25	...	...	400	4.0	...	...	7/91-3/92	28½
1/63-10/63	400	...	7.25	...	...	400	4.0	...	...	4/92-12/93	31
11/63-12/64	450	...	7.25	...	...	400	4.0	...	...	1/94-12/94	30
1/65-9/65	450	...	8.125	...	..	400	4.0	...	...	1/95-12/95	33
10/65-12/65	450	...	7.125	...	...	400	4.0	...	...	1/96-12/96	34
1966	550	...	7.95	...	...	400	4.0	...	...	1/97-12/98	35
1967	550	...	8.65	...	...	400	4.0	...	...	1/99-12/99	27
1968	650	...	8.9	...	...	400	4.0	...	...	1/00-12/00	26½
1969-1970	650	...	9.55	...	...	400	4.0	...	...	1/01-12/01	26
1971	650	...	9.95	...	...	400	4.0	...	...		
1972	750	...	9.95	...	...	400	4.0	...	...		
1/73-9/73	900	$900	10.6	...	...	400	4.0	...	...		
10/73-12/73	900	900	5.85	9.5	...	400	4.0	...	...		
1974	1,100	1,100	5.85	9.5	...	400	4.0	...	...		
1975	1,175	1,175	5.85	9.5	...	400	4.0	...	...		
1976	1,275	1,275	5.85	9.5	...	400	5.5	...	...		
1977	1,375	1,375	5.85	9.5	...	400	8.0	...	...		
1978	1,475	1,475	6.05	9.5	...	400	8.0	...	...		
1979	1,908.33	1,575	6.13	9.5	...	400	7.0	...	...		
1980	2,158.33	1,700	6.13	9.5	...	400	5.5	...	...		
1/81-9/81	2,475	1,850	6.65	9.5	...	400	8.0	...	...		
10/81-12/81	2,475	1,850	6.65	11.75	2.0	400	8.0	...	...		
1982	2,700	2,025	6.7	11.75	2.0	400	8.0	...	...		
1983	2,975	2,225	6.7	11.75	2.0	400	8.0	...	...		
1984	3,150	2,350	[6]7.0	12.75	2.75	600	8.0	...	...		
1985	39,600	29,700	7.05	13.75	3.5	600	8.0	...	...		
1/86-6/86	42,000	31,500	7.15	14.75	4.25	600	8.0	...	...		
7/86-12/86	42,000	31,500	7.15	14.75	4.25	600	8.0	$3,500	4.3		
1987	43,800	32,700	7.15	14.75	4.25	600	8.0	7,000	4.7		
1988	45,000	33,600	7.51	16.1	4.9	600	8.0	7,000	6.0		
1989	48,000	35,700	7.51	16.1	4.9	710	8.0	710	4.0		
1990	51,300	38,100	7.65	16.1	4.9	745	8.0	745	4.0		

See continuation of table on next page and footnotes on page 90.

Table 13.— Continued

Period	Railroad Retirement					Railroad Unemployment Insurance				Unemployment Repayment Tax[4]	
	Maximum earnings base[1]		Tax rate (percent)[1]			Maximum monthly taxable earnings	Employer tax rate (percent)[3]	Surcharge (or pooled credit)	New employer tax rate (percent)	Maximum taxable earnings	Employer tax rate (percent)
	Tier I[2]	Tier II	Tier I	Tier II							
			Employer & employee each	Employer	Employee						
1991	$53,400	$39,600	7.65	16.1	4.9	$765	5.55 - 12.0	...	8.00	$765	4.0
1992	55,500	41,400	7.65	16.1	4.9	785	3.10 - 12.0	(3.12)	8.00	785	4.0
1993	57,600	42,900	7.65	16.1	4.9	810	0.65 - 12.0	(5.31)	7.30	810	4.0
1994	60,600	45,000	7.65	16.1	4.9	840	0.65 - 12.0	(0.22)	6.06		
1995	61,200	45,300	7.65	16.1	4.9	850	0.65 - 12.0	...	4.15		
1996	62,700	46,500	7.65	16.1	4.9	865	0.65 - 12.0	...	2.31		
1997	65,400	48,600	7.65	16.1	4.9	890	0.65 - 12.0	...	1.16		
1998	68,400	50,700	7.65	16.1	4.9	925	2.15 - 12.0	1.5	0.85		
1999	72,600	53,700	7.65	16.1	4.9	970	2.15 - 12.0	1.5	0.92		
2000	76,200	56,700	7.65	16.1	4.9	1,005	0.65 - 12.0	...	1.67		
2001	80,400	59,700	7.65	16.1	4.9	1,050	2.15 - 12.0	1.5	2.59		
2002	84,900	63,000	7.65	15.6	4.9	1,100	3.15 - 12.0	2.5	2.71		
2003	87,000	64,500	7.65	14.2	4.9	1,120	3.15 - 12.0	2.5	2.36		
2004	87,900	65,100	7.65	13.1	4.9	1,130	2.15 - 12.0	1.5	2.38		
2005	90,000	66,900	7.65	12.6	4.4	1,150	2.15 - 12.0	1.5	3.43		
2006	94,200	69,900	7.65	12.6	4.4	1,195	2.15 - 12.0	1.5	4.03		
2007	97,500	72,600	7.65	12.1	3.9	1,230	2.15 - 12.0	1.5	3.75		
2008	102,000	75,900	7.65	12.1	3.9	1,280	2.15 - 12.0	1.5	3.02		
2009	106,800	79,200	7.65	12.1	3.9	1,330	2.15 - 12.0	1.5	2.61		
2010	106,800	79,200	7.65	12.1	3.9	1,330	2.15 - 12.0	1.5	2.51		
2011	106,800	79,200	[7]7.65	12.1	3.9	1,330	3.15 - 12.0	2.5	2.50		
2012	110,100	81,900	[7]7.65	12.1	3.9	1,365	2.15 - 12.0	1.5	2.65		
2013	113,700	84,300	[9]7.65	12.6	4.4	1,405	0.65 - 12.0	...	3.69		
2014	117,000	87,000	[9]7.65	12.6	4.4	1,440	0.65 - 12.0	...	4.53		
2015	118,500	88,200	[9]7.65	13.1	4.9	1,455	2.15 - 12.0	1.5	4.09		
2016	118,500	88,200	[9]7.65	13.1	4.9	1,455	2.15 - 12.0	1.5	2.52		
2017	127,200	94,500	[9]7.65	13.1	4.9	1,545	2.15 - 12.0	1.5	1.62		
2018	128,400	95,400	[9]7.65	13.1	4.9	1,560	2.15 - 12.0	1.5	1.97		
2019	132,900	98,700	[9]7.65	13.1	4.9	1,605	2.15 - 12.0	1.5	2.75		
2020	137,700	102,300	[9]7.65	13.1	4.9	1,655	.065 - 12.0	...	3.10		
2021 and later	[8]	[8]	[9]7.65	[10]	[10]	[8]	[3]	[3]	[3]		

See footnotes on page 90.

Table 13.— Continued

[1] Earnings bases are monthly through 1984 and annual for 1985 and later. October 1, 1973, was the effective date for the allocation of railroad retirement taxes by tiers, subject to a moratorium for certain railroad labor organizations. The tier I tax rate was set equal to the current social security tax rate.

[2] Beginning in 1991, the portion of the tier I tax rate which does not exceed the social security HI tax rate is applied to earnings up to the HI maximum taxable amount. In 1993, a 1.45 percent tax applied to earnings up to $135,000 and a 6.2 percent tax applied to earnings up to $57,600.

[3] Taxes are paid only by employers. From 1948 through 1988, the rate for a calendar year was based on a graduated schedule depending on the preceding September 30 account balance (including administration fund). Except for certain commuter railroads, the rate for 1989-1990 was fixed at 8.0 percent. Beginning in 1991, each employer's rate is experienced-based, with a minimum of 0.65 percent and a maximum of 12 percent, or 12.5 percent if a 3.5 percent surcharge applies due to a low account balance.

[4] This temporary tax applied to employers until all pre-October 1985 loans from the Railroad Retirement Account were fully repaid with interest on June 29, 1993. Earnings bases are annual through 1988 and monthly for 1989-1993.

[5] Taxes are paid only by employers. The supplemental annuity tax was repealed for calendar years after 2001.

[6] Before tax credit. Employees received a credit of 0.3 percent in 1984. The self-employed received a credit of 2.7 percent in 1984, 2.3 percent in 1985, and 2.0 percent in 1986-1989. The trust funds received general revenue equivalent to the credits.

[7] Before payroll tax holiday. In calendar years 2011 and 2012, the tax rate for employees and the self-employed was reduced 2 percentage points. The trust funds received general revenue equivalent to the reduction in revenue.

[8] Based on automatic adjustments in proportion to increases in average earnings levels.

[9] Beginning in 2013, employees pay an additional 0.9 percent on earnings above $200,000 (for those who file an individual tax return) or $250,000 (for those who file a joint tax return). This additional HI tax rate is not reflected in the tax rates shown in the table.

[10] Beginning in 2004, the tier II tax rate is determined annually from a tax rate schedule based on the average account benefits ratio. The average account benefits ratio is the average for the 10 fiscal years preceding the calendar year of the ratio of the fair market value of the assets in the Railroad Retirement Account and the National Railroad Retirement Investment Trust as of the close of each fiscal year to the total benefits and administrative expenses paid from those accounts during the fiscal year. Employer tax rates can range from 8.2 percent to 22.1 percent. Employee tax rates can range from 0 percent to 4.9 percent.

CHAPTER 4

Health Insurance for the Aged and Disabled

Amendments to the Social Security Act enacted in 1965 established a broad program of health insurance, known popularly as **Medicare**, for people age 65 or older, including railroad workers and members of their families. Part A provides hospital insurance and related benefits financed through payroll taxes. Part B provides medical insurance benefits on a voluntary basis, with the cost shared by the participants and the Federal Government. Both parts of the program have been modified and liberalized several times since 1967, principally in the 1973 extension of coverage to persons under age 65 who are totally disabled or have permanent kidney failure. In 2003, legislation was enacted which provided prescription drug coverage for Medicare beneficiaries beginning in 2006, among other changes.

Persons covered by the railroad retirement system participate in Medicare on the same basis as those under the social security system. Amendments to the railroad retirement laws in 1965 and to the social security laws in 1972 gave the RRB an important role in the administration of the health insurance program and made possible the collection of hospital insurance taxes on the same basis as retirement taxes under the Railroad Retirement Tax Act. The 1965 amendments also empowered the RRB to make payments from the Railroad Retirement Account for hospital insurance services provided anywhere in Canada to persons receiving or qualified to receive railroad retirement benefits. Such payments apply only to the charges in excess of the amounts payable for hospital and related services under Canadian public health insurance laws.

Social security legislation in 1972 gave the RRB direct legislative authority to collect Medicare premiums from railroad retirement beneficiaries and to select a carrier to process medical insurance claims for all railroad retirement beneficiaries. Previously, authority in these areas had been delegated to the RRB by the Social Security Administration.

This chapter describes Medicare as amended through December 2019.

MEDICARE BASICS & RESOURCES

PART A -- Hospital Insurance
PART B -- Medical Insurance
PART C -- Medicare Advantage Plans
PART D -- Medicare Prescription Drug Coverage

Medicare	**Palmetto GBA**
Medicare.gov	palmettogba.com/rr/me
1-800-MEDICARE (1-800-633-4227)	1-800-833-4455
TTY: 1-877-486-2048	TTY/TDD: 1-877-566-3572
For more information about Medicare options, costs, and coverage.	For inquiries and additional information regarding Medicare claims.

Medicare Publications

Medicare & You - covers Medicare benefits, costs, and health service options. Available at **Medicare.gov**, and mailed to Medicare beneficiary households each fall by the Centers for Medicare & Medicaid Services.

Medicare for Railroad Workers and Their Families (Form RB-20) - provides general information about Medicare for RRB annuitants. Available at **RRB.gov** under **Benefits (Medicare)**, and also available at any RRB field office.

SHIP

Free personalized counseling is available from the local State Health Insurance Assistance Program (SHIP) and other local and community-based organizations. Beneficiaries can visit **Medicare.gov** to find the organization nearest them.

ELIGIBILITY

All railroad retirement beneficiaries age 65 or over and other persons who are directly or potentially eligible for railroad retirement benefits are covered by the program. Although the age requirements for some unreduced railroad retirement benefits have risen just like the social security requirements, beneficiaries are still eligible for Medicare at age 65. Coverage before age 65 is available for disabled employee annuitants who have been entitled to monthly benefits based on total disability for at least 24 months and have a disability insured status under social security law. There is no 24-month waiting period for those who have ALS (Amyotrophic Lateral Sclerosis), also known as Lou Gehrig's disease. If entitled to monthly benefits based on an occupational disability, **and** the individual has been granted a disability freeze, he or she is eligible for Medicare 29 months after the freeze date. If receiving benefits due to occupational disability and the person has not been granted a disability freeze, he or she is generally eligible for Medicare at age 65. The standards for a disability freeze determination follow social security law and are comparable to the medical criteria for granting total disability. Disabled widow(er)s under age 65, disabled surviving divorced spouses under age 65, and disabled children may also be eligible for Medicare, usually after a 24-month waiting period.

Medicare coverage at any age on the basis of permanent kidney failure is also available to employee annuitants, employees who have not retired but meet certain minimum service requirements, spouses, and dependent children who suffer from permanent kidney failure requiring hemodialysis or a kidney transplant. The Social Security Administration usually has jurisdiction of Medicare for those eligible on the basis of permanent kidney failure.

PART A AND PART B ENROLLMENT

If a retired employee or a family member is receiving a railroad retirement annuity, enrollment for both hospital and medical insurance is generally automatic and coverage begins when the person reaches age 65. For beneficiaries who are totally disabled, Medicare hospital and medical insurance starts automatically with the 30th month after the beneficiary became disabled or, if later, the 25th month after the beneficiary became entitled to monthly benefits. Even though enrollment is automatic, an individual may decline medical insurance, if so desired; this does not prevent him or her from applying for medical insurance at a later date. However, premiums may be higher if enrollment is delayed.

If an individual is eligible for but not receiving an annuity, he or she should contact the nearest RRB office before attaining age 65 to apply for both hospital and medical insurance. (This does not mean that the individual must retire if presently working.) The best time to apply is during the 3 months before the month in which the individual reaches age 65. He or she will then have both hospital and medical insurance protection beginning with the month age 65 is reached. If the individual does not enroll for medical insurance in the 3 months before attaining age 65, he or she can enroll in the month age 65 is reached or during the next 3 months, but there will be a delay of 1 to 3 months before medical insurance is effective. Individuals who do not enroll during this **initial enrollment period** may sign up in any **general enrollment period** (January 1 - March 31 each year). Coverage for such individuals begins July 1 of the year of enrollment.

Premiums for medical insurance are increased 10 percent for each 12-month period the individual could have been, but was not, enrolled. However, individuals age 65 or older who wait to enroll in Part B because they have group health plan coverage based on their own or their spouse's current employment may not have to pay higher premiums because they may be eligible for a special enrollment period. The same special enrollment period rules apply to disabled individuals, except that the group health insurance may be based on the current employment of the individual, his or her spouse, or a family member.

Individuals deciding when to enroll in Medicare Part B must consider how this will affect eligibility for health insurance policies which supplement Medicare coverage. These include **Medigap** insurance and prescription drug coverage and are explained later in this chapter.

For information on coverage for kidney disease, a social security office should be contacted.

(Text continues on page 96.)

MEDICARE PART A

EXPLANATION OF HOSPITAL INSURANCE BENEFITS

The hospital insurance program is designed to help pay the bills when an insured person is hospitalized. The program also provides payments for required professional services in a skilled nursing facility (but not for custodial care) following a hospital stay, home health services, and hospice care.

What Medicare Part A Covers

1. If a patient is hospitalized, Medicare will pay for all covered hospital services during the first 60 days of a benefit period except for a deductible ($1,408 in 2020). From the 61st through the 90th day, Medicare hospital insurance pays for all covered services except for a coinsurance charge ($352 a day in 2020). A lifetime reserve of 60 days may be used if a patient is in the hospital for more than 90 days in a benefit period; the patient pays $704 a day in 2020 for these additional days. Covered hospital services include almost all those ordinarily furnished by a hospital to its patients. However, payments will not be made for private-duty nursing or personal comfort items. Inpatient psychiatric hospital services are covered, but there is a lifetime limitation of 190 days.

2. Under certain conditions, the cost of skilled nursing care in a facility approved by Medicare for services of a professional level (not custodial care) is covered for the first 20 days in each benefit period plus up to 80 additional days with the patient paying $176 a day in 2020 for the 21st through the 100th day. These benefits are payable only if the patient was in a hospital for at least 3 days in a row, not counting the day of discharge, before transferring to a skilled nursing facility.

3. Under certain conditions, Medicare pays the cost of medically necessary home health care services. This is limited to reasonable and necessary part-time or intermittent skilled nursing care and home health aide services as well as physical therapy, occupational therapy, and speech-language therapy which are ordered by a doctor. It also includes medical social services, durable medical equipment (such as wheelchairs, hospital beds, oxygen, and walkers), medical supplies, and other services.

4. Hospice care is a service provided to terminally-ill persons. It includes drugs for symptom control and pain relief, medical and support services from a Medicare-approved hospice, and other services not otherwise covered by Medicare.

MEDICARE PART A - HOSPITAL INSURANCE

Benefits under the hospital insurance program cover medically necessary care in hospitals and skilled nursing facilities, home health visits, and hospice care. Coverage also includes blood, after the first three pints, when the person is an inpatient at a hospital or skilled nursing facility during a covered stay.

There is a limit on how many days of hospital or skilled nursing care Medicare helps pay for in each *benefit period*. A benefit period begins the day a patient goes to a hospital or skilled nursing facility. It ends after a person has not received any hospital or skilled nursing care for 60 days in a row. There is no limit to the number of benefit periods a person can have.

Benefits are ordinarily paid only for services received in the United States or Canada. Hospital insurance also covers hospital stays in Mexico under very limited conditions.

Financing Medicare Part A

Railroad employers and employees each pay hospital insurance taxes with their railroad retirement taxes. The hospital insurance tax on each is 1.45 percent on all earnings. An additional 0.9 percent in hospital insurance taxes (2.35 percent in total) applies to an individual's income exceeding $200,000, or $250,000 for a married couple filing a joint tax return. While employers will begin withholding the additional Medicare tax as soon as an individual's wages exceed the $200,000 threshold, the final amount owed or refunded will be calculated as part of the individual's Federal income tax return.

MEDICARE PART B - MEDICAL INSURANCE

The medical insurance program is voluntary, but eligible persons who wish to participate pay a monthly premium. For persons who are receiving railroad retirement benefits (including those also in receipt of social security benefits), the monthly premium is deducted from their railroad retirement checks; others make payments or, in some cases, have their premiums paid under a State assistance program.

(Text continues on page 98.)

MEDICARE PART B

EXPLANATION OF MEDICAL INSURANCE BENEFITS

The medical insurance program is designed to help pay the bills for doctors' services and for a number of other medical costs not covered by the hospital insurance program.

What Medicare Part B Covers

Medical and Other Services
Medically-necessary doctors' services (not routine physical exams), outpatient medical and surgical services and supplies, diagnostic tests, ambulatory surgery center facility fees for approved procedures, and durable medical equipment are usually covered, if ordered from a Medicare-approved provider.

Clinical Laboratory Services
Blood tests, urinalysis, and some screening tests can be covered.

Home Health Care Services
This is limited to reasonable and necessary part-time or intermittent skilled nursing care and home health aide services as well as physical therapy, occupational therapy, and speech-language therapy ordered by a doctor, and some other services.

Outpatient Hospital Services
This includes hospital services and supplies received as an outpatient as part of a doctor's care.

Blood
Part B helps pay for blood as an outpatient or as part of a Part B covered service.

Preventive Services
These include bone mass measurements, cardiovascular screening, colorectal cancer screening, diabetes services, glaucoma testing, screening mammograms, Pap test and pelvic examination, prostate cancer screening, some shots (Flu, Pneumococcal, and Hepatitis B), and a one-time *Welcome to Medicare* physical examination.

Additional Coverage
Many other services are covered. Medical insurance generally does not pay for services outside the United States. There are rare emergency cases where medical insurance can pay for care in Canada or Mexico.

The medical insurance plan helps cover physicians' services, outpatient medical and surgical services, and many other medical and health services in and out of medical institutions. It also helps cover some preventive services.

There is an annual deductible for Part B services ($198 in 2020). After the deductible is paid, Medicare will generally pay 80 percent of the approved charges for covered services during the rest of the year; the beneficiary is responsible for paying the remaining 20 percent of the cost.

Medicare provides basic protection against the high cost of illness, but it will not pay all health care expenses. Some of the services and supplies Medicare cannot pay for are custodial care, such as help with bathing, eating, and taking medicine; dentures and routine dental care; most eyeglasses, hearing aids, and routine examinations to prescribe or fit them; and long-term care (nursing homes).

Financing Medicare Part B

Part B medical insurance is paid for by premiums from persons who enroll in the program and by Federal general revenue funds. The standard premium rate for new enrollees in 2020 is $144.60. However, some Medicare beneficiaries will pay less than this amount. By law, Part B premiums for current enrollees cannot increase by more than the amount of the cost-of-living adjustment for social security (railroad retirement tier I) benefits.

Since that adjustment is 1.6 percent in 2020, some Medicare beneficiaries will see an increase in their Part B premiums but still pay less than $144.60, and certain beneficiaries will continue to pay higher premiums based on their modified adjusted gross income.

Monthly premiums for some beneficiaries are greater, depending on a beneficiary's or married couple's modified adjusted gross income. The income-related Part B premiums ($144.60 plus the monthly adjustment amount) for 2020 are $202.40, $289.20, $376.00, $462.70, or $491.60, depending on how much an individual beneficiary's modified adjusted gross income exceeds $87,000 (or a married couple's income exceeds $174,000). Only beneficiaries whose modified adjusted gross income exceeds $500,000 (or $750,000 for a married couple) pay the highest premium. Some individuals also pay premium surcharges because they enrolled late for Part B.

MEDICARE PLAN CHOICES

Medicare beneficiaries have choices for receiving health care services. The Original Medicare Plan is the traditional fee-for-service Medicare plan that is available nationwide. A beneficiary can see any doctor or provider who accepts Medicare and is accepting new Medicare patients. Or a beneficiary can choose a Medicare Advantage Plan (Part C). These plans combine Medicare Part A and Part B and, in some cases, Part D prescription drug coverage. In limited instances, other Medicare health plans may be available.

A beneficiary must have both Medicare Part A and Part B to join a Medicare Advantage Plan, and the individual must live in the plan's service area. Under a Medicare Advantage Plan, a beneficiary may pay lower copayments and receive extra benefits.

Original Medicare Plan (Part A and Part B)

Under the Original Medicare Plan, patients visit the hospital, doctor, or health care provider of their choice who accepts Medicare patients. Medicare pays a set percentage of the expenses, and patients are responsible for certain deductible and coinsurance payments.

Persons enrolled in the Original Medicare Plan who want prescription drug coverage must join a Medicare Prescription Drug Plan (Part D) as described on page 101, unless they already have drug coverage from a current or former employer or union that is at least as good as the standard Medicare prescription drug coverage.

When a patient receives hospital insurance benefits, he or she is billed by the hospital only for the deductible amount, any coinsurance amount, and any non-covered services. The remainder of the bill from the hospital, as well as bills for services in skilled nursing facilities or home health visits, is sent to Medicare to pay its share.

Claims for medical insurance benefits filed on behalf of railroad retirement beneficiaries in the Original Medicare Plan are generally handled by Palmetto GBA on a nationwide basis. Palmetto GBA is a private company that contracts with the RRB and Medicare to pay Part B claims for railroad retirement beneficiaries.

MEDIGAP

Many private insurance companies sell insurance, called **Medigap** for short, that helps pay for services not covered by the Original Medicare Plan. Policies may cover deductibles, coinsurance, copayments, health care outside the United States, and more. Generally, individuals need Medicare Part A and Part B to enroll, and a monthly premium is charged.

When someone first enrolls in Medicare Part B at age 65 or older, he or she has a 6-month *Medigap open enrollment period*. During this period, an insurance company cannot deny coverage, place conditions on a policy, or charge more for a policy because of past or present health problems.

MEDICARE PART C - ADVANTAGE PLANS

Medicare Advantage Plans combine Medicare Part A and Part B coverage, and are available in most areas of the country. A beneficiary must have both Medicare Part A and Part B to join a Medicare Advantage Plan, and the individual must live in the plan's service area. Medicare Advantage Plan choices include regional preferred provider organizations (PPOs), health maintenance organizations (HMOs), private fee-for-service plans, and others. A PPO is a plan under which a beneficiary uses doctors, hospitals, and providers belonging to a network; beneficiaries can use doctors, hospitals, and providers outside the network for an additional cost. Under Medicare Advantage, a beneficiary may pay lower copayments and/or Part B premiums, and receive extra benefits. Most plans include prescription drug coverage (Part D). Advantage Plans are managed by private insurance companies approved by Medicare.

The monthly Part C premium can be deducted from railroad retirement or social security benefits paid by the RRB, if the beneficiary contacts his or her Part C plan and requests that the RRB withhold Part C premiums.

MEDICARE PART D - PRESCRIPTION DRUG COVERAGE

Medicare contracts with private companies to offer beneficiaries prescription drug coverage. These companies offer a variety of options, with different covered prescriptions and different costs. Beneficiaries pay a monthly premium, a yearly deductible, and part of the cost of prescriptions. Those with limited income and resources may qualify for help in paying some prescription drug costs.

The Affordable Care Act requires some Part D beneficiaries to also pay a monthly adjustment amount, depending on a beneficiary's or married couple's modified adjusted gross income. The Part D income-related monthly adjustment amounts for 2020 are $12.20, $31.50, $50.70, $70.00, or $76.40, depending on the extent to which an individual beneficiary's modified adjusted gross income exceeds $87,000 (or a married couple's income exceeds $174,000), with the highest amounts only paid by beneficiaries whose incomes are over $500,000 (or $750,000 for a married couple).

The monthly Part D premium can be deducted from railroad retirement or social security benefits paid by the RRB, if the beneficiary contacts his or her Part D plan and requests that the RRB withhold Part D premiums. The RRB also withholds Part D income-related adjustment amounts from benefit payments.

Medicare prescription drug plans are voluntary. To enroll, individuals must have Medicare Part A, and must live in the prescription drug benefit plan's service area. Beneficiaries can join during the period that starts 3 months before Medicare coverage starts and ends 3 months after the first month of Medicare coverage. There may be a higher premium if an individual doesn't join a Medicare drug plan when first eligible, and he or she does not have other prescription drug coverage that, on average, covers at least as much as standard Medicare prescription drug coverage. In most cases, there is no automatic enrollment to get a Medicare prescription drug plan. Individuals enrolled in Medicare Advantage Plans will generally get their prescription drug coverage through their plan.

APPEALS

If a patient disagrees with a decision on the amount Medicare will pay on a claim or whether services received are covered by Medicare, he or she has the right to appeal the decision. Under the Original Medicare Plan, the notice received from Medicare stating the decision made on a claim tells a patient what appeal steps can be taken. This information is also in Medicare Advantage Plan materials.

ADVANCE DIRECTIVES

Individuals have the right to make a health care *advance directive*. This directive contains written instructions stating the person's choices for health care or names someone to make those choices. The instructions are to be used if the person is unable to make his or her own health care decisions. Laws governing advance directives vary from State to State.

CHAPTER 5

Development of the Railroad Unemployment Insurance System

The railroad unemployment insurance system, like the railroad retirement system, was established in the 1930s. The Great Depression demonstrated the need for unemployment compensation programs, and State unemployment programs had been established under the Social Security Act in 1935. While the State unemployment programs generally covered railroad workers, railroad operations which crossed State lines caused special problems. Unemployed railroad workers were denied compensation by one State because they became unemployed while working in another State or because their employers had paid unemployment taxes in another State. Although there were cases where employees appeared to be covered in more than one State, they often did not qualify in any.

A Federal study commission, which reported on the nationwide State plans for unemployment insurance, recommended that railroad workers be covered by a separate plan because of the complications their coverage had caused the State plans. Congress subsequently enacted the Railroad Unemployment Insurance Act in June 1938. The Act established a system of benefits for unemployed railroaders, financed entirely by the railroad employers and administered by the RRB. Sickness benefits were added in 1946.

June 25, 1938
Railroad Unemployment Insurance Act enacted

THE RAILROAD UNEMPLOYMENT INSURANCE ACT OF 1938 AND LATER AMENDMENTS

The Act of 1938 established a system of benefits for unemployed railroad workers, plus a free placement service, to be financed by a payroll tax of 3 percent, payable entirely by employers. After some minor changes in the following year, the law went into operation on July 1, 1939.

Benefits were payable to qualified railroad employees according to a scale of daily rates geared to base-year earnings. Initially, the daily rates ranged from $1.75 to $3 and were payable for a maximum of 80 days in each benefit year, after an initial waiting period. In 1940, the maximum daily rate was raised to $4 and the maximum duration to 100 days in 20 weeks; the waiting period was reduced from 15 days to 7 days and a uniform benefit year was established.

The first set of major amendments was enacted in 1946. The maximum duration was increased to 26 weeks and the maximum daily benefit rate to $5. The most important feature of these amendments was the program of cash sickness benefits (including maternity benefits) for railroad workers, paralleling unemployment benefits and financed from the same taxes. At that time, only two States, Rhode Island and California, had sickness plans. Three additional States (New Jersey, New York, and Hawaii) and Puerto Rico later adopted similar plans.

As a result of the very low rate of unemployment and relatively high payrolls during the war years, the balance in the Railroad Unemployment Insurance Account increased rapidly. Consequently, **in 1948** the principle of a fixed contribution rate was abandoned and a sliding scale of contribution rates substituted. The rates were to range from 0.5 percent to 3 percent of taxable payroll, depending on the current balance in the Railroad Unemployment Insurance Account.

1950s

Amendments enacted in 1952 and 1954 raised the maximum daily benefit rate to $7.50 and then to $8.50, the base-year earnings needed by an employee to qualify for benefits to $300 and then to $400, and the taxable limit on monthly earnings from $300 to $350. The amendments also provided that the benefit rate, subject to the maximum amount, should not be less than half the claimant's daily wage rate. In addition, normal benefits for unemployment or sickness in a benefit year were each limited in total to the employee's creditable base-year earnings.

Legislation in 1959 increased the maximum daily benefit rate to $10.20, raised the benefit rate guaranty to 60 percent of the daily wage rate, and provided extended unemployment benefits for 13 weeks to employees with at least 10 years of service and 26 weeks of extended benefits to 15-year employees. These amendments also raised the base-year qualifying amounts from $400 to $500 and the limit on creditable and taxable earnings from $350 to $400 a month. They removed the waiting period for unemployment benefits and the Sunday and holiday disqualification provision, and increased the maximum contribution rate to 3.75 percent. In addition, the RRB received authority to borrow money from the Railroad Retirement Account when necessary in order to pay benefits when due. Such loans were to bear the same interest rate as was being earned by other investments of the Railroad Retirement Account and were to be repaid as funds became available.

1960s

Amendments enacted in 1963 were designed to improve the financing of the system. The maximum contribution rate was increased to 4 percent, and the amount of base-year earnings needed by an employee to qualify for benefits was raised from $500 to $750. Also, a minimum base-year service requirement of 7 months was added for employees having no previous railroad service, and the disqualification for quitting work voluntarily without good cause was made more stringent.

In 1968, legislation increased the maximum daily benefit rate to $12.70 and provided extended benefits for sickness on essentially the same basis as for unemployment, except that these extended sickness benefits could not be paid to employees age 65 or older. These amendments also raised the base-year qualifying amount to $1,000, eliminated the special maternity benefit provisions (benefits were still payable for pregnancy and childbirth under the sickness benefit provisions), and added a disqualification for employees who receive separation allowances.

1970s

Amendments in 1975 increased the maximum daily benefit rate to $24 beginning on July 1, 1975, and to $25 starting on July 1, 1976. The 60 percent daily benefit rate guaranty was retained in the amended law up to the amount of the new daily maximum, and a new daily minimum rate of $12.70 was established. The amendments liberalized the basic eligibility requirements for new employees by lowering the 7-month base-year service requirement to 5 months. In addition, the 1975 amendments mandated a 7-day waiting period for benefit payments resulting from strikes. The tax rate schedule was increased, starting in 1976, from a maximum of 4 percent to a maximum of 8 percent, depending on the balance in the account, in order to finance the increased benefits. This legislation also lowered the waiting period for sickness benefits.

The 1975 legislation also provided extended unemployment benefit periods of up to 13 weeks for employees with less than 10 years of service during periods of high unemployment. Under the pre-existing law, extended benefits were payable only to employees with 10 or more years of service. However, subsequent 1981 legislation repealing the high unemployment extended benefit provisions in the State unemployment programs nullified the related railroad unemployment insurance provisions, and the RRB was required to cease awarding extended benefits to employees with less than 10 years of service.

The Revenue Act of 1978 made unemployment benefits and sickness benefits paid in lieu of unemployment benefits subject to Federal income tax.

1980s

Amendments enacted in 1981 subjected the first six months of sickness benefits to tier I railroad retirement taxes, provided the benefits did not result from on-the-job injury. **Legislation enacted in March 1983** provided unemployed railroad workers with less than 10 years of service, who exhausted normal railroad unemployment benefits, up to 10 weeks of temporary supplemental extended unemployment benefits, but these temporary benefits were financed from Federal general revenue funds.

The national economic recession of the early 1980s caused large-scale railroad layoffs. The layoffs increased unemployment benefit payments to record levels which far exceeded unemployment tax income and necessitated high levels of loans from the Railroad Retirement Account. The Railroad Unemployment Insurance Account owed the Railroad Retirement Account a peak amount of over $850 million at the end of fiscal year 1986. Financial measures to assist the Railroad Unemployment Insurance Account were included in the Railroad Retirement Solvency Act enacted August 12, 1983.

The Railroad Retirement Solvency Act of 1983 raised the taxable limit on monthly earnings from $400 to $600 and the base-year qualifying amount from $1,000 to $1,500. Also, the waiting period for benefits during strikes was increased from 7 to 14 days. In addition, a temporary repayment tax on railroad employers was scheduled to begin July 1, 1986, to initiate repayment of the loans made by the Railroad Retirement Account. And sickness benefits, other than those resulting from on-the-job injuries, were made subject to Federal income tax.

The legislation also mandated the establishment of a Railroad Unemployment Compensation Committee to review the unemployment and sickness benefit programs and submit a report to Congress. The Committee reviewed all aspects of the railroad unemployment insurance system, in particular, repayment of the system's debt to the Railroad Retirement Account, and the viability of transferring railroad unemployment benefit payments to State programs.

The Consolidated Omnibus Budget Reconciliation Act of April 1986 revised the 1983 law which had set a temporary unemployment insurance loan repayment tax beginning July 1, 1986, at a 2 percent rate with increases of 0.3 percent a year until 1990. The amended schedule required rates of 4.3 percent on wages up to $3,500 beginning July 1986, 4.7 percent in calendar year 1987 on wages up to $7,000, and 6 percent in 1988. This budget legislation also continued authority for borrowing by the Railroad Unemployment Insurance Account from the Railroad Retirement Account, but provided for an automatic unemployment insurance surtax on rail employers of 3.5 percent on annual wages up to $7,000 if further borrowing took place.

As a result of the **Gramm/Rudman Act**, unemployment and sickness benefits were reduced in fiscal year 1986 and were reduced periodically in subsequent years.

The 1986 Tax Reform Act made all unemployment benefits subject to Federal income tax, beginning with taxable year 1987.

The Railroad Unemployment Insurance and Retirement Improvement Act, based on recommendations from the Railroad Unemployment Compensation Committee and included in the **Technical and Miscellaneous Revenue Act of 1988,** was enacted on November 10, 1988. The legislation raised the unemployment and sickness daily benefit rate from $25 to $30 retroactively to July 1988 and indexed benefit rates and earnings requirements to national wage levels. The daily benefit rate subsequently rose to $31 in July 1989, $33 in July 1992, and $36 in July 1994. (Legislation enacted in 1996 raised the rate to $42 effective October 9, 1996. By July 2019, the rate increased to $78, and will be $80 in July 2020. In July 2021, the rate will rise to $82.) A 2-week waiting period was established and employers were provided the right to appeal claims of their employees after 1989. Also, the amount of subsidiary remuneration from part-time work which unemployment benefit claimants can earn without affecting their benefits was increased from $10 to $15 a day.

Under the indexing provisions of the 1988 amendments, the taxable earnings base in calendar year 1989 increased from $600 to the first $710 of each employee's monthly earnings, and in 2020 is $1,655. For 1989 and 1990, the contribution rate for all employers except certain public commuter railroads was set at 8 percent. Experience-based tax rates were phased in during 1991, with rates ranging from 5.55 percent to 12 percent. In 2020, they range from .065 percent to 12 percent. New employers pay 3.10 percent in 2020.

The amendments exempted public commuter railroads covered by the Railroad Unemployment Insurance Act from paying the 8 percent tax in 1989 and 1990; instead they reimbursed the unemployment insurance system for the amount of benefits paid during the year to their employees, plus certain administrative costs. Since 1991, these railroads again pay taxes on the same basis as other railroads.

The 1988 amendments assured repayment of the unemployment system's debt to the retirement system by fixing the loan repayment tax at 4 percent in January 1989, with that rate remaining in force until the debt was fully repaid with interest. And the previous $7,000 annual base for this tax was changed to conform to the indexed monthly taxable compensation base. In June 1993 the

$180 million loan balance was repaid in its entirety from cash reserves in the Railroad Unemployment Insurance Account and the loan repayment tax was terminated.

A contingency surtax of 3.5 percent, effective in the event of further borrowing by the Railroad Unemployment Insurance Account, was eliminated in 1991. Instead, a surcharge can be added to employers' unemployment insurance taxes for a calendar year if the balance in the unemployment insurance account on the previous June 30 goes below $100 million (as indexed). The surcharge rate would be 1.5, 2.5, or 3.5 percent depending on the balance in the account. If a 3.5 percent surcharge went into effect for a given year, the maximum rate for any employer would be 12.5 percent rather than 12 percent.

Credits would be provided to employers if a large balance accumulates in the account. If the account balance on the preceding June 30 were above $250 million (as indexed), the excess would be refunded to the employers in the form of a rate reduction for the year through a pooled credit.

The 1988 amendments also require the RRB to make annual financial reports to Congress on the status of the unemployment insurance system. The reports have been favorable.

The Omnibus Budget Reconciliation Act of 1989 revised Federal indexing procedures, which raised the maximum on monthly compensation subject to railroad unemployment insurance taxes and the qualifying earnings requirement. This legislation also revised fiscal year 1990 unemployment and sickness benefit sequestrations under the Gramm/Rudman Act.

1990s and later

Under 1991, 1992, and 1993 emergency unemployment compensation legislation providing temporary extended State unemployment benefits, unemployed railroad workers were made eligible for extended benefits, on a temporary basis, regardless of years of service. These temporary extended benefits were made available for specified periods in 1991, 1992, 1993, and 1994 if previous benefit rights were exhausted by certain dates. Temporary extended unemployment benefits were also provided under 2009, 2010, 2011, and 2012 legislation.

The Railroad Unemployment Insurance Amendments Act of 1996

This Act, signed into law on October 9, 1996, increased the railroad unemployment and sickness insurance daily benefit rate and revised the formula for indexing future benefit rates. It also reduced the waiting period for initial benefit payments and eliminated duplicate waiting periods in continuous periods of unemployment and sickness. In addition, the Act applied an earnings test to claims for unemployment and reduced the duration of extended benefit periods for long-service employees.

The Act's provisions were based on joint recommendations to Congress negotiated by rail labor and management in order to update the railroad unemployment insurance system along the lines of State unemployment insurance systems.

The following provisions were effective upon the October 9, 1996, enactment date:

• The maximum railroad unemployment and sickness insurance daily benefit rate increased to $42 from $36. The formula for indexing future benefit rates was modified so that rates increase more frequently, generally with the start of each new benefit year in July.

The daily benefit rate increased to $43 in July 1997, and gradually increased to $78 in July 2019. It rises to $80 in July 2020, and will increase to $82 in July 2021.

• The law made benefits payable for each day of unemployment or sickness in excess of 7 during an employee's first 14-day registration period in a benefit year. Under prior law, no benefits were payable for the first 14-day claim in a benefit year in order to satisfy a 2-week waiting period requirement. Also, a second waiting period is no longer required when a new benefit year begins during a continuing period of unemployment or sickness.

• An earnings test was made applicable to claims for intermittent unemployment. If an employee's earnings for days worked in a 14-day registration period are more than a certain indexed amount, no benefits are payable for any days of unemployment in that period.

• The Act eliminated the second 13-week period of extended benefits for those with 15 or more years of service.

Under the Budget Control Act of 2011 and a subsequent sequestration order, railroad unemployment and sickness insurance benefits were reduced by 9.2 percent beginning in March 2013. Based on revised projections of benefit claims and payments, the reduction amount was adjusted to 7.2 percent in October 2013, 7.3 percent in October 2014, 6.8 percent in October 2015, 6.9 percent in October 2016, 6.6 percent in October 2017, 6.2 percent in October 2018, and to 5.9 percent effective October 1, 2019. As this publication went to press, the reduction was to remain in effect through September 30, 2020, the end of the fiscal year. Reductions in future fiscal years, should they occur, will be calculated based on applicable law.

EMPLOYMENT AND BENEFITS

Throughout the post World War II period, there has been a declining trend in railroad employment and, consequently, in the number of qualified employees under the Railroad Unemployment Insurance Act. The number of qualified employees dropped from a peak of 2,400,000 in 1946-47 to a low of 234,600 in calendar year 2018, a decrease of 800 from 2017.

In the 2018-2019 benefit year, unemployment benefits totaled about $32 million and unemployment benefit claimants numbered approximately 7,900. Benefits decreased 23 percent while the number of claimants decreased 16 percent in comparison with the previous year.

The number of sickness beneficiaries has ranged from 179,000 in 1948-49 to 14,400 in 2018-2019. In the 2018-2019 benefit year, gross sickness benefits of some $73 million were paid. Net sickness benefits totaled about $51 million, reflecting repayment of a large amount of benefits following settlements of suits for injuries. The number of claimants decreased 9 percent while net benefits decreased 10 percent in comparison with the previous year.

SCOPE OF RRB OPERATIONS

- **By June 30, 2019, approximately $9.2 billion in unemployment-sickness benefits had been paid since operations began 80 years earlier.**
- **About two-thirds of this amount was for unemployment benefits.**

Note.- In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 6.8 percent under sequestration for days of unemployment and sickness after September 30, 2015, 6.9 percent for days after September 30, 2016, 6.6 percent for days after September 30, 2017, and 6.2 percent for days after September 30, 2018.

CHAPTER 6

Provisions of the Railroad Unemployment Insurance Act

The Railroad Unemployment Insurance Act provides benefits for qualified railroad employees. The Act is designed to restore part of their wage loss arising from unemployment or sickness (including, for female employees, health conditions related to pregnancy, miscarriage, or childbirth). Payments are made for days of unemployment or sickness in a benefit year, which generally begins on July 1, to employees who had sufficient earnings in the preceding calendar year (called the base year) to meet the qualifying conditions.

A *day of unemployment* is a day on which a qualified employee is able to work and available for work and does not receive any pay, is not disqualified, and has properly registered for unemployment benefits. Any calendar day on which the employee does not work solely because of mileage-limitation or work-restriction agreements or solely because he or she is between regularly assigned trips or tours of duty or because a turn in pool service was missed is not considered a day of unemployment. An extra-board employee can receive unemployment benefits between jobs if the miles and/or hours actually worked were less than the equivalent of normal full-time work in his or her class of service during the 14-day claim period. Entitlement to benefits would also depend on earnings.

To be eligible for unemployment benefits, a qualified employee must be ready, willing, and able to work, and be available for work.

Who is considered a qualified employee?

A qualified employee is one who earns qualifying creditable compensation in a base year ($4,012.50 in 2019; $4,137.50 in 2020) counting no more than a certain amount in any month ($1,605 in 2019; $1,655 in 2020). In addition, a new employee must have some employment in at least 5 months of the first year worked in the railroad industry in order to draw benefits in the following benefit year.

A *day of sickness* is a day on which the employee is unable to work because of sickness or injury and for which he or she does not receive any pay and has filed an application for sickness benefits and a statement of sickness. The statement of sickness provides evidence of the employee's medical condition and its expected duration. It must be signed by the employee's doctor (or other authorized individual).

To be eligible for sickness benefits, a qualified employee must be unable to work due to illness or injury (on or off the job).

As indicated above, a claimant may not receive benefits for any day for which pay is received. This includes railroad and nonrailroad wages, salary, pay for time lost, pay while sick, dismissal allowances, most wage guaranty payments, vacation pay, holiday pay, military reservist pay, earnings from self-employment, or remuneration other than subsidiary remuneration. However, payments received under an RRB-approved nongovernmental supplemental unemployment or sickness insurance plan, an employee's own health or accident insurance policy, or a group insurance policy will not affect entitlement to benefits and should not be reported on claims.

An earnings test is applied to unemployment claims. If a claimant's earnings for days worked, and/or days of vacation, paid leave, or other pay, in a 14-day registration period are more than a certain indexed amount, no benefits are payable for *any* days of unemployment in that period. That registration period, however, can be used to satisfy the waiting period requirement described on the next two pages. Earnings include pay from self-employment and railroad, nonrailroad, and part-time work. Earnings also include pay that would have been earned except for failure to mark up or report for duty on time, or because the employee missed a turn in pool service, or was otherwise not ready or willing to work. For the benefit year that began July 2019, the amount is $1,560; for the benefit year that begins July 2020, the amount rises to $1,605; and for the benefit year that begins July 2021, the amount will be $1,655. These amounts correspond to the base year monthly compensation amounts used in determining eligibility for benefits in each year. Also, even if an earnings test applies on the first claim in a benefit year, this will not prevent the first claim from satisfying the waiting period in a benefit year.

On the other hand, earnings of no more than $15 a day from work which is substantially less than full-time and not inconsistent with the holding of normal full-time employment may be considered subsidiary remuneration and may not prevent payment of any days in a claim. However, a claimant must be sure to report all full and part-time work on each claim, regardless of the amount of earnings, so the RRB can determine whether the work affects benefits.

What is the current daily benefit rate?

The maximum daily benefit rate payable in benefit year 2019-2020 (July 1, 2019 - June 30, 2020) is $78; and, for biweekly claims, maximum benefits can total $780. The maximum daily benefit rate will be $80 in July 2020, and will rise to $82 in July 2021. It may increase at the beginning of each future benefit year depending on the growth in average national wages.

Sickness benefits payable for the first 6 months after the month the employee last worked are subject to tier I railroad retirement payroll taxes, unless benefits are being paid for an on-the-job injury.

Benefits are normally paid for the number of days of unemployment or sickness over 4 in 14-day registration periods. Initial sickness claims must also begin with 4 consecutive days of sickness. However, during the first 14-day claim period in a benefit year, benefits are only payable for each day of unemployment or sickness in excess of 7 which, in effect, provides a 1-week waiting period. Separate waiting periods are required for unemployment and sickness benefits. However, only one 7-day waiting period is generally required during any period of continuing unemployment or sickness, even if that period continues into a subsequent benefit year.

If an employee has at least 5 days of unemployment or 5 days of sickness in a 14-day period, he or she should still file for benefits.

A *period of continuing sickness* means either (1) a period of consecutive days of sickness, whether from one or more causes, or (2) a period of successive days of sickness due to a single cause without interruption of more than 90 consecutive days which are not days of sickness. An example of a qualifying situation under the latter condition would be an ailment such as chronic arthritis which could disable an employee for several days in a row, then be relieved for a brief period before recurring and forcing the employee to again be absent from work. Assuming this sequence of events occurred within 90 days, the *period of continuing sickness* would still be in effect and the employee could receive sickness benefits without again satisfying the 4 consecutive day requirement for a new sickness.

A *period of continuing unemployment* means a period of time for which an employee files claims for unemployment benefits where (1) each claim has 5 or more valid days of unemployment, and (2) each claim begins within 15 days after the previous claim ends.

What are registration periods?

A registration period for unemployment is normally a period of 14 days, beginning with the first day which the employee claims by properly registering. A new registration period begins with the first day claimed after the end of a preceding registration period.

A registration period for sickness benefits begins with the first day with respect to which the employee files an application for sickness benefits, and a statement of sickness filled out by his or her doctor. A new registration period begins immediately after the end of the preceding registration period as long as the employee's period of sickness continues. Registration periods for sickness benefits may also overlap when a period of continuing sickness ends and a new sickness follows the end of the previous one within 14 days.

Are strike benefits available?

If someone is unemployed because of a strike conducted in accordance with the Railway Labor Act, benefits are not payable for days of unemployment during the first 14 days of the strike, but benefits are payable during subsequent 14-day periods. If a strike is in violation of the Railway Labor Act, unemployment benefits are not payable to employees participating in the strike. However, employees not among those participating in such an illegal strike, but who are unemployed on account of the strike, may receive benefits after the first 2 weeks of the strike. While a benefit year waiting period cannot count towards a strike waiting period, the 14-day strike waiting period may count as the benefit year waiting period if the employee subsequently becomes unemployed for reasons other than a strike later in the benefit year.

What are normal benefits?

Normal benefits are paid for up to 130 days (26 weeks) in a benefit year. Benefit rights are exhausted when a benefit year ends (normally June 30) or earlier if benefit payments equal base-year creditable earnings.

Maximum normal benefits payable in the benefit year beginning July 2019 cannot exceed an employee's railroad earnings in base year 2018, counting monthly earnings up to $2,015; in the benefit year beginning July 2020, monthly earnings up to $2,073 for base year 2019 will be counted; and in the benefit year beginning July 2021, monthly earnings up to $2,138 for base year 2020 will be counted. This allows employees who qualify with relatively low earnings to be eligible for more days of benefits.

In order to qualify for normal unemployment benefits, the employee must not have voluntarily quit work without good cause and not have voluntarily retired.

Can benefits be extended?

If an employee has at least 10 years of service (120 or more cumulative service months) and exhausts normal unemployment or sickness benefits, he or she may be eligible to receive extended benefits for up to 65 days (during 7 consecutive 14-day registration periods). Also, if the employee is not qualified for normal benefits in the current benefit year but received normal benefits in the previous year, he or she may still be eligible for extended benefits.

In order to qualify for extended unemployment benefits, a claimant must not have voluntarily quit work without good cause and not have voluntarily retired. To qualify for extended sickness benefits, a beneficiary must not have voluntarily retired and must be under age 65.

Can benefits be accelerated?

Employees with 10 or more years of service (120 or more cumulative service months) whose earnings do not qualify them for unemployment or sickness benefits in the current benefit year, but will qualify them in the next benefit year, may be able to receive normal unemployment or sickness benefits before the regular beginning date of the next benefit year. To be eligible for these accelerated benefits, they must have 14 or more consecutive days of unemployment or sickness and not have voluntarily retired, or quit work without good cause if claiming unemployment benefits, and be under age 65 when claiming sickness benefits. This provision gives protection to a long-service employee at the time it is most needed; for example, to an employee with substantial recent earnings who is not otherwise qualified for benefits because an illness, long layoff, or other circumstances prevented him or her from working in the base year.

A benefit year that is started early for one type of benefit also starts early for benefits of the other type. Also, an employee may receive sickness benefits in a benefit period extended for unemployment, or unemployment benefits in a benefit period extended for sickness, and it is possible to have benefit periods extended for both unemployment and sickness with respect to the same benefit year.

Are maternity benefits available?

A qualified employee may receive sickness benefits if she is unable to work or if working would be injurious to her health because of pregnancy, miscarriage, or childbirth. Such benefits are paid in the same amounts as any other sickness benefits. Paternity benefits are not payable.

Can benefits be payable under more an one system?

If an employee receives a retirement, disability, or survivor benefit under the Railroad Retirement Act, Social Security Act, or any other social insurance law for days for which he or she is also entitled to benefits under the Railroad Unemployment Insurance Act, unemployment or sickness benefits are payable only to the extent to which they exceed the other payments for those days. Examples of other such social insurance payments are military pensions other than VA benefits, firefighters' and police pensions, or certain workers' compensation payments. Claimants should report all such other payments promptly to avoid having to refund benefits later.

There is no reduction in unemployment or sickness benefits for benefits paid under an RRB-approved nongovernmental sickness insurance plan, such as a supplemental sickness plan established by a railroad. Similarly, there is no reduction in benefits if an employee receives supplemental unemployment benefits under an RRB-approved nongovernmental unemployment benefit plan. But unemployment and sickness benefits provided under the Railroad Unemployment Insurance Act are not payable if Federal/State unemployment or sickness benefits under other laws, including Canadian law, are paid for the same period of time.

If an employee is awarded damages or receives a settlement because of an injury, any sickness benefits already paid for the same injury will have to be deducted from the settlement and refunded to the RRB. Any benefits due for the same injury for later periods may be withheld. The amount recoverable or withheld in such cases cannot, however, exceed the net amount of the damages or settlement after medical (even if covered by insurance) and legal expenses have been deducted.

Unemployment benefits are normally not paid if an employee is fully protected by a wage guaranty plan. If an employee receives unemployment or sickness benefits and later is paid for time lost for the same period, the employer will be asked to withhold an amount equal to the unemployment or sickness benefits. The employer must then pay this amount to the RRB.

Unemployment benefits can sometimes be paid even though a claimant is covered by a job protection plan which guarantees a certain amount of work or wages each month. However, if a claimant receives a protective allowance from an employer for a period for which benefits were paid, some or all of the benefits will have to be refunded. Such allowances should be reported promptly to the RRB.

Can an employee be disqualified from receiving benefits?

To protect the system, various measures are provided in the Railroad Unemployment Insurance Act and its administration by the RRB. First, the law specifies various conditions of eligibility. Second, the procedures for registration and adjudication of claims are designed to provide evidence that these conditions are met. Third, claimants may be temporarily disqualified for a number of reasons. The maximum amount payable in a benefit year is not affected by disqualifications.

A claimant for unemployment benefits may be disqualified for 30 days if he or she refuses to accept suitable work or fails to follow instructions to apply for work or to report to an RRB office or a State unemployment office for an interview.

A claimant who leaves either railroad or nonrailroad work voluntarily without good cause is disqualified, starting with the day he or she leaves work, until he or she has returned to railroad employment and earned wages sufficient to qualify for benefits again. This disqualification also applies to a claimant who leaves work voluntarily with good cause, but only with respect to periods in which he or she could receive unemployment benefits under another law.

A claimant is also disqualified for any day on which he or she takes part in a strike begun in violation of the Railway Labor Act or in violation of the established rules and practices of a labor organization of which he or she is a member. This disqualification only applies to claimants who work on the premises where the strike occurs *and* who do the same kind of work as the employees participating or directly involved in the strike.

An employee who is paid a separation allowance is disqualified for both unemployment and sickness benefits for roughly the period of time it would have taken to earn the amount of the allowance.

A claimant may be disqualified for sickness benefits if he or she fails to take a medical examination when required by the RRB.

If a claimant makes a false or fraudulent statement or claim to obtain unemployment or sickness benefits, he or she will be disqualified for 75 days and may also be subject to a fine or imprisonment. The RRB conducts checks with Federal agencies and all 50 States, the District of Columbia, and Puerto Rico as well as railroads in order to detect fraudulent benefit claims. The RRB also checks with physicians to verify the accuracy of medical statements supporting sickness benefit claims.

FREE PLACEMENT SERVICE

The Railroad Unemployment Insurance Act authorizes the RRB to operate a free placement service. The primary purpose of the placement service is to secure new employment for experienced railroad workers who have lost their jobs.

When a claimant applies for unemployment benefits, he or she also applies for employment service. The claimant will probably be interviewed by an RRB representative who will try to help secure employment if he or she does not have good prospects of returning to his or her former job. The claimant may be referred by the representative to a suitable railroad job; otherwise, an effort will be made towards placement in a nonrailroad job for which the claimant appears qualified.

As part of its placement service, the RRB maintains a list of job openings reported by railroads. The **Railroad Jobs List** is published online at **RRB.gov** and available at all RRB offices. The booklet, *Guide to Finding the Right Job* (Form UB-12), is also available online and at any RRB office.

PAYMENTS

Under the RRB's Customer Service Plan, when an employee files an application or claim for unemployment or sickness benefits, the agency will determine if he or she is eligible for benefits within 10 days of receiving the application or claim. If eligible, benefits will be paid generally within one week of that decision.

Handling may take longer than expected if the RRB has to get information from other people or organizations, or if a claim for benefits is especially complex. If a decision notice or payment is not received within the specified time period, claimants can check the status of their claims by calling the RRB toll-free at 1-877-772-5772. Employees using **myRRB** can check the status of their benefit claims or payments after signing into their account at **RRB.gov/myRRB**.

Because railroad unemployment and sickness insurance benefits are paid by Direct Deposit, payments are issued directly to an employee's bank, savings and loan, credit union, or other financial institution. The RRB will ask first time applicants to provide the information needed for Direct Deposit enrollment.

GETTING UNEMPLOYMENT BENEFITS

Apply for and claim unemployment benefits online or by mail.

APPLY ONLINE

Employees using **myRRB** can sign in to conveniently apply for unemployment benefits online. Those who need to create an account should visit **RRB.gov/myRRB** and click on the button at the top of the page labeled **SIGN IN WITH LOGIN.GOV**. The RRB encourages employees to establish their **myRRB** accounts while still working to expedite the filing process for future unemployment benefits, and for access to other online services.

APPLY BY MAIL

Employees can obtain an *Application for Unemployment Benefits* (Form UI-1) from **RRB.gov**, railroad labor organizations, railroad employers, or any RRB field office. Once complete, the application should be mailed to the local RRB field office as soon as possible.

In any case, the application must be filed within 30 days from the date the employee became unemployed or the first day for which he or she wishes to claim benefits. Benefits may be lost if the application or claim is filed late. If an employee knows in advance that he or she may be filing an unemployment application or claim late, they should include a signed statement explaining why they are unable to meet the required time frame.

Whether the employee files online or by mail, the local field office reviews his or her completed application and notifies the claimant's current railroad employer, and base-year employer if different. The employer has the opportunity to provide information about the benefit application.

BIWEEKLY CLAIMS

After the RRB processes the application, biweekly claim forms are made available online and are also mailed to the claimant, as long as he or she remains unemployed and eligible for benefits. Claim forms should be signed and submitted (online or by mail) on or after the last day of the claim. The completed claim must be received by an RRB office within 15 days of the end of the claim period, or within 15 days of the date the claim was made available online or mailed to the claimant, whichever is later.

Claimants must not file both online and paper claim forms for the same claim period(s). Also, once an individual submits a claim online, all subsequent claim forms will be made available online only, and will no longer be mailed.

Before making an initial determination, the RRB must notify the employee's base-year employer (and current year employer if different) each time he or she files a claim for unemployment benefits and give that employer an opportunity to submit information relevant to the claim. The RRB will also notify the base-year employer each time benefits are paid to the employee.

Only one application need be filed during a benefit year, even if a claimant becomes unemployed more than once. However, in that case, the employee must request a new claim form from an RRB office within 30 days of the first day for which he or she wants to resume claiming benefits. These claims may then be filed by mail or online.

GETTING SICKNESS BENEFITS

File an application for sickness benefits by mail,
and claim sickness benefits online or by mail.

APPLICATION PROCESS

Employees can obtain an *Application for Sickness Benefits* (Form SI-1a) from **RRB.gov**, railroad labor organizations, railroad employers, or any RRB field office. An application and a doctor's statement of sickness are required at the beginning of each period of continuing sickness for which benefits are claimed.

The RRB suggests that employees keep an application for sickness benefits on hand, and that family members know where the form is kept and how to use it. If an employee becomes unable to work because of sickness or injury, the employee should complete an application and then have his or her doctor complete the *Statement of Sickness* (Form SI-1b). If the employee is too sick to complete the application, someone else may do so on his or her behalf. In such cases, a family member should also complete a *Statement of Authority to Act for Employee* (Form SI-10), which accompanies the statement of sickness.

Completed forms should be mailed to the RRB's headquarters in Chicago within 10 days from when the employee became sick or injured. Once received, the RRB processes the application (with statement of sickness) and determines if the employee is eligible for benefits.

BIWEEKLY CLAIMS

Biweekly claims are then made available online and also mailed to the qualified employee, as long as he or she is unable to work due to illness or injury. Those choosing to file the paper claim received by mail should return the completed form to RRB headquarters for processing.

Employees using **myRRB** can sign in at **RRB.gov/myRRB** to conveniently file sickness claims online. The RRB encourages employees to establish their **myRRB** accounts while still working to expedite the filing process for future sickness benefits, and for access to other online services.

Claim forms must be received at the RRB within 30 days of the last day of the claim period, or within 30 days of the date the claim form was mailed to the claimant or made available online, whichever is later. Benefits may be lost if an application or claim is filed late. If an employee knows in advance that he or she may be filing a sickness application or claim late, they should include a signed statement explaining why they are unable to meet the required time frame. Also, once an individual submits a claim online, all subsequent claim forms will be made available online only, and will no longer be mailed.

REMINDERS

- While claim forms for sickness benefits can be submitted online, applications must be returned to the RRB by mail.
- Statements of sickness may be mailed with the sickness application or faxed directly from the doctor's office to the RRB at 312-751-7185. Faxes must include a cover sheet from the doctor's office.
- In order to prevent a delay in processing applications/claims, employees are advised against sending any sickness benefit forms to the RRB in Chicago via certified mail.

APPEALS

Employees

An employee dissatisfied with the initial decision on his or her claim may first request reconsideration from the RRB unit which issued that decision. An individual has 60 days from the date on which notice of the initial decision is mailed to the claimant to file a written request for reconsideration. This step is mandatory before a decision may be appealed to the RRB's Bureau of Hearings and Appeals. Failure to request reconsideration within 60 days will result in forfeiture of further appeal rights.

If the case involves a benefit overpayment of more than 10 times the maximum daily benefit rate, the claimant may request a waiver of recovery. In order for recovery of the overpayment to be deferred while a waiver request is pending, the waiver request must be in writing and filed within 60 days from the date on which notice of the overpayment was mailed to the beneficiary. If waiver is requested, the claimant may be asked to complete a financial statement on a form provided by the RRB.

If dissatisfied with the reconsideration or waiver decision, a claimant may, within 60 days, appeal to the RRB's Bureau of Hearings and Appeals. This appeal must be filed using RRB Form HA-1, which is available at **RRB.gov** under the **Resources** tab (**Appeals**), and at every RRB field office.

If the employee is not satisfied with the Bureau of Hearings and Appeals' decision, he or she may further appeal to the three-member Board, which heads the agency, within 60 days from the date on which notice of the Bureau of Hearings and Appeals' decision is mailed. This appeal must be filed using RRB Form HA-1, which, as stated previously, may be obtained from **RRB.gov**, or the agency's field offices.

If dissatisfied with the three-member Board's final decision, a claimant may then file a petition with the appropriate U.S. Court of Appeals to review the Board's decision. The petition for review must be filed within 90 days of the Board's decision notice.

Employers

When an employer is a party to a claim for benefits, that employer may protest the payment of benefits, but such protests do not prevent the timely payment of benefits. However, employees may be required to repay benefits if their employers' protests are ultimately successful. The employer also has the right to appeal an unfavorable decision to the RRB's Bureau of Hearings and Appeals.

INCOME TAXES

Unemployment benefits paid by the RRB are subject to Federal income taxes, just like unemployment benefits paid under the State government programs.

Sickness benefits paid by the RRB, except for sickness benefits resulting from on-the-job injuries, are subject to Federal income tax under the same limitations and conditions that apply to the taxation of sick pay received by workers in other industries.

The Railroad Unemployment Insurance Act specifically provides that railroad unemployment and sickness benefits are not subject to State income taxes. In January of each year, the RRB sends railroad employees Form 1099-G showing the total amount of unemployment benefits paid during the previous year and/or Form W-2 showing the net amount of sickness benefits paid.

FOR MORE INFORMATION

Unemployment and sickness claimants can conveniently check on the status of their claims or payments at any time by calling the agency's toll-free service at 1-877-772-5772. The service is available 24 hours a day, 7 days a week.

Railroad employees using **myRRB** can sign in to their accounts to utilize the following self-serve features:

- File **UNEMPLOYMENT** applications and claims
- File **SICKNESS** claims
- View **ACCOUNT STATEMENT** of benefit payments

TOLL-FREE SERVICE

1-877-772-5772

RRB.gov/myRRB

Table 14.— Benefits under the railroad unemployment insurance system

QUALIFYING WAGES	
Base Year 2018	$3,900.00
Base Year 2019	$4,012.50
Base Year 2020	$4,137.50
DAILY BENEFIT RATE	
Basic Rate (60% of Daily Rate of Pay)	
Maximum	
Benefit Year 2019-2020[1]	$78.00
Benefit Year 2020-2021	$80.00
Benefit Year 2021-2022	$82.00
Minimum	$12.70
MAXIMUM NORMAL BENEFITS	
For 14-Day Period	
Benefit Year 2019-2020	$780
Benefit Year 2020-2021	$800
Benefit Year 2021-2022	$820
For Benefit Year	
Duration (130 Compensable Days)	
Amount[2]	
Benefit Year 2019-2020	$10,140
Benefit Year 2020-2021	$10,400
Benefit Year 2021-2022	$10,660
MAXIMUM EXTENDED BENEFITS	
10 or More Years of Service	
Duration (65 Compensable Days)	
Amount	
Benefit Year 2019-2020	$5,070
Benefit Year 2020-2021	$5,200
Benefit Year 2021-2022	$5,330

[1] A benefit year generally runs from July 1 of a calendar year through June 30 of the next calendar year.

[2] Not to exceed the employee's taxable earnings in the base year, counting earnings up to $2,015 a month for benefit year 2019-2020 (base year 2018), $2,073 a month for benefit year 2020-2021 (base year 2019), and $2,138 a month for benefit year 2021-2022 (base year 2020).

Note.-- Amounts do not reflect sequestration. In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, benefits were reduced 6.2 percent for days of unemployment and sickness after September 30, 2018, and are reduced 5.9 percent for days after September 30, 2019.

Some net sickness benefit payments are somewhat less than the above amounts since they are subject to tier I railroad retirement taxes.

Table 15.— Maximum weekly benefit amount under the Railroad Unemployment Insurance Act and State unemployment laws, July 2019

BENEFIT PLAN	MAXIMUM WEEKLY BENEFIT AMOUNT
RAILROAD UNEMPLOYMENT INSURANCE ACT: $390	
STATE LAW:	
Alabama	$265
Alaska	370-442
Arizona	240
Arkansas	451
California	450
Colorado	561 or 618
Connecticut	631-706
Delaware	400
District of Columbia	432
Florida	275
Georgia	365
Hawaii	630
Idaho	432
Illinois	471-648
Indiana	390
Iowa	481-591
Kansas	488
Kentucky	552
Louisiana	247
Maine	445-667
Maryland	430
Massachusetts	795-1,192
Michigan	362
Minnesota	462-717
Mississippi	235
Missouri	320
Montana	552

See continuation of table on next page.

Table 15.— Continued

BENEFIT PLAN	MAXIMUM WEEKLY BENEFIT AMOUNT
STATE LAW:	
Nebraska	$426
Nevada	469
New Hampshire	427
New Jersey	696
New Mexico	442-492
New York	450
North Carolina	350
North Dakota	618
Ohio	443-598
Oklahoma	520
Oregon	648
Pennsylvania	561-569
Puerto Rico	190
Rhode Island	586-732
South Carolina	326
South Dakota	414
Tennessee	275
Texas	507
Utah	560
Vermont	513
Virginia	378
Virgin Islands	552
Washington	790
West Virginia	424
Wisconsin	370
Wyoming	508

Note.- When two amounts are given, the higher includes dependents' allowances. There are other States with dependents' allowances but the maximum is the same with or without the allowance.

Table 16.— Operations under the Railroad Unemployment Insurance Act, benefit year 2018-2019[1]

BENEFIT ACTIVITY	UNEMPLOYMENT BENEFITS	SICKNESS BENEFITS
Qualified employees	235,400	235,400
Applications received	12,200	17,900
Claims received	63,000	119,600
Payments:[2]		
Number	52,300	102,100
Average amount per two-week claim period[3]	$644	$638
Amount of benefits (net)[3]	$31,641,000	$50,742,000
Claimants	7,900	14,400
Accounts exhausted	1,700	3,000

[1] July 1, 2018, through June 30, 2019.

[2] Not adjusted for recoveries or settlements of underpayments.

[3] In accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended by the Budget Control Act of 2011, amounts reflect a reduction of 6.8 percent under sequestration for days of unemployment and sickness after September 30, 2015, 6.9 percent for days after September 30, 2016, 6.6 percent for days after September 30, 2017, and 6.2 percent for days after September 30, 2018.

CHAPTER 7

Financing Unemployment and Sickness Insurance

Under the Railroad Unemployment Insurance Act, an employee's eligibility for benefits is based on taxable earnings in a calendar year and normally applies only to benefits in the benefit year starting the following July 1. For example, qualifying earnings in calendar year 2019 ordinarily give rise to normal benefits only in the benefit year beginning July 1, 2020. Given this limited period of potential benefits, the financing of railroad unemployment and sickness benefits is essentially a short-term proposition in comparison to the financing of retirement benefits. An employee's eligibility for unemployment or sickness benefits ceases within about 2 years after he or she leaves railroad work, while eligibility for railroad retirement annuities continues for decades after an employee leaves the industry. Consequently, in a given series of benefit years, gradually declining rail employment is less of a factor than major recessions or work stoppages causing industry-wide unemployment on a temporary basis.

CONTRIBUTIONS

The railroad unemployment and sickness benefit programs are financed exclusively by contributions of railroad employers, based on the taxable earnings of their employees. The employees themselves do not contribute. In calendar year 2020, the taxable earnings base is the first $1,655 of each employee's monthly earnings. The earnings base is indexed each year by a rate which is equal to approximately two-thirds of the annual rate of increase in the maximum base for railroad retirement tier I taxes.

Experience-based tax rates were phased in during 1991. Each employer pays contributions at a rate which takes into consideration the employer's actual incidence of benefit usage. Under experience rating, employers whose employees have low incidences of unemployment and sickness pay contributions at a lower rate than employers with higher levels of benefit usage. Each employer's rate also has a component for administrative expenses and a component to cover costs shared by all employers.

In 2020, the basic tax rates on railroad employers, including covered commuter railroads, range from a minimum of 0.65 percent to a maximum of 12 percent. No surcharge is added to the basic tax rate, as the Railroad Unemployment Insurance Account accrual balance of $157.5 million was greater than the indexed threshold of $152.3 million on June 30, 2019. The 0.65 percent minimum rate is being paid by 84 percent of employers in 2020. New employers pay a tax of 3.10 percent in 2020, which represents the average rate paid by all employers in the period 2016-2018.

A surcharge is added to each employer's tax rate during any calendar year in which the balance in the Railroad Unemployment Insurance Account on the preceding June 30 is less than an indexed threshold amount. If the account balance is less than $100 million (as indexed), but at least $50 million (as indexed), the surcharge will be 1.5 percent. If the account balance is less than $50 million (as indexed), but greater than zero, the surcharge will be 2.5 percent. A maximum surcharge of 3.5 percent applies if the account balance is less than zero. If the account balance on the preceding June 30 is above $250 million (as indexed), the excess will be refunded to the employers in the form of a rate reduction for the year through a pooled credit. Each employer's tax rate (prior to application of individual maximum and minimum limitations) will be reduced by the ratio of the excess amount to the taxable payroll of all employers.

The experience-based tax rates have a 12 percent maximum, or a 12.5 percent maximum if a 3.5 percent surcharge is in effect. Included in the rate is the basic rate, an administration tax rate of 0.65 percent, and, if either is applicable, the surcharge rate or the rate of the pooled credit. Since the basic employer tax rate plus any pooled credit cannot be less than zero, 0.65 percent is the minimum rate which any employer can pay.

RAILROAD UNEMPLOYMENT INSURANCE ACCOUNT

Railroad unemployment insurance funds not needed immediately for the payment of benefits are deposited in the Railroad Unemployment Insurance Account maintained by the Treasury. This account, together with similar accounts for each State, forms a national unemployment trust fund. Deposits in the unemployment trust fund are invested by the Treasury in securities of the U.S. Government. Every quarter, the Railroad Unemployment Insurance Account and the Railroad Unemployment Insurance Administration Fund each receive a proportionate share of the interest earnings of the trust fund, based on average daily balances.

The Railroad Unemployment Insurance Administration Fund, separate from the Railroad Unemployment Insurance Account, pays the costs of administering the railroad unemployment insurance system. An amount equal to 0.65 percent of taxable payroll is set aside from railroad contributions for the Railroad Unemployment Insurance Administration Fund. Any amount in the Railroad Unemployment Insurance Administration Fund in excess of $6 million (on an accrual basis) on September 30 of any year is transferred to the Railroad Unemployment Insurance Account.

To ensure adequate funds in periods of high unemployment, Congress gave the RRB authority in 1959 to borrow money from the Railroad Retirement Account for the payment of benefits from the Railroad Unemployment Insurance Account. Interest on money borrowed is paid to the Railroad Retirement Account at approximately the same rate as the Treasury pays on the investments of the Railroad Retirement Account.

BORROWING AUTHORITY

After the borrowing authority was first used in July 1959, additional sums were subsequently borrowed in succeeding years as required. Payments on the debts to the Railroad Retirement Account were made whenever excess unemployment funds were available. Following 1963 financing amendments, indebtedness to the Railroad Retirement Account gradually declined from a then peak level of nearly $330 million and was liquidated in September 1973.

Subsequent to 1973, the Railroad Unemployment Insurance Account balance fluctuated into and out of the red until the early 1980s when the continuing recession in the national economy depressed rail traffic levels to the extent that large-scale layoffs were underway by early 1982.

Increased unemployment benefit payments resulting from the layoffs of over 25 percent of the rail industry's workforce made unprecedented demands on the Railroad Unemployment Insurance Account. By the end of fiscal year 1986, the debt to the Railroad Retirement Account was at its peak level of over $850 million.

The Railroad Retirement Solvency Act of 1983 established a Railroad Unemployment Compensation Committee to review all aspects of the unemployment and sickness insurance program and recommend to Congress adjustments in contributions and benefits resulting in the repayment of the loans from the Railroad Retirement Account before December 31, 2000. The Solvency Act precluded further borrowing after 1985 and levied a special excise tax on railroad employers and employee representatives to be used solely to repay loans from the Railroad Retirement Account. This tax, as amended by omnibus budget reconciliation legislation enacted in 1986, levied a 4.3 percent rate on wages up to $3,500 beginning July 1986, 4.7 percent in calendar year 1987 on wages up to $7,000, and 6 percent in 1988. The budget legislation restored the borrowing authority but provided an automatic unemployment insurance surtax on rail employers in the event further borrowing from the Railroad Retirement Account were necessary.

The Railroad Unemployment Insurance and Retirement Improvement Act of 1988, based on the recommendations of the Railroad Unemployment Compensation Committee, assured repayment of the unemployment system's debt to the retirement system by fixing the loan repayment tax at 4 percent in January 1989, with that rate remaining in force until the debt was fully repaid with interest. The previous $7,000 annual base for this tax was changed to an indexed monthly base of $710 in January 1989; in 1993, the base was $810. The 1988 amendments also eliminated the contingency surtax as of 1991, replacing it with a surcharge if the balance in the Railroad Unemployment Insurance Account falls below $100 million (as indexed), as described earlier.

In June 1993, the $180,242,000 balance of the Railroad Unemployment Insurance Account's debt to the Railroad Retirement Account was repaid in its entirety from cash reserves in the Railroad Unemployment Insurance Account. Repayment of the debt terminated the loan repayment tax.

Subsequent to the June 1993 repayment, the Railroad Unemployment Insurance Account has exercised its authority to borrow from the Railroad Retirement Account in 2002 (repaid in 2003) and most recently in 2009-2010 (repaid in 2011).

FINANCIAL REPORT

The RRB is required to report annually to Congress on the financial status of the railroad unemployment insurance system. The railroad unemployment insurance financial report submitted in June 2019 was generally favorable. Even as projected maximum benefit rates increase 44 percent (from $77 to $111) from 2018 to 2029, experience-based contribution rates maintain solvency.

The report also predicted average employer contribution rates well below the maximum throughout the projection period. A surcharge of 1.5 percent, in effect for 2019, will be followed by no surcharge in 2020. A surcharge of 1.5 percent in 2021 is predicted under each of the report's three employment assumptions, and is expected to continue through 2022. No financing changes were recommended.

Table 17.— Unemployment and Sickness Insurance Program Consolidated Financing Sources, Costs, and Net Position (Millions)[1]

FOR THE FISCAL YEAR ENDED SEPTEMBER 30	2019	2018
Financing Sources:		
Employer Payroll Taxes	$131.4	$133.9
Interest Income	5.3	0.4
General Appropriations	0.0	0.0
Total Financing Sources	136.7	134.3
Costs:		
Benefit Payments:		
Unemployment	35.9	28.3
Sickness	66.7	67.0
Other	(13.8)	(5.0)
Total Costs	88.8	90.3
Financing Sources over Costs Net	47.9	44.0
Position - Beginning of Period Net	293.0	249.0
Position - End of Period[2]	$340.9	$293.0

[1] Source of data is the RRB's Performance and Accountability Report.

[2] Totals may not sum due to rounding.

CHAPTER 8

Administration of the Railroad Retirement System

The railroad retirement system is based on three Federal laws: the Railroad Retirement Act, the Railroad Unemployment Insurance Act, and the Railroad Retirement Tax Act. The first two of these Acts are administered by the RRB, and the third by the Internal Revenue Service of the U.S. Treasury. The RRB also participates in the administration of the Federal Medicare health insurance program. In past years, the RRB assisted in the administration of certain employee protection provisions of the Regional Rail Reorganization Act, the Northeast Rail Service Act, the Milwaukee Railroad Restructuring Act, and the Bankrupt Railroad Service Preservation and Employee Protection Act.

An independent agency in the executive branch of the Federal Government, the RRB is administered by three members appointed by the President, with the advice and consent of the Senate. By law, the Labor Member is appointed upon recommendation of railroad labor organizations, the Management Member upon recommendation of railroad employers, and the third member, the Chairman, is, in effect, independent of employees and employers and represents the public interest. The terms of office are 5 years and are arranged so as to expire in different calendar years. The President also appoints an Inspector General for the RRB.

The U.S. Railroad Retirement Board is an independent agency in the executive branch of the Federal Government.

The primary function of the RRB is to determine and process benefit payments under the retirement-survivor and unemployment-sickness programs. To this end, the agency employs field representatives to assist railroad personnel and their families in filing claims for benefits; examiners to adjudicate the claims; and information technology staff to ensure equipment and programs maintain earnings records, calculate benefits, and process payments.

The RRB also employs actuaries to predict the future income and outlays of the railroad retirement trust funds; statisticians and economists to provide vital data; and attorneys to interpret legislation and represent the agency in litigation. The Inspector General employs auditors and investigators to detect any waste, fraud, or abuse in the benefit programs.

The headquarters of the RRB is located in the William O. Lipinski Federal Building, at 844 North Rush Street, Chicago, Illinois 60611-1275. The agency also maintains field offices across the country in localities easily accessible to large numbers of railroad workers.

RRB and Other Agencies

As an independent agency in the executive branch of the Federal Government, the RRB has many dealings with a number of other Federal agencies and with some State agencies. Its interaction with some of these agencies, such as the President's Office of Management and Budget, the Office of Personnel Management, the Government Accountability Office, and the Department of the Treasury, are similar to the dealings of other executive branch agencies with these units. The RRB's relations with certain others—principally, the Social Security Administration, the Centers for Medicare & Medicaid Services, State employment security departments, and on a smaller scale, the Department of Labor—are related directly or indirectly to the various benefit programs. The RRB participates in the Treasury Offset Program which reduces benefit payments to recover delinquent debts owed to other Federal agencies.

The RRB's relationship with the Social Security Administration is particularly extensive because of the coordination between the two systems. Railroad retirement annuities may be based in part on social security credits, and social security benefit amounts awarded to railroad retirement annuitants are paid through the RRB as part of combined railroad retirement-social security monthly benefit payments. The RRB and the Social Security Administration have an interagency agreement providing for system-to-system access between the two agencies. This allows RRB computer systems to access information as it is needed, thus improving customer service and reducing errors.

RRB and Congress

The RRB has numerous contacts with the Congress as a whole and with its individual members and committees. It sends the President and Congress an annual report on its operations and, on request, supplies additional information on the agency's programs. Officials of the RRB testify at congressional hearings on proposed legislation to amend the Railroad Retirement and Railroad Unemployment Insurance Acts, and the agency prepares reports on such legislation. Congress has jurisdiction over the amounts available to the railroad retirement system for benefit payments and for administration.

RRB and Railroads

The administrative organization of the RRB fosters close relations with railroad employers, employees, and their representatives. As mentioned earlier, two of the Board's three members are appointed on the recommendations of railway labor and management associations, and labor and management officials have been active in the development of the railroad retirement and unemployment insurance programs since their inception.

In addition, the RRB relies on labor groups and railroad employers for assistance in keeping railroad personnel informed about the agency's benefit programs. The RRB conducts informational programs for railroad labor and management officials to acquaint them with the details of the benefit programs. These officials, in turn, educate railroad workers as to their benefit rights and responsibilities.

Railroad employers and railway labor groups also cooperate with the RRB in a joint placement program to find jobs for unemployed personnel. These joint placement efforts help to reduce the costs of the unemployment insurance program.

The RRB has direct contact with railroad employees through its field offices where its personnel explain benefit rights and responsibilities on an individual bssis, assist employees in applying for benefits, provide related services for annuitants, and answer any questions related to the benefit programs.

Through various publications and press releases, the RRB disseminates, as widely as possible, information on its operations and the provisions of the laws it administers. Its publications include annual reports, triennial actuarial valuations, and benefit booklets and leaflets.

RRB and the National Railroad Retirement Investment Trust (NRRIT)

The National Railroad Retirement Investment Trust was established by the Railroad Retirement and Survivors' Improvement Act of 2001. The sole purpose of the Trust is to manage and invest railroad retirement assets. The Trust is a tax-exempt entity independent from the Federal Government.

The Act authorizes the Trust to invest the assets of the Railroad Retirement Account in a diversified investment portfolio in the same manner as those of private sector retirement plans. Prior to the Act, investment of Railroad Retirement Account assets was limited to U.S. Government securities.

While the Act does not delegate any authority to the RRB with respect to day-to-day activities of the Trust, the Act does provide that the RRB may bring a civil action to enjoin any act or practice of the Trust that violates the provisions of the Act or to enforce any provision of the Act. The Trust has no powers or authority over the administration of benefits under the Railroad Retirement Act.

Budget Estimates

Each year, Congress specifies in an appropriation act how much of the money derived from employer and employee taxes the RRB may spend to administer the benefit programs. The appropriation is based on budget estimates prepared by the RRB. The requested appropriation is sent to the Congress at the same time it is sent to the President's Office of Management and Budget. In addition, as explained in the retirement financing chapter, the level of certain dual benefit payments for a fiscal year is determined by the Federal budget and appropriations process.

Relation of Administrative Costs to Benefit Payments

The RRB has always had an exceptionally good record of administrative economy. Total administrative expenses currently average about one percent of benefit payments, despite the complexity of the RRB's programs. Fiscal year 2019 administrative expenses were $144.9 million.

KEEPING BENEFICIARIES INFORMED

The RRB conducts informational programs to keep railroad employees informed of their benefit rights and responsibilities under the Railroad Retirement and Railroad Unemployment Insurance Acts, with emphasis on the necessity of prompt application for benefits. Yet cases still occur in which qualified railroad employees or their family members forfeit benefits either because they do not know that these benefits are available or because they are unaware of the steps they themselves must take to claim them.

The Railroad Retirement Act limits the retroactivity of retirement and survivor annuity applications. Depending on the type of annuity application, the retroactivity can be as long as one year or there can be no retroactivity at all. The RRB's regulations do allow the granting of an earlier annuity beginning date if an annuitant can establish that he or she was deterred from filing an application at an earlier date by some action or statement of an agency employee. However, while the RRB attempts to keep potential annuitants informed of their rights under the Railroad Retirement Act through press releases, informational bulletins, and booklets, that information might not reach everyone. This is especially true when an individual left the railroad industry well in advance of retirement. Ultimately, the burden falls on the individual to secure benefit information.

Likewise, under the Railroad Unemployment Insurance Act, while the RRB may permit retroactive registration beyond the normal period when it can be shown that the employee was not at fault and that failure to apply for benefits was due to circumstances beyond the employee's control, it cannot approve delayed claims if the only reason for a delay in filing was lack of knowledge of the law.

PROGRAM INTEGRITY

Railroad employees, by and large, are honest and law-abiding, but any large group may include a few persons who either deliberately or through lack of knowledge seek benefits to which they are not entitled. Various procedures for detecting and discouraging such actions include reviews of employer records for work on days claimed as days of unemployment or sickness and checks with State agencies to detect duplication of benefit payments. The RRB has wage matching agreements with all 50 States, the District of Columbia, and Puerto Rico to cover the entire rail population. Electronic data exchange programs with railroads, as well as Federal and State agencies, have significantly enhanced the RRB's capability to detect fraud and abuse of the railroad unemployment and sickness insurance system. A 75-day disqualification is applied in all cases in which fraud is discovered. In some cases, prosecution is also recommended.

Other program activities designed to protect the railroad retirement trust funds include the investigation of uncashed annuity payments, matches with the Social Security Administration and the Centers for Medicare & Medicaid Services, and development of an online system to monitor railroad retirement/social security trust fund transfers. In addition to conducting audits of the RRB's operations, the Office of Inspector General identifies and refers cases for prosecution of individuals who commit fraud against the agency's benefit programs.

OFFICE OF INSPECTOR GENERAL

The RRB's Office of Inspector General (OIG) is responsible for promoting economy, efficiency, and effectiveness; and for identifying and preventing fraud, waste, and abuse in agency programs. The office conducts audits, investigations, and management reviews of agency operations.

The OIG identifies current and potential program weaknesses, and provides findings and recommendations for corrective action to management. It works with the agency's staff to ensure delivery of the highest quality service to the railroad community. It also aggressively pursues individuals who engage in activities to fraudulently receive monies from the RRB. The OIG endeavors to ensure the integrity of the trust funds through nationwide investigations of fraud and abuse.

The office manages its own pages of the agency's website (**RRB.gov**) where additional information is available, including reports issued by the office. The OIG also maintains a fraud and abuse Hotline at 1-800-772-4258, or email address at hotline@oig.rrb.gov. Information on using the Hotline can be found on the inside back cover of this Handbook.

NONDISCRIMINATION ON THE BASIS OF DISABILITY

Under Section 504 of the Rehabilitation Act of 1973 and Railroad Retirement Board regulations, no qualified person may be discriminated against on the basis of disability. The RRB's programs and activities must be accessible to all qualified applicants and beneficiaries, including those with impaired vision and/or hearing. Individuals with disabilities 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, U.S. Railroad Retirement Board, 844 North Rush Street, Chicago, Illinois 60611-1275. Questions about individual rights under this regulation may be directed to the RRB's Director of Equal Opportunity at the above address.

Comments? If you have any comments or suggestions regarding the presentation of information in this publication, please let us know. You can fax us at 312-751-7154, email us at opa@rrb.gov, or write us at the following address:

Public Affairs
U.S. Railroad Retirement Board
844 North Rush Street
Chicago, Illinois 60611-1275

FRAUD, WASTE, AND ABUSE HOTLINE
1-800-772-4258

The Railroad Retirement Board's Office of Inspector General (OIG) established its Hotline as a public service. The Hotline provides individuals with a means to report or discuss any suspected misconduct relating to the RRB, its programs, or employees.

If you believe a doctor, hospital, or other health care provider is billing Medicare for services not provided or for unnecessary medical procedures or supplies; someone is illegally receiving RRB benefits; or you wish to report or discuss any other suspected misconduct relating to the RRB, its programs, or employees, please contact the OIG at:

Toll-Free Hotline: 1-800-772-4258

U.S. Mail:
RRB-OIG Hotline Officer
844 North Rush Street, 4th Floor
Chicago, IL 60611-1275

Fax: (312) 751-4342

Email: hotline@oig.rrb.gov

Please review the RRB's email notice and Internet privacy policy at **RRB.gov** before submitting information online.

Note: Please do not contact the OIG's Hotline with questions regarding benefit eligibility requirements, delayed payments, or similar issues. These types of matters should be directed to a RRB field office for handling.

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

RRB.gov/LMO

Toll Free (877) 772-5772
TTY 312-751-4701