



FROM THE DESK OF

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## **Railroad Retirement Age Reductions**

While railroad employees with less than 30 years of service may retire at age 62, their railroad retirement benefits are subject to early retirement (“age”) reductions if they retire before attaining their full retirement age.

The following questions and answers explain how full retirement age is determined, and how age reductions are applied to railroad retirement annuities.

### **1. How is full retirement age for a railroad employee with less than 30 years of service determined?**

Full retirement age - the earliest age at which someone can begin receiving railroad retirement benefits that are not reduced for early retirement - is determined by the year a person was born. It has gradually increased since the year 2000, as a result of amendments to the Social Security Act which impacted railroad retirement annuitants and social security beneficiaries. Full retirement age for a railroad employee with less than 30 years of service is age 66 for those born in 1943 through 1954, and gradually increases to age 67 for those born in 1960, or later. (*A chart listing employee birth years and the corresponding full retirement age is included in the answer to Question 2.*)

### **2. Does the increase in full retirement age affect the computation of benefits reduced for early retirement?**

Yes. The early retirement annuity reduction percentages applied to annuities awarded before full retirement age have increased. For employees retiring between age 62 and full retirement age with less than 30 years of service, the *maximum* reduction is 30 percent in 2022. Prior to 2000, the maximum reduction was 20 percent.

Age reduction percentages are applied separately to the tier I and tier II benefits of a railroad retirement annuity. The age reduction percentage is computed using the following formula: 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins, and 1/240 for each additional month (if any). This has resulted in the gradual increase in the annuity reduction percentage at age 62 to 30 percent for an employee, now that the full retirement age of age 67 is in effect. (*See chart below.*) However, if an employee had creditable railroad service before August 12, 1983, the retirement age for tier II purposes is age 65, and the tier II benefit will not be reduced beyond 20 percent.

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The following chart shows the gradual increase in full retirement age and the corresponding increase in the age reduction percentages applied to the applicable employee annuities.

**Employee Retires with Less than 30 Years of Service**

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

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

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

**3. What are some examples of how age reductions are applied to the annuities of employees with less than 30 years of service who retire before attaining full retirement age?**

Consider an employee who was born on March 2, 1960, and retired in 2022 at the age of 62. Assume this employee was eligible for monthly tier I and tier II benefits, before age reductions, of \$1,800 and \$1,200, respectively, for a total monthly annuity of \$3,000.

Upon retirement at age 62, the employee's tier I benefit and tier II benefit was reduced by 30.00 percent, the maximum age reduction applicable in 2022. This yielded a tier I amount of \$1,260 and a tier II amount of \$840, for a total monthly annuity of \$2,100. However, if the employee had railroad service before August 12, 1983, the tier II amount would be subject to a maximum reduction of only 20 percent, providing a tier II amount of \$960, and a total monthly annuity of \$2,220.

As a second example, if the same employee had been born on March 2, 1959, and retired in 2022 at the age of 63, the employee's tier I benefit and tier II benefit would be reduced by 24.167 percent. This would yield a tier I amount of \$1,364.99 and a tier II amount of \$910, for a total monthly annuity of \$2,274.99. However, if the employee had railroad service before August 12, 1983, the tier II amount would be subject to a maximum reduction of only 20 percent, providing a tier II amount of \$960, and a total monthly annuity of \$2,324.99.

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#### 4. How are railroad retirement spouse benefits affected by these requirements?

If an employee retiring 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. However, early retirement reductions are applied to the spouse annuity if the spouse retires prior to her or his full retirement age.

Beginning in 2000, full retirement age for a spouse gradually began to rise to age 67, just as for an employee, depending on the spouse's year of birth. While reduced spouse benefits are still payable at age 62, the *maximum* age reduction is 35 percent in 2022.

As with employee annuities, age reduction percentages are applied separately to the tier I and tier II benefits of a spouse annuity. However, 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 1/240 for each additional month (if any). This has resulted in a gradual increase in the annuity reduction percentage at age 62 to 35 percent for a spouse, now that the age 67 retirement age is in effect. (See chart below.) However, if an employee had any creditable railroad service prior to August 12, 1983, the spouse retirement age for tier II purposes is age 65 and the maximum age reduction percentage applied to tier II would only be 25 percent. Age reductions are not applied to spouse annuities based on the spouse's caring for the employee's child.

The following chart shows the gradual increase in full retirement age and the corresponding increase in the age reduction percentages applied to the applicable spouse annuities.

#### Spouse Age Reductions

Year of Birth*	Full Retirement Age**	Annuity Reduction at Age 62
1937 or earlier	65	25.00%
1938	65 and 2 months	25.833%
1939	65 and 4 months	26.667%
1940	65 and 6 months	27.50%
1941	65 and 8 months	28.333%
1942	65 and 10 months	29.167%
1943 through 1954	66	30.00%
1955	66 and 2 months	30.833%
1956	66 and 4 months	31.667%
1957	66 and 6 months	32.50%
1958	66 and 8 months	33.333%
1959	66 and 10 months	34.167%
1960 or later	67	35.00%

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

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

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**5. What are some examples of how age reductions are applied to the annuities of the spouses of employees with less than 30 years of service whose spouses retire before full retirement age?**

Consider the spouse of a railroader with less than 30 years of service, none of it prior to August 12, 1983, who was born on April 2, 1960, and is retiring in 2022 at age 62, with monthly tier I and tier II benefits, before any reductions for age, of \$700 and \$300, respectively, for a total monthly benefit of \$1,000.

Upon retirement at age 62, the spouse's tier I benefit and tier II benefit would be reduced by 35.00 percent, the maximum age reduction applicable in 2022. This would yield a tier I amount of \$455 and a tier II amount of \$195 for a total monthly annuity of \$650. However, if the employee had any rail service before August 12, 1983, the tier II benefit would be subject to a maximum reduction of only 25 percent, providing a tier II amount of \$225, and a total monthly annuity of \$680.

As a second example, if the same spouse had been born on April 2, 1959, and retires in 2022 at age 63, the spouse's tier I benefit and tier II benefit would be reduced by 29.167 percent. This would yield a tier I amount of \$495.83 and a tier II amount of \$212.50, for a total monthly annuity of \$708.33. However, if the employee had any rail service before August 12, 1983, the tier II benefit would be subject to a maximum reduction of only 25 percent, providing a tier II amount of \$225, and a total monthly annuity of \$720.83.

**6. Are age reductions applied to employee disability annuities?**

Employee annuities based on disability are not subject to age reductions **except** for employees with less than 10 years of railroad service, but who have 5 years of service after 1995. Such employees may qualify for a tier I benefit before retirement age based on total disability, but only if they have a disability insured status (also called a "disability freeze") under Social Security Act rules, counting both railroad retirement and social security-covered earnings. Unlike with a 10-year employee, a tier II benefit is not payable in these disability cases until the employee attains age 62. And, the employee's tier II benefit will be reduced for early retirement in the same manner as the tier II benefit of an employee who retired at age 62 with less than 30 years of service.

**7. Do these changes to full retirement age affect survivor benefits?**

Yes. The eligibility age for a full widow(er)'s annuity has gradually risen, and is age 67 for those born in 1962, or later. A widow(er), surviving divorced spouse or remarried widow(er) whose annuity begins at full retirement age or later will generally receive an annuity unreduced for early retirement. (However, if the *deceased employee* received an annuity that was reduced for early retirement, a reduction would be applied to the tier I amount payable to his or her widow(er), surviving divorced spouse or remarried widow(er).) For widow(ers) who retire before attaining their full retirement age, the maximum age reduction percentages will vary, depending on the widow(er)'s date of birth, and is 20.36 percent for those born in 1962, or later. These age reductions apply to both tier I and tier II. 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 also 28.5 percent, even if the annuity begins at age 50.

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**8. Does the increase in full retirement age affect the age at which a person becomes eligible for Medicare benefits?**

No. Although the age requirements for some unreduced railroad retirement benefits have risen just like the social security requirements, railroad retirement beneficiaries are still eligible for Medicare at age 65.

**9. Do these increases in full retirement age also apply to the earnings limitations and work deductions governing benefit payments to annuitants who work after retirement?**

Like social security benefits, railroad retirement tier I benefits paid to employees and spouses, and tier I and tier II benefits paid to survivors, are subject to deductions if an annuitant's earnings exceed certain exempt amounts. These earnings limitations and work deductions apply to all age and service annuitants and spouses under full retirement age *regardless* of the employee's years of service. Although employees retiring at age 60 with 30 years of service have no age reduction, these earnings limitations and work deductions still apply until they reach their full retirement age, which, like other employees, is determined by the year they were born. These earnings limitations also apply to survivor annuitants, with the exception of disabled widow(er)s under age 60 and disabled children.

Likewise, while special earnings restrictions apply to employees entitled to disability annuities, these disability earnings restrictions cease upon a disabled employee annuitant's attainment of full retirement age. This transition is effective no earlier than full retirement age even if the annuitant had 30 years of railroad service.

The additional deductions applied to the annuities of retired employees and spouses who work for their last pre-retirement nonrailroad employer continue to apply after the attainment of full retirement age.

**10. How can individuals get more information about railroad retirement age reductions?**

Individuals with questions about railroad retirement age reductions can send a secure message to their local RRB office by accessing Field Office Locator at [RRB.gov](http://RRB.gov) and clicking on the link at the bottom of their local office's page. If a customer needs to talk to an RRB representative, they can call the agency's toll-free number (1-877-772-5772) between the hours of 9 a.m. and 3 p.m. each weekday, except Federal holidays. However, customers are asked to be patient because of the increase in call volume due to the closure to the public of RRB offices during the COVID-19 pandemic.

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