1015.5 Actual Computation

This section provides a detailed explanation of all the steps involved in computing a regular employee retirement annuity. It is not an easy section to follow because of the complexities of the 1974 Railroad Retirement (RR) Act. It should, however, prove useful in understanding and explaining the computation.

1015.5.1 Tier I

The first tier is an amount computed under the social security benefit formula using the employee's combined railroad and social security earnings. Any social security benefit payable to the employee is subtracted from the tier I amount.

A. Tier I PIA

1. In a 1974 RR Act case (ABD and/or application filing date after 1974), the tier I PIA is the higher of the employee's:

- Regular PIA #1, with delayed retirement credits (DRCs), if applicable; or
- Special Minimum PIA #1.

The tier I PIA may be found:

- On the MARC under the heading "tier I, PIA 1"; or
- For retired employees, screen 3210 of PREH.

2. In most conversion cases (ABD and application filing date before 1975), the tier I PIA is the higher of the employee's:

- Regular pass-thru through PIA; or
- Special minimum pass-thru PIA.

In some cases, the tier I PIA is the 12-1974 annuity rate plus COL subsequent increases.

B. Delayed Retirement Credits (DRCs) - DRCs may be added to all types of employee annuities.

1. Increment Months - One DRC is given for each increment month. An increment month is any month after 12-1970 in which the employee:

a. Under the 1937 RR Act:

- Is not paid an RR annuity for the month of attainment of age 65 and later months up to the earlier of the ABD month or the month of attainment of age 72; and,
- Is fully insured under SS Act rules considering combined wages and compensation; or,

b. Under the 1974 RR Act and 1983 SS Act amendments:

- Has attained the age at which a full RIB can be paid to him under the SS Act (65 prior to 2003); and,
- Has not attained age 70 (72 before 1983); and,
- Is fully insured under the SS Act based on combined wages and compensation for months before the ABD month; and,
- Either 1) is not entitled to a retirement annuity, 2) has filed for the retirement annuity but the full amount of the tier I and vested dual Benefit (VDB) W/D components are not payable due to permanent work deductions under SS Act rules, or 3) the employee annuity was not paid for months where there was a return to railroad service. If the employee is in last person pre-retirement employment the amount of earnings must be sufficient to cause full withholding of the tier I and VDB components under Social Security (SS) Act rules, in order to credit increment months. The employee must have a work deduction insured status to receive DRCs based on work deductions; or,

c. Under the Railroad Retirement & Survivors' Improvement Act of 2001 (RRSIA):

- If the employee is entitled to an RR annuity based on 60-119 months of service acquired after 1995 under the RRSIA, see RCM 1.1.7D for special rules on computing DRCs.

2. The employee's date of birth is the basis for the employee's full retirement age (FRA), his DRC percentage increase, and the maximum number of DRCs which an employee can earn. See the following chart for this data:

Date of Birth	EE attains FRA	Delayed Retirement Percent	Maximum number of DRC months
Before 2/2/12	65 years	1/12 of 1%	84
2/2/12 – 3/1/12	65 years	1/12 of 1%	83
3/2/12 – 4/1/12	65 years	1/12 of 1%	82
4/2/12 – 5/1/12	65 years	1/12 of 1%	81
5/2/12 – 6/1/12	65 years	1/12 of 1%	80
6/2/12 – 7/1/12	65 years	1/12 of 1%	79
7/2/12 – 8/1/12	65 years	1/12 of 1%	78

8/2/12 – 9/1/12	65 years	1/12 of 1%	77
9/2/12 – 10/1/12	65 years	1/12 of 1%	76
10/2/12 – 11/1/12	65 years	1/12 of 1%	75
11/2/12 – 12/1/12	65 years	1/12 of 1%	74
12/2/12 – 1/1/13	65 years	1/12 of 1%	73
1/2/13 – 2/1/13	65 years	1/12 of 1%	72
2/2/13 – 3/1/13	65 years	1/12 of 1%	71
3/2/13 – 4/1/13	65 years	1/12 of 1%	70
4/2/13 – 5/1/13	65 years	1/12 of 1%	69
5/2/13 – 6/1/13	65 years	1/12 of 1%	68
6/2/13 – 7/1/13	65 years	1/12 of 1%	67
7/2/13 – 8/1/13	65 years	1/12 of 1%	66
8/2/13 – 9/1/13	65 years	1/12 of 1%	65
9/2/13 – 10/1/13	65 years	1/12 of 1%	64
10/2/13 – 11/1/13	65 years	1/12 of 1%	63
11/2/13 – 12/1/13	65 years	1/12 of 1%	62
12/2/13 – 1/1/14	65 years	1/12 of 1%	61
1/2/14 – 1/1/17	65 years	1/12 of 1%	60
1/2/17 – 1/1/25	65 years	1/4 of 1%	60
1/2/25 – 1/1/27	65 years	7/24 of 1%	60
1/2/27 – 1/1/29	65 years	1/3 of 1%	60
1/2/29 – 1/1/31	65 years	3/8 of 1%	60
1/2/31 – 1/1/33	65 years	5/12 of 1%	60
1/2/33 – 1/1/35	65 years	11/24 of 1%	60
1/2/35 – 1/1/37	65 years	1/2 of 1%	60
1/2/37 – 1/1/38	65 years	13/24 of 1%	60
1/2/38 – 1/1/39	65 years 2 months	13/24 of 1%	58
1/2/39 – 1/1/40	65 years 4 months	7/12 of 1%	56
1/2/40 – 1/1/41	65 years 6 months	7/12 of 1%	54
1/2/41 – 1/1/42	65 years 8 months	5/8 of 1%	52
1/2/42 – 1/1/43	65 years 10 months	5/8 of 1%	50
1/2/43 – 1/1/55	66 years	2/3 of 1%	48
1/2/55 – 1/1/56	66 years 2 months	2/3 of 1%	46
1/2/56 – 1/1/57	66 years 4 months	2/3 of 1%	44
1/2/57 – 1/1/58	66 years 6 months	2/3 of 1%	42

1/2/58 – 1/1/59	66 years 8 months	2/3 of 1%	40
1/2/59 – 1/1/60	66 years 10 months	2/3 of 1%	38
After 1/1/60	67 years	2/3 of 1%	36

3. Effective date of DRC - The earliest date DRCs can be credited is January 1 of the year after the year they are earned, except when the DRC(s) is earned in the year the employee attains age 70. In that case, DRCs are payable effective with the month the employee attains age 70. The earliest date a full age or disability annuity can be increased is 1-1-73. The earliest date a reduced age or 60/30 annuity can be increased is 1-1-79.

C. Gross tier I - The gross tier I is equal to the sum of the tier I PIA plus any DRCs.

The gross tier 1 is rounded down to the nearest dollar except in reduced 60/30 cases in which the gross tier 1 is not rounded until after the age reduction.

D. Age reduction - An age and service annuity, other than an unreduced 60/30 annuity, which begins prior to the month the employee attains full retirement age is reduced for age.

1. Employee with less than 30 years of service first awarded on 10-1-81 or later - The tier I PIA is reduced by 1/180 for each month the employee is under full retirement age on his ABD. For employees born before 1938, retirement age is defined as age 65. If the employee filed an application for an annuity before September 1, 1983, the tier I could have been reduced for months before it became payable due to the limitations on tier I retroactivity which resulted from the 1981 SS Act amendments.

Example 1: An employee born on 6/5/1919 filed an application on 6/4/82 for a reduced age and service annuity to begin on the earliest date permitted by law. He did not work in RR or last person service after 5/30/81.

His tier I was reduced by 36/180 even though it could not begin until 6/1/82 because of the restriction on retroactivity. His tier II retroacted 12 months and began on 6/1/81.

Example 2: An employee born on 6/3/1920 filed an application for a reduced age and service annuity to begin on the earliest date permitted by law. His date last worked was 5/31/82.

His tier I was reduced by 36/180 even though it could not begin until 7/1/82 because no tier I was payable for the month of a reduced age and service employee's 62nd birthday unless he was born on the first or second day of the month. His tier II began 6/1/82, the day after his DLW.

When the tier I PIA is increased or decreased, the age reduction in the amount of the increase or the decrease will be computed using the age reduction factor which applied on the ABD.

2. Employee first eligible for a 60/30 annuity 7-1-84 or later with an ABD before age 62 and that ABD occurs before 1-1-2002 - If the employee first becomes eligible for a 60/30 annuity after 6-30-84 and before 1-1-86, his initial tier I PIA is reduced by 10% for early retirement. The initial PIA is not subject to COL increases. Effective with the first month, throughout which the employee is age 62, a new tier 1 PIA is computed using the year of attainment as the eligibility year. That PIA is subject to COL increases and is reduced for early retirement. The reduction is 35/360 if the employee's DOB is not on the first or second day of the month.

If the employee first becomes eligible for a 60/30 annuity 1-1-86 or later with an ABD before 1-1-2002, his initial tier I PIA is reduced by 20% for early retirement. The initial PIA is not subject to COL increases. Effective with the first month, throughout which the employee is age 62, a new tier I PIA is computed using the year of attainment as the eligibility year. That PIA is subject to COL increases and is reduced for early retirement. The reduction is 35/180 if the employee's DOB is not the first or second day of the month.

The age reduction factor is rounded up to the next dime. The result of the AIME PIA minus the rounded age reduction factor is rounded down to the next dollar.

Examples:

1. An employee born on 10/12/1924 with over 360 months of creditable railroad service files an application for a 60/30 annuity to begin 10-1-84.

	10/1/84	**12/1/84**	**12/1/85**	**11/1/86**
PIA # 1	694.00	694.00	694.00	760.00
10% age reduction	69.40	69.40	69.40	-73.90*
Net Tier I	624.00	624.00	624.00	686.00
Tier II	350.00	353.85	353.85	353.85
Annuity Rate	974.00	977.85	977.85	1039.85

*Based on 35/180 divided by 2 times PIA 1, rather than 10%.

2. An employee born 11/4/1925 acquires his 360th month of creditable railroad service in 9/86 and files an application for an annuity to begin 10/1/86.

	10/1/86	**12/1/86**	**12/1/87**
PIA # 1	680.00	680.00	713.00
Age reduction	136.00	136.00	138.70
Net Tier I	544.00	544.00	574.00
Tier II	340.00	341.36	346.14
Annuity Rate	884.00	885.36	920.14

When the tier I PIA is increased or decreased, the age reduction in the amount of the increase or decrease will be computed using the age reduction factor which applied on the ABD until the employee is 62 for one full month. The age reduction factor is then recomputed and the recomputed age reduction factor is applied to future tier I rate changes. (If the employee was born on the 1st or 2nd of the month, the age reduction factor does not change at age 62).

3. Employee eligible under the 60/30 provisions with an ABD 1-1-2002 or later. Under the provisions of RRSIA, the employee may be entitled to a full 60/30 annuity effective with the first full month the employee is age 60. No age reduction is applied. The initial PIA is subject to COL increases. Earnings in the ABD year or later cannot be included in the computation of PIA 1 until the January after the employee attains age 62. The eligibility year does not change.

4. Employee entitled under the RRSIA with 60-119 months of service. If the employee is entitled to an RR annuity based on 60-119 months of service acquired after 1995 under the RRSIA, see RCM 1.1.7D for special rules on computing age reduction.

E. Worker's Compensation (WC) and Public Disability Pension Offset - An offset for WC or public disability benefits may be applied to tier I of employee disability annuities or the DIB O/M, and spouse or divorced spouse annuities on the same account. The reduction is first applied to the spouse and/or divorced spouse annuity tier I (in equal amounts if both are entitled), then to the employee annuity tier I. The WC reduction does not apply to a retirement age and service annuity, even if the employee has a disability freeze (DF).

1. Annuity beginning date 9-1-81 or later - These conditions will apply if the employee does not have a DF or if the DF begins 3-2-81 or later. The effect of a DF before 3-2-81 has not been determined.

    - Public disability benefit offset - Tier I of a disability annuity or the DIB O/M is reduced for entitlement to a worker's compensation payment and/or a public disability benefit. If there is entitlement to both WC and a public disability benefit, the total of both benefits is used to compute the annuity reduction.

    - Effective date of reduction - The date that we receive notice of entitlement to WC or public disability benefits does not affect the annuity reduction. Tier I is reduced in any month the offset applies regardless of the date the RRB is informed of the entitlement to WC or public disability benefits.

    - Offset removed at age 65 - Offset for WC or public disability benefits no longer applies beginning the month the employee attains age 65 for those annuitants who attain age 65 before December 19, 2015 .

- Offset removed at full retirement age (FRA) - Effective December 19, 2015, for those annuitants who attain age 65 **on** December 19, 2015 (DOB of 12/20/1950) or later, the removal of the WC/PDB offset will occur at FRA.

2. Annuity beginning date before 9-1-81 - These conditions apply if the employee does not have a DF or if the DF begins before 3-2-81. The effect of a DF 3-2-81 or later has not been determined.

    - Only WC reduction - There is no reduction for a public disability benefit. Tier I may be reduced only for entitlement to WC payments.

    - No reduction before notice received - The annuity reduction for WC is not effective until the month after the month in which the RRB receives notice of the WC entitlement.

    - Offset removed at age 62 - Offset for WC no longer applies beginning the month the employee attains age 62.

3. Formula for offset - The WC offset only applies if the sum of the WC and/or public disability benefit plus the total family tier I amount is more than 80% of the employee's average current earnings (ACE). If the earnings used in computing the ACE are sufficiently high, there is no reduction, even if the employee is receiving WC benefits.

    The following formula is used to determine the amount of the WC offset, which is then deducted from the spouse/divorced spouse gross tier I and the employee gross tier I:

Tier I total + WC/public disability benefit
-Higher of tier I total or 80% of ACE
WC/public disability benefit offset

Definitions of terms used in formula:

Tier I total - The tier I total is the total of the employee, spouse and/or divorced spouse tier I amounts payable in the first month of reduction for WC/public benefit. The gross tier I is used, before any reduction.

If the family composition changes after the first reduction month, the tier I total is recomputed as if the annuitants to be included were entitled in the first month of reduction for WC/public benefit.

WC/public disability benefit amount - The actual monthly rate is used for offset if the WC/public disability benefit amount is verified. If the employee does not submit evidence of the amount, such as an award letter, the maximum WC payable in the state of the employee's residence will be used for reduction if it is higher than the amount claimed by the employee.

The offset:

Equals the WC/public disability benefit if the tier I total is higher than 80% of the ACE.

Is less than the WC/public disability benefit if 80% of the ACE is higher than the tier I total.

Equals zero if the tier I total plus the WC/public disability benefit is lower than 80% of the ACE.

Is never greater than the amount of the WC/public disability benefit.

The monthly rate is calculated if the benefit is paid weekly or biweekly. A lump-sum award is prorated to determine the monthly rate. Legal, medical and related expenses may be excluded from the WC amount if they were incurred in connection with the WC claim.

4. Average Current Earnings (ACE) - The employee's earnings may determine whether the reduction for WC/public disability benefit applies or the amount of a reduction. The ACE is the highest of the following amounts:

   (a) The AMW (average monthly wage) on which the employee's tier I PIA is based. If the tier I PIA is an AIME PIA instead of a table PIA, the employee's earnings are used to compute a fictitious AMW;

(b) The average monthly earnings for the 5 consecutive years after 1950 with the highest earnings; or

(c) The average monthly earnings for the one calendar year of highest earnings in the period consisting of the year the annuity begins (or the DF year, if earlier) and the 5 preceding years.

The earnings used in the computation of the ACE under option (a) or (b) are not limited by the yearly maximum. The total actual earnings (RR compensation and SS wages) are used in computing the ACE, regardless of the yearly maximum.

F. SS benefit reduction - The SS benefit reduction is the amount of any SS benefit(s) payable to the employee.

NOTE:

- An SS benefit withheld because of excess earnings is considered to be "payable."
- If an SS benefit is waived by the annuitant to earn additional DRCs, their SS benefit is considered not payable and the RR annuity is not reduced until the waiver is removed.
- If the employee's SS benefit is reduced due to receipt of a public service pension, or worker's compensation/public disability benefits, the SS benefit reduction is based on the amount of the SS benefit payable after the offset for those benefits.

G. Military service reduction - Prior to September 1, 1983, if the employee was receiving a monthly benefit from another Federal agency based on military service included as RR compensation in the computation of his annuity, his tier I was reduced (see FOM-1-1015.5.5).

H. Net tier I - The net tier I is equal to the difference between the gross tier I and the amount of any SS benefit payable to the employee.

NOTES:

1. Under the 1981 SS Act amendments, tier I is not payable in a reduced age and service case until the first full month the employee is age 62. To be entitled to a tier 1 for the month of his 62nd birthday, a reduced for age employee must be born on the first or second day of the month.

2. Under the 1983 RR Act amendments, a reduced age and service annuity (this term does not include reduced 60/30 annuities) is not payable until the first full month the employee is age 62.

3. Tier I is not payable in 60/30 cases until the first full month the employee is age 60. To be entitled to a tier I for the month of his 60th birthday, a 60/30 employee must be born on the first or second day of the month.

4. Under the 1988 SS Act amendments, the employee's tier I benefit is not payable if the employee is deported effective 11-10-89 or later due to associations with the German Nazi government during World War II. Suspension of tier I is effective with the month after the month the final orders of deportation are received.

For additional information on Workers' Compensation/Public Disability Benefit offset provisions see SSA DI 52101.005.

1015.5.2 Tier II for Employees First Awarded on October 1, 1981 or Later

A. 1) Basic tier II - The basic tier II is equal to the employee's high 60 AMC (average monthly compensation) times .7 of 1% times his unrounded years of service. Expressed mathematically, the gross tier II is:

AMC x .007 x YOS

The high 60 AMC is equal to the employee's total raw compensation for his highest 60 months of compensation (subject to the tier II maximum) divided by 60. If it is not a multiple of $1.00, it is rounded down to the next lower multiple of $1.00.

The 60 months do not need to be consecutive. If RRB records do not show monthly compensation amounts for a given year, the total tier II compensation is divided by the number of months of service credited for that year to determine the monthly compensation.

2) Indexed tier ll -The compensation used in determining the AMC for an employee who has not worked in the railroad industry for the 60-month period before his ABD and whose major employment during that period was for one of the Federal agencies which does not break a current connection, is indexed as explained in FOM-I-1005.35.2, but using the ABD year as the eligibility year. The AMC so computed cannot exceed the highest possible regular "high 60" AMC for an employee retiring on January 1 of the ABD year.

Example: The employee's ABD is 3/1/2006. The maximum indexed earnings that can be used for this employee is $319,200 (2005 = $66,900, 2004 = $65,100, 2003 = $64,500, 2002 = $63,000, 2001 = $59,700). The

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employee's indexed earnings from actual compensation
(using 1990-1994 earnings) totals $328,430.35.  The
employee's high 60 month total must be cutback to
$319,200.  Divide that total by 60 months = $5320, the
indexed AMC.
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B. Reduction for Vested Dual Benefit Entitlement - The basic tier II is reduced by 25% of the vested dual benefit amount before reduction for age and before any vested dual benefit cutback.

C. COL Increase After Retirement - Cost-of-living (COL) increases are paid on a cumulative basis from the ABD. If the ABD is on the first of the month in which the COL increase is due, the increase for that year is applied to the tier II amount. Otherwise, the first COL increase is applied at the next COL adjustment.

Click here for a table showing the Tier II COL increases that have been paid to date.

NOTE: Under the 1981 Amendments, a tier II cost-of-living increase is not payable until 6-1-82 even if the ABD is before 6-2-81.

D. Age Reduction - If the employee is under retirement age on his ABD and is entitled to an age and service annuity other than a 60/30 annuity, the tier II must be reduced for age. For employees born before 1938, retirement age is defined as age 65. If an employee was born after 1937 and had performed creditable railroad service before 8-12-83, retirement age for tier II benefits also is age 65.

When the tier II is increased or decreased, the age reduction in the amount of the increase or the decrease will be computed using the age reduction factor that applied on the ABD.

E. Military service reduction - Prior to 9-1-83, if the employee was receiving a monthly benefit from another Federal agency based on military service included as RR compensation in the computation of his annuity, his tier II was reduced (see FOM-1-1015.5.5).

F. Tier II Solvency Reduction - Employees with an ABD before January 1, 1984, will have their tier II reduced (but not below $10.00) effective 12/83 and 12/84. The total reduction cannot exceed 5% of the employee's 11/83 net tier I amount.

When the employee's tier I date of entitlement is in December 1983, a fictitious 11/83 tier I rate must be computed. If such an employee's social security date of entitlement also is in December 1983, a fictitious 11/83 social security rate must be computed and subtracted from the fictitious tier I. To obtain the fictitious 11/83 rate, divide the actual 12/83 rate by 1.035. The total reduction will equal to

5% of the fictitious 11/83 net tier I amount. The solvency reduction effective 12/83 in this type of case is equal to the increase in the net tier I amount from 11/83 to 12/83, as long as the tier II is not reduced below $10.00.

The solvency reduction is subtracted from the last computed tier II rate. It cannot, however, reduce the tier II below $10.00. Also, there is no reduction if the employee's last computed tier II is less than $10.00.

Examples:

Employee A had an ABD of 1-1-83. His social security date of entitlement is 11-1-83.

	11/83	12/83	12/84
Tier I **SS** **Net tier I**	$500.00 -400.00 100.00	$517.00 -414.00 103.00	$535.00 -428.00 107.00
Tier II **Solvency Reduction** **Net tier II**	300.00 300.00	300.00 -3.00 297.00	300.27 -2.00 298.27
RR **SS** **Total**	400.00 400.00 $800.00	400.00 414.00 $814.00	405.27 428.00 $833.27

Total solvency reduction amount	$5.00
12/83 solvency reduction	-3.00
Subtotal:	$2.00
12/84 solvency reduction	-2.00
Balance	$0.00

Employee B had an ABD of 12-1-83. His social security date of entitlement is 12-1-83.

	11/83 fictitious rates	12/83	12/84
Tier I **SS** **Net tier I**	500.00 -400.00 100.00	517.00 -414.00 103.00	535.00 -428.00 107.00
Tier II	300.00	300.00	300.27

Solvency Reduction **Net tier II**	300.00	-3.00 297.00	-2.00 298.27
RR **SS** **Total**	400.00 400.00 800.00	400.00 414.00 814.00	408.27 428.00 833.27

Total solvency reduction	$5.00
12/83 solvency reduction	-3.00
	$2.00
12/84 solvency reduction	-2.00
Balance	$0.00

G. The net tier II is the last computed rate.

1015.5.3 Tier II for Employees Awarded Before October 1, 1981

Tier II is the sum of three separate components. COL increases are applied only to components 1 and 3.

A. Component 1 (past service annuity) - This is computed under the 1937 RR Act regular annuity formula using railroad service before 1975. There is no reduction for receipt of a supplemental annuity in 1974 RR Act cases. This component is reduced by an imputed SS benefit (based only on railroad service before 1975) to eliminate the duplication that would otherwise occur because the same railroad service is used in computing the tier I amount.

1. Basic annuity - The basic annuity is obtained by multiplying the employee's years of pre-1975 service (unrounded, if he has post-74 service) times the following percentages of his pre-1975 average monthly compensation (AMC #I):

   3.58% of the first $50 ($1.79)
   2.69% of the next $100 ($2.69)
   1.79% of the next $950 ($17.05)

   Example: An employee had 400 service months thru 1974. His AMC #1 is $413. His basic annuity is computed as follows:

3.58% of $ 50 =		1.79
2.69% of $100 =		2.69
1.79% of $263 =		4.7077
		$9.1477
	x	400 months
		$3675.08

divided by 12 months
$ 304.92 basic annuity

The minimum basic annuity is the lesser of:

$5.35 times the employee's years of pre-1975 service; or

118% of the employee's AMC #1; or $89.35.

2. 1968 and 1970 increases

(a) The gross table increase can be determined from the following chart

Average Monthly Compensation	**Increase**
(AMC #1)	
Up to $100	$ 9.13
101 – 150	11.22
151 – 200	12.87
201 – 250	14.63
251 – 300	16.17
301 – 350	17.82
351 – 400	19.47
401 – 450	20.90
451 – 500	22.55
501 – 550	24.09
551 – 600	27.83
Over $600	31.46

(b) If the employee is not vested on his earnings record:

- The 1968 rate is the sum of the basic rate and the gross table increase;
- The 1970 rate is the sum of the 1968 rate and 15% of the 1968 rate (but not more than $50.00). Proceed to step 3.

(c) If the employee is vested on his own earnings record, the table increase is subject to reduction as explained below:

- The reduction is 10.27% of the employee's 6/74 PIA on SS wages only (PIA #4).
- The net table increase is the gross table increase minus the reduction.

(d) If the net table increase is:

- $10.00 or more; the 1968 rate is the sum of the basic rate and the net table increase. Proceed to step 2(f).
- Less than $10.00; the 1968 rate is the sum of the basic rate and the higher of:
  - The net table increase; or
  - The net minimum increase.

(e) The gross minimum increase is $10.00.

- The reduction to be applied to the minimum increase is the smaller of:
  - 3.44% of the employee's 6/74 PIA on SS wages only (PIA #4); or
- 5.8% of the employee's basic annuity
- The net minimum increase is $10.00 minus the reduction.

(f) 1970 rate: The 1970 rate is the sum of the 1968 rate plus the net 1970 increase.

- The gross 1970 increase is 15% of the 1968 rate but not more than $50.00.
- The reduction is 8.87% of the employee's 6/74 PIA on SS wages only (PIA #4).
- The net 1970 increase is the gross increase minus the reduction but not less than the smaller of:
  - $10.00; or
  - 15% of 1968 rate.

3. Combined 1971 and 1972 increases - The increased rate is 132% of the 1970 rate.

4. Pass-thru increase - The pass-thru increase is 9.9099% of the pass-thru PIA (conversion cases) or PIA #5 (1974 RR Act cases). If DRCs are added to the pass-thru PIA, the pass-thru increase is 9.9099% of the pass-thru PIA including the DRCs.

EXCEPTION: If the pass-thru PIA is less than $189.90 (rare), the following special rules apply:

- If the 9/72 regular pass-thru PIA exceeds the 1/73 special minimum pass-thru PIA, the pass-thru increase is 9.9099% of the regular pass-thru PIA.

- If the 9/72 regular pass-thru PIA is less than the 1/73 special minimum pass-thru PIA, the special minimum PIA affects the amount of the pass-thru increase.

  - If the 3/74 special minimum pass-thru PIA is higher than the 6/74 regular pass-thru PIA, the pass-thru increase is the difference between the 3/74 and 1/73 special minimum pass-thru PIAs.

  - If the 3/74 special minimum pass-thru PIA is less than the 6/74 regular pass-thru PIA, the pass-thru increase is the difference between the 6/74 regular pass-thru PIA and the 1/73 special minimum pass-thru PIA.

5. <u>Imputed SS benefit reduction</u>

(a) In a 1974 Act case, the rate after the pass-thru increase is reduced by the employee's 6/74 PIA on pre-75 compensation only (PIA #6), but not below 10% of PIA #6.

(b) In a conversion case, the rate after the pass-thru increase is reduced by:

- The higher of the 6/74 regular or special minimum pass-thru PIA if the employee is not vested on his own earnings record; or

- The 6/74 regular or special minimum pass-thru PIA on compensation only (PIA #15) if the employee is vested on his own earnings record.

6. COL increase before retirement. When the employee's ABD is 1-1-78 through 9-30-81 and his annuity is computed under the 1974 Act, the first component of tier II is increased by the percentage shown below:

ABD YEAR	INCREASE
1978	4.3%
1979	10.0%
1980	19.2%
1981	29.8%

7. Cost-of-living increases (COL) are paid on a cumulative basis from the ABD. If the ABD is on the first of the month in which the COL increase is due, the increase for that year is applied to the tier II amount. Otherwise, the first increase is applied at the next COL adjustment.

Click here for a table showing the Tier II COL increases that have been paid to date.

B. Component 2 - past service bonus - This component is computed using the employee's unrounded years of pre-1975 service. It is $1.50 for the employee's first 10 years of service plus $1.00 for each year over 10.

This component is payable only to employees with creditable railroad service after 1974. To qualify for this component, an employee who retired before 1975 and returned to railroad service after 1974 must:

- Have 12 months of service after 1974; or
- Be a medically recovered disability annuitant.

C. Component 3 - future (post-1974) service annuity - This component is computed based on the employee's tier II AMC and years of service after 1974.

1. Determining years of service

(a) The employee's total service is divided by 12.

(b) The employee's post-1974 service is divided by 12.

The employee's unrounded post-1974 service without lag may be found on the MARC file under "RRA Service After 1974, SM."

(c) If the step (a) result includes a fraction of less than 6 months, the years of service are the step (b) result.

(d) If the step (a) result includes a fraction of 6 or more months, the years of service are the sum of:

- 12 months minus the fraction from step (a); and
- The step (b) result.

2. Calculation of the third component

(a) Post-1974 service component - The post-1974 component is calculated as follows:

Step 1 - .005 x AMC based on all creditable compensation after 1974 not in excess of the tier II maximum (AMC 2) x years of service after 1974.

AMC 2 can be found on the MARC file under "Tier 2 Data, AMC."

Step 2 - $4 x years of service after 1974.

Step 3 - The post-1974 service component is the sum of Steps 1 and 2.

(b) COL increase before retirement - When the employee's ABD is 1-1-78 through 9-30-81 and his annuity is computed under the 1974 RR Act, the third component of tier II is increased as explained below.

(i.) COL increase for post-1974 years of service.

This portion of the COL increase is determined by multiplying $2.60 times the post-1974 years of service times the percentage shown below:

ABD YEAR	INCREASE
1978	6.6%
1979	15.4%
1980	29.6%
1981	45.9%

(ii.) COL increase for post-1974 average monthly compensation.

Step 1 - The employee's average monthly compensation after 1974 (AMC 3), using creditable tier II earnings, but not in excess of the 1980 maximum ($1700), is multiplied by the percentage shown below:

ABD YEAR	INCREASE
1978	4.29%
1979	10.01%
1980	19.24%
1981	29.84%

Step 2 - The employee's average monthly compensation after 1974 (AMC 4), using creditable tier II earnings but not in excess of the 1976 maximum ($1275), is subtracted from the AMC used in step 1.

Step 3 - The step 2 result is subtracted from the step 1 result. (If the step 2 result exceeds the step 1 result, the step 3 result equals zero.)

Step 4 - .005 is multiplied by the years of service after 1974 and by the step 3 result. The result is the COL increase for the post-1974 average monthly compensation.

(iii) Cost-of Living (COL) Increase after retirement - COL increases are paid on a cumulative basis from the ABD. If the ABD is on the first of the month in which the COL increase is due, the increase for that year is applied to the tier II amount. Otherwise, the first increase is applied at the next COL adjustment.

The following tier II COL increases have been paid to date:

Effective Date	**COL %**	**Effective Date**	**COL %**
6/77	1.9%	12/99	0.8%
6/78	2.1%	12/00	1.1%
6/79	3.2%	12/01	0.8%
6/80	4.6%	12/02	0.5%
6/81	3.6%	12/03	0.7%
6/82	2.4%	12/04	0.9%
6/83	1.1%	12/05	1.3%
12/84	1.1%	12/06	1.1%
12/85	1.1%	12/07	0.7%
12/86	0.4%	12/08	1.9%
12/87	1.4%	12/09	No COLA
12/88	1.3%	12/10	No COLA
12/89	1.5%	12/11	1.2%
12/90	1.8%	12/12	0.6%
12/91	1.2%	12/13	0.5%
12/92	1.0%	12/14	0.6%
12/93	0.8%	12/15	No COLA
12/94	0.9%	12/16	0.1%
12/95	0.8%	12/17	0.7%
12/96	0.9%	12/18	0.9%
12/97	0.7%	12/19	0.5%
12/98	0.4%		

D. Age reduction - If the employee was under age 65 on his ABD and was entitled to an age and service annuity other than a 60/30 annuity, the tier II was reduced for age.

The age reduction was initially applied to the sum of the net annuity components. When the annuity was increased, the age reduction in the amount of the increase was computed using the age reduction factor that applied on the effective date of the adjustment. Decreases were based on a factor of the previous age reduction amount divided by the previous rate before age reduction.

Effective October 1, 1981, the existing age reduction was prorated into the tier amounts. The amount of the reduction in tier II was determined by dividing the sum of component I, 2 and 3 by the total of the annuity components and multiplying the result by the existing age reduction.

The formula for determining the prorated age reduction amount is:

$$\frac{\text{Components 1, 2 \& 3}}{\text{Net tier 1, net tier II \& VDB}} \times \text{Existing age reduction} = \text{tier II age reduction}$$

When the tier II is increased or decreased after October 1, 1981, the age reduction in the amount of the increase or decrease will be computed using the age reduction factor that applied on the ABD.

E. Military service reduction - Prior to 9-1-83, if the employee was receiving a monthly benefit from another Federal agency based on military service included as RR compensation in the computation of his annuity, his tier II was reduced (see FOM-1-1015.5.5).

F. Tier II Solvency Reduction - Employees with an ABD before January 1, 1984, will have their tier II reduced effective 12/83 and 12/84. The total reduction cannot exceed 5% of the 11/83 net tier I amount.

The solvency reduction effective 12/83 cannot exceed the increase in the net tier I amount from 11/83 to 12/83. The solvency reduction can neither reduce the tier II below $10.00, nor reduce a tier II that is already less than $10.00.

Examples: Employee A has a social security date of entitlement of 12-1-83.

	11/83	**12/83**	**12/84**
Tier I PIA	00.00	517.00	535.00
-SS	-0.00	-414.00	-428.00
Net tier I	500.00	103.00	107.00

TIER II	**11/83**	**12/83**		**12/84**	
1)	150.00	150.00 - 8.50 =	141.50	143.06 - 2.00 =	141.06
2)	50.00	50.00 - 2.83 =	47.17	47.17 - 0.66 =	46.51

3)	100.00	100.00 - 5.67 =	94.33	95.37 - 1.34 =	94.03
		300.00	283.00		281.60

RR	800.00	386.00	388.60
SS	0.00	414.00	428.00
Total	800.00	800.00	816.60

Total solvency reduction = $500.00 x 5% =	$25.00
12/83 solvency reduction	-17.00
	8.00
12/84 solvency reduction	-4.00
The balance will not be recovered in future COLs	$ 4.00

Employee B has a social security date of entitlement of 11-1-83.

	11/83	**12/83**	**12/84**
Tier I PIA	500.00	517.00	535.00
-SS	-400.00	-414.00	-428.00
Net tier I	100.00	103.00	107.00

TIER II	**11/83**	**12/83**		**12/84**	
1)	150.00	150.00 - 1.50 =	148.50	150.13 - 1.00 =	149.13
2)	50.00	50.00 - 0.50 =	49.50	49.50 - 0.25 =	49.25
3)	100.00	100.00 - 1.00 =	99.00	100.09 - .75 =	99.34
		300.00	297.00		297.72

RR	400.00	400.00	404.72
SS	400.00	414.00	428.00
Total	800.00	814.00	832.72

Total solvency reduction = $100.00 x 5% =	$5.00
12/83 solvency reduction	-3.00
	2.00
12/84 solvency reduction	-2.00
Balance	$0.00

1015.5.4 Vested dual benefit

An employee is eligible for a vested dual benefit (VDB) if (s)he is vested for both railroad retirement and social security benefits. The earliest date that the vested dual benefit is payable is when the employee would be eligible for an SS RR Act benefit.

A. RIB/DIB vested dual benefit - If the employee is vested on his own earnings record, the RIB/DIB VDB is equal to the sum of PIA #4 plus PIA #7 minus PIA #8.

The RIB/DIB VDB is not payable until:

1. The month the employee attained age 62 if (s)he attained age 62 before 9-2-81.

2. The first month the employee was at least age 62 for the entire month if (s)he attained age 62 after 9-2-81. (An employee born on the first or second of the month would meet this requirement in the month of his or her 62nd birthday.)

3. The employee has met the social security requirements for a disability benefit (i.e., the employee has met the SS Act disability requirements for at least 5 months and has at least 20 quarters of coverage under the SS Act in the last 10 years).

B. Wife/widow VDB - An employee vested on someone else's earnings record can be awarded a wife/widow VDB if:

- The employee's initial annuity (partial or final) was authorized for payment before 8-13-81; and

- The employee's DOB is before 8-14-19 (except as noted below); and

- The person on whose earnings record the employee is vested must have filed for SS benefits and have an SS benefit DOE of 8-1981 or earlier and we would had to have known that SSA awarded the SS benefit prior to 8-13-81. Also in order for a female employee under age 62 to be entitled to an auxiliary VDB based on being a disabled widow at SSA, we would had to have known that SSA had awarded the disabled widow's benefit prior to 8-13-81.

NOTE: The wife/widow VDB may not be paid if it was erroneously denied before 8-13-81. The 1981 RR Act amendments prohibit payment of a VDB in all cases in which entitlement was not determined prior to 8-13-81, including cases when entitlement was denied incorrectly.

The wife/widow VDB is the lesser of:

- PIA #8, or

- 50% of PIA #21 if the employee was vested as a wife or remarried widow(er) or 100% of PIA #21 if the employee was vested as a widow.

Before 8-13-81, a male employee could be awarded a VDB as the husband or widower of a person who was insured under the SS Act only if he met one-half support requirement at the time the wage earner:

- Became entitled to a period of disability (DF); or
- Became entitled to an RIB; or
- Became entitled to a DIB; or
- Died.

C. Equalization - In a conversion case (both ABD and application filing date before 1-1-75), the VDB cannot be more or less than the amount necessary to make the January 1975 rate equal to the December 1974 rate if the employee was receiving SS Act benefits in December 1974.

Exception: If the employee became entitled to a different type of SS benefit before 8-13-81 the VDB was recomputed (e.g., the husband of an employee who was receiving a wife's benefit at SSA dies and the employee becomes entitled to a widow's benefit). In such a case, equalization does not apply beginning with the month of the husband's death.

D. COL increase prior to ABD - If the employee's ABD is 6-1-75 or later, the VDB is increased as shown below:

ABD	INCREASE
6-1-75 thru 5-31-76	8.00%
6-1-76 thru 5-31-77	14.91%
6-1-77 thru 5-31-78	21.69%
6-1-78 thru 5-31-79	29.06%
6-1-79 thru 5-31-80	42.43%
6-1-80 thru 5-31-81	62.80%
6-1-81 or later	81.00%

E. Age reduction - If the employee is under retirement age on his ABD and is entitled to an age and service annuity other than a 60/30 annuity, the VDB must be reduced for age. Retirement age for employees born before 1938 is defined as age 65.

1. Employee first awarded on October 1, 1981 or later - The VDB is reduced by 1/180 for each month the employee is under age 65 on his ABD. In a reduced age and service annuity case where the employee's VDB is not payable for the month of his 62nd birthday because he was not born on the first or second day of the month, the age reduction factor is nevertheless 36/180.

   Since the VDB amount is frozen, the amount of the age reduction will not change. The VDB cutback is made after the age reduction.

2. Employees awarded before October 1, 1981 - The age reduction was initially applied to the sum of the net annuity components. When the annuity was increased, the age reduction in the amount of the increase was computed using the age reduction factor that applied on the effective date of the adjustment. Decreases were based on a factor of the previous age reduction amount divided by the previous rate before age reduction.

   Effective October 1, 1981, the existing age reduction was prorated into the tier amounts. The amount of the reduction in the VDB was determined by dividing the VDB after any COL increases before retirement but before the VDB cutback by the total of the net annuity components and multiplying the result by the existing age reduction.

   The formula for determining the prorated age reduction amount is:

$$\frac{\text{VDB x Existing age red}}{\text{Net tier I, net tier II \& VDB}} = \text{VDB age reduction}$$

   Since the VDB amount is frozen, the amount of the age reduction will not change.

F. Military service reduction - Prior to 9-1-83, if the employee was receiving a monthly benefit from another Federal agency based on military service included as RR compensation in the computation of his annuity, his VDB was reduced:

G. VDB Cutback - Under the 1981 RR Act amendments, the vested dual benefit must be cut back whenever Congress appropriates less to the dual Benefits Payment Account for a fiscal year than what is needed to make full VDB payments. This reduction is made after any other reductions.

H. Net VDB - The net vested dual benefit is the rate after the VDB cutback.

   Note: Under the 1981 SS Act amendments, the VDB is not payable until the first full month the employee is age 62 or entitled to a DIB under the SS Act. To be entitled to a VDB for the month of his 62nd birthday, an employee who is not entitled to a DIB under the SS Act must be born on the first or second day of the month.

1015.5.5 Military Service Reduction

Prior to 9-1-83, if the employee was receiving a monthly benefit from another Federal agency based on military service included as RR compensation in the computation of his annuity, his annuity was reduced by the lesser of:

- The number of months of creditable military service divided by the total service months times the annuity rate; or

- The amount of the other benefit.

The annuity rate could not, however, be reduced below what it would have been without using the military service.

Note: If military service was needed to establish eligibility, the annuity rate payable would have been the rate using the military service with the appropriate military service reduction.

The amount of the military service reduction was prorated into the tiers and VDB before the cutback in the same manner as, but after the age reduction.

1015.5.6 Grandfather Increase

A grandfather clause provides that, for cases in which an employee's annuity begins before 1-1-83, he and his spouse will not receive less than the amount they would have received under the 1937 Act, not counting any SS Act benefits to which they may be entitled. Few, if any, cases are increased under the grandfather clause because of the cumulative effect of the COL increases since 1-1-75.

1015.5.7 Annuity Rate

The employee's regular annuity rate is the sum of net tiers I and II and the vested dual benefit.

1015.10 Impact (Initial Monthly Partial Certification In Tiers) Rate

To expedite payment in initial employee cases, compute a partial rate at the time you take an application. Enter this partial rate as the annuity components on the Form G-626 screen as the IMPACT tier components for the APPLE System. Although entering a partial rate may not expedite payment in advance file cases, because the final award will usually be ready to pay by the end of the month of the annuity beginning date, it may be that some piece of evidence is still outstanding at that point in time and payment of the partial may allow us to meet our customer service standards.

<u>Do not</u> compute an IMPACT amount if the employee indicates on the AA-1 that (s)he has filed for "Another RR Act Annuity," and the other annuity, spouse or survivor, is in current pay status. Notate the other annuity entitlement in "Remarks." Advise the applicant that any overpayment to the spouse or survivor annuity must be recovered from the employee annuity accrual as explained in FOM-I-120.

If the employee is filing for the employee annuity and either a spouse annuity or a survivor annuity at the same time, you may enter an IMPACT amount for the employee annuity. RASI will set a manual OP code and release a message to notify the examiner of the other annuity. However, <u>that</u> manual OP code will not prevent payment of the IMPACT rate. The applicant's other annuity will be reduced for the employee annuity entitlement.

If you are aware that a court decree or property settlement ordering payments to a spouse or former spouse has been delivered to the Office of General Council, omit Tier 2 and the VDB when entering an IMPACT. You may enter a Tier 1 only IMPACT. Do not mark the application for manual review, unless it is required for another reason. Enter “Community property settlement” in the Remarks section of the Form G-626 screen.

1015.10.1 Restrictions on Use of IMPACT Rate

Be sure to code the "manual review" item on the Form G-626 screen in any case in which you enter an IMPACT rate and have a doubt about the employee's eligibility. This will prevent payment of the IMPACT amount until an examiner reviews the case. For instance:

A. PROOFS OUTSTANDING - When the employee did not submit acceptable proof of age (e.g., when you are releasing Form G-256 to the Bureau of Census); and, age is a factor of eligibility (e.g., a D/A may be awarded before verification of POA when age is not a factor of eligibility).

B. FOREIGN ADDRESS - When the employee has a foreign address (outside the 50 states or D.C.), unless one of the conditions cited in FOM-I-1015.10 exists.

C. DISABILITY WORK DEDUCTIONS COULD APPLY-If the disabled employee applicant expects to earn over $790.00 per month (after deduction for disability related work expenses) after the ABD, the monthly annuity payments should not be received. RASI is not able to apply disability work deductions. Therefore, on the APPLE summary screen under manual review, enter code 3 and indicate in Remarks on Form G-626 that work deductions apply and that examiner action is needed.

Do not enter a manual review code for the following type cases:

1. LAG OR MILITARY SERVICE MAKES ELIGIBILITY QUESTIONABLE-If the latest MARC file shows that the employee needs lag service for eligibility (i.e., 60/30, occupational disability, 5 year vesting), informally verify with the employer that the employee has sufficient lag service before entering an IMPACT. If informal verification is not obtained, do not enter an IMPACT.

If the employee needs military service for eligibility, do not compute an IMPACT unless EDMA indicates that the military service is creditable.

Notate the lag or military service verification in the Remarks section of Form G-626.

D. COURT ORDER IN EFFECT - If you are aware that a court decree or property settlement ordering payments to a spouse or former spouse has been delivered to the Office of General Council, omit Tier 2 and the VDB when entering an IMPACT. You may enter a Tier 1 only IMPACT. Do not mark the application for manual review, unless it is required for another reason. Enter "Community property settlement" in the Remarks section of the Form G-626 screen.

1015.10.2 How to Compute an IMPACT Rate USING THE MARC FILE

Make a copy of the data on the MARC file. Then take the following steps to determine the annuity components and IMPACT rate.

Tier I

Step 1 - Gross Tier I:

a. Enter the tier I PIA 1

b. Enter PIA 17 if the employee expects excess earnings after the ABD, and the employee's tier I is not reduced for social security benefits. Enter PIA 17 even if the earnings are expected to cease (DLW-LPE) in the ABD month.

Step 2 - Adjustment to Tier I:

a. Non-Covered Service Pension (NCSP):

If the employee is receiving a non-covered service pension that is not exempt, reduce the tier I PIA by the guaranty amount that is explained in FOM-I-1005.35.6. If the guaranty amount is used, the reduction would be one/half of the NCSP amount.

b. DOB discrepancy between MARC and AA-1:

If the employee is younger or older, reduce Tier 1 $30.00 for each discrepant year.

c. Duplicate RR/SS earnings (erroneously posted wages):

The tier I on the MARC may be invalid if the employee worked for one of the following employers, because SSA may have posted RR compensation as wages during the years shown:

RAILROAD	BA NUMBER	YEARS BEG. - END
A.T. & S.F. Employees' Benefit Assn.	9702	1978 to 80
Atlantic Land and Improvement Co.	9517	1972 or later*
Association of American Railroads	7304	1985 - 85
Baltimore and Annapolis RR Co.	5402	1978 - 78

* ALSO SEE THE VDB INSTRUCTIONS IF * IS SHOWN

RAILROAD	BA NUMBER	YEARS BEG. - END
Bessemer and Lake Erie RR Co.	1303	1978 or later
Brotherhood of Railway and Airline Clerks	8922	1978 - 85
Canton Railroad Co.	4310	1978 - 89
Clarendon and Pittsford RR Co.	2103	1978 - 78
Colorado and Wyoming Railway Co.	1724	1980 - 85
Conemaugh and Black Lick RR Co.	4320	1984 - 85
Cybernetics and Systems, Inc.	9518	1972 or later *
Delaware and Hudson Railway Co.	1203	1987 - 88
Florida East Coast Inspection, Inc.	7529	1969 or later *

* ALSO SEE THE VDB INSTRUCTIONS IF * IS SHOWN

RAILROAD	BA NUMBER	YEARS BEG. - END
Fruit Growers Express	6401	1978 - 85
Genesee and Wyoming RR Co.	2209	1989 - 89
Gettysburg Railroad Co.	2331	1982 - 89
Graysonia, Nashville & Ashdown RR Co.	2807	1987 or later
Hamburg Industries	9512	1974 or later*
International Association of Machinists and Aerospace Workers	8907	1978 - 84
International Brotherhood of Boilermakers and Blacksmiths	8909	1978 - 78
Livingston Rebuild Center, Inc.	9619	1990 or later

* ALSO SEE THE VDB INSTRUCTIONS IF * IS SHOWN

RAILROAD	BA NUMBER	YEARS BEG. - END
Maine Central RR Co.	1107	1988 or later
National Railroad Passenger Corp.	8301	1978 - 80
New Orleans Public Belt Railroad	4525	1985 - 89
New York, Susquehanna and Western RR	3251	1978 or later
Northern Railroad	8056	1988 or later
Philadelphia, Bethlehem & New England RR Co.	4343	1984 – 84
Pittsburg and Conneaut Dock Co.	4249	1979 - 79
Pittsburg and Shawmut RR Co.	2234	1983 - 83

Port Authority Trans-Hudson Corp.	5219	1978 - 78

RAILROAD	BA NUMBER	YEARS BEG. - END
Providence and Worcester RR Co.	8093	1987 or later
RSTX, Inc.	9831	1978 - 78
Railroad Concrete Crosstie Corp.	9515	1981 - 84
Railway Employee's Department of the American Federation of Labor	8913	1980 - 80
Sheet Metal Workers International Assn.	8911	1978 or later
Soo Line Railroad	1606	1978 - 78
Southwest Railway Equipment Corp.	9832	1967 or later*
Springfield Terminal Ry. Co.	2112	1987 or later
Texas City Terminal Ry. Co.	4820	1989 or later

* ALSO SEE THE VDB INSTRUCTIONS IF * IS SHOWN

RAILROAD	BA NUMBER	YEARS BEG. - END
Texas Mexican Railway Co.	1821	1978 - 80
Trans Kentucky Transportation	3587	1989 or later
United Transportation Union	8936	1978 or later
Vermont Railway, Inc.	2114	1978 - 84
Wabash Valley RR Co.	3326	1978 - 78
Washington Terminal Co.	4353	1981 - 81
Western Weighing Inspection Bureau	7225	1978 - 88
Wichita Terminal Assn.	4737	1989 - 89
Winchester and Western RR Co., Inc.	3412	1987 - 89

Note: The MARC file will show an "S" in column "D" if the employee worked for an employer which incorrectly reported compensation under both the SS and RR Acts. (Disregard codes "I" and "T;" the PIA will not be overstated.)

Deduct $10.00 from the gross tier I amount for each year that SSA may have posted RR compensation as wages. This amount assures that the IMPACT will be underestimated.

Example: A former employee of Hamburg Industries had a date last worked in 1979; SSA could have erred in 6 years. $60.00 should be deducted from the tier I component on the MARC.

d. WC/PDB – If the applicant is filing for disability under FRA, and receives or will receive workers compensation (WC) or public disability benefit (PDB), reduce Tier 1 to zero.

e. Minimum PIA of $122 – If the MARC shows this minimum AIME PIA, reduce Tier I to zero.

Step 3 - Age Reduction

If the age and service applicant is under FRA and has less than 30 years of service, reduce Tier I by the age reduction per the table in "FOM 1 10, Appendix G. Since only a slight underestimate would apply, you may use this same table for individuals born before 1938 (FRA equals age 65).

Step 4 - SS Benefit:

Subtract the amount of the social security benefit if the amount is known. Use the rate shown on the SSA MBR.

If the amount of the SS benefit is unknown, assume it equals the gross tier 1 and do not include a tier I in the IMPACT.

Question the applicants carefully about their intent to file at SSA especially in advance filing situations. Make sure they understand that they may be overpaid if the temporary rate is not reduced for SS entitlement.

If the employee claims filing or possible filing (i.e., over 65 and enrolled for Medicare), but also indicates that (s)he has cancelled or never received an SS benefit payment, continue to apply the SS benefit reduction. The final rate will accurately reflect current SS entitlement status.

Step 5 - Safety Factor:

Subtract $20.00 as a margin for error. Round the net Tier I down to the dollar.

TIER II

Adjustments to the tier 2 as shown on the MARC file are discussed below. Do not adjust the IMPACT tier II for lag, military service, or prior service.

Step 1 - Gross Tier II:

Enter the "Tier II AMT" from the MARC.

Step 2 - Adjustment for VDB Excluded from IMPACT:

Add the MARC's "WF RED" back into the IMPACT tier II if you exclude the vested dual benefit (VDB) from the IMPACT for any of the following reasons:

- The EE is under age 62;
- The EE is younger than indicated on the MARC and might not be eligible for a VDB; or
- Erroneously posted wages could have given the employee an erroneous vested status or VDB amount.

Do not increase tier II if the VDB is withheld as a work deduction.

Step 3 - Age Reduction:

If the age and service applicant is under FRA and has less than 30 years of service, reduce the Tier II amount by the age reduction per the table in FOM 1-10, Appendix G However, if the employee had railroad service before August 12, 1983, FRA for the Tier II component will be age 65. Since only a slight underestimate will occur, you should use the same Appendix G table.

Step 4 - LPE WD:

If the applicant has earnings from his/her last pre-retirement non railroad employer (LPE) after the annuity beginning date, deduct the lesser of one dollar for each two dollars of the average monthly salary from all LPE employers, or one-half of the Step 3 result. Deduct this amount even if the LPE is expected to cease in the ABD month.

Apply an LPE work deduction to the IMPACT tier II if the employee's claimed self-employment could be LPE.

Step 5 - Safety Factor:

Subtract $20.00 as a margin for error. Round the Tier II down to the dollar.

VESTED DUAL BENEFIT

Step 1 - Gross VDB:

Enter zero if:

- The EE is under the age of 62 years and 1 month; or,
- There could be duplicate RR/SS earnings before 1975 (erroneously posted wages from the following employers):

RAILROAD	BA NUMBER
Atlantic Land and Improvement Co.	9517
Cybernetics and Systems	9518
Florida East Coast Inspection	7529

Hamburg Industries	9512
Lambert's Point Docks	4408
Southwest Railway Equipment Corp.	9832; or

- The employee expects excess earnings after the ABD; or
- There is an asterisk (*) on the MARC file after the "SSA DF PIA" and after the "SSA AGE PIA" amount. The asterisks signify that possibly discrepant earnings were used in computing the VDB PIAs and therefore the VDB amount may be incorrect.
- The employee is younger than indicated on the MARC and may not be eligible for the VDB amount indicated on the MARC.

Otherwise, enter the MARC "WF BEFORE CUTBACK."

Step 2 - Age Reduction:

If the age and service applicant is under FRA and has less than 30 years of service, reduce the VDB amount by the age reduction per the table in FOM-1-10, Appendix G.

Step 3-Safety Factor

Subtract $20.00 as a margin for error. Round the VDB down to the dollar.

1015.10.3 Reasons For Delay of IMPACT Payment

Before an IMPACT can be paid, the initial claims application data must be accepted by RASI. REQUEST shows the date of acceptance under the caption, "INTO RASI." RASI may process a partial annuity within a week, but there are many reasons for delays of 30 days or more:

- SEARCH reply: a match of SSA number and code name with RASI's data, or reconciliation of the employee's claimed date last worked with RRB's service and compensation records (this might require examiner correction);
- A name or address change (this requires an examiner's correction);
- The case was coded by the RRB field office for manual review (this requires an examiner's eligibility determination and, if necessary, reentry of the IMPACT);
- A disability rating (and, in occupational disability cases, a CC determination and either attainment of age 60 or confirmation of 20 years of service);
- The employee expects a workers compensation or public disability benefit (this requires an examiner's review and, if necessary, reentry of the IMPACT);
- The ABD is in a current or future month;

- RUIA clearance is required;
- The case is coded by RASI for final certification (the IMPACT will not be paid at all).

1015.10.4 How IMPACT Will Be Handled in RBD

More information about IMPACT processing is outlined below:

A. Beginning date of payment - All beginning dates for payment of IMPACT rates are established on the first day of the month. Partial months will not be paid until the award is finalized.

After RASI accepts the summary screen of APPLE with the IMPACT, RASI will establish an assumed ABD on:

1. The first day of the month in which the application was filed if:

   a. That month is later than the month the employee last worked in railroad service; and

   b. The employee is entitled to an annuity for the entire month.

2. The first day of the first month:

   a. After the month the employee last worked in railroad service; and

   b. The employee is entitled to an annuity for the entire month.

Only current month accruals will be paid. If the ABD established under "1" or "2" above results in more than one month's accrual being due, RASI will change the ABD so that only one month's accrual will be payable.

Exception: If RUIA clearance is not received by the cut-off date for the current month, the case will be paid the following month, which would result in more than 1 month's accrual being paid.

When a case previously paid a partial rate is ready for recertification to the final rate, the actual ABD will be used instead of the assumed ABD. In some cases, however, the ABDs can be identical.

B. RUIA clearance - All cases will be cleared with RUIA before payment is made. The IMPACT ABD is furnished to RUIA. If there is a RUIA overpayment which exceeds the partial accrual, RASI will not pay an IMPACT rate. RASI will, however, continue processing the case for final payment.

C. REQUEST - Cases pending on RASI will be shown on REQUEST until a final payment has been made or the case is dropped from RASI for manual handling.

D. <u>Award notification</u> - The annuitant will receive a RL-20/RL-20e award letter showing the assumed ABD, the total amount of the monthly award (no tier breakdown) and a paragraph telling him that this is only the <u>partial</u> rate.

The award letter will be released about 2 days <u>before</u> the Treasury Department releases the check.

A monthly listing is provided to requesting railroad employers which contains annuity data (formerly Form RL-5a, obsolete June, 1977) which they need for internal processing.