## 1135.5 Effect Of Earnings

Prior to January 2000, survivor annuities were withheld if the annuitant under age 70 (age 72 before 1-1-1983) had earnings over the annual exempt amount. The withholding is the same formula used under the Social Security (SS) Act; the individual will lose $1.00 in annuities for every $2.00 earned over the annual limit. Survivor work deductions are based on the individual's total annuity rate (tier I, tier II and the vested dual benefit), not on part of the annuity rate as in retirement work deductions. Work deductions for an individual are based solely on that person's own earnings; one individual's earnings do not affect any other annuity.

Beginning in the year 2000, survivor annuities will be withheld if annuitant under full retirement age has earnings over the annual exempt amount. In the year the annuitant attains full retirement age, the higher earnings exempt amount will apply and only the earnings through the month before the attainment month will be counted for work deduction purposes.

The annual earnings test applies to all survivor annuitants except:

A. A disabled child annuitant age l8 or over; and

B. A disabled widow(er) annuitant under age 60. The annual earnings test does apply when the disabled widow(er) attains age 60; and

C. A disabled surviving divorced spouse or a disabled remarried widow(er) annuitant under full retirement age. The annual earnings test does apply when she attains full retirement age.

No survivor annuity is payable for a month in which any annuitant works in the railroad industry.

The general earnings test provisions outlined in FOM1_1105 apply to survivor work deductions. However, there are no penalties for late reporting and the foreign work test does not apply to survivor annuitants. A reference in this article to widow(er) includes a surviving divorced spouse, a surviving divorced mother/father and a remarried widow(er), unless specified otherwise. Work deductions apply to those beneficiaries as they do to other survivor annuitants.

## 1135.10 Disabled Annuitant Works

### 1135.10.1 General

The annual earnings test does not apply to a disabled child over age 18, a disabled widow(er) under age 60, a disabled surviving divorced spouse under full retirement age or a disabled remarried widow(er) under full retirement age. There are no work deductions for disabled survivor annuitants. However, all work and earnings must be reported because the work must be considered in determining whether the child or widow(er) has recovered from the disability; see FOM1_410.35 and FOM1_420.45. The work and earnings may demonstrate that the disabled annuitant is able to perform regular gainful employment and is no longer disabled, therefore ineligible to receive an annuity.

The survivor annuity of a disabled child or widow(er) at any age is not payable for any month the annuitant works for a railroad employer.

### 1135.10.2 Disabled Widow(er) Attains Age 60

The annuity of an unmarried legal or de facto disabled widow(er) technically becomes an age annuity when the widow(er) attains age 60. Therefore, regular annual earnings test restrictions apply beginning with the month the widow(er) attains age 60 and ending with the month before the month the widow(er) attains full retirement age.

All earnings in the year age 60 is attained are considered in determining excess earnings for that year. However, work deductions may apply only beginning with the month the widow(er) attains age 60.

A determination of continuance of disability is still required before age 65 to determine if the disabled widow(er) is eligible for continued Medicare coverage.

### 1135.10.3 Disabled Surviving Divorced Spouse or Disabled Remarried Widow(er) Attains Full Retirement Age

Because the Social Security Act provisions apply to a disabled surviving divorced spouse and disabled remarried widow(er)'s annuity, the age annuity restrictions do not apply until full retirement age. The regular earnings test restrictions apply beginning the month she attains full age. Work deductions do not apply beginning the month she attains full retirement age effective in the year 2000 (Age 70 prior to the year 2000, and age 72 prior to 1983).

Earnings before full retirement age must be reported, because recovery from disability may be indicated.

## 1135.20 Survivor Annuitant Previously Entitled To Retirement Benefit

When a spouse or child was receiving a retirement annuity or was included in the overall minimum, and the monthly earnings test applied to the retirement benefit in l978 or later, the monthly earnings test may not be used again when entitlement to a survivor annuity begins. This applies in a spouse-to-widow conversion, or when a spouse or child included in the O/M becomes entitled to a survivor annuity. The earnings are handled as two periods of entitlement for assessing work deductions (see FOM1_

1105.60). The first period of entitlement is the months of entitlement to the retirement benefit. The second period is the months of entitlement to a survivor annuity.

## 1135.25 Assessing Temporary Work Deductions

Work deductions are assessed on a "temporary" basis during the current year. The work deductions are temporary because the withholding is based on an estimate of earnings. The withholding is intended as an offset to prevent or reduce an overpayment when the final adjustment is made. Temporary work deductions are required whenever an annuitant under full retirement age expects to have earnings over the annual limit.

A. Determination of Excess Earnings - To determine the number of months the annuity must be withheld for temporary work deductions, the amount of excess earnings is computed. The withholding must equal $1.00 of annuities for every $2.00 of earnings over the annual limit if the annuitant is under full retirement age or $1.00 of annuities for every $3.00 of earnings in the year the annuitant attains full retirement age. When assessing work deductions in the year the annuitant attains full retirement age, only the earnings through the month before the month the annuitant attains full retirement age are counted for work deduction purposes.

B. Determination if Grace Year Applies - It must be determined if the year for which excess earnings are estimated is a grace year in which the monthly earnings test applies. If the monthly earnings test does apply, a temporary work deduction may not be assessed for any month in which the annuitant earned or expects to earn less than the monthly exempt amount and does not perform substantial services in self-employment.

C. Temporary Work Deduction Months - Annuities are always withheld in increments of full months when temporary work deductions are applied. The number of months' withholding required to recover the excess earnings must be determined. For example, an annuity rate of $1,350.00 must be withheld for 5 months ($6,750.00) to recover $6,500.00 of excess earnings. A full month's withholding is required for the fifth month because a partial month's payment cannot be made on a temporary basis.

   Temporary work deductions are applied beginning the first month the annuity is otherwise payable. In practice, this may be the first month of entitlement, the first month in the current year or the first month after the earnings estimate is received. The months to be withheld are counted in consecutive order. However, an annuity must be paid for any month in which the monthly earnings test applies and earnings are less than the monthly exempt amount and the annuitant does not perform substantial services in self-employment. For the purpose of assessing temporary work deductions, field offices should not consider non-work months in the computation.

Temporary work deductions are not applied retroactively in a year. For example, an annuity will be suspended effective June 1 if an estimate of excess earnings is reported in May, even though the annuitant began working in January and will have excess earnings that require 12 temporary work deductions. However, the overpayment will be determined after the end of the year, when permanent work deductions are computed based on the annuitant's actual earnings. The annuitant is not notified of any overpayment until permanent work deductions are assessed.

D. Notice to Annuitant and Reinstatement of Annuity - When an annuity is suspended for temporary work deductions, a letter is released which explains the number of months' withholding required to recover the excess earnings. Payments may be reinstated during the current year at the expiration of the temporary deduction period. However, payments may not be reinstated for the in the month of December of any year, unless the annuitant reports that he will not have excess earnings in the following year. This restriction on year-end reinstatements is intended to prevent overpayments when an annuitant expects to have excess earnings in the following year. When an overpayment from a previous year has not been recovered, the overpayment will be recovered from the annuity before the annuity is reinstated.

If the annuitant reports that he no longer expects his earnings to exceed the annual exempt amount, annuities are reinstated and paid retroactively for all months of that year which were previously withheld.

If the monthly earnings test may be applied, and an annuitant reports that he is not working for wages of more than the monthly exempt amount nor rendering substantial services in self-employment, payments are reinstated beginning with the first month he shows that he did not work for wages of more than the monthly exempt amount or render substantial services in self-employment. Annuity payments will also be reinstated effective the month the annuitant attains full retirement age. However, if there were months earlier in that year that temporary work deductions should have been applied but were not, payments will be reinstated effective with the current month.

The annuitant's address has to be verified if the annuity had been suspended for 6 or more months and there was no correspondence showing the annuitant's address within the last 6 months. SPEED will release an RL-169V letter to the annuitant one month prior to the reinstatement month in cases which require address verification. When the annuitant makes contact with the field, the address information should be updated to SPEED by either verifying the existing address information, or entering new address information on the address verification screen.

EXAMPLE 1: Darlene Scott filed for a widow's insurance annuity (WIA) to begin 3-1-2020 at age 60. Her application showed earnings in 2020 of $45,000.00, exceeding the monthly exempt amount in all months. Her excess earnings totaled $13,020.00 [($45,000.00 - $18,240.00) divided by 2 = $13,380.00]. Based on her WIA rate of $1,350.50, her annuity could not be paid any month in 2020, because 10 work deduction months applied. Mrs. Scott's annuity award notice gave her the amount of the WIA rate, and told her it could not be paid because of her excess earnings.

EXAMPLE 2: Cathy Davis (date of birth 7-23-1955) notified us on 3-15-2021 that she would earn $63,000.00 in 2021 through the month of May. The annual exempt amount for 2021 is $50,520.00, because she attains full retirement age September 2021. Her excess earnings totaled $4,160.00 [($63,000.00 - $50,520.00) divided by 3 = $4,160.00]. Based on her WIA rate of $2,689.60, 2 months annuity had to be withheld. Her annuity was suspended effective 4-1-2021, withheld for the months of April and May, and reinstated effective June 1, 2021.

E. Estimated Earnings In Short Entitlement Year

When assessing TWDs in short entitlement year cases, the withholding should be based on the amount of expected earnings through the last month of entitlement. If you are using an annual estimate based on the previous year's earnings, divide by 12, and multiply the monthly amount by the number of entitlement months in current year.

This situation arises mostly in family group cases in which a working parent is receiving an annuity based on having a minor child in care. Be sure to check and see when the youngest child entitling the parent will attain age 18 (age 16 for cases with surviving divorced or remarried young mothers/fathers).

EXAMPLE: A KM, whose youngest child will attain age 16 in July 2020, had 2019 earnings of $36,000.00. Permanent work deductions were assessed for 2019. No 2020 estimate was provided so normally, we would use the final 2019 earnings amount as an estimate for 2020.

However, since the KM is only entitled through June 2020, the 2020 estimate should be revised as follows:

$36,000.00 divided by 12 months = $3,000.00.

$3,000.00 times 6 months (Since the youngest child will attain age 16 in July, the KM is only entitled through June 2020) = $18,000.00.

While the example above illustrates a survivor case, the same concept would also apply in retirement cases.

## 1135.25.1 Survivor Prorated Withholding

Prorated Work Deduction Withholding - Prorating of survivor work deduction withholding allows an annuitant to receive a reduced monthly annuity throughout the year instead of having their annuity fully withheld. The withholding can only be prorated if the annuitant submits a written request. The period to be prorated is at the annuitant's option but:

Cannot be earlier than the month of the request; and

The amount of the annuity payable effective with the month the proration begins must be at least $25.00.

Although the allegation must be in writing, it does not need to be verified.

Prorating of work suspensions will not be permitted if the annuitant has any existing overpayment. If an annuitant is later overpaid, prorating of work suspensions will be stopped.

Note: Incorrect payments during the current year because of earnings are not overpayments. Overpayments due to earnings can only be determined after the close of that taxable year.

Also, prorating of work suspensions is not permitted if the required monthly withholding exceeds the amount of the annuity. Release form letter RL-167PD in these cases. The form letter is on RRAILS.

**Field Office Responsibilities** - This survivor work deduction withholding alternative will not be published in our applications and booklets. Claims representatives, at their own discretion, can inform annuitants of this policy. If an annuitant requests the prorated work deduction suspension, the contact representative should assist the annuitant in making the written request for proration of the withholding.

Requests for prorated withholding should be forwarded to the SBD Group mailbox at SBD-SurvivorBenefitsDivisionGroupMailbox@rrb.gov.

**Headquarters Responsibilities** - Review the request and determine if prorated withholding can be granted. If proration can be granted, complete Form RL-167PW which is available on RRAILS. The RL-167PW will calculate the amount of the prorated withholding applicable to the particular case.

Entering the Prorated Withholding Case on SURPASS -

SURPASS entries are as follows:

| Step | Action |
|---|---|

| | |
|---|---|
| 1 | Access SURPASS and create an award. Use the certification code ‘01’ for a RECERT award action or ‘03’ for a REINSTATE/RECERT award action. |
| 2 | Complete your SURPASS award as usual but the entries noted below should be completed in addition to the normal SURPASS entries.<br><br>Access the Tier 1/Rate Deductions Screen (PF-16; SUMU120) and make the following entries:<br><br>Select Deduction Type – Enter A ‘5’ for Waiver Deduction.<br><br>Red AMT – Enter the prorated withholding amount calculated in item 6 on Form RL-167PW.<br><br>From - Enter the month and year <u>immediately following the award’s accrual period ending date</u>.<br><br>Thru - should be left blank.<br><br>WVR Tier CD (1-6) - Enter a code ‘6’ (for pro-rated W/D). |
| 3 | Only access the Additional Amounts/Recovery Amounts screen (PF-17; SUMU130) to show the recovery of any months not paid. This should be done if the annuitant is on a constructive award or in suspense for earnings. The recovery should be shown as follows:<br><br>Select Action – Enter ‘2’ for Recovery Amount.<br><br>Select Type - Enter ‘32’ for Recovery Amount.<br><br>Proceed to the section titled “Recovery Amounts”.<br><br>Under Multi-Month Recovery Amt – make the following entries:<br><br>From – Enter the actual beginning month and year of pro-rated W/D recovery for the accrual period.<br><br>Thru – Enter the actual ending month and year of pro-rated W/D recovery for the accrual period.<br><br>Amount – Enter the total amount of pro-rated W/D being recovered during the accrual period. |

| | |
|---|---|
| 4 | Do not enter any earnings information on the Work Deduction screen (PF-18; SUMU140). |
| 5 | Complete award as normal and prepare ALTA letter advising of prorated work deduction by using code paragraph 1675 (Prorated Work Deductions Granted). |

Prorating of work suspensions will have no effect on ARF and DRC calculations. Use only the correct number of full or partial deduction months based on actual final earnings without regard to annuities paid under a request for prorated work suspensions.

## 1135.26 Field Office Action When Earnings Reports Received

### 1135.26.1 Notifying Headquarters

When a report of earnings is received from an annuitant already on PREH, enter the report into the SPEED earnings database. Refer to FOM1 15125. SPEED will either process the adjustment mechanically or a USTAR referral will be created at Headquarters for manual handling. Paper documentation does not need to be forwarded to Headquarters by a Field Office (F/O) unless it is later requested by the adjudication unit. All earnings reports accumulated should be batched and sent to Headquarters for imaging.

**NOTE: Continue the enter earnings information for initial cases through APPLE.**

### 1135.26.2 Temporary Work Deductions (TWDs)

Temporary work deductions will be processed mechanically by SPEED, or referred out for manual handling to the Survivor Benefits Division (SBD) section.

Temporary work deductions (TWDs) in survivor cases involve establishing a compensating offset amount so that when the case is handled for permanent work deductions, there will be no overpayment. This offset is based on the withholding of the working annuitant's full monthly annuity rate. When applying TWDs, an annuity amount remaining after a partial work deduction in a month is not paid.

Temporary work deductions should be used for excess earnings in the current year. Cases that have been adjusted for temporary work deductions should always be controlled for adjustment for permanent work deductions. This is a mechanical call-up whenever the TWDs earnings adjustment is entered into the Survivor Earnings Database.

If an annuitant requests prorated withholding instead of the full withholding of the annuity, refer to FOM1 1135.25.1.

### 1135.26.3 Initial Constructive Award

If the annuitant's earnings estimate for the taxable year on the annuity application prevent payment for the current year, prepare a "Constructive Award" on SURPASS. Use an RL-167 in an initial case to notify the annuitant that the report of earnings submitted does not permit payment of the annuity at this time.

If a recurring award is withheld, but a one-payment only award can be made for an earlier period, include code paragraph 1682 on the ALTA award letter.

All earnings information pertinent to the annuitant should then be manually entered into the SPEED.

### 1135.26.4 Spouse-to-Widow Conversions

If payment is being withheld because of excess earnings in a "spouse-to-widow" conversion, suspend the spouse annuity, and prepare a "Constructive Award" on SURPASS. Use an RL-167b to inform the annuitant of the number of temporary deductions to be made.

If a recurring award is withheld, but a one-payment only award can be made for an earlier period, include code paragraph 1682 on the ALTA award letter.

All earnings information pertinent to the annuitant should then be manually entered into SPEED.

### 1135.26.5 Annuitant is Already on the Rolls

If an earnings report is received from the annuitant or earnings information from SPEED indicates that the annuitant has excess earnings, SPEED will calculate the withholding and suspend the payments immediately. If for some reason SPEED cannot handle, the case will be referred out on STAR for manual handling. In this situation, use the RL-167a to inform the annuitant of the number of temporary deductions to be made.

If the annuitant is already is suspense, use the RL-167a to inform the annuitant of the revised number of withholding months, if applicable.

If a one-payment-only is due for an earlier period, include code paragraph 1682 on the ALTA award letter.

All earnings information pertinent to the annuitant should be updated to SPEED.

### 1135.26.6 Notifying Beneficiary

If the case is processed mechanically in SPEED, a RL-169 series letter will be released. If the case is referred out for manual handling, the beneficiary will be notified by SBD.

### 1135.26.7 Resuming Payments

Payments may be resumed during the year if the annuitant furnishes a revised estimate of earnings or at the expiration of the temporary deduction period. If a revised earnings estimate is entered into SPEED, the program will calculate the new withholding and if applicable, set the case up for reinstatement on SURPASS beginning with the month following the last month for which payment is to be withheld. If for some reason SPEED cannot reinstate the case, it will be referred out for handling via USTAR. If the case is reinstated manually, the examiner should show the number of temporary work deductions applied, and the date the annuity becomes payable on the “Remarks” screen.

If the reinstatement is the result of a revised earnings statement, the Survivor Post Section (SPS) should update the SPEED if necessary.

### 1135.26.8 Controls for Reinstatement

If payments will be reinstated after a period of temporary deductions and before December 1st, of the earnings year, SPEED will code the case for reinstatement and select it at the appropriate time for reinstatement. The “call-up date” is the first day of the month following the last month for which a temporary deduction is made.

If an annuitant contacts the F/O regarding reinstatement after temporary work deductions, check SPEED to see if the current year’s report is available. If the earnings report is not on SPEED, or the earnings report on SPEED has different earnings than what the annuitant is currently reporting, the F/O should enter the report or revised report as needed. SPEED will reinstate the survivor annuity in most cases. If SPEED cannot reinstate the annuity, a SPEED referral will be sent to USTAR.

### 1135.26.9 Maintaining Control of Monitoring in Survivor Cases

Beginning in 1998, we discontinued releasing the green Form G-19 to survivor annuitants to obtain their final and estimated earnings. Survivor annuitant earnings amount will be secured from SSA's Master Earnings File (MEF) mechanically in May and September each year. These earnings will be used for the final previous year's work deduction adjustment and for the current year's estimate. This change eliminates the need for field offices to control and trace of Form G-19 in survivor cases.

## 1135.30 Permanent Work Deductions

Permanent work deductions are determined after the end of the year on the basis of an annuitant's annual report of earnings. Permanent work deductions are also required when an annuity terminates and the annuitant had excess earnings in the year of termination.

Permanent work deductions are computed by determining the amount of annuities to be withheld based on the actual earnings, and deducting the amount of annuities temporarily withheld based on estimated earnings. If an overpayment results, refund is requested. If refund is not made but annuities may be payable after temporary work deductions in the current year, the overpayment will be recovered from the annuity. If the annuity is not currently payable, the overpayment must be refunded. An actuarial adjustment will not be used to recover an overpayment due to excess earnings if it is probable that the annuitant will have excess earnings in the future.

If an accrual results when permanent work deductions are calculated, the accrual will be paid unless there is an outstanding overpayment. An accrual for a previous year will not be withheld because of excess earnings in the current year. Permanent work deductions are computed mechanically by SURPASS when the excess earning information is entered.

### 1135.30.1 Charging Excess Earnings against Monthly Amounts

With the exception of actuarially reduced annuities, excess earnings are assessed against the amount the annuitant would have received if no work deductions had been imposed. If an annuity is actuarially reduced, excess earnings are charged against the unreduced annuity rate. If an annuity is reduced by waiver, excess earnings are charged against the reduced annuity rate.

When a survivor's annuity for a month in the closed taxable year exceeds the amount to be withheld for excess earnings in that month, a partial annuity for that month equal to the difference between the two amounts is paid. If the annuity is actuarially reduced, the partial payment is reduced by the actuarial amount. If the partial amount that would be payable is less than the amount of the actuarial reduction, no amount of annuity will be paid for that month.

### 1135.30.2 Examples of Permanent Work Deductions

EXAMPLE 1: The widow's (date of birth 2-10-1956) Form G-19F (Web) showed 2018 earnings of $28,599.20 with no earnings in May, June, or July. Her 2019 estimate is $20,000.00, with no earnings in January and February. Her annuity began 2-1-2018 at $944.94.Temporary work deductions were applied for all months but 5-2018, 6-2018 and 7-2018 because 2018 is the widow's grace year. The annuity was not reinstated in 12-2018, even though only 7 work deduction months were required. Based on the estimate of $20,000 for 2019, we should start to withhold until we recover the full exempt amount. 2019 temporary work deductions will be computed using the information on the G-19 (Web) form submitted since no other information is available regarding final earnings for 2019.

| | |
|---|---|
| 2018 Final Earnings | $ 28,599.20 |

| | |
|---|---|
| 2018 Exempt Amount | - 17,040.00 |
| | $ 11, 559.20 |
| 2018 Excess Earnings | $ 11,559.20 divided by 2 = $ 5,779.60 |
| | $5,779.00 divided by $944.94 = 6.1<br>Needs 7 months. |

| | | |
|---|---|---|
| $ 944.94 | $ 944.94 | $ 3,779.76 |
| x 3 (FEB, MAR, APR) | x 4 (AUG, SEP, OCT, DEC) | + 2,834.82 |
| $ 2,834.82 | $ 3,779.76 | $ 6,614.58 |
| | | - 5,779.00 |
| | | $ 835.58 due 12-2018 |

The widow's permanent work deductions allow payment of $944.94 for 5-2018, 6-2018 and 7-2018; and $835.58 for 12-2018. Since she had been paid only $944.94 for 5-2018, 6-2018 and 7-2018, she is due an accrual of $835.58. The accrual will be paid and her annuity will remain in suspense until 3-1-2019 (two temporary work deductions apply). The annuity may not be paid for 1-2019 and 2-2019 because the monthly earnings test applied in 2019 only.

| | |
|---|---|
| 2019 Final Earnings | $ 20,000.00 |
| 2019 Exempt Amount | - 17,640.00 |
| | $ 2,360.00 |
| 2019 Excess Earnings | $2,360.00 divided by 2 = $1,180.00 |
| | $1,180.00 divided by $944.94 = 1.2<br>Needs 2 months. |

EXAMPLE 2: The student's annuity began 3-1-2020 and terminated 11-30-2020. No estimate of excess earnings was made on the application. His earnings statement furnished upon termination showed earnings of $19,332.40 through 11-2020, with earnings less than $1,520.00 in 3-2020 and 4-2020. His annuity rate was $496.20 effective 3-1-2020.

| | |
|---|---|
| $ 19,332.40 | $ 496.20 |
| - 18,240.00 | x 2 |

| | | |
|---|---|---|
| $ 1,092.40 | | 992.40 |
| 546.20 | | - 546.00 |
| $ 546.00 | excess earnings | |
| | | $ 446.40 due 6-2020 |

Since his annuity is payable for 3-2020 and 4-2020, we must withhold his annuity for 5-2020 and part of 6-2020. He is due a partial payment of $446.40 for 6-2020. However, since there were no benefits withheld and no continuing entitlement, his overpayment of $546.00 must be refunded.

If the survivor is a dual annuitant also receiving an employee annuity, refer to FOM1 1105.75 instructions on how to compute the work deductions.

### 1135.30.3 Permanent Work Deductions After Prorated Withholding

Below are the steps involved in assessing permanent work deductions to an annuitant whose annuity was withheld due to prorated work deductions. In this example the widow's OBD was 8/2020 and prorated withholding in the amount of $484.00 per month was in effect beginning with her OBD of 8/2020. The widow estimated her earnings at $24,000.00. Her final earnings came in at $22,063.00.

**Accrual**

| Step | Action |
|---|---|
| 1 | Determine the amount of excess earnings that need to be withheld for the previous year.<br><br>Final Earnings $22,063<br><br>Less Exempt Amount <u>$18,240</u><br><br>$ 3,823/2 = $1,911 (amount to be withheld) |

| | |
|---|---|
| 2 | Subtract the amount of annuities already withheld for the current year from step 1. The widow had prorated withholding in the amount of $484.00 per month for 5 months (8/2020-12/2020) for a total of $2,420.00 withheld.<br><br>Total amount to withhold $1,911<br><br>Less amount withheld <u>$ 2,420</u><br><br>Equals amount to be refunded to annuitant $ 509 |

**<u>Overpayment</u>**

| Step | Action |
|---|---|
| 1 | Determine the amount of excess earnings that need to be withheld for the previous year.<br><br>Final Earnings $24,600<br><br>Less Exempt Amount <u>$18,240</u><br><br>$ 6,360 / 2 = $ 3,180 (amt to be withheld) |
| 2 | Subtract the amount of annuities already withheld for the current year from step 1. The widow had prorated withholding in the amount of $484.00 per month for 5 months (8/2020-12/2020) for a total of $2,420.00 withheld.<br><br>Total amount to withhold $3,180<br><br>Less amount withheld <u>$2,420</u><br><br>Equals amount to be repaid by annuitant $ 760 |

**<u>Entering Case on SURPASS</u>**

The above example is explained below in detail to show SURPASS entries.

| Step | Action |
|---|---|

| | |
|---|---|
| 1 | Access SURPASS and create a one payment only award. The certification code should be 06 and the accrual beginning date should be the beginning of the year (January) or the annuitants OBD if not January of the year permanent work deductions are being computed. The accrual ending date should be December of the year permanent work deductions are being computed or the month entitlement ends if a short entitlement year. |
| 2 | Complete your SURPASS award as usual but the entries noted below should be completed in addition to the normal SURPASS entries.<br><br>You must adjust both tiers I and II to reflect the prorated withholding amounts previously withheld from the annuity. This is shown on the Previous Payment Summary (PF-20; SUMU160) screen on SURPASS. Adjust both tiers I and II using the formula below to reflect the actual amount paid to the annuitant each month less the prorated withholding amount.<br><br>Tier Adjustment Formula<br><br>[Tier $ divided by Total Annuity Rate] x Prorated Annuity Rate Paid = Tier $ Payable<br><br>Total annuity rate equals $1,533.74 (TI 1203/TII 330.74).<br><br>Prorated withholding amount equals $484.00<br><br>Total annuity rate after withhold: $1,533.74 - $484.00 = $1,049.74<br><br>Tier I<br><br><u>[$1,203.00 divided by $1,533.74] x $1,049.74</u> = $823.37 Tier I amount due<br><br>Tier II<br><br><u>[$</u>330.74 divided by $1,533.74] x $1,049.74 = $226.36 Tier II amount due |

| | |
|---|---|
| 3 | Review, adjust and verify the previous payments on the Previous Payment Summary (PF-20; SUMU160) screen on SURPASS. They should reflect the payments released after the prorated work deduction withholding. Verify the correct months have been adjusted based on the withholding performed.<br><br>Review the following items to validate the previous payments issued to the annuitant:<br><br>• PREH screens 3235 (RHRATE), 3220 (RHREDCT).<br>• Previous SURPASS awards imaged. |
| 4 | Delete all entries regarding work deductions and prorated withholding from the Tier I/Rate Deductions screen (PF-16; SUMU120) on SURPASS. |
| 5 | Enter the earnings information on the Work Deduction screen (PF-18; SUMU140) for the year you are currently processing. |
| 6 | Show the work deduction calculations in remarks and include the prorated withholding amount. See example.<br><br>INIT WIA PRORATED W/D 15,500 - 13,500 = 1,940/2 = 970/3 = 324.00. TO BE W/H MONTHLY. 324.00 W/H (FOR MM/YY) APPLE WIMA FOLDERLESS AWD LTR SUPPRSSD |
| 7 | Complete award as normal and prepare ALTA letter advising of final earnings processed. |

## 1135.35 Filing for Reduced Widow(er)'s Annuity

A widow(er) who is eligible for a reduced annuity should file an application for that annuity even if it is not payable because of excess earnings. The WIA will be computed with an age reduction based on the annuity beginning date. However, the age reduction will be recomputed at full retirement age to determine the "adjusted reduction factor" (ARF). The adjusted age reduction excludes the number of months under full retirement age that the widow(er) did not receive an annuity because of excess earnings. The net result is the number of age reduction months at full retirement age equals zero if no annuities are paid before full retirement age.

The ARF is not computed until the annual report is received for the year the widow(er) attains full retirement age because permanent work deductions must be computed. However, the ARF rate is payable beginning the month full retirement age is attained.

Also, for cases with an ARF effective date of November 2006 and later, at the time that the ARF is computed, the WIMA is recalculated based on the new number of age reduction months. The recalculated initial minimum annuity in such a case replaces the original initial minimum annuity calculation effective with the month ARF.

The living-with widow(er) may receive the amount of the lump-sum death payment (LSDP) as a deferred lump-sum. The deferred lump-sum is payable if the total of the survivor annuities paid within 1 year after the employee's death is less than the LSDP. If no annuities are paid because of earnings, the living-with widow(er) will receive the full amount of the LSDP after 1 year. FOM1_605 has more information on payment of a deferred LSDP.

A widow(er) may wish to defer filing for an annuity to select the year the monthly earnings test will apply. She may also have personal reasons to delay filing. However, she should be advised that the age reduction will not apply for those months her annuity is not paid because of earnings. The limitation on retroactivity should also be considered when filing is delayed.

### 1135.35.1 Resetting the OBD for Widow(er)s

For widow(er)s, including surviving divorced spouses and remarried widow(er)s, resetting the OBD is only permissible when handling the initial application. The purpose of resetting a widow(er)'s OBD is to reduce the age reduction. The OBD should be reset only if the following conditions are present in a given case:

1. Excess earnings prevent payment for the entire OBD year; and,

2. The widow(er) is between age 62 and full retirement age or the surviving divorced spouse or remarried widow(er) is between age 60 and full retirement age; and,

3. No constructive award is required.

If an OBD is not reset at the time of handling the initial award, any age reduced non-payment month will be adjusted at the time of the widow(er)'s adjustment of the age reduction factor (ARF) at full retirement age.

## 1135.40 Work Deductions And Family Maximum

In a survivor case, the family maximum benefits are determined based on the number of beneficiaries who are <u>entitled</u> to annuities. When a family member cannot be paid because of excess earnings, that individual is still included in the computation of the individual shares of the family maximum. This is unlike the computation of the retirement overall minimum, in which the shares of the other family members are increased for the months a family member is excluded because of earnings.

Consequently, a family member who is working may reduce the total family benefits payable. This is true even if the family maximum applies only because that individual is entitled, and the other family members' rates would be lower without the family maximum. To guarantee that a family group will receive the maximum annuities payable, SBD will determine if a survivor annuitant with excess earnings should or should not be included in the family maximum. Field office personnel should use the following guidelines to determine if all family members should apply for maximum benefits.

### 1135.40.1 Determining if Worker Should Be Included

A. All eligible persons are members of the same family group - A single family group is one in which all the children reside in the same household or may be presumed (because of family ties) to be concerned for the family's welfare.

In a survivor case, the tier I family maximum benefits are payable when three or more annuitants are entitled. If one of the annuitants is an aged or disabled widow(er), two family members will cause maximum benefits to be payable. A surviving divorced spouse is not considered in the computation of the family maximum, although a remarried widow(er) and a surviving divorced mother/father are included.

Tier II maximum benefits under the 1981 amendment computation are payable when a widow(er) (aged, disabled, or mother/father) and two children are entitled or three children alone.

The following are guidelines, based on the number of persons entitled to benefits, for determining whether to advise all family members to file and the necessary action to be taken by a field office to insure payment of the greatest amount of benefits.

1. Fewer than three persons eligible for benefits - (One child and one widow(er) or two children): Always develop an application on behalf of all eligible persons.

2. Three persons eligible for benefits - (Two children and a widow(er) or three children): Develop an application on behalf of all beneficiaries, unless one or more eligible persons are working and expect to have excess earnings or will work in the RR industry during any period.

   When either of these conditions exist, develop an application for all eligible persons and notify SBD in the remarks section of Form G-659a (Check

List for Survivor Applications), or in a memo attached to the application package that you have developed from all eligible persons. Ask to be notified if it would be advantageous for certain applicant(s) to withdraw their applications to permit payment of greater benefits.

3. Four or more persons eligible for benefits - Advise the person filing for the family that three persons will usually cause payment of maximum benefits. Suggest that the family file for three members who are not:

   a. Entitled to social security (SS) benefits; or

   b. Likely to have excess earnings; or

   c. Expected to work in the RR industry.

   When there are fewer than three family members who are not working and are not entitled to SS benefits, and information available in the field office is inadequate to determine which family members should file, develop an application on behalf of all eligible persons. Notify SBD in the remarks section of the Form G-659a, or in a memo attached to the application package, that you have developed from all eligible persons. Ask to be notified if it would be advantageous for certain person(s) to withdraw their applications to permit payment of greater benefits.

   NOTE: If a widow(er) wishes to file on behalf of all eligible persons, even after being advised of the possible disadvantages, develop according to the widow(er)'s wishes. Note in the remarks section of the Form G-659a that the provisions of the RR Act were explained and that the widow(er) still wishes to file on behalf of all eligible persons.

   If an applicant does not file for benefits because it would decrease the total annuities payable, advise the individual that she must file a new application in the future if she wishes to be included. Also advise her that it is her responsibility to advise the RRB when she stops working or her earnings decrease, and that she is eligible for benefits until the child attains age 16 (or age 18, if applicable).

B. Persons in separate family units - When all eligible persons do not reside in the same household or the children do not have the same guardian, develop from all eligible persons.

### 1135.40.2 Computations When Maximum May or May Not Apply

EXAMPLE: Mother and Two Children; Mother Has Excess Earnings - 1981 Amendment Tier II - The tier I family maximum is not payable without the mother (M). Determine (1) annuities payable without M; and (2) annuities payable with M but after work deductions. The death PIA (Primary Insurance Amount) is $473.40, the family maximum is $862.10 and the employee's tier II is $267.19. The mother's estimated earnings in 1982 are $9,400.00.

1. Annuities without M

| | Each Child | |
|---|---|---|
| Tier I | $ 355.00 | (75% of PIA) |
| Tier II | + 46.76 | (17.5% of tier II) |
| | 401.76 | |
| | X 2 | children |
| | 803.52 | |
| | x 12 | months in year |
| | $ 9,642.24 | |

2. Annuities with M after work deductions

| | M | | Each Child | |
|---|---|---|---|---|
| Tier I | $ 287.00 | | $ 287.00 | (1/3 of maximum) |
| Tier II | + 133.60 | (50%) | + 40.08 | (15% of tier II) |
| | $ 420.60 | | $ 327.08 | |

$ 12,800.00 M's earnings

\- 4,400.00

$ 8,360.00

$ 4,180.00 excess earnings; 10 work deductions

12 months' annuities for children:

$ 327.08 x 2 x 12 = $7,849.92

2 months' annuities for M:

$ 420.60 x 2 = $ 841.20

+ 7,849.92

$ 8,691.12

3. Comparison - The total annuities payable are greater without the mother ($9,642.24) than with her after work deductions ($8,691.12). The mother will be advised to cancel her application.

### 1135.40.3 Deeming The Working Member Cancelled and Refiled

A. Entitlement Less Than 12 Months in the Initial Year of Entitlement

In handling initial cases (depending on the OBD), in which entitlement of the working family member is less than 12 months in the initial year of entitlement, consider not only what is advantageous for her in the initial year of entitlement, but in the future. It may be practical to deem the worker's application canceled through the initial year of entitlement, and deem the working family member refiled effective with January 1, of the following year.

In such cases, the rates in the initial award should include the working family member in the computations. Withhold the working family member for the required number of temporary work deduction months, and reinstate her when her earnings permit.

When assessing permanent work deductions, determine if the family group would receive more with the working family member excluded from the computations. If so, deem the working family member canceled through the initial year of entitlement, and establish her OBD effective with January 1, of the following year. Recertify the other members of the family group(s) to rates without the working family member through the initial year of entitlement. If the working family member was paid for any months in this period, recover this amount from the accrual due the other family members and pay out any additional amount.

Deem the working family member canceled only when assessing permanent work deductions in the initial year of entitlement and only in cases where, based on a 12 month period, the working family member is payable for five or more months, and it is to her advantage to remain in the computations.

B. Family Maximum Payable Without Working Family Member For Part of Accrual Period Only - In some initial cases, the family maximum is initially payable without the working family member. Then, when one of the other family members drops out in the accrual period, the family maximum is payable only when the working family member is included. In such cases, it is practical to deem the working family member's application canceled through the period when the maximum applies without the working member. This should be done only in cases where, based on a 12 month period, the working family member is payable for five or more months, and it is to her advantage to remain in the computations. Otherwise request the field office to advise her to cancel.

### 1135.40.4 Sending Request for Cancellation to the Field

If it is advantageous for the working family member to cancel, provide the field office with rates for the other family members, with and without the working family member included in the computations. If the working family member's chooses to cancel, request the field office to secure a signed written statement of cancellation of the working family member's annuity application. The statement should acknowledge:

- The working family member is cancelling to allow family payments to continue at the maximum rates; and,
- The working family member does not have to submit further work reports until refiling takes place; and,
- The working family member is responsible for initiating refiling should his expected earnings decrease; and,
- The working family member should initiate refiling when any other member of the family group is no longer entitled to survivor benefits.

Do not hold up payment of the initial award waiting for the working family member's written statement of cancellation. Put the family group into pay status at the rate including the working family member. Control the case for the statement from the working family member.

### 1135.40.5 Actions When Reply Received From Working Family Member

A. Working Family Member Cancels - If the working family member cancels:

  1. Redistribute the family maximum shares among the remaining members of the family group with a Recert award on SURPASS.
  2. Prepare Form G-59 to delete the Research record of the person cancelling.

B. Working Family Member Does Not Chose To Cancel - If the working member does not chose to cancel, assess work deductions to the annuities paid based on the annuity application according to regular procedure.

## 1135.45 Effect Of Social Security Entitlement (LINQUIST Class Members)

Prior to September 1, 1987, a survivor annuitant with excess earnings was reduced twice for those earnings if she was also entitled to social security benefits. Work deductions are applied to the social security benefit by the Social Security Administration. However, the full amount of the SS benefit before reduction for earnings is deducted from tier I of the survivor annuity. The railroad annuity was, therefore, reduced for SS benefits that are not paid because of excess earnings. Since the annuitant's total SS and railroad retirement benefits were reduced twice because of earnings, the annuitant was actually being reduced $1.00 for every $1.00 earned over the annual limit.

In September 1997, the “Linquist Court Order” was issued. The Linquist court order prohibits RRB and SSA (combined) from withholding more than the "1 for 2(3)" amount. It has been decided that SSA will do the withholding for both agencies. There are cases, however, in which SSA will not be able to fully withhold for the annuitant's earnings. If this situation occurs, RRB must determine if any withholding action is required before putting the annuitant in pay status or refunding any previously withheld annuity payments.

A LINQUIST class member is an annuitant who receives both a railroad retirement survivor annuity and a social security benefit, and has earnings over the annual exempt amount. An annuitant is considered a class member for any month in which all three conditions are met.

EXAMPLE: A widow is currently receiving a railroad annuity and has earnings over the exempt amount, retires in September 2020. Her social security date of entitlement (DOE) is October 2020. The widow will not have earnings over the monthly exempt amount after her social security DOE: therefore, social security will not withhold for earnings. The widow is **not** a class member.

Using the above example, if the social security DOE is June 2020, the widow would be a class member because the SSA DOE is before the widow's non-work months.

The Linquist court order prohibits RRB and SSA (combined) from withholding more than the "1 for 2(3)" amount. It has been decided that SSA will do the withholding for both agencies. There are cases, however, in which SSA will not be able to fully withhold for the annuitant's earnings. If this situation occurs, RRB must determine if any withholding action is required before putting the annuitant in pay status or refunding any previously withheld annuity payments.

The MBR will provide the annuitant's earnings amount, the social security benefit amount and what benefits have been withheld due to earnings.

Review the MBR. Use the "ARD" data line on the MBR to determine the earnings amount. The "TOER" column will indicate the type of earnings report as follows:

"A" = Annual Report (Permanent)

"E" = Enforcement Report (Permanent)

"M" = Modified Annual Report (Permanent)

"W" = Work Notice (Estimate)

NOTE: The earnings amount can also be shown in "ENFD" data line. The earnings listed in this line should be used if they are different from those shown in the "ARD" data line.

If the earnings amount on the MBR varies from the amount shown in the RRB file, which earnings to use depends on whether temporary or permanent work deductions are being assessed.

Temporary withholding: Use the higher earnings amount.

Permanent withholding: Generally, we will use the earnings on the MBR. If after October of the following year, the MBR continues to indicate an estimate (TOER column code "W") or does not indicate any earnings, and there are final earnings in the RRB file, use the earnings in RRB file. Notate the MBR accordingly.

Non-work months, NWM" are shown in the 5th column of the "ARD" data line. See the example of the "ARD" data line below:

| | | | | | |
|---|---|---|---|---|---|
| ARD | YOER-19 | TOER-A | TOW-W | AORE-19804 | NWM-0000 |
| | YOER-20 | TOER-A | TOW-W | AORE-20251 | NWM-0006 |
| | YOER-21 | TOER-W | TOW-W | AORE-0 | NWM-7777 |

Determine the actions that SSA has taken.

The "HISTORY" data line of the MBR will indicate the social security benefit amount and whether or not it has been paid.

The unrounded rate is shown in column 2. Except for the partial month, the rate shown here is the rate that has been withheld. In a partial month, the rate shown is the amount payable. To determine the amount withheld for a partial month, subtract the amount shown in column 2 from the full benefit.

The status of the social security benefit is shown in column 5.

"01" = The benefit was paid.

"21" = Partial benefit withheld due to work.

"220" = Full benefit withheld due to work.

If there is a "21" in the status column, assume that SSA was able to fully withhold and do not withhold any of the railroad annuity.

EXAMPLE 1: SSA withheld for the entire year.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| HISTORY | 01/21 | $198.60 | $ 0.00 | 600 | 220 | SR | $198.00 |
| | 12/21 | $207.80 | $ 0.00 | 800 | 220 | SR | $207.00 |

EXAMPLE 2: SSA able to fully withhold. Note the partial payment for October.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| HISTORY | 02/20 | $681.40 | $ 0.00 | 400 | 220 | R | $681.00 |
| | 10/20 | $447.60 | $ 0.00 | 600 | 21 | SR | $447.00 |
| | 11/20 | $681.40 | $ 0.00 | 400 | 01 | SR | $681.00 |
| | 12/20 | $713.40 | $ 0.00 | 400 | 01 | SR | $713.00 |

EXAMPLE 3 - SSA has reinstated due to non-work months.

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| HISTORY | 08/18 | $618.20 | $ 24.80 | 400 | 220 | SR | $617.80 |
| | 09/18 | $618.20 | $ 24.80 | 400 | 01 | SR | $617.80 |
| | 12/18 | $642.90 | $ 31.90 | 000 | 01 | SR | $642.90 |

Determine if RRB must withhold any additional annuity amounts as follows:

Calculate the total amount to be withheld [1 for 2(3) amount].

Calculate the amount SSA withheld or could potentially withhold. Multiply the unrounded benefit amount by the number of months the benefit was or is being withheld.

Subtract the amount SSA will or did withhold from the amount that needs to be withheld.

The remainder is the amount that RRB should withhold.

```
EXAMPLE: Using the SSA rate information in example 1,
```

| | | |
|---|---|---|
| Earnings: | $ 61,891.00 | |
| Exempt Amount: | - 50,520.00 | |
| Excess Earnings: | 11,371.00 | |
| 1 for 2 Amount: | $5,685.50 (round to $5,685.00) | |
| SSA Benefit: | $ 198.60 | $207.80 |
| Multiplied by: | 11 months | 1 month |
| SSA Withheld: | $ 2,184.60 | $207.80 |

SSA withheld a total amount of $2,392.40. Since the 1 for 2 amount is $5,685.00, RRB must withhold $3,292.60.

Initial Survivor Annuity - Temporary Work Deductions

Before putting the annuitant in pay status, determine if SSA will be able to fully withhold for the estimated earnings. If SSA will fully withhold, the survivor should be put into pay status beginning with the OBD month. Include code paragraph 1686 on the ALTA award letter.

If SSA is not able to fully withhold, prepare a constructive award and code a tickler to reinstate the annuity payments. Use RL-167 to notify the applicant.

Annuity Currently in Suspense - Temporary Work Deductions

If the annuitant's annuity is in suspense due to excess earnings, determine if SSA will be able to fully withhold for the estimated earnings. If SSA will be able to fully withhold, reinstate the annuity beginning with the month of the SSA DOE. Include code paragraph 1687 on the ALTA award letter.

If SSA is not able to fully withhold, continue to withhold the previously withheld railroad annuity payments until the full "1 for 2(3)" amount is withheld.

Annuity in Current Pay Status - Temporary Work Deductions

If SSA is able to fully withhold, no further action is required. If SSA is no able to fully withhold, determine what additional amount needs to be withheld; suspend the railroad annuity until the full "1 for 2(3)" amount is withheld.

Permanent Work Deductions

If the annuitant is a class member, the MBR earnings should be used to determine if RRB needs to do additional withholding. After final earnings have been posted to MBR, determine if SSA was able to fully withhold for the survivor's earnings. If SSA was able to fully withhold, refund any months previously withheld by RRB.

If SSA was not able to fully withhold, determine if RRB previously withheld based on the annuitant's estimated earnings. If so, determine the numbers of months needed to complete the withholding.

If SSA was not able to fully withhold and RRB did not do any withholding, recover the remaining amount using current overpayment procedures.

Arfing a Linquist Class Member

If the Linquist class member is due an ARF, the determination of nonpayment months will be based on whether or not the railroad annuity has been withheld. In general, a nonpayment month is any in which the survivor annuity has been withheld due to earnings over the exempt amount. Use only railroad annuity nonpayment months in determining the ARF.

Nonpayment months for years prior to becoming a Linquist class member are computed using current procedures.

EXAMPLE: Situation - RRB OBD = 1/2018. SSA DOE = 8/2019.

2018 - Not class member; RRB withheld 8 months.

2019 - SSA withheld 4 months; RRB withheld 5 months.

2020 - SSA withheld 8 months; RRB did not withhold.

The non-payment months for the ARF should be:

2018 - 8

2019 - 5

2020 – 0

## 1135.50 Determining Work Deduction Months For The Purpose Of The Employee ARF For The Survivor Fictional RIB Amount

If the WIA rate payable after 12-1972 is restricted to the amount of the employee's fictional RIB or 82 1/2% of the PIA, and permanent WD's were imposed or Form G-90 shows the employee had excess earnings during the period in which the age reduction applied, the RIB limitation amount must be recomputed to adjust the reduction factor (ARF) at the time the employee would have attained age 65 (or FRA). In the computation of the ARF, any permanent (or partial) WD months that were imposed under the Retirement O/M or that would have been imposed if the employee had been paid under the Retirement O/M must be excluded from the widow(er)'s RIB limitation.

Determine whether the RIB limitation age reduction should be adjusted, and the number of WD months to be used in the ARF, as follows:

A. EE INITALLY AWARDED AN AGE REDUCED ANNUITY UNDER THE 1937 ACT

If permanent work deductions were actually imposed on the employee annuity, use the permanent WD months that were imposed on Form G-354.3 during the period in which the age reduction applied up to the month the employee attained age 65 or died, whichever, is earlier, for the ARF computation.

If the Form G-354.3 computation is not in file, or if the employee’s 1937 Act annuity was paid under the railroad formula, compute the employee fictional ARF using the **“EE FICTIONAL RIB ADJUSTED FOR ARF”** PC program.

If work deduction months are under both the 1937 and 1974 Acts, the fictional work deductions should still be computed using the PC program.

EXAMPLE: An employee was in receipt of an age reduced 2(A)3 annuity. His DOB is 2-24-1912 and his ABD was 2-23-1974.

The employee had excess earnings in 1974, 1975, and 1976. In this case, the employee’s 1937 Act annuity was paid under the railroad formula, so no work deductions were imposed for 1974. However, retirement did compute work deductions for 1975 and 1976 based on the 1974 Act calculations.

In computing the employee fictional ARF, survivor examiners should use the non-payment months computed by the PC program for 1974, 1975, and 1976.

B. EE INITIALLY AWARDED AN AGE REDUCED ANNUITY UNDER EITHER THE 1974 ACT, 1981 ACT, OR 1983 AMENDMENTS

Since work deductions apply to employee annuities under the 1974 Act, 1981 Act, and 1983 Amendments, **“fictional EE work deductions”** no longer need to be computed. Instead, use the actual retirement regular work deduction months to reduce the RIB limit. If retirement applies age and service work deductions against the employee’s annuity, those months are used to reduce the RIB limit reduction on the widow’s annuity.

NOTE: Do not count LPE penalities applied to tier II. Only regular work deductions should be applied to tier I for ARFing purposes.

If retirement did not assess work deductions against the employee annuity and it appears they should have, check PREH to see if the deceased employee had a work deduction insured status (WDIS). The “T1-WD-INS-STAT-CODE” field (PREH screen 3300 – RHEE) shows whether or not the employee had a WDIS. If the employee did not have a WDIS, no work deductions apply and therefore, no EE ARF applies.

If the employee had a WDIS, send an email to RBD and ask them to compute the employee’s work deductions if not already computed and found in the file. When a response is given, use the actual number of months that retirement applied regular work deductions on to compute the ARF’D RIB limit.

C. EE INITALLY AWARDED AN AGE REDUCED ANNUITY UNDER THE 2001 AMENDMENTS

The 2001 Amendments eliminated the 60/30 age reduction. Cases, therefore, do not need to be sent to RBD if an EE had a WDIS.

### 1135.50.1 Data Entry Guidelines For EE ARF Cases On SURPASS

The following guidelines should be used when entering EE ARF Data for cases on SURPASS.

A. <u>For cases when the EE’s ABD is before January 1978</u> - On the RIB/ARF/DRC MONTHS DETAIL screen (PF12; SUMU090), complete the following:

- Enter an ‘X’ next to EE NON-PAYMENT MONTHS (X) and press ENTER.
- Complete the ARF EFF DT information.
- Enter the appropriate year(s) and mark an ‘X’ under the corresponding non-payment months on the same line the year is entered.
- Press ENTER and the message DC910014 PROCESSING COMPLETED SUCCESSFULLY will appear.

If the employee also has DRC's, a second RIB/ARF/DRC MONTHS DETAIL screen (PF12; SUMU090) needs to be created. To clear the screen after the entries above were successfully processed, press PF2 and make the following entries:

- Enter an 'X' next to EE RIB-DRC MONTHS(X) and press ENTER.
- Enter the appropriate year(s) and mark an 'X' under the months that apply.
- Press ENTER and the message DC910014 PROCESSING COMPLETED SUCCESSFULLY will appear.

NOTE: To page between the two RIB/ARF/DRC MONTHS DETAIL screens entered for the case, use PF7 or PF8.

B. For cases when the EE's ABD is after December 1977 - On the RIB/ARF/DRC MONTHS DETAIL screen (PF12; SUMU090), complete the following:

- Put an 'X' next to AFTER ARF(X) and press ENTER.
- Complete the ARF EFF DT information.
- Enter the number of age reduction months *after* the ARF next to the 'X' on the AFTER ARF (X) line and then press ENTER. The message DC910014 PROCESSING COMPLETED SUCCESSFULLY will appear.
- If the EE had DRC's, they should prefill on the PF11 (BENEFICIARY TIER 1 COMPUTATION DATA; SUMU070) screen.
- Also, the WIMA should change since the W's OBD tier I will increase. Blank out the WIMA on the BENEFICIARY TIER 2 COMPUTATION DATA (PF14; SUMU100) screen to be sure SURPASS recalculates.

C. For cases when the employee is an age reduced 60/30 annuitant - SURPASS will not compute an employee ARF for either a full age reduced or ½ age reduced 60/30 employees. In order to complete the case, the ARF must be computed manually as follows:

- Multiply the PIA by the DRC factor (see RCM 8.6 – Appendix D), if applicable.
- Multiply the result by the employee's age reduction factor based on the ARF'ed months (see either chart for 'One-Half Age-Reduced 60/30 Cases' or chart for 'Full Age Reduced 60/30 Cases' that follow).

- If the widow is age reduced, compare the widow's own age reduction to the ARF'ed RIB limit. This information can be found in PREH [RHTIER1 (3210) screen] and calculated by subtracting the widow's age reduction amount [T1-AGE-RED-AMT] from her tier I gross amount [T1-GR-AMT].

- The SURPASS screen entries using the manual calculation should be as follows on the BENEFICIARY TIER I COMPUTATION DATA screen (PF 11; SUMU070):

  - If the ARF'ed rate adjusted for DRC's is greater than the PIA, enter the adjusted rate amount in the STATUTORY SHARE/SHARE OF MAX line under the first AMOUNT column heading. Also enter a 'D' in the ADJUSTED RATE: CD(1-8) field, and press ENTER. (Deemed PIA applies).

  - If the ARF'ed rate adjusted for DRC's is less than the PIA, enter the adjusted rate amount in the RIB LIMIT AMOUNT line under the first AMOUNT column, a '1' in the ADJUSTED RATE: CD(1-8) field, and press ENTER. (EE RIB Limit applies).

  - If the ARF'ed rate adjusted for DRC's is equal to the PIA, make no entries on the BENEFICIARY T1 COMPUTATION DATA screen (PF 11; SUMU070). Instead, go to the EMPLOYEE INFORMATION screen (PF 9; SUMU020), enter a '0' in EE TYPE ANNUITY CODE (0-3) field and press ENTER.

  - If the widow's age reduced rate is higher than the ARF'd RIB limit amount, enter the widow's age reduced rate in AGE REDUCED RATE line under the first AMOUNT column on the BENEFICIARY T1 COMPUTATION DATA screen (PF 11; SUMU070) and press ENTER.

  - If the widow's age reduced rate is lower than the ARF'd RIB limit amount, make no entries on the BENEFICIARY T1 COMPUTATION DATA screen (PF 11; SUMU070). Instead, go to the EMPLOYEE INFORMATION screen (PF 9; SUMU020), enter a '0' in the EE TYPE ANNUITY CODE (0-3) field, and press ENTER. (The EE RIB Limit will not apply; the W's lower age-reduced rate will apply.)

## CHART FOR ONE-HALF AGE –REDUCED 60/30 CASES

### After ARF

| Age Reduction Months | Reduction Factor | Age Reduction Months | Reduction Factor |
|---|---|---|---|

| | | | |
|---|---|---|---|
| 1 | 0.99722 | 19 | 0.94722 |
| 2 | 0.99444 | 20 | 0.94444 |
| 3 | 0.99167 | 21 | 0.94167 |
| 4 | 0.98889 | 22 | 0.93889 |
| 5 | 0.98611 | 23 | 0.93611 |
| 6 | 0.98333 | 24 | 0.93333 |
| 7 | 0.98056 | 25 | 0.93056 |
| 8 | 0.97778 | 26 | 0.92778 |
| 9 | 0.97500 | 27 | 0.92500 |
| 10 | 0.97222 | 28 | 0.92222 |
| 11 | 0.96944 | 29 | 0.91944 |
| 12 | 0.96667 | 30 | 0.91667 |
| 13 | 0.96389 | 31 | 0.91389 |
| 14 | 0.96111 | 32 | 0.91111 |
| 15 | 0.95833 | 33 | 0.90833 |
| 16 | 0.95556 | 34 | 0.90556 |
| 17 | 0.95278 | 35 | 0.90278 |
| 18 | 0.95000 | 36 | 0.90000 |

**Chart for Full Age Reduced 60/30 Cases.**

**After ARF**

| **Age Reduction Months** | **Reduction Factor** | **Age Reduction Months** | **Reduction Factor** |
|---|---|---|---|
| 1 | 0.99444 | 17 | 0.90556 |
| 2 | 0.98889 | 18 | 0.90000 |

| | | | |
|---|---|---|---|
| 3 | 0.98333 | 19 | 0.89444 |
| 4 | 0.97778 | 20 | 0.88889 |
| 5 | 0.97222 | 21 | 0.88333 |
| 6 | 0.96667 | 22 | 0.87778 |
| 7 | 0.96111 | 23 | 0.87222 |
| 8 | 0.95556 | 24 | 0.86667 |
| 9 | 0.95000 | 25 | 0.86111 |
| 10 | 0.94444 | 26 | 0.85556 |
| 11 | 0.93889 | 27 | 0.85000 |
| 12 | 0.93333 | 28 | 0.84444 |
| 13 | 0.92778 | 29 | 0.83889 |
| 14 | 0.92222 | 30 | 0.83333 |
| 15 | 0.91667 | 31 | 0.82778 |
| 16 | 0.91111 | 32 through 60 | 0.82500* |

* If the reduction factor is 0.825, enter a ‘2’ in the ADJUSTED RATE: CD(1-8) field on the BENEFICIARY TIER 1 COMPUTATION DATA screen (PF 11; SUMU070).