

### 8.3.1 Scope of Chapter

This chapter contains the basic provisions of the 1937 Railroad Retirement Act (RRA), the 1974 Railroad Retirement Act and the 1981 Amendments to the 1974 Act for the payment of retirement annuities under the age and service or disability overall minimum (O/M). It covers such topics as who is eligible to be included in the O/M computation; the effective date of the O/M; adjustments for social security benefit entitlement, dual railroad retirement annuities, worker's compensation or Megacap benefits; and adjustments for earnings after the annuity beginning date.

The basic computation of the overall minimum is also covered in [RCM 8.6](#), Form G-354.3 Instructions.

### 8.3.2 Definition of "O/M Is Applicable"

The term "O/M is applicable" means that in a particular month there is overall minimum (O/M) entitlement and the O/M family total for the persons included in the O/M is higher than the RR formula family total.

Since deductions on account of work do not affect the O/M eligibility requirements, the O/M would be considered "applicable" in a month in which a retirement annuity is paid under the RR formula solely because of excess earnings.

### 8.3.3 Definition of "O/M Is Inapplicable"

The term "O/M is Inapplicable" means that in a particular month there is O/M entitlement but the RR formula family total is greater than the O/M family total for the persons then eligible for inclusion in the O/M.

### 8.3.5 Over-All Minimum Provisions of 1937 Railroad Retirement Act

The over-all SSA minimum provision of section 3(e) of the 1937 RRA guarantees that the total annuities payable under the 1937 RRA effective 11-1-51 or later for a full month to an employee and his family will not be less than 100% of the monthly amount which would be payable under the Social Security Act if railroad service after 1936 were credited as "employment" under the Social Security Act. The O/M guarantee was increased to 110% of the monthly amount that would be payable under the SS Act effective 6-1-59 or later.

To be entitled to this O/M computation, the employee must have filed his annuity application and have an annuity beginning date before January 1, 1975. These benefits are converted to 1974 Act rates effective 1-1-75.

### 8.3.6 Over-All Minimum Provisions of 1974 Railroad Retirement Act

- A. 110% Grandfather Over-all minimum - The 110% over-all minimum provision of section 3(f)(2) of the 1974 Railroad Retirement Act guarantees that, in cases where an employee's annuity under the 1974 Railroad Retirement Act began to accrue after December 31, 1974 but before January 1, 1983, the total monthly annuities (including any supplemental annuity payable before full retirement age but excluding any VDB) payable to an employee and his family will not be less than the total amount that would have been payable under the O/M provisions of the Railroad Retirement Act of 1937 as in effect on December 31, 1974.

The employee's service and earnings after 1974 can be included in the computation of the O/M PIA based on combined wages and compensation that would have been payable under the rules in effect on December 31, 1974 (PIA #11). However, the maximum creditable yearly earnings for years after 1974 are frozen at the 1974 maximum. PIA #11 is not subject to recomputation for earnings after the employee's annuity beginning date or for cost-of-living increases after December 31, 1974.

To be entitled to this O/M computation, the employee must have filed his annuity application or have an annuity beginning date after December 31, 1974.

- B. 100% Over-all Minimum - The 100% over-all SSA minimum provision of section 3(f)(3) of the 1974 Railroad Retirement Act guarantees that the total monthly benefits payable (including vested dual benefit but excluding supplemental annuity) to an employee and his (her) family will not be less than the monthly amount which would be payable under the Social Security Act if railroad service after 1936 were credited as "employment" under the Social Security Act.

The current PIA based on combined wages and compensation (PIA #9) is used in this computation. PIA #9 is subject to recomputation for earnings after the employee's annuity beginning date and for cost-of-living increases.

### 8.3.7 Basic Types of Retirement Over-All Minimum

There are three basic types of O/M payments possible under the 110% or 100% O/M Guaranty depending on the status of the employee:

- A. Full O/M - The employee may be entitled to the full O/M computation if (s)he has attained full retirement age before the O/M effective date.

A male or female spouse (without a "child in care") or a divorced spouse annuitant (effective 10-1-81 or later), might still be subject to an age reduction if (s)he is under full retirement age on the date (s)he is included in the O/M computation.

- B. Reduced O/M - The employee may be entitled to a reduced age and service O/M computation if (s)he has attained age 62. The employee's benefit is reduced for the months the employee is under full retirement age on the O/M effective date.

A male or female spouse (without a "child in care") or a divorced spouse annuitant (effective 10-1-81 or later), might be subject to an age reduction if (s)he is under full retirement age on the date (s)he is included in the O/M computation.

- C. DIB O/M - The DIB O/M can be paid to the employee with a DIB insured status at any age up to full retirement age without an age reduction. (Initial entitlement to the employee O/M benefit computation after full retirement age is covered under the full age and service O/M.)

A male or female spouse must have attained age 62, or have an eligible child of the employee in care to be included in the DIB O/M computation. (Benefits for a male spouse with child in care are effective Dec. 1978 or later). If the spouse is under full retirement age and does not have an eligible child of the employee "in care" on the date (s)he is included in the DIB O/M computation, the spouse benefit is reduced for age.

NOTE: A divorced spouse cannot be included in the DIB O/M based on a "child in care". The employee must be age 62 before a divorced spouse annuitant age 62 or over can be included in the DIB O/M.

In all cases described in A through C above, a divorced spouse cannot be included in the O/M as in IPI (see section [8.3.21](#)).

### **8.3.8 Requirements for Increasing the Employee Annuity under the O/M**

- A. O/M COMPUTATION BASED ON AGE AND SERVICE - In order to have an annuity increased under the O/M based on age and service, the employee must:

- Have filed an annuity application; and
- Have 120 or more months of railroad service, or at least 60 months of railroad service after 1995; and
- Relinquish all rights (s)he may have to return to the service of employers under the RR Act. (Prior to 12-01-1988, this also applied to Last Person Employer (LPE); and
- Have attained age 62. Effective September 1, 1982, an employee must have attained age 62 for a full month before first eligibility is established; and
- Be fully or transitionally insured\* under the Social Security Act. The employee's railroad service after 1936 is treated as employment covered

under the Social Security Act when determining the employee's insured status for the O/M computation. (Refer to [RCM Chapter 5.6](#))

The O/M fully insured status determination is separate from the determination of fully insured status based on wages only that may entitle the employee to a Social Security benefit payment (see [RCM Chapter 5.6](#)).

The insured status of the wage earner also entitles his (her) spouse, divorced spouse annuitant, or child(ren) to be included in the O/M computation as long as they meet the other requirements for entitlement under the 1974 RRA (or the 1981 amendments to that Act).

\*NOTE: Entitlement to a "Prouty" benefit, as explained in [RCM Chapter 5.6 Appendix B](#) will not give an employee the insured status necessary to increase the annuity under the O/M. In order to have a transitional insured status as explained in RCM Chapter 5.6 Appendix A, an employee must have attained age 72 before 1969. Therefore, the payment of O/M annuities under the 1974 RRA will seldom be based on transitional insured status.

B. O/M Computation Based on Disability - In order to have an annuity increased to the O/M based on disability, the employee must:

- Have filed a disability application; and,
- Have 120 or more months of railroad service, or at least 60 months of railroad service after 1995; and,
- Be permanently disabled within the meaning of the SS Act as explained in RCM Chapter 1.2. (An allowance under section 216(i) of the SS Act is sufficient for DIB O/M purposes unless visual impairment is involved. If the diagnostic code in item 21 of the G-325 or item 18 of the SSA-831 is 37406, 37506, 37806 or 37906, the employee must also be rated disabled for cash benefit purposes under section 223(c) of the SS Act in item 27 of form G-325 before the DIB O/M can be paid); and,
- Have a DIB insured status as explained in [RCM 5.6.11](#). (The employee's railroad service after 1936 is treated as employment covered under the Social Security Act when determining the employee's DIB insured status for the O/M computation.

The disability freeze determination for the O/M is separate from the determination of insured status based on wages only that may entitle the employee to a DIB at SSA or RR disability windfall.

The employee's DIB Insured Status also entitles his (her) spouse, or divorced spouse (when EE attains age 62), or child(ren) to be included in the O/M

computation as long as they meet the other requirements for entitlement under the 1974 RRA (or the 1981 amendments to that Act); and

- Serve a waiting period, if required, as explained in RCM [5.6.11](#).

### 8.3.9 ARP O/M Test

Automated Retirement Payments (ARP) will identify potential O/M Cases and refer them to Retirement Survivor Benefits Division (RSBD) s for further testing and or development.

### 8.3.10 Manual O/M Test

Where the employee is age 62 or older at the time the claim is processed or attains age 62 while on the annuity rolls, or meets the requirements for a DIB-O/M, test the case for the applicability of the O/M computation as follows:

- A. 110% Grandfather O/M - This is no longer tested but we kept this in procedure for historical reasons. For annuity rates payable before 6-1978, test for the 110% Grandfather O/M by comparing the employee's Gross Tier I, net Tier II and any supplemental annuity payable before age 65, to PIA #11 plus 10% or, if an eligible spouse or child is involved, compare the total employee and spouse gross Tiers I, net Tiers II and any supplemental annuity payable before age 65 to the family maximum for PIA #11 plus 10%.
- B. 100% O/M - Test for the 100% O/M depending on the O/M effective date as follows:
  1. Employee Only
    - (a) O/M Effective Date Before Proration of RR Annuity - Compare the total of the employee's gross tier I, net tier II and windfall benefit (before any windfall cutback) to PIA #9.
    - (b) O/M Effective Date at Proration or Later - Compare the total of the employee's gross tier I before any reductions, net tier II before reduction for age and/or M/S, and windfall after any COL but before reduction for age and/or M/S or WF cutback, to PIA #9.
  2. Employee Plus Spouse and/or Child
    - (a) O/M Effective Date before Proration of RR Annuity - Compare the total employee and spouse gross tiers I, net tiers II, and windfall benefits (before windfall cutback) to the family maximum for PIA #9.
    - (b) O/M Effective Date at Proration or Later - Compare the total of the employee's and the spouse's gross tiers I before any reductions,

net tiers II before reduction for age and/or M/S, and windfall after any COL but before reduction for age and/or M/S or WF cutback, to the family maximum for PIA #9.

3. Employee Plus Divorced Spouse Annuitant Only - Compare the total of the employee's and the divorced spouse's gross tier I's before any reduction, the employee's net tier II before reduction for age and/or M/S and the employee's windfall after any COL but before reduction for age and/or M/S or WF cutback, to 150% of PIA #9.
4. Employee Plus Divorced Spouse Annuitant and Other Auxiliaries - Compare the total employee, divorced spouse and spouse gross tier I's before any reductions, the employee and spouse net tier II's before reduction for age and/or M/S, and the employee and spouse windfalls after any COL but before reduction for age and/or M/S or WF cutback, to the family maximum for PIA #9 plus 50% of PIA #9.

A divorced spouse's annuity rate may never be increased under the O/M to an amount that exceeds his/her RR formula tier 1 rate. Any O/M increase payable over that RR rate would be paid to the employee and spouse annuitants. Refer these cases to Policy and Systems-RAC. In 60/30 cases, the AIME PIA #9 on the G-90 for the initial annuity award may be an estimated PIA (see [RCM 7.4 Appendix A, Form G-90 Instructions](#)). An asterisk (\*) will identify such calculations. If the O/M could apply in cases where an IPI spouse or child is involved, request a current G-90 with the actual PIA #9 amount. Since there are no deeming provisions for PIA #9, this PIA will be computed with an eligibility year based on the employee's actual attainment of age 62. The resulting AIME PIA bend points for employee's who attain age 62 in 1979 or later will differ from the formula used to compute PIA #1.

If Forms G-319 and/or G-320 were developed and it is determined, based on all information, that the O/M is not applicable, release Form Letter RL-300 to the employee as explained in [RCM Part 11](#).

### **8.3.11 Effective Date of Retirement Over-All Minimum Computation**

- A. O/M Computation Based on Age and Service - The effective date of the 100% O/M or 110% Grandfather O/M based on age and service is the later of:
  1. Prior to September 1981, the first day of the month in which the employee attains age 62. After August 1981, the first day of the month after the month in which the wage earner's 62nd birthday falls unless his birthday is the 1st or 2nd day of the month (in such case, the effective date is the first day of that month); or,
  2. The employee's annuity beginning date or Tier I date of entitlement, if later; or,

3. The first day of the calendar quarter in which the annuitant became insured under the Social Security Act, treating RR service after 1936 as social security employment.
- B. O/M Computation Based on Disability - The effective date of the 100% O/M or 110% Grandfather O/M based on disability is the later of:
1. The annuity beginning date; or,
  2. The first day of the month following the month in which the disability waiting period ends, in a case requiring a waiting period; or,
  3. The first day of the first month in which the employee is disabled and meets the DIB insured status requirements under the Social Security Act, if no waiting period is required.

NOTE: A disability waiting period of five full months after the month an employee's disability began must be served before payment of the O/M based on disability unless the employee previously had a period of disability (disability freeze) which ended within five years (60 months) before the month his current disability began (see [RCM Chapter 1.2](#)).

A six month waiting period applied to benefits payable under the 1937 RRA before January 1973.

If a disability period established at SSA conflicts with a disability period established at the RRB in O/M cases, refer to [RCM 8.3.41](#).

### **8.3.12 Switch from RR Formula Award to O/M Rate Permitted**

- A. Initial Change to O/M Formula on ABD or Month Immediately after Disability Waiting Period - Practically all retirement annuities are initially awarded under the RR formula. The 100% O/M or 110% Grandfather O/M computation increase, if applicable, is awarded later by means of a recertification award.

Child(ren) may be included in the family group at this time if they meet the eligibility requirements explained in [RCM 8.3.24](#) and the O/M effective date is either the ABD or the first day of the month following the month in which a disability waiting period ends.

The spouse may be included in the family group at this time if (s)he meets the eligibility requirements in [RCM 8.3.20](#) and the O/M effective date is either the ABD or the first day of the month following the month in which a disability waiting period ends.

A divorced spouse annuitant may be included at this time if (s)he meets the requirements in [RCM 8.3.21](#). (Refer these cases to Policy and Systems-RAC).

B. Change To 100% O/M or 110% Grandfather O/M Effective After ABD or Month Not Immediately After Disability Waiting Period - If it was initially determined that neither the 100% O/M or 110% Grandfather O/M was applicable on the ABD or on the first day after the month in which a disability waiting period ends or if the employee was under age 62 and not entitled to a disability freeze and therefore was not eligible for the O/M at that time, the annuity can be increased under the 100% O/M or 110% Grandfather O/M effective the month in which:

1. The employee meets the O/M eligibility requirements ([RCM 8.3.8](#)). Request the RRB district office to develop the information needed to determine the current family composition and include an eligible spouse and/or child(ren) as explained in [RCM 1.1.21](#).
2. The spouse, who was married to the employee when the employee's annuity began, meets the eligibility requirements ([RCM 8.3.20](#)) and the employee is eligible for the O/M. Include the spouse and any eligible child(ren). Request the RRB district office to develop the current information to pay the O/M with this family composition as explained in [RCM 1.1.21](#). Do not develop for additional entitled child(ren).
3. The spouse who was married to the employee after the employee's annuity began becomes entitled to an RR spouse annuity and the employee is eligible for the O/M.

Include only the employee and spouse in the family group. Do not include child(ren) even if a spouse is entitled based on child(ren) in care.

4. PIA #9 is increased by a general benefit or cost-of-living increase and the O/M formula rates exceed the RR formula rates. Include only the employee, divorced spouse annuitant and spouse annuitant. Do not include child(ren) even if a spouse is entitled to an annuity based on child(ren) in care. Do not include an IPI spouse.
5. Under a limited set of circumstances, a child adopted after the O/M test date may be included in the O/M. The following conditions must be met:
  - the adoption must occur in the United States; --for the twelve months prior to the O/M test date, the child must have lived with the employee and been dependent on the employee for at least one half support.

If these conditions are met, then in the FIRST FULL MONTH AFTER THE ADOPTION, the child could trigger a switch from the railroad computation to the O/M computation.

EXAMPLE: The child is born in 2010. The employee's disability annuity began February 2013. The final adoption order is issued on February 17, 2021. Normally, we would not include a child adopted after the test date in the O/M.



However, using normal living with and support procedures, the field office finds that the child has been living with the employee since February 2012. The child has also been dependent for at least one half support on the employee since February 2012 (one year prior to the ABD, the date we would test for the O/M). Therefore, if the O/M computation is higher, the child could be used to pay the O/M effective March 2021 (the first full month of the adoption).

Refer cases involving a divorced spouse annuitant to Policy and Systems-RAC.

- C. Entitlement to 100% O/M or 110% Grandfather O/M Computation After O/M Previously Paid - If the annuity had been paid under the O/M formula and then switched to the RR formula, breaking the continuity of the O/M computation, the annuity rate may again be changed from the RR formula to the 100% O/M or 110% Grandfather O/M computation effective in the month in which:

1. The spouse who was married to the employee when the employee's annuity application was filed meets the eligibility requirements to be included in the O/M ([RCM 8.3.20](#)). Children or divorced spouse annuitants may be included in the family group at this time.
2. The spouse who married the employee after the employee's annuity application was filed becomes entitled to a spouse annuity. A divorced spouse annuitant may be included in the family group. Children may not be included in the family group at this time, even though a spouse is entitled based on child(ren) in care.
3. An eligible phase-out full time student who was excluded for the months of May through August can again be included in September provided the switch to the RR formula was caused by the student suspension in May.

Refer cases involving a divorced spouse annuitant to Policy and Systems-RAC.

### **8.3.13 Switch from RR Formula to O/M Rate Prohibited**

The annuity rate cannot be changed from the RR formula to the 100% O/M or 110% Grandfather O/M computation if it was initially determined that the O/M did not apply or the O/M did apply but later was removed, breaking the continuity of the O/M computation, when the following situations occur (even though the O/M rate may be higher than the RR formula):

- (1) The employee marries after the ABD and the spouse is not receiving a spouse annuity; or,
- (2) The employee adopts a child after the ABD and does not meet the conditions described in [8.3.12 B 5](#); or,

- (3) A child who was previously removed from the O/M computation becomes re-entitled in a month after a month in which the RR formula applies (e.g., a child returns to FTA after ceasing full time school attendance.)
- (4) A child who qualified a spouse for a spouse annuity which was paid under the RR formula attains age 18 and is an FTS.
- (5) A child who qualified a spouse for a spouse annuity which was paid under the RR formula attains age 16.
- (6) PIA #9 increases and the spouse is not entitled to an annuity. In these cases, only the employee is entitled to the OM computation. Therefore, the OM will not apply.[8.3.14](#) Changes From 100% O/M Or 110% Grandfather O/M To RR Formula Rate Permitted

The annuity rate can be changed from the 100% O/M or 110% Grandfather O/M to the RR formula rate whenever the RR formula yields a higher monthly benefit.

EXAMPLE #1 - The employee and spouse become entitled to social security benefits based on the employee's wages only. The RR formula rate after adjustment for the SS benefit is higher than the 100% O/M rate after adjustment for the SS benefits. The RR formula rates would apply.

EXAMPLE #2 - A phase-out full time student is not included in the O/M for the months May through August. The RR formula rate is higher than the 100% O/M rate after excluding the FTS. The RR formula rate applies for those months.

### **8.3.15 Evidence Requirements for Retirement O/M**

Refer to RCM [1.1.21](#) for the evidence requirements for the Retirement O/M.

### **8.3.18 Auxiliary Beneficiary Defined**

An auxiliary beneficiary under the Social Security Act is a person in a life case, other than the wage earner, who would be entitled to benefits on the wage earner's account if SSA had jurisdiction of payments.

The 1972 Technical Amendments to the 1937 Railroad Retirement Act and sections 3(f)(3)(i) of the 1974 RRA exclude a divorced wife and a non-living with spouse from the retirement O/M computations as an IPI prior to 9-1-65 and after 10-4-72. The Railroad Retirement Solvency Act of 1983 eliminated the living with requirement for spouse eligibility in the O/M effective 8-12-83.

If a divorced spouse meets the eligibility requirements for a divorced spouse annuity under the 1981 RR Act Amendments in October 1981 or later, (s)he may be included in the retirement O/M computation. The divorced spouse's annuity rate may never be increased under the O/M to an amount that exceeds his/her RR formula tier 1 rate,

however. Any O/M increase payable over that RR rate would be paid to the employee and spouse annuitants. (Refer retirement O/M cases with a divorced spouse annuitant to P&S-RAC after completing Form G-354.3.)

### **8.3.19 IPI (Ineligible Person Included) Defined**

A spouse who is not receiving a railroad retirement spouse annuity, or a child can be included in the retirement O/M computation as an "ineligible person included" (IPI), if (s)he would be entitled to an auxiliary social security benefit if the employee's railroad service were covered under the Social Security Act and (s)he is not excluded under the Railroad Retirement Act as indicated in [RCM 8.3.18](#) (e.g. spouse election cases).

A divorced spouse who is not receiving a divorced spouse annuity cannot be included in the O/M computation as an IPI.

### **8.3.20 Eligibility of Spouse Under 100% Computation or 110% Grandfather O/M Computation**

If the employee has attained age 62 for at least one full month and is insured under Social Security Act rules, or is entitled to a disability freeze and has served any necessary waiting period, the spouse may be included in the family group for purposes of computing the 100% O/M or 110% Grandfather O/M if (s)he meets the following requirements:

- A. Marriage Requirements - To be included in the family O/M computation, the spouse must be:
1. The legal or defacto spouse; and,
  2. Either the natural parent of the employee's natural child; or,
  3. Married to the employee for at least one year; or,
  4. Eligible for a widow(er)'s, parent's, or disabled child's insurance annuity under the RRA in the month before the month of marriage to the employee. The term eligible means that the spouse was entitled to an annuity if an application had been filed and (s)he had attained the required age. It is not necessary for the spouse to have filed a survivor application or to have attained age 60 before the month of marriage to be included in the O/M from the first day of the month of marriage; or
  5. Entitled or potentially entitled to widow(er)'s, parent's, or childhood disability benefits under the SS Act in the month the spouse married the employee. A spouse is considered potentially entitled under the SS Act if the spouse meets all requirements for entitlement under that Act, other than the filing of an application, and, in the case of widow(er)'s or parent's benefits, attainment of age 62.

- B. Living with Requirements - Prior to 8-12-83, and as of the O/M effective date, the spouse must:
1. Be a member of the employee's household; or,
  2. Receive regular contributions from the employee toward support; or,
  3. Have a court order requiring the employee to contribute toward her (his) support.

The Railroad Retirement Solvency Act of 1983 eliminated the living with requirement for spouse eligibility in the O/M effective 8-12-83.

- C. Child-in Care Requirements - A female spouse (or male spouse effective December 1978 or later) is entitled at any age if (s)he has the employee's minor child under age 16 in care or disabled child in care.

Note: If the spouse was entitled under the Retirement O/M based on having a child in care in August 1981, the spouse was included in the O/M based on child in care through the earlier of the month before the month in which the youngest child attained age 18, or August, 1983.

Effective July 1, 1996 or later, a step-child can only qualify the spouse as an IPI if the step-child is dependent on the employee for 1/2 support.

- D. Spouse Age Requirements - Prior to September 1981, a male or female spouse was eligible for a reduced age spouse benefit under SSA rules on the first day of the month after the month in which the spouse attained age 62. After August 1981, the spouse is eligible for a reduced age spouse benefit effective the first day of the month after the month in which her(his) 62nd birthday falls unless the birthday is the 1st or 2nd day of the month. In such case, the eligibility for the spouse benefit is the first day of that month.

If a spouse is eligible for a reduced for age spouse benefit under SSA rules and is not receiving a RR spouse annuity, refer to [RCM 8.3](#), Appendix A, "Spouse Election Cases".

- E. Dependency Requirements - A husband must have been dependent on the railroad employee for 1/2 of his support in order to be included in the 110% Grandfather O/M or to be included in the 100% O/M prior to 3-1-77.

### **8.3.21 Eligibility of Divorced Spouse Under 100% O/M Computation**

If the employee has attained age 62 for at least one full month in an age and service O/M case or, in a DIB O/M case, has attained age 62 at any time during the month and is insured under the Social Security Act rules, the divorced spouse annuity may be subject to the 100% O/M computation if (s)he meets the eligibility requirements for a divorced spouse annuity as explained in RCM [1.3.81](#).

A divorced spouse's annuity rate may never be increased under the O/M to an amount that exceeds his/her RR formula tier 1 rate. Any O/M increase payable over the divorced spouse's RR rate would be paid to the employee and spouse annuitants.

Refer retirement O/M cases involving a divorced spouse annuitant to P&S-RAC after the completing Form G-354.3.

There are no provisions in the RR Act for paying a divorced spouse as an IPI on the basis of her (his) age or having a minor or disabled child of the employee in her(his) care.

### **8.3.22 Effective Date of Spouse 100% or 110% Grandfather O/M Benefit**

- A. Married When Employee Filed for Annuity - A spouse who was married to the employee at the time (s)he filed for the employee annuity can be included in the family group for purposes of the O/M computation on the later of:
1. The employee's ABD; or,
  2. The first day of the month after the month in which a disability waiting period ends; or,
  3. Prior to September 1981, the first day of the month in which the employee attains age 62. After August 1981, in reduced age O/M cases, the first day of the month after the month in which the employee's 62nd birthday falls unless his (her) birthday is the 1st or 2nd day of the month (in such cases, the effective date is the first day of that month;) or,
  4. The first day of the month in which the spouse meets the eligibility requirements in [RCM 8.3.20](#); or,
  5. The date a PIA increase or adjustment causes the total O/M rate to exceed the total RR formula rate if the spouse is an annuitant.
- B. Married After Employee Filed for Annuity
1. O/M Computation Rate In Force When Spouse Become Eligible - If the total O/M computation rates exceed the total RR formula rates for the month before the month in which the spouse meets the eligibility requirements in [RCM 8.3.20](#), the spouse can be included in the family group as soon as (s)he meets the eligibility requirements.

EXAMPLE: The family group on the employee's ABD of 5-1-77 consists of the employee and an FTS. The 100% O/M is in force. On 8-1-78 the spouse meets the eligibility requirements and can be included in the family group.

2. RR Formula Rate In Force When Spouse Becomes Eligible - A spouse annuitant who was married to the employee after (s)he filed for the employee annuity and meets the eligibility requirements in [RCM 8.3.20](#) can be include in the family group for purposes of the O/M computation on the later of:
  - a. The first day of the month after the month in which a disability waiting period ends; or,
  - b. The spouse annuity beginning date; or,
  - c. The date a PIA increase or adjustment causes the total O/M rate to exceed the total RR formula rate.

### **8.3.23 Effective Date of Divorced Spouse O/M Benefit**

The divorced spouse annuitant can be included in the family group for purposes of the O/M Test on the later of:

1. The employee's ABD; or
2. The first day of the month after the month in which the employee's 62nd birthday falls unless his (her) birthday is the 1st or 2nd day of the month (in such cases, the effective date is the first day of the month); or,
3. October 1, 1981; or,
4. The divorced spouse's annuity beginning date; or
5. The date a PIA increase or adjustment caused the total O/M rate to exceed the total RR formula rate.

If the O/M computation exceeds the RR formula rate, refer the case to P&S-RAC.

### **8.3.24 Eligibility and Date of Entitlement of Child Under 100% O/M Computation or 110% Grandfather O/M Computation**

The 1937 and 1974 Railroad Retirement Acts did not provide a child's annuity in retirement cases. However, if the employee has attained age 62 or is entitled to a disability freeze and is insured under the Social Security Act, a child can be included in the O/M computation as an Ineligible Person Included (IPI), subject to the restrictions in section B, if (s)he meets the eligibility requirements under the Social Security Act and the total O/M family monthly rate is higher than the total monthly employee, spouse and/or divorced spouse annuities payable under the railroad formula.

- A. Social Security Act Rules - To be included in the family group under the Social Security Act, the child(ren) must be:

1. The child, step-child, grandchild, or step-grandchild of the wage earner as explained in RCM Chapter 4.4; and,
2. Unmarried (a widowed or divorced child, or a child whose marriage is void or has been annulled is considered unmarried); and,
3. Dependent on the wage earner (as explained in [RCM Chapter 4.7](#)); and,
4. Under age 18; or
5. Over age 18 and either:
  - a. A post-secondary school student under the student phase-out provision; or
  - b. A full time elementary or secondary school student age 18-19 under the non-phase-out student provision; or,
  - c. Disabled before age 22.

Effective September 1, 1981, a child who was not included in the O/M as an IPI on any earnings record prior to September 1, 1981 must be eligible as an IPI for the entire month before first eligibility is established.

#### B. 1974 Railroad Retirement Act Restrictions

1. Child Eligible on ABD or After Disability Waiting Period - If the child meets the requirements in Section (A) above on the employee's annuity beginning date or on the first day of the month following the month in which the disability waiting period ends, the child can be included in the family group for the purposes of computing the O/M computation rates.

EXAMPLE: The family group on the employee's ABD consists of the employee and two eligible full time students. The students can be included in the O/M computation.

2. O/M in Force When Child Becomes Eligible - If the total O/M computation rates exceed the total RR formula rates for the month before the month in which the child meets the requirements in (A) above, the child can be included in the family group for the purposes of recomputing the O/M computation rates.

EXAMPLE: The family group on the employee's ABD of 5-1-77 consists of the employee, spouse and minor child. The 100% O/M computation is in force. On 9-1-77 a second child becomes an FTS. This child may be included in the family group for the O/M computation.

3. RR Formula In Force When Child Becomes Eligible - If the total RR formula rates exceed the total O/M computation rates for the month before the month in which the child meets the requirements in (A) above, the child cannot be included in the family group for the purposes of computing the O/M computation rates (except as explained for phase-out students in section [8.3.12C](#)).

EXAMPLE 1: The family group on the employee's ABD consists of the employee and RR spouse annuitant with a minor child in her care. The RR formula employee and spouse rates exceed the total O/M formula rates. The child attains age 18 in 9-78 and the spouse annuity terminates. Although the child is an FTS, he cannot be included in the family group for the O/M computation.

EXAMPLE 2: The family group on the ABD 1-1-77 consisted of the employee and FTS. The O/M formula applied. The child ceased FTA on 5-13-77. This caused the employee annuity to revert to the RR formula. When the child returned to FTA on 1-1-78, the child's benefit cannot be considered in the O/M computation to cause an increase from the RR formula to the O/M, because of the break in the continuity of the O/M formula.

### 8.3.25 Termination or Suspension of Employee Annuity under the O/M Computation

When the employee's annuity is not payable, life benefits are not payable for the spouse, divorced spouse, or child based on the employee's wage record.

NOTE: If the employee benefit is suspended to recover an overpayment, the benefit is still considered to be "payable."

- A. Termination Events - The employee benefit under the 100% O/M or 110% Grandfather O/M computation terminates with the last day of:
1. The month before the month in which the employee dies; or,
  2. The second month after the month the employee disability annuitant recovers from the disability. If the SSA determination of recovery conflicts with the RRB determination of disability in O/M cases, refer to RCM 8.3.41.
- B. Suspension Events - The employee benefit under the 100% O/M or 110% Grandfather O/M computation is not payable for months in which the following events occur:
1. Railroad Retirement Act - The employee annuity is not payable for months in which the employee works in railroad service or LPE (prior to 12-1-



1988). It is also subject to the earnings restrictions as explained in [RCM 8.3.135](#) - [8.3.137](#) and [RCM 8.3.143](#).

2. Social Security Act - The employee annuity may not be increased under the 100% or 110% Grandfather O/M when any of the following events occur. These non-payment provisions would apply under the Social Security Act, and therefore may affect the payment of the O/M.
  - a. Vocational Rehabilitation Deductions - A VR deduction is imposed against the DIB O/M for any month in which the employee refuses, without good cause, to accept VR service available to him under an approved VR program. For any month in which a DIB is subject to VR deduction, the same VR deductions are imposed against any auxiliary benefits which are being paid (see SSCM 6608).
  - b. SGA Suspension for Blind Workers Over Age 55 - An employee who is entitled to DIB O/M on the basis of the definition of disability in RCM 1.2 will continue to be entitled for months in which he is engaging in "non-comparable" SGA. However, no O/M payment will be made to the employee or his auxiliaries on a recurring basis for any such months. Payment under the O/M may be initiated or reinstated for any month in which it is determined that the employee is not engaging in "comparable" SGA.
  - c. Deductions for Work Outside the U.S. - For months before May, 1983, a 7-day work test is applied to the age and service O/M if the employee works outside the U.S. Effective 5-1-83, work deductions may apply to the age and service O/M if the employee works outside the U.S. for more than 45 hours in a month (see SSCM 3800-3815 and RCM [Chapter 5.7](#)).
  - d. Deportation - Payment of age and service or DIB O/M benefits may be withheld if the employee is deported from the U.S. after 9-1-54 (see SSCM sec 3840ff).
  - e. Conviction for Subversive Activities - Payment of age and service or DIB O/M may be affected when the employee has been deprived of certain benefit rights by sentence of a court after conviction on a charge involving espionage, sabotage, treason, sedition, or subversive activities (see SSCM 5400ff).
  - f. Confined to a Penal or Correctional Facility - Payment of the employee's share of the DIB O/M or, effective 5-1-83, the age and service O/M is suspended while the employee is confined to a penal or correctional facility for conviction of an offense which constitutes a felony. Benefits to the remaining members of the

family group are payable as if the employee were receiving benefits (refer to RCM [6.3.7.](#)).

### 8.3.26 Termination or Suspension of Spouse Benefit under the O/M Computation

The spouse benefits are taken into account in figuring the family 100% O/M or 110% grandfather O/M computations only for those months in which the spouse would have been eligible for benefits under the Social Security Act.

- A. Termination Events - The spouse benefits end with the last day of the month before the month in which:
1. The spouse dies; or
  2. The marriage between the spouse and the employee is ended by absolute divorce or, in some cases of putative marriage, by knowledge that the marriage was invalid. When California law is applicable, and the parties undertake in good faith to legalize their marriage within a reasonable time after learning of the defect, benefits do not end. Entitlement is not ended by a limited decree until such decree becomes final. (See [RCM 1.3.81](#) for divorced spouse benefits); or,
  3. The employee's annuity terminates due to death or actual recovery from disability; or,
  4. Prior to 9-1-83, the spouse under age 62 who does not have in care a child of the employee who is either under age 16 if the spouse was not included in the O/M in 8-1981; or age 18, if the spouse was included in the O/M in 8-1981; or disabled before attaining age 22.

Effective 9-1-83, the spouse under age 62 who does not have in care a child of the employee who is either under age 16 or disabled before attaining age 22.

NOTE #1: If the youngest child is age 16-17 in September 1981, a spouse who was entitled based on a child in care prior to 9-1-81 can continue to be entitled based on that child until the earlier of the month the youngest child attains age 18 or September 1, 1983.

NOTE #2: Under the regular retirement formula, the spouse under age 62 with a minor child in care is entitled to tier I until the youngest child attains age 16 and is entitled to tier II until the youngest child attains age 18.

The Monthly Attainment Processing (MAP) program will generate a referral which is uploaded to USTAR in cases on the rolls where the spouse IPI is included in the O/M based on a child in care to alert the examiner to terminate the spouse benefit when:

- The spouse IPI was not included in the O/M based on a minor child prior to 9-1981; and
- The spouse IPI is under age 60 in a 60/30 case or under age 65 in other cases; and
- The youngest child in care attains age 16.

If Note #1 applies, the MAP program will generate referral which is uploaded to USTAR when spouse IPI's on the rolls prior to 9-1981 who are under age 60 in 60/30 cases or under age 65 in other cases when the youngest child attains age 18 or September 1983, whichever is earlier. Effective 9-1-83, all spouse IPI diary cards based on child in care will be released when the youngest child attains 16 regardless of when the spouse IPI came on the rolls.

See [RCM 6.3.16](#) for examiner action in these cases.

## B. Suspension Events

1. Railroad Retirement Act - The spouse annuity is not payable for months in which the employee or spouse works in railroad service or LPE. (However, if the spouse annuity is in suspense due to work in RR service or LPE (prior to 12-1-1988), the spouse's share under the O/M may be redistributed among the other auxiliaries as explained in RCM [8.3.139](#).)
2. Social Security Act - The spouse O/M benefit is not payable for any month in which the employee O/M benefit is not payable due to events described in RCM [8.3.25B](#).

In addition, the spouse O/M benefit is not payable for any month in which the following events occur:

- a. Deductions for Work Outside the U.S - For months prior to May 1983, the 7-day work test is applied if the spouse works outside the U.S. as explained in SSCM 3800-3815 and RCM [Chapter 5.7](#). Effective 5-1-83, work deductions may apply if the spouse works outside the U.S. for more than 45 hours in a month.
- b. Conviction for Subversive Activities - The spouse O/M benefit is not payable when the spouse has been deprived of certain benefit rights by sentence of a court after conviction on a charge involving espionage, sabotage, treason, sedition, or subversive activities (see SSCM 5400ff).
- c. Confined to a Penal or Correctional Facility - Effective 5-1-83, payment of the spouse's share of the O/M is suspended while the spouse is confined to a penal or correctional facility for conviction of an offense which constitutes a felony. Refer to [RCM 6.3.7](#).

If the spouse is receiving an annuity based on child-in-care which is being paid under the O/M, the child attains age 16, and the O/M is still payable (e.g., O/M rate exceeds RR rate), the spouse cannot be included in the O/M, but can still receive a tier II benefit. The amount of the spouse tier II benefit is to be deducted from the total O/M rate payable to the employee for himself and child. Show this computation in the "Remarks" section of the G-354.3. Do not show the spouse on the G-354.3 worksheet. A G-355 showing the spouse tier I terminated in item 8 and a spouse tier II worksheet must be attached to the G-357 when it is vouchered. Use code paragraphs 410.4 and 410.5 in the adjustment letters.

### **8.3.27 Termination or Suspension of Child's Benefit under the O/M Computation**

The child's benefits are taken into account in figuring the family O/M or DIB O/M computations only for those months in which the child would have been eligible for benefits under the Social Security Act rules, subject to the restrictions in RCM [8.3.24](#).

A. Termination Events - A child's O/M benefit terminates:

1. The last day of the month before the month in which the child dies; or,
2. The last day of the month before the month in which the child attains age 18, unless the child is determined to be disabled before attaining age 22, or is a full-time elementary or secondary school student under age 19 (see RCM [Chapter 1.5](#)); or,
3. The last day of the month in which the child ceases to be an FTS; or,
4. Two months after the month in which the disabled child recovers from the disability. For months before 9-1960, the child's eligibility ended with the month before the month in which (s)he was no longer considered disabled; or
5. The last day of the month before the month in which the child marries.

**EXCEPTION:** Under the Social Security Act, a disabled child age 18 or over can marry any SS beneficiary, other than a child beneficiary under age 18 or a child beneficiary entitled because (s)he is a full-time student, without loss of benefits. However, in the case of a female disabled child whose marriage is to a man entitled to a childhood disability benefit or to a DIB, prior to June 1983, such female's entitlement ends the same month her husband's benefits are ended (e.g., recovery from disability), unless the husband's entitlement (either childhood disability benefits or DIB) ends because of death or (in the case of DIB only) entitlement to an RIB.

Effective 6-1-83, the female disabled child's entitlement on her husband's E/R does not end, even if he recovers from his disability; or,

6. In the case of a stepchild of the employee, the month after the month in which the divorce between the employee and the natural parent becomes final.

The Monthly Attainment Processing (MAP) program will generate a referral which is uploaded to USTAR in cases on the rolls where the child is included in the O/M as an IPI, to alert the examiner to terminate the child's benefit when:

- The minor child is attaining age 18; or
- The non-phase-out student is attaining age 19; or
- The phase-out student is attaining age 22.

See RCM sections [6.3.16](#) and [1.5.60](#), for examiner action in these cases.

NOTE: If a child being included in the O/M is within 4 months of age 18, special action is required at the time of vouchering because the case will not be called up timely by MAP at age 18.

1. In the O/M award letter, after ALTA paragraph 442 (age and service O/M) or 449 (DIB O/M), include code paragraph 1756, Child Attains Age 18 – O/M Adjustment Possible, which says,

A child in this case will attain age 18 in (1), and no longer be included in the computation of your annuity under the special guaranty formula **UNLESS** one of the following conditions is met:

1. The child is totally and permanently disabled, or
2. The child is a full-time student at an elementary or secondary school.

If the child meets either of these conditions, call or write the field office shown below as soon as possible to avoid any disruption or adjustment in your annuity. If you have already contacted the field office concerning this issue, you may disregard this issue.

(1) Enter MM/YEAR of attainment.

2. Put the folder in the DORMANT file with a call up for the first day of the month before the child attains age 18. Then take the appropriate action based on the employee's response. If no response, remove the child from the O/M computation.

## B. Suspension Events

1. Railroad Retirement Act - The child may not be included in the O/M for months in which the employee works in railroad or LPE (prior to 12-1-1988) or months in which the child works in railroad service. (However, if the child is in railroad service, the child's share may be redistributed among the other auxiliaries as explained in [RCM 8.3.139](#)).

The child's O/M share is also subject to earnings restrictions as explained in [RCM 8.3.138-8.3.139](#) and [8.3.143](#).

2. Social Security Act - The child's O/M share is not payable for any month in which the employee O/M benefit is not payable due to events described in RCM 8.3.25B.

In addition, the child's O/M share is not payable for any month in which child's benefits would not be payable under the Social Security Act, due to the following events:

- a. Vocational Rehabilitation Deductions - A VR deduction is imposed against the disabled child's O/M share for any month in which the disabled child refuses, without good cause, to accept VR service available to him under an approved VR program (see SSCM 6608).
- b. SGA Suspension for Blind Workers Over Age 55 - If the child is a disabled adult child based on the special blindness provisions described in RCM Chapter 1.2, the disabled child's O/M share may be affected when the child engages in substantial gainful activity.
- c. Deductions for Work Outside the U.S - Prior to 5-1-83, the 7-day work test is applied if the child works outside the U.S. as explained in SSCM 3800-3815 and [RCM Chapter 5.7](#). Effective 5-1-83, work deductions may apply if the child works outside the U.S. for more than 45 hours in a month.
- d. Conviction for Subversive Activities - Payment of the child's share may be affected when the child has been deprived of certain benefit rights by sentence of a court after conviction on a charge involving espionage, sabotage, treason, sedition, or subversive activities (see SSCM 5400ff).
- e. Confined to a Penal or Correctional Facility - Prior to 5-1-83, payment of a disabled child's share of the age and service or DIB O/M is suspended while the disabled child is confined to a penal or correctional facility for conviction of an offense which constitutes a felony. Effective 5-1-83, any child's share of the O/M is not payable if the child is confined to a penal or correctional facility as explained above (refer to RCM [6.3.7](#)).

- f. Phase-out Students - A phase-out student cannot be included in the O/M for the months of May, June, July or August for each year 1982 through 1985.

### **8.3.28 Termination or Suspension of Divorced Spouse Benefit under the 100% O/M Computation**

Divorced spouse benefits are included in the 100% O/M only for those months in which the divorced spouse is eligible for an RR annuity.

- A. Termination Events - The divorced spouse benefit ends with the last day of the month before the month in which:
1. The divorced spouse dies; or,
  2. The employee's annuity terminates due to death or the employee age 62-64 recovers from his (her) disability; or
  3. A divorced wife initially included in the 1937 RR Act O/M between September 1964 and October 4, 1972 or the divorced spouse annuitant payable under the 1981 RR Act Amendments remarries; or,
  4. A divorced spouse becomes entitled to a RIB or DIB SS benefit that is based on a PIA which equals or exceeds one half of the employee's PIA #1 or #9.

B. Suspension Events

1. Railroad Retirement Act - The divorced spouse annuity is not payable for months in which the employee or divorced spouse work in railroad service or LPE (prior to 12-1-1988). (The divorced spouse share has no effect on the other auxiliaries.)

The divorced spouse annuity is also subject to earnings restrictions as explained in RCM Chapter [8.3.140](#).

2. Social Security Act - The divorced spouse O/M benefit is not payable for any month in which the employee O/M benefit is not payable due to events described in RCM Chapter [8.3.25B](#).

In addition, the divorced spouse O/M benefit is not payable for any month in which the following events occur:

- a. Deductions for Work Outside the U.S - Prior to 5-1-83, the 7-day work test is applied if the divorced spouse works outside the U.S. as explained in SSCM 3800-3815 and RCM Chapter 5.7. Effective

5-1-83, work deductions may apply if the divorced spouse works outside the U.S. for more than 45 hours in a month.

- b. Conviction for Subversive Activities - The divorced spouse O/M benefit is not payable when the divorced spouse has been deprived of certain benefit rights by sentence of a court after conviction on a charge involving espionage, sabotage, treason, sedition, or subversive activities (see SSCM 5400ff).
- c. Confined to a Penal or Correctional Facility - Effective 5-1-83, payment of the divorced spouse's share of the O/M is suspended while the divorced spouse is confined to a penal or correctional facility for conviction of an offense which constitutes a felony (refer to [RCM 6.3.7.](#)).

### 8.3.30 Employee Only Case

The basic employee original benefit in the O/M computation, before adjustment for age, delayed retirement credits or "other benefits" is the amount of PIA #9 (100% O/M computation) or PIA #11 (110% Grandfather O/M before 10% increase guaranty).

If the employee is the only person that would be entitled under the social security formula, the adjusted employee O/M computation benefit must exceed the employee's railroad formula rate if the O/M is to apply.

### 8.3.31 Spouse and/or Minor Child, Disabled Child or FTS Included in Family Group

An additional amount may be included in the O/M computation of the employee annuity if the spouse and/or a minor child, disabled child or full time student are included in the family group for purposes of computing the O/M rates.

The amount of the spouse and child(ren)'s benefit before the adjustment for the family maximum, for age (if the spouse age reduction is applicable), or "other benefits" are each 50% of the employee's PIA #11 (110% Grandfather O/M before 10% increase guaranty) of 50% of the employee's PIA #9 (100% computation).

The total family O/M computation rate payable to the employee, spouse and/or child(ren) must exceed the employee and/or spouse total railroad formula annuity rate if the O/M is to apply.

See section [8.3.32](#) for information concerning inclusion of a divorced spouse in the family group.



### 8.3.32 Divorced Spouse Included In O/M

An additional amount may be included in the 100% O/M computation for benefits payable October 1, 1981 or later if a divorced spouse annuitant is included in the O/M for the purposes of computing the O/M rates.

The amount of the original divorced spouse benefit before adjustment for age or other benefits is 50% of the employee's PIA #9 (100% O/M computation). The divorced spouse benefit is not reduced for the family maximum.

The total O/M rate payable to the employee, spouse, child(ren) and/or divorced spouse must exceed the employee, spouse and/or divorced spouse total railroad formula annuity rates if the O/M is to apply.

A divorced spouse's annuity rate may never be increased under the O/M to an amount that exceeds his/her RR formula tier 1 rate. Any O/M increase payable over the divorced spouse's RR rate would be paid to the employee and spouse annuitants.

Do not pay the O/M if a divorced spouse is included. Refer the case to M&P-A after completing Form G-354.3.

### 8.3.33 Proportionate Shares when Spouse or Divorced Spouse Entitled to RR Spouse or Divorced Spouse Annuity

If the spouse is receiving a railroad spouse annuity under either spouse conversion of spouse 1974 Act computation and the total family 100% O/M or 110% Grandfather O/M computation rates after adjustment for family maximum, age reduction, delayed retirement and "other benefits" exceeds the combined employee, spouse, and divorced spouse railroad formula rates, the total O/M rate is prorated between the employee and spouse. A divorced spouse's annuity rate may never be increased under the O/M increase payable over the divorced spouse's RR rate would be paid to the employee and spouse annuitants. Refer these cases to P & S -RAC after completing Form G-354.3.

#### A. 100% O/M Computation

1. Employee 1974 Act Case - The employee's proportionate share is always 2/3 of the family total. The spouse's proportionate share is always 1/3 of the family total.
2. Employee Conversion Case

Step 1 - Divide the employee's total tier rate by the sum of the employee and spouse total tier rates. (Carry the division out of our decimal places.)

Step 2 - Multiply the Step 1 result times the amount of the 100% O/M increase (O/M rate minus the total tier rate including WF) rounded to the nearest cent.

Step 3 - Add the Step 2 result to the employee's total tier rate. The result will be the employee's proportionate share.

Step 4 - The spouse's proportionate share is the difference between the total 100% O/M rate and the employee's proportionate share (Step 3 result).

EXCEPTION: Refer to the case to M&P-A if:

- The spouse is receiving a windfall on her own wage record but no SS benefit; or,
- The employee is a conversion annuity and the spouse is entitled under the 1974 RR Act with a windfall on other than the employee's wage record.

#### B. 110% Grandfather O/M Computation

1. Employee 1974 Act Case - If neither the employee nor the spouse is entitled to an SS benefit, the employee's proportionate share is always 2/3 of the family total. The spouse's proportionate share is always 1/3 of the family total.

If either the employee or the spouse is entitled to an SS benefit, calculate the employee's proportionate share as follows:

Step 1 - Add together the employee's current net tiers I and II under the RR formula.

Step 2 - Add together the spouse's current net tiers I and II under the RR formula.

Step 3 - Divide the step 1 result by the sum of the step 1 result and the step 2 result. (Carry the division out to 4 decimal places.)

Step 4 - Multiply the step 3 result times the total family O/M rate. The result (rounded to the nearest cent) is the employee's proportionate share.

Step 5 - Subtract the employee's share in step 4 from the total family O/M rate. The result (rounded to the nearest cent) is the spouse's proportionate share.

2. Employee Conversion Case - The 100% O/M must be computed in a conversion case if the 110% O/M applied prior to 1-1-75 and there is a change in family composition or another event which affects the O/M

computation. The O/M increase is prorated between the employee and spouse in the proportion that their RR formula annuities bear to the total amount payable under the RR formula.

### 8.3.34 When Employee Annuity is not Payable for Entire Month

When the employee annuity begins after the first of the month, the amount payable under the 110% Grandfather O/M or 100% O/M computations for the partial month is one thirtieth of the monthly rate multiplied by the number of days in such part of a month (total days in month limited to 30). The resulting rate for the partial month is rounded to the nearest cent.

### 8.3.35 When Spouse Annuity or Divorced Spouse Annuity is not Payable for Entire Month

A. Spouse Annuity - When a spouse's annuity begins after the first day of the month, determine the monthly rate payable under the 110% Grandfather or 100% O/M as follows:

1. Spouse Not Included in O/M COMPUTATION PRIOR TO Beginning Date of Spouse Annuity - The amount payable to the employee for the month in which the spouse's annuity begins to equal to:
  - 1/30 of the monthly amount payable under the higher of the RR formula or the O/M excluding the spouse, multiplied by the number of days in the month before the spouse ABD; plus
  - 1/30 of the employee's proportionate share of the O/M computation, with the spouse included in the family group, multiplied by the number of days remaining in that month (total for month not to exceed 30 days) beginning with the spouse's ABD.

The amount payable to the spouse under the O/M computation for the partial month is equal to 1/30 of the spouse's proportionate share of the O/M computation, with the spouse included in the family group, multiplied by the number of days remaining in the month (total for month not to exceed 30 days) beginning with the spouse's ABD.

2. Spouse Included in O/M Computation as IPI Prior to Beginning Date of Her Annuity
  - (a) O/M Still Applies with RR Spouse Annuity - If the O/M rate is still higher than the railroad formula rate after the spouse becomes entitled to a railroad annuity, the amount payable to the employee for the month in which the spouse's annuity begins is equal to:

- 1/30 of the O/M rate, including the spouse, multiplied by the number of days before the spouse ABD; plus,
- 1/30 of the employee's proportionate share multiplied by the number of days remaining in the month (total for month not to exceed 30 days) beginning with the spouse's ABD.

The amount payable to the spouse for the partial month is equal to 1/30 of the spouse's proportionate share multiplied by the number of days remaining in the month (total for month not to exceed 30 days) beginning with the spouse's ABD.

- (b) RR Formula Higher With Spouse Annuity - Where the sum of the employee and spouse annuities determined under the railroad retirement formula is greater than the total O/M computation rate, the amount payable to the employee for the month in which the spouse's annuity begins is equal to:

- 1/30 of the monthly amount payable under the O/M including the spouse in the family group, multiplied by the number of days in the month before the spouse's ABD; plus
- 1/30 of the employee's railroad formula rate multiplied by the number of days left in the month (total days in month not to exceed 30) beginning with the spouse's ABD.

The amount payable to the spouse for the partial month is equal to 1/30 of the spouse's railroad formula rate multiplied by the number days left in the month (total days in month not to exceed 30) beginning with the spouse's ABD.

- B. Divorced Spouse - Refer these cases to P&S-RAC.

### 8.3.40 Definition of Primary Insurance Amount (PIA)

The Primary Insurance Amount (PIA) is the basis of all Social Security Act benefits and, therefore, all retirement annuity rates payable under the O/M. Refer to RCM Chapter 8.11, "PIA Determinations," for an explanation of the computation of PIA. PIA #9 and PIA #11 are used in the Retirement O/M computation.

Under the 1977 Amendments to the Social Security Act, the type of computation used to compute the PIA depends upon the "eligibility year". In Retirement 100% O/M cases, this is either the year in which the employee attains age 62 or the year of disability onset (even if (s)he does not acquire the required O/M insured status until a later year).

- A. Eligibility Year Before 1979 - The PIA #9 or PIA #11 computed for retirement O/M benefits is the higher of:

1. "New Start" Method - The PIA is obtained directly from the average Monthly Wage (AMW) under the "New Start" method. After 1-1979 this PIA is identified as the AMW PIA.

The PIA's and Family Maximums for the AMW PIA are found in [RCM 8.11](#) Appendix B.

2. "Old Start" Method - The PIA is obtained from the Primary Insurance Benefit (including the 1977 Old Start Computation for eligibility in 1978). After 1-1979 this PIA is identified as the AMW PIA.

The PIA's and Family Maximums for the Old Start AMW PIA are found in [RCM 8.11](#) Appendices A + B.

3. Special Minimum PIA - The PIA is obtained by multiplying an amount specified in the law by the number of "Years of Coverage" under the Special Minimum PIA.

The Special Minimum PIA's and Family Maximums are found in RCM [8.11](#) Appendix C.

- B. Eligibility 1-1979 or Later - The PIA #9 computed for Retirement 100% O/M benefits is the higher of:

1. AIME PIA - The PIA is obtained by a formula based on the "eligibility year" applied to the average indexed monthly earnings (AIME).

The AIME PIA Family Maximum is determined by a formula explained in RCM [8.11.86](#).

2. Frozen Minimum PIA (FRZN MIN PIA) - The minimum starting AIME PIA cannot be less than \$122.00. The AIME family maximum formula explained in RCM [8.11.86](#) is used to determine the maximum for the Frozen Minimum PIA.

3. Transitional Guarantee PIA - (TRANS PIA) - This PIA is a "New Start" AMW based PIA limited to age and service cases for employees who attain age 62 in 1979 through 1983, even though the O/M effective date is after the year the employee attains age 62. This PIA does not include earnings in the eligibility year or later years.

The conversion chart for the TRANS PIA and Family Maximum Benefit is found in the RCM 8.11 Appendices D and E under the "Benchmark Year."

4. 1977 Old Start Computation (1977 O.S. PIA) - The Primary Insurance Amount is determined by computing the PIB and then converting it to 6-1978 PIA and family maximum using a conversion chart. However, the AMW cannot include earnings in the eligibility year or later years.

The conversion chart for the 1977 Old Start PIA and Family Maximum Benefit is found in [RCM 8.11](#) Appendices A, D and E under the "Benchmark Year."

5. Special Minimum PIA (SPC MIN PIA) - This PIA is obtained by multiplying an amount specified in law by the number of "years of coverage" under the Special Minimum Guarantee.

The Special Minimum PIA's and Family Maximums are found in [RCM 8.11](#) Appendix C.

6. DIB Guarantee PIA (PRIOR DIB O/M) - When an employee has been entitled to DIB/OM benefits that terminated more than 12 months before the current disability or age and service entitlement, the "eligibility" year of the current entitlement determines the computation to be used. However, the starting PIA #9 may not be less than the PIA #9 which was in effect in the month of termination of the previous DIB O/M.

NOTE: When an individual has been entitled to a DIB O/M that terminated within 12 months of the current DIB O/M or age and service O/M, the previous PIA #9 computation applies.

The AIME family maximum formula explained in [RCM 8.11.86](#) is used to determine the maximum for a DIB guarantee PIA, regardless of the method used to compute the PIA being used as the DIB guarantee PIA. A prior savings clause could increase the family maximum in some cases. However, where first entitlement to the DIB O/M is after 1978, the DIB O/M family maximum is limited under the 1980 SS Act Disability Amendments as explained in [RCM 8.11.88](#).

### **8.3.41 Disability Freeze Requirement for DIB O/M**

- A. Determination of Disability Freeze Period - A disability freeze according to Social Security Act rules is required for all DIB O/M cases.

The period of disability is determined by the Disability Rating Section at RRB or SSA. If a disability period established at SSA conflicts with a disability period established at RRB in an O/M case, handle the case as follows:

1. SSA's DF onset date is earlier than RRB's DF onset date - If RRB previously determined that the EE was not disabled or insured as of SSA's DF onset date and denied an RRB disability annuity application, RRB's DF onset date must be used to determine O/M entitlement to compute PIA #9 and PIA #11. Otherwise, use SSA's DF onset date (if based on a DIB insured status) to compute PIA #9 or PIA #11.

2. SSA's DF onset date is later than RRB's DF onset date - Use RRB's DF onset date to determine O/M entitlement and to compute PIA #9 and PIA #11.
  3. SSA denial of the DF but RRB granted a DF - Use RRB's DF onset date to determine O/M entitlement and to compute PIA #9 and PIA #11.
  4. SSA Benefit Paid Without D/F but Joint RRB-SSA Freeze Established - Use RRB's DF onset date to determine O/M entitlement and to compute PIA #9 and PIA #11. In these cases, SSA is paying benefits based on wages, military service used as wages, or SEI only. RRB is paying benefits based on combined SS earnings and compensation with an offset for SS benefit entitlement.
- B. Examiner Action When Disability Annuitant is Working - The disabled employee's regular employment may indicate an ability to engage in SGA and result in the termination of the disability freeze, and therefore, the DIB O/M. Refer to [RCM 1.2](#) for procedure for handling these cases.
- C. Effect of Disability Freeze on PIA Computation - The first month of the waiting period or the month of entitlement to the DIB O/M, if there is no waiting period, is used to determine the deemed retirement age under SS Act rules. Retirement age for women is 62. For a male wage earner born 1-2-13 or later, retirement age is 62. The AMW or AIME is computed as if the employee had attained age 62 in the first month of his waiting period, or if there is no waiting period, in the first month (s)he is entitled to the DIB O/M. (The male wage earner born before 1-2-13 is deemed to be age 65 in the first month of his waiting period or if there is no waiting period, in the first month he is entitled to the DIB O/M).

The period of disability under SS Act rule ends with the earlier of the actual attainment of age 65 or deemed attainment of age 65 (three years after deemed age 62). Any earnings after the first month of the waiting period or DIB O/M entitlement, if there is no waiting period, up to the earlier of the year of actual or deemed age 65 would be considered earnings within a period of disability.

Earnings that are compatible with the disability determination (see [RCM 1.2](#)) for the partial year in which the W/E attains or is deemed to attain age 65 or later years may be considered for a PIA recomputation. (See [RCM 8.11.22](#) or RCM 8.11.33 for detailed explanations).

NOTE: SSA does not convert a DIB to an RIB until the employee actually attains age 65. Similarly, a DIB O/M annuitant under the RR Act for the month preceding the month in which (s)he actually attained age 65 is deemed to have filed an application for an age and service annuity under paragraph (i) of the section 2(a)(1) on the date on which (s)he attains age 65. The DIB O/M converts to an age and service O/M in that month.

### 8.3.42 Comparison of Initial Computations of PIA #9 and PIA #11

- A. 100% O/M Computation - PIA #9 for the 100% O/M is computed under current SS Act rules based on the employee's actual attainment of age 62 or entitlement to an actual disability freeze. Either the AMW PIA, AIME PIA, 1977 O.S. PIA, or SPC MIN PIA computation may apply. (The TRANS PIA may apply in age and service cases only.) The base years and benefit computation years for the AMW or AIME are determined as explained in [RCM 8.11.12](#) and [8.11.13](#).

The earnings used in the AMW computation or indexed for the AIME computation are subject to the yearly earnings maximums indicated in RCM [8.11.14](#).

The initial PIA #9 for the DIB/OM may consider creditable SS earnings and compensation through the earlier of December 31 of the year of disability onset, or December 31 of the year preceding the effective date of the PIA. This PIA may be recomputed as explained in RCM [8.11.22](#) or RCM [8.11.33](#).

The initial PIA #9 for the age and service O/M may consider creditable SS earnings and compensation through December 31 of the year preceding the effective date of the PIA. This PIA may be recomputed as explained in RCM [8.11.22](#) or [8.11.33](#).

Exception: The computation for the TRANS PIA or for 1977 Old Start PIA for eligibilities in 1979 or later cannot include earnings in the "eligibility year" or later years.

PIA #9 is included in the PIA computations on Form G-90.

- B. 110% Grandfather O/M Computation - The initial PIA #11 for the 110% Grandfather O/M is computed under SS Act rules in effect in 12-1974 based on the employee's actual attainment of age 62 or entitlement to a disability freeze. Either the 6-1974 "New Start" PIA, 6-1974 "Old Start" PIA, or SPC MIN PIA computation may apply.

The earnings used in the AMW computation are subject to the following yearly earnings maximums:

Year	Maximum Total Earnings Per Year
1951-1954	\$ 3,600
1955-1958	\$ 4,200
1959-1965	\$ 4,800
1966-1967	\$ 6,600



1968-1971	\$ 7,800
1972	\$ 9,000
1973	\$10,000
1974	\$13,200

After 1974, the yearly earnings maximum for PIA #11 is frozen at \$13,200 total per year.

The 1937 Railroad Retirement Act rules established by the 1972 Technical Amendments are used to determine the earnings used in the computation of PIA #11 for the 110% Grandfather O/M guaranty of the 1974 Railroad Retirement Act:

- The initial PIA #11 for the DIB O/M may consider creditable SS earnings and compensation through the earlier of December 31, of the year of disability onset; or December 31 of the year preceding the annuity beginning date. If the compensation only earned in the ABD Year prior to disability onset is higher than some other benefit computation year, the compensation in the ABD year is substituted for the earnings in the other benefit computation year in the initial PIA #11 Computation.
- The initial PIA #11 for the age and service O/M may consider creditable SS earnings and compensation through December 31, of the year preceding the ABD year. If the compensation only earned in the ABD year is higher than some other benefit computation year, the compensation in the ABD year is substituted for the earnings in the other benefit computation year in the initial PIA #11 computation.

Wages or self-employment income earned in or after the ABD year are not used to compute PIA #11. Therefore, a recomputation of PIA #11 is possible only if the employee returns to railroad service.

Prior to 1-1979, PIA #11 was included with the PIA computations on Form G-90. If PIA #11 is required 1-1979 or later, request a manual DP&A computation of this PIA on Form G-90a.

- C. Comparison of 100% O/M and 110% Grandfather O/M - The benefit computation years under the 100% O/M and 110% O/M for the same wage record are illustrated in the example and chart in Appendix F.

### **8.3.43 When Earnings after the 100% O/M Effective Date may Increase PIA #9**

PIA #9 is subject to recomputation under current Social Security Act rules. Earnings in the year of the O/M effective date or later years may be sufficient to increase the AMW or AIME for PIA #9 if they are higher than the lowest earnings year (after indexing if AIME computation) in the benefit computation years. Refer to [RCM 8.11.22](#) or [RCM 8.11.33](#) for a detailed explanation.

### **8.3.75 Definition of Family Monthly Maximum**

The Social Security formula limits the amount of monthly benefits which may be paid for any month on any one wage record. This limited amount is called the family monthly maximum. If three or more individuals are included in the retirement O/M computation, their benefits will be reduced for the family monthly maximum.

EXCEPTION: A divorced spouse annuitant's O/M benefits are not subject to reduction for the family monthly maximum.

The 1980 Social Security Disability Amendments established separate family maximum rules for DIB O/M cases when the disability onset is after 1978 and the DIB O/M effective date is 7-1-80 or later as explained in [RCM 8.11.88](#) and [8.3.82](#). Prior to this, age and service and DIB O/M family maximum computations were the same.

The types of family monthly maximums are explained in this section.

### **8.3.76 Table Maximum Established for AMW PIA by SSA**

The Table Maximum is written into the Social Security Act for wage earners who attained age 62 or have a disability onset date before 1-1-79. Since 1971 these table amounts have been increased with each amendment increase (see Appendix B for O/M entitlements before 1-1-71.) The automatic cost-of-living provisions in effect in December 1978 continue to apply in these cases. Refer to [RCM 8.11](#) Appendices A and B for a summary of Table maximums.

### **8.3.77 Special Minimum PIA Family Monthly Maximum**

The computation of the Special Minimum PIA Family Monthly Maximum is explained in RCM section [8.11.82](#). A summary of the SPC MIN PIA family monthly maximum amounts is found in RCM [Chapter 8.11](#), Appendix C.

### **8.3.78 Benefit Conversion Savings Clause Family Monthly Maximum**

Prior to the 1971 Social Security Act Amendments, the family monthly maximums were not always increased by the same percentage as the PIA's. In order to insure the full percentage increase to the total family group on the rolls in the month before the

amendment increase, the Benefit Conversion or Family Payment Savings Clause was applied. If the date of entitlement to the 1937 Act O/M computation is before 1-1-71, a savings clause could apply. (See Appendix B, Conversion Cases).

### **8.3.79 Basic Computation of the Family Maximum Benefit for the AIME, TRANS or 1977 Old Start PIA - 100% O/M Only**

The 1977 SS Act Amendments established a four step formula to compute the Family Maximum Benefit (FMB) for wage earners who attain age 62 or have a disability onset date of 1-1-79 or later. The percentages in the Family Maximum Benefit formula are constant but the amounts, "bend points," in each step will be adjusted for each benchmark year. These bend points are explained in RCM [8.11.86](#).

Tables summarizing the family maximum benefits for the Transitional and 1977 O.S. PIA's are included as appendices to RCM [Chapter 8.11](#).

The Social Security Disability Amendments of 1980 exclude disability cases with a DIB O/M effective date of 7-1-80 or later based on disability onset after 1978 from this family maximum provision as explained in [RCM 8.11.88](#) and [RCM 8.3.82](#). The formula continues to apply for age and service and survivor cases and for disability cases payable prior to 7-1-80 based on disability onset after 1978.

### **8.3.80 Computation of Auxiliary Shares Subject to the Family Maximum**

- A. Basic Computation of Auxiliary Shares - The auxiliary shares subject to the family maximum are the benefits payable for the spouse, minor child(ren), disabled child(ren) or full time students. The computation of the phase-out full time student benefit is explained in [RCM 8.3.84](#).

The divorced spouse annuitant's benefit is not subject to the family maximum. The benefits for the other auxiliaries are reduced for the maximum not taking into account the existence of the divorced spouse annuitant in the family group.

The basic auxiliary benefits in retirement cases are computed by deducting the employee benefit before DRC's or age reduction from the corresponding monthly maximum amount. The balance is the total net amount payable to all the auxiliaries (excluding a divorced spouse). Divide this amount by the number of auxiliary beneficiaries (excluding a divorced spouse). The result is each auxiliary share (except for the divorced spouse benefit).

NOTE: A single auxiliary's share (before rounding) cannot exceed 50% of PIA #9.

When computing the 110% O/M rate, the auxiliary shares should be rounded to the nearest cent only.

When computing the auxiliary shares under the 100% O/M rate prior to 9-1-1981, if the result is not a multiple of \$0.10, round to the next higher multiple of \$0.10. Effective with a rate change or a change in the family group on 9-1-81 or later, when computing each auxiliary share under the 100% O/M if the result is not a multiple of \$0.10, round to the lowest multiple of \$0.10.

Effective with a rate, change or change in the family group on 9-1-81 or later, after determining the amount of the adjusted auxiliary share, if the result is not a multiple of \$1.00, round the amount of the auxiliary share down to the next lower multiple of \$1.00 (see Section [8.3.126](#)).

EXCEPTION: Cases paid a June cost-of-living increase on a mechanical mass adjustment were not rounded down to the dollar since each auxiliary's share is not in the Research record. In these cases, the total family rate before proportionate shares are determined is rounded down to the dollar. (Examiners should not attempt to correct the mechanical rate merely to make it equal to the manual rate in these cases.)

Cost-of living increases are added to the family maximum amounts as explained in RCM [8.11.90](#) - [8.11.91](#).

EXAMPLE 1: The family group consists of the employee (DOB 3-5-17), spouse and two dependent grandchildren. The AIME PIA on the O/M effective date of 3-1-79 is \$456.90. The AIME Family Maximum Benefit equals \$799.70 (\$757.78 + 175% of \$23.90). Subtracting the employee benefit from this amount (\$799.70 - \$456.90) leaves a balance of \$342.80 which when divided between the three auxiliaries results in auxiliary benefits of \$114.30 each.

A 9.9% cost-of-living increase is payable 6-1-79. The AIME PIA is increased to \$502.20 and the Family Benefit is increased to \$878.90. Subtracting the employee benefit from this amount (\$878.90 - \$502.20) leaves a balance of \$376.70 which when divided between the three auxiliaries results in auxiliary benefits of \$125.60 each effective 6-1-79. Subsequent cost-of-living increases are added as applicable.

EXAMPLE 2: If the O/M effective date for the same family group had been 9-1-79, the AIME PIA would have been initially computed with a 9.9% COL increase resulting in an AIME PIA of \$502.20 effective 9-1-79. The initial AIME PIA Family Maximum Benefit is \$878.90 (\$757.78 + 175% of \$69.20 x 1.099). Subtracting the employee benefit from this amount (\$878.90 - \$502.20) leaves a balance of \$376.70 which when divided between the three auxiliaries results in auxiliary benefits of \$125.60 each effective 9-1-79. Subsequent cost-of-living increases are added as applicable.

EXAMPLE 3: The benchmark year is 1979. The family group consists of the female employee (DOB 5-6-17) and two full-time students. The employee files for benefits at age 62. The 1977 O.S. PIA on the O/M effective date of 5-1-79 is

\$246.30 with a Family Maximum Benefit of \$389.40 ( $\$345.00 + 272\%$  of  $\$16.30$ ). Subtracting the employee benefit from this amount ( $\$389.40 - \$246.30$ ) leaves a balance of  $\$143.10$  when divided between the two auxiliaries results in auxiliary benefits of  $\$71.60$  each.

A 9.9% COL increase is effective 6-1-79. The 1977 O.S. PIA would be  $\$270.70$  effective 6-1-79 with a Family Maximum Benefit of  $\$429.00$  ( $345.00 + 272\%$  of  $\$16.30$  rounded  $\times 1.099$ ). Subtracting the employee benefit from this amount ( $\$428.00 - \$270.70$ ) leaves a balance of  $\$157.30$  which when divided between the two auxiliaries results in auxiliary benefits of  $\$78.70$  each. Subsequent cost-of-living increases are added as applicable.

EXAMPLE 4: The benchmark year is 1980. The family group consists of the employee (DOB 7-5-18), spouse (DOB 9-28-18), and two dependent grandchildren. The employee files for benefits on 7-1-81 at age 63. The TRANS PIA on the O/M effective date of 7-1-81 is  $\$692.60$  and the Family Maximum Benefit is  $\$1212.00$ .

Subtracting the employee benefit (before age reduction) from this amount ( $\$1212.00 - \$692.60$ ) leaves a balance of  $\$519.40$  which when divided between the three auxiliaries results in auxiliary benefits of  $\$173.20$  each (rounded) effective 7-1-81. Subsequent cost-of-living increases are added as applicable.

EXAMPLE 5: The family group consists of the employee (DOB 5-7-18), spouse and two full-time students under age 22. The AIME PIA on the O/M effective date of 5-1-80 is  $\$573.90$ . The AIME family maximum benefit equals  $\$1004.40$  ( $\$817.26 + 175\%$  of  $\$106.90$ ). Subtracting the employee benefit before age reduction from this amount ( $\$1004.40 - \$573.90$ ) leaves a balance of  $\$430.50$  which when divided between the three auxiliaries results in auxiliary benefits of  $\$143.50$  each.

A 14.3% cost-of-living increase is effective 6-1-80. The AIME PIA increases to  $\$656.00$  effective 6-1-80 with a family maximum benefit of  $\$1148.10$ . Subtracting the employee benefit before age reduction from this amount ( $\$1148.10 - \$656.00$ ) leaves a balance of  $\$492.10$  which when divided between the three auxiliaries results in auxiliary benefits of  $\$164.10$  each. Subsequent cost-of-living increases are added as applicable.

EXAMPLE 6: If the O/M effective date for the same family group had been 9-1-80, the AIME PIA would have been initially computed with the 14.3% increase resulting in an AIME PIA of  $\$656.00$  effective 9-1-80. The initial AIME PIA Family Maximum Benefit is  $\$1148.10$ . Subtracting the employee benefit before age reduction from this amount ( $\$1148.10 - \$656.00$ ) leaves a balance of  $\$492.10$  which when divided, between the three auxiliaries results in auxiliary benefits of  $\$164.10$  each. Subsequent cost-of-living increases are added as applicable.

EXAMPLE 7: In the above family group, a divorced wife (DOB 12-11-18) becomes entitled 10-1981. The AIME PIA after the 6-1981 COL is \$729.50 with a family maximum benefit of \$1276.70.

The auxiliary benefits in force are \$182.40 (each). The divorced wife is paid a share of \$364.70 before age reduction. The total O/M rate is \$1641.40 before employee, spouse or divorced spouse age reductions. The family rate payable after rounding each share down to the dollar is \$1639.00.

EXAMPLE 8: The family group consists of the age and service employee, spouse, minor child and phase-out FTS. The TRANS PIA effective 7-1981 is \$752.00 and the family maximum benefit is \$1316.50. The auxiliary benefits effective 7-1981 are \$188.20 each.

Effective 11-1981, the minor child attains age 18 and is a non-phase-out FTS. The spouse share terminates. The 1981 SS Act rounding rules apply to the beneficiary shares. The auxiliary benefits effective 11-1981 are \$282.20 each. The shares payable are rounded to \$282.00 each.

Effective 9-1-82 the FTS phase-out computation applies to the family group (see [Section 8.3.84](#)).

- B. Increase in Family Group - If the O/M computation is applicable and an additional auxiliary becomes entitled to benefits under the O/M formula, (excluding a divorced spouse or new entitlement due to amendments) the benefits payable to each previous auxiliary are reduced to provide a share to the new beneficiary. The auxiliary benefits are computed as explained in Section (A).

Benefits payable to a divorced spouse are never reduced for the family maximum. The benefits for the other auxiliaries are reduced for the maximum, not taking into account the existence of the divorced spouse in the family group.

NOTE: When amendments create a new category of entitled auxiliaries, a savings clause will usually be applied to the rates payable to the other auxiliaries.

EXAMPLE 1: The employee and FTS are receiving benefits under the DIB 100% O/M computation effective 6-1980. The 6-80 AIME PIA is \$582.10 which has a family maximum of \$1018.70. The employee's benefit of \$582.10 and a student's benefit of \$291.10 do not equal the maximum. When the spouse (DOB 8-10-11) files an application for a spouse annuity effective 8-1-81, the auxiliary shares in the O/M computation (in this case the O/M still applies) must be adjusted for the family maximum.

The 8-1-81 AIME PIA is \$647.30 with a family maximum of \$1132.80. After subtracting the employee's share (\$1132.80 - \$647.30) the remaining \$485.50 is divided between the two auxiliaries. The spouse benefit adjusted for the family

maximum to \$242.80 is also subject to a 36 month age reduction resulting in a reduced spouse benefit of \$182.10. The FTS benefit is adjusted to \$242.80.

EXAMPLE 2: The employee, spouse and minor child are receiving benefits under the DIB O/M. The AIME PIA is \$328.60 effective 10-1-81 and the family maximum benefit of \$492.80 results in auxiliary shares of \$82.10 each, rounded to \$282.00 each. The employee attains age 62 and the divorced wife becomes entitled as of 12-1-81 with an auxiliary share of \$164.30, rounded to \$164.00. The total O/M rate effective 12-1-81 is \$656.00 after dollar rounding.

- C. Decrease in Family Group Under Monthly Maximum - If the number of persons included in the O/M computation decreases, the shares payable to two or more remaining auxiliaries (excluding a divorced spouse) are increased to provide equal shares (before any age reduction) subject to the family monthly maximum. The auxiliary benefits are computed as explained in section A.

A single auxiliary's share cannot exceed 50% of PIA #9. If the total benefits payable to the employee plus one auxiliary share of 50% of PIA #9 is less than the family maximum, the family maximum no longer applies.

NOTE: Benefits payable to a divorced spouse are never reduced for the family maximum and are not affected by a decrease in the number of other auxiliaries in the family group.

EXAMPLE 1: The employee (disability onset 2-17-79), spouse (DOB 7-19-21), minor child and FTS are entitled to DIB O/M benefits effective 8-1-79. The AIME PIA #9 effective 8-1-79 is \$485.30 with a family maximum benefit of \$828.10. The employee's benefit is \$485.30. The spouse, minor child, and FTS are entitled to \$114.30 each ( $\$342.80 \div 3$ ). The FTS ceases FTA on 1-19-80. The recomputed 100% O/M benefits for the spouse and minor child effective 2-1-80 are \$171.40 each ( $\$342.80 \div 2$ ).

The minor child attains 18 on 4-10-80 and is an FTS. The spouse benefit terminates. The FTS benefits under the O/M computation is \$242.70 (50% x \$485.30) effective 4-1-80.

This amount is increased for succeeding cost-of-living increases.

EXAMPLE 2: The employee's disability onset is 9-5-80 and is subject to the 1980 Disability Amendments.

The DIB O/M effective 3-1-81 has a PIA #9 of \$291.90 with an FMB of \$433.40. After subtracting the employee's share of \$291.90 the remaining \$141.50 is equally divided between the spouse and minor child providing benefits of \$70.80 each.

The child attains 18 in 5-1-81 and is an FTS. The spouse benefit terminated. The FTS share effective 5-1-81 is \$141.50 since it is subject to reduction for the family maximum.

The benefits are increased for succeeding cost-of-living increases.

### **8.3.81 Combined Family Maximum**

If a child included in the 100% O/M computation or 110% Grandfather O/M computation is also entitled to a benefit on another wage record, the combined family maximum may apply. Refer to RCM [8.3.115](#).

### **8.3.82 Family Maximum Benefit For 1980 SS Amendment Disability Cases (DIB O/M MAX)**

Prior to the 1980 Social Security Disability Amendments, the computation of the O/M family maximum and auxiliary benefits was the same for both age and service and disability cases (see RCM [8.3.75 - 8.3.81](#)).

Under the 1980 Social Security Disability Amendments, the total family benefits (excluding a divorced spouse) of disability claimants whose first month of entitlement to the DIB O/M payment is July 1980 or later based on disability onset 1-1-78 or later are limited as explained in RCM [8.11.88](#).

Tables of DIB O/M maximums can be found in the appendices of RCM Chapter [8.11](#).

After the DIB O/M MAX is determined subsequent cost-of-living increases are applied to this family maximum amount.

The DIB O/M MAX may be combined with other maximums as explained in RCM [8.3.115](#).

The 1980 Social Security Disability Amendments did not change the method of distributing the maximum family benefit among the auxiliaries. However, in cases where the PIA is low enough, the DIB O/M MAX will equal the PIA. No auxiliary benefits will be payable in those cases.

The spouse auxiliary benefit is subject to age reduction as explained in RCM [8.3.86](#).

The DIB O/M MAX is applicable for eligible family groups until the employee dies or becomes entitled to an age and service O/M. At that time, the regular family maximum described in RCM [8.11.80 - 8.11.86](#) applies.

In the case of an employee who is entitled to either a reduced age and service O/M or the DIB O/M which begins July 1, 1980 or later, based on first eligibility after 1978, the possibility of electing the reduced age and service O/M must be explored to determine if



the RIB family monthly maximum would provide a higher monthly rate. If the RIB is elected, entitlement to the disability freeze is still applicable for Medicare purposes.

EXAMPLE 1: The DIB O/M MAX effective 9-1-80 is \$836.30. The AIME PIA is \$557.50. After subtracting the employee's share of \$557.50, the amount of \$278.80 is equally divided among the auxiliaries.

EXAMPLE 2: The DIB O/M MAX effective 7-1-80 equals the PIA of \$161.50. Since the DIB O/M MAX equals the employee's share, no auxiliary benefits are payable.

EXAMPLE 3: Payments are based on the SPC MIN PIA of \$245.70. The DIB O/M 8-1-80 is \$302.30. After deducting the employee's share of \$245.70, the remaining \$56.60 is equally divided among the auxiliaries.

### **8.3.83 Benefits Payable to a Non-Phase-Out Student**

The non-phase-out student is entitled to the basic auxiliary share computed as explained in [RCM 8.3.80\(A\)](#). This benefit is based on the PIA #9 for each applicable effective date.

EXAMPLE: The PIA #9 is \$771.70 eff. 9-1-82. The family group consists of the employee and a non-phase-out student. The employee's rate is \$771.70 and the student's benefit is \$385.80.

### **8.3.84 Benefits Payable to a Phase-Out Student**

The computation of the benefit payable to a phase-out student is based on 50% of the 6-1981 PIA #9. Benefits are not payable to phase-out students for the months of May, June, July or August of each year 1982 through 1985. Effective September 1, 1982 or later, the student is entitled to a percentage of this benefit as follows:

9-82-thru 4-83	75% (.75)
9-83 thru 4-84	50% (.50)
9-84 thru 4-85	25% (.25)

Effective 9-1-85, phase-out students can no longer be included in the O/M computation.

If the family maximum applies, additional computations are required as explained in [RCM Chapter 8.6](#), Form G-354.3 Instructions.

### 8.3.85 Age Reduction Applied to Employee or Spouse Benefit When Benefit First Payable Before 1-1-78

- A. General - When the earliest possible effective date of the age and service O/M in a month in which the employee is under age 65, the employee's full PIA #9 or PIA #11 is subject to an age reduction. The reduction 1/180 for each month the employee is under age 65 is applied as the earliest date that the employee meets the requirements for an O/M computation. If the O/M computation does not apply until later (e.g., RR rate exceeds O/M rate until spouse attains age 62) the original 1/180 reduction must be applied to the employee's O/M rate. The O/M cannot be considered to become effective at a later date for the purpose of applying a lesser 1/180 reduction.

If the spouse (without a child in her care, if spouse is female) is included in either the age and service or DIB O/M in a month in which (s)he is under age 65, the spouse benefit is subject to an age reduction. However, if a wife receives a reduced O/M benefit and she later begins caring for a minor or disabled child of the employee, she is entitled to unreduced benefits for the months the child is in her care.

The age reduction factor may be adjusted when the beneficiary attains or is deemed to be age 65 (see [RCM 8.3.87](#)).

B. 100% O/M Computation

1. Employee Benefit Age Reduction - PIA #9 (plus DRC's effective 1-1979 or later is reduced by 1/180th per month for each calendar month the employee is under age 65 on the earliest possible effective date of the O/M computation. Use Table RI of the "Rainbow Book" to obtain the initial employee benefit after the age reduction.

Prior to 1-1978, increases to PIA #9 paid after the date of entitlement but before the beneficiary attained age 65 were also subject to an age reduction for the months the beneficiary was under age 65 as of the date of the increase. Use Table RI of the "Rainbow Book" to obtain the amount of the employee benefit increase after the age reduction.

When PIA #9 is increased 1-1-78 or later, regardless of the employee age, the age reduction established before 1-1-78 is increased by the same percentage the PIA is increased. To compute the age reduction increase when an amendment or cost-of-living increase is involved, multiply the current age reduction amount by the percentage the PIA #9 is increased. Prior to 9-1981, if the result is not a multiple of \$.10, round to next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the result is not a multiple of \$.10, round it to the next higher multiple of \$.10.

To compute the age reduction increase for cases involving a recomputed PIA, divide the new PIA (NPIA) times the money amount of the reduction (MAR) by the old PIA (OPIA). The quotient is the increased money amount of reduction (IMAR). Prior to 9-1981, if the result is not a multiple of \$.10, round to next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the result is not a multiple of \$.10, round it to the next multiple of \$.10.

$$\frac{-(\text{NPIA} \times (\text{MAR}))}{(\text{OPIA})} = (\text{IMAR})$$

EXAMPLE: The employee's date of birth is 3-10-14. His O/M date of entitlement is 4-1-77. PIA #9 equals \$300.40 as of 4-1-77. A 23 month age reduction of \$38.30 applied to this PIA reduces the employee's benefit to \$262.10. PIA #9 is increased to \$318.20 effective 6-1-77. A 21 month age reduction is applied to the \$17.80 PIA increase reducing it by \$2.00 to \$15.80. The employee's benefit effective 6-1-77 is \$277.90 (\$262.10 + \$15.80) and the total age reduction effective 6-1-77 is \$40.30.

Effective January 1978, due to a recomputation, PIA #9 increase to \$320.20. His benefit payable effective January 1978 is computed as follows:

Step 1 - Determine the money amount of reduction in effect in the month before the increase and apply the formula to determine the increased money amount of reduction.

$$\frac{\$320.20 \times \$40.30}{\$318.20} = \$40.50 \text{ (Rounded down to the dime)}$$

\$318.20

Step 2 - Subtract the increased money amount of reduction from the new PIA.

$$\$320.20 - \$40.50 = \$279.70 \text{ (employee benefit 1-1-78)}$$

Effective June 1, 1978, PIA #9 is increased to \$341.10 due to 6.5% cost-of-living increase.

Step 1 - Determine the money amount of the reduction in effect in the month before the increase and multiply it by the percentage increase.

$$\$40.50 \times 1.065 = \$43.10 \text{ (Rounded down to the dime)}$$

Step 2 - Subtract the increased money amount of reduction from the new PIA.

$\$341.10 - \$43.10 = \$298.00$  (employee benefit 6-1-78)

The age reduction is increased for all subsequent cost-of-living increases. Effective 6-1982, the new rounding rules apply (round up to the dime).

2. Spouse Benefit Age Reduction - The spouse benefit (50% times PIA #9 adjusted for the family maximum if necessary) is reduced by 25/36 of 1% (1/144th) per month for each calendar month the spouse is under age 65 on the date (s)he is included in the O/M.

Prior to 1-1-78, increases in the spouse benefit caused by an increase to PIA #9 paid after the date the spouse was included in the O/M but before the spouse attained age 65 were also subject to an age reduction for the months the spouse was under age 65 as of the date of the increase.

An increase or decrease, prior to 1-1-78, in a spouse benefit due to a change in family composition is subject to age reduction from the original month of entitlement as if the current family composition has always been in effect.

When PIA #9 is increased 1-1978, or later, regardless of the spouse's age, the age reduction established before 1-1978 is increased by the same percentage the PIA is increased.

- (a) Increase Due to Amendment or COL Increase - To compute the age reduction increase when an amendment or COL increase is involved, multiply the current age reduction amount by the percentage the PIA #9 is increased.
- (b) Increase Due to Recomputed PIA or Change In Family Group - To compute the age reduction increase 1-1-78 or later for cases involving a recomputed PIA or change in family composition (fewer members entitled) divide the new unreduced spouse benefit (NUSB) times the money amount of the reduction (MAR) by the old unreduced spouse benefit (OUSB). The quotient is the adjusted money amount of reduction (AMAR).
- (c) Decrease Due to Change in Family Group - To compute the age reduction decrease 1-1-78 or later for cases involving a change in family composition (more members entitled), divide the new unreduced spouse benefit (NUSB) times the money amount of the reduction (MAR) by the old unreduced spouse benefit (OUSB). The quotient is the adjusted amount of reduction (AMAR).

The following formula summarizes the computations in (b) and (c), above:

$$\frac{(\text{NUSB} \times (\text{MAR}) = (\text{AMAR}))}{(\text{OUSB})}$$

(OUSB)

The result in (a) through (c), above is the adjusted amount of age reduction (AMAR). Prior to 9-1981, if the result is not a multiple of \$.10, round to the next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the result is not a multiple of \$.10, round it to the next higher multiple of \$.10.

EXAMPLE 1: The spouse's date of birth is 4-7-14. The O/M date of entitlement is 2-1-77. PIA #9 is \$297.80 and the spouse benefit before reduction equals \$148.90. The 26 month age reduction reduces the spouse benefit to \$122.10. The PIA is increased to \$315.40 effective 6-1-77 and the spouse benefit before reduction is \$157.70. The increase in the spouse benefit is \$8.80. The 22 month age reduction applied to the increase reduces it to \$7.50. The spouse benefit effective 6-1-77 is \$129.60 ( $122.10 + \$7.50$ ). The total age reduction effective 6-1-77 is \$28.10 ( $\$26.80 + \$1.30$ ).

Effective January 1978, due to a recomputation, PIA #9 increases to \$320.20. The spouse benefit effective January 1978 is computed as follows:

Step 1 - Determine the money amount of reduction in effect in the month before the increase and apply the formula to determine the increased money amount of reduction.

$$\frac{\$160.10 \times \$28.10 = \$28.50 \text{ (rounded down to dime)}}{\$157.70}$$

\$157.70

Step 2 - Subtract the increased money amount of reduction from the new unreduced spouse benefit.

\$160.10

-28.50

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\$131.60 = spouse benefit effective 1-1-78.

Effective June 1, 1978, PIA #9 is increased by 6.5% to \$341.10. The new unreduced spouse benefit is \$170.60.

Step 1 - Determine the money amount of reduction in effect in the month before the increase and multiply it by the percentage increase.

$$\$28.50 \times 1.065 = \$30.30 = (\text{Rounded down to dime})$$

Step 2 - Subtract the increased money amount of reduction from the new unreduced spouse benefit.

$$\$170.60 - \$30.30 = \$140.30 \text{ (spouse benefit 6-1-78)}$$

The age reduction is increased for all subsequent cost-of-living increases. Effective 6-1982, the new rounding rules apply (round up to dime).

EXAMPLE 2: The spouse's date of birth is 3-9-13. The family group as of the O/M effective date of 9-1-76 consists of the employee, spouse and two full time students. PIA #9 effective 9-1-76 is \$302.30 and the family maximum is \$555.20. The spouse benefit before age reduction adjusted for the family maximum is \$84.30.

The PIA is increased to \$320.20 effective 6-1-77 with a family maximum of \$588.00. The spouse benefit before age reduction is \$89.30, but a nine month age reduction applied to the increase of \$5.00 reduces it to \$4.70. The spouse benefit effective 6-1-77 is \$78.50 (\$73.80 + \$4.70).

One student ceases FTA on 8-25-77. The unreduced spouse benefit before age reduction is \$133.90. The age reduction is recomputed from the O/M effective date. An 18 month age reduction applied to the spouse benefit of \$126.50 reduces it to \$110.70 and a nine month age reduction applied to the increase of \$7.40 reduces it to \$7.00. The spouse benefit effective 9-1-77 is \$117.70 (\$110.70 + \$7.00). The spouse age reduction effective 9-1-77 is \$16.20 (\$15.80 + \$4.40).

Effective January 1978, due to a recomputation, PIA #9 increases to \$324.80. The unreduced spouse benefit is \$138.00. The spouse benefit effective January 1978 is computed as follows:

Step 1 - Determine the money amount of reduction in effect the month before the increase and apply the formula to determine the increased money amount of reduction.

$$\underline{\$138.00 \times \$16.20 = \$16.60 \text{ (rounded down to dime)}}$$

$$\$133.90$$

Step 2 - Subtract the increased money amount of reduction from the new unreduced spouse benefit.

\$138.00

-16.60

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\$121.40 = Spouse benefit effective 1-1-78.

Effective June 1, 1978, PIA #9 is increased by 6.5% to \$346.00 with a family maximum of \$639.90. The new unreduced spouse benefit is \$147.00.

Step 1 - Determine the money amount of reduction in effect in the month before the increase and multiply it by the percentage increase.

$\$16.60 \times 1.065 = \$17.60$  (Rounded down to dime)

Step 2 - Subtract the increased money amount of reduction from the new unreduced spouse benefit.

$\$147.00 - \$17.60 = \$129.40$  (spouse benefit 6-1-78)

The age reduction is increased for all subsequent cost-of-living increases. Effective 6-1982, the new rounding rules apply (round up to the dime).

### C. 110% Grandfather O/M Computation

1. Employee Benefit Age Reduction - PIA #11 is reduced by 1/180th per month for each calendar month the employee is under age 65 on the earliest possible effective date of the O/M computation. Round the reduction amount only to nearest cent. PIA #11 is not subject to recomputation (except for return to employer service) or a cost-of-living increase.

EXAMPLE: The employee's date of birth is 3-10-14. His O/M date of entitlement is 3-1-77. PIA #11 equals \$252.90 as of 3-1-77. The 24 month age reduction of \$33.72 applied to this PIA reduces the employee's benefit to \$219.18 (before 10% family O/M guaranty).

2. Spouse Benefit Age Reduction - The spouse benefit (50% times PIA #11 adjusted for the family maximum) is reduced by 1/144th (25/36 of 1%) for each calendar month the spouse is under age 65 on the date (s)he is included in the 110% Grandfather O/M computation. Increases to the

spouse benefit caused by a change in family composition are reduced for the number of months the spouse (without a child in her care, if spouse is female) is under age 65 on the date (s)he is included in the 110% Grandfather O/M computation. Round the reduction amount only to the nearest cent.

PIA #11 is not subject to recomputation (except when the employee returns to employer service) or a cost-of-living increase.

EXAMPLE: The spouse's date of birth is 3-9-13. The family group effective 9-1-76 consists of the employee, spouse and a full-time student. PIA #11 effective 9-1-76 is \$276.30 and the family maximum is \$516.50. The spouse benefit before age reduction adjusted for the family maximum is \$120.10. The 18 month age reduction applied to the spouse benefit reduces it to \$105.09. The student ceases full-time school attendance on 6-15-77. The spouse benefit is increased to \$138.15 effective 7-1-77 because the family maximum no longer applies. However, an 18 month age reduction is applied to this amount, reducing it to \$120.88 (before 10% family O/M guaranty).

### **8.3.86 Age Reduction Applied to Employee or Spouse Benefit When Benefit First Payable after 12-31-77 or Divorced Spouse Benefit Payable after 9-3-81**

- A. General - When the earliest possible effective date of the age and service O/M is in a month in which the employee is under age 65, the employee's full PIA #9 or PIA #11 is subject to an age reduction. The reduction of 1/180 for each month the employee is under age 65 is applied as of the earliest date that the employee meets the requirements for an O/M computation. If the O/M computation does not apply until later (e.g., RR rate exceeds O/M rate until spouse attains 62), the original 1/180 reduction must be applied to the employee's O/M rate. The O/M cannot be considered to become effective at a later date for the purposes of applying a lesser 1/180 reduction.

If the female or male spouse (without a child in care) is included in the age and service or DIB O/M in the month in which (s)he is under age 65, the spouse benefit (50% of PIA #9 or PIA #11, adjusted for the family maximum) is subject to an age reduction of 1/144 for each month the spouse is under age 65 when first included in the O/M computation.

If a divorced spouse is included in the O/M in the month in which (s)he is under age 65, the divorced spouse benefit (50% of PIA #9) is subject to an age reduction of 1/144 for each month the divorced spouse is under age 65 when the divorced spouse is first included in the O/M computation.



Prior to September 1981, the beneficiary was eligible for a reduced benefit on the first day of the month in which (s)he attained age 62. The largest possible age reduction in these cases is 36/180 (employee) or 36/144 (spouse).

After August 1981, the spouse or divorced spouse is eligible for a reduced benefit effective the first day of the month after the month in which her (his) 62nd birthday falls unless the birthday is the 1st or 2nd day of the month. In such case, the eligibility for the spouse or divorced spouse benefit is the first day of that month. If the beneficiary's DOB is later than the 1st or 2nd of the month, the largest possible age reduction is 35/180 (employee) or 35/144 (spouse or divorced spouse.)

The age reduction factor may be adjusted when the beneficiary attains or is deemed to be age 65 (see RCM [8.3.87](#)).

## B. 100% O/M Computation

1. Employee Benefit Age Reduction - PIA #9 (plus DRC's effective 1-1979 or later) is reduced by 1/180th (5/9 of 1%) per month for each calendar month the employee is under age 65 on the earliest possible effective date of the 100% O/M computation. The 1977 amendments to the Social Security Act provide that the original reduction factor (subject to adjustment at age 65 as explained in RCM [8.3.87](#)) will be applied to all subsequent increases.

Prior to 9-1981, if the result is not a multiple of \$.10, round to the next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the result is not a multiple of \$.10, round to the next higher multiple of \$.10.

EXAMPLE 1 - The employee's date of birth is 2-7-16. His 100% O/M date of entitlement is 2-1-78. PIA #9 equals \$327.40 as of 2-1-78. The 36 month age reduction applied to this PIA reduces the employee's benefit by \$65.40 to \$262.00. PIA #9 is increased to \$348.70 effective 6-1-78. The 36 month age reduction applied to this PIA reduces the employee's benefit by \$69.70 to \$279.00.

All subsequently increased PIA #9's are reduced by 36/180.

EXAMPLE 2 - The employee's date of birth is 11-7-19. His 100% O/M date of entitlement is 12-1-81. PIA #9 equals \$729.60 as of 12-1-81. The 35 month age reduction applied to this PIA reduces the employee's benefit by \$141.90 to \$587.70. PIA #9 is recomputed effective January 1, 1982 to \$732.10. The 35 month age reduction applied to this PIA reduces the employee's benefit by \$142.40 to \$589.70.

2. Spouse or Divorced Spouse Benefit Age Reduction - The spouse benefit (50% PIA #9 adjusted for the family maximum, if necessary,) is reduced

by 1/144th (25/36 of 1%) per month for each calendar month the spouse is under age 65 on the date (s)he is first included in the O/M and does not have a minor child of the employee in care.

A divorced spouse benefit (50% time PIA #9) is reduced by 1/144th (25/36 of 1%) per month for each calendar month the divorced spouse is under age 65 on the date (s)he is first included in the O/M.

All subsequent increases to these benefits are also reduced by the same age reduction factor.

Prior to 9-1981, if the result is not a multiple of \$.10, round to next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the result is not a multiple of \$.10, round to next higher multiple of \$.10.

EXAMPLE 1: The spouse's date of birth is 11-10-81. The family group effective 12-1-81 consists of the employee, spouse and a full time student. PIA #9 effective 12-1-81 is \$711.20 and the family maximum is \$1245.20. The 35 month age reduction applied to the spouse benefit of \$267.00 reduces it by \$64.90 to \$202.10. The student ceases full time school attendance on 3-10-82. The adjusted spouse benefit of \$355.60 is subject to the 35 month age reduction which reduces it by \$86.50 to \$269.10 effective 4-1-82.

EXAMPLE 2: PIA #9 is \$849.70 effective 12-1-81. The divorced wife (DOB 7-19-18) is entitled to O/M benefits effective 12-1-81 of \$424.80 before age reduction. The 19/144 age reduction of \$56.10 reduces this benefit to \$368.70.

The PIA is recomputed 1-1982 to \$855.00. The increased divorced wife benefit of \$427.50 is reduced by a 19/144 age reduction of \$56.50 to \$371.00.

### C. 110% Grandfather O/M Computation

1. Employee Benefit Age Reduction - PIA #11 is reduced by 5/9 of 1% (1/180th) per month for each calendar month the employee is under age 65 on the earliest possible effective date of the O/M computation (subject to adjustment at age 65 as explained in RCM 8.3.87). Round the reduction amount only to the nearest cent. PIA #11 is not subject to recomputation (except for return to employer service) or a cost-of-living increase.

EXAMPLE: The employee's date of birth is 4-10-16. His O/M date of entitlement is 4-1-78. PIA #11 equals \$252.90. The 36 month age reduction applied to this PIA reduces the employee's benefit by \$50.58 to \$202.32 (before the 10% O/M guaranty).

2. Spouse Benefit Age reduction - The spouse benefit (50% times PIA #11 adjusted for the family maximum) is reduced by 25/36 of 1% (1/144th) for each calendar month the spouse is under age 65 on the date (s)he is included in the 110% Grandfather O/M computation. If the spouse share is increased due to a change in composition of the family group, the increased spouse benefit is reduced by the original reduction factor (subject to adjustment at age 65 as explained in RCM [8.3.87](#)). Round the reduction amount only to the nearest cent.

PIA #11 is not subject to recomputation (except when the employee returns to employer service) or a cost-of-living increase.

EXAMPLE: The spouse's date of birth is 4-3-15. The family group effective 2-1-78 consists of the employee, spouse and a full-time student. PIA #11 effective 2-1-78 is \$276.30 and the family maximum is \$516.50. The unreduced spouse benefit adjusted for the family maximum is \$120.10. The 26 month age reduction applied to the spouse benefit reduces it by \$21.68 to \$98.42. The student ceases full-time school attendance 7-5-78. The unreduced spouse benefit is adjusted to \$138.15 because the family maximum no longer applies. The 26 month age reduction applied to the increased spouse benefit reduces it by \$24.94 to \$113.21 effective 8-1-78 (before the 10% family O/M guaranty).

### **8.3.87 Adjustment of Age Reduction Factor in the Retirement Age and Service O/M Computation**

- A. Employee Benefit - If an age reduction was applied to the employee 100% or 110% Grandfather O/M benefit and subsequently reduced employee O/M benefits are not payable for some months before the employee attains age 65 or becomes entitled to a DIB O/M, the age reduction must be adjusted to drop these months from the age reduction factor effective in the month in which the employee attains age 65 or becomes entitled to a DIB O/M. (If the disabled employee later recovers from the disability, refer the case to M&P.)

Months occurring before age 65 which are eliminated from the age reduction factor of the employee benefit at the earlier of attainment of age 65, the DIB O/M effective date or at the employee's death are:

- Months in which the retirement employee O/M benefit was completely or partially withheld due to excess earnings under the O/M formula. (In LPE (prior to 12-1-1988) or railroad service cases, the amount of earnings must result in a complete or partial work deduction under the Social Security formula to be eliminated from the age reduction factor); or,
- Months of DIB entitlement; or,
- Months after the employee's death.

Months in which the employee was not paid the reduced age O/M benefit solely because the RR formula rate was higher (e.g., RR rates paid until spouse attained age 62) cannot be considered non-payment months. They are not dropped from the age factor when the employee attains age 65.

- B. Spouse or Divorced Spouse Benefit - If an age reduction was applied to the spouse or divorced spouse 100% O/M or spouse 110% Grandfather O/M benefit and subsequently reduced spouse or divorced spouse benefits were not payable for some months before the spouse or divorced spouse attains age 65, the age reduction must be adjusted to drop these months from the age reduction factor effective in the month in which the spouse or divorced spouse attains age 65.

Months occurring before age 65, which are eliminated from the age reduction factor at age 65 are:

- Months in which the spouse or divorced spouse O/M benefit was completely or partially withheld due to the employee's spouse's or divorced spouse's excess earnings under the O/M formula. (In LPE prior to 12-1-1988 or railroad service cases, the amount of earnings must result in a complete or partial work deduction under the social security formula to be eliminated from the age reduction factor.); or,
- Months in which the spouse or divorced spouse O/M benefit was not payable because the employee's total disability ceased, or the disabled employee refused rehabilitation. (A divorced spouse is not entitled until the employee attains age 62.; or,
- Months in which a spouse had in care a minor or disabled child of the employee. (A divorced spouse is not entitled based on child in care.); or
- For monthly benefits payable after December 1977, months in a period of termination of the spouse benefit prior to attainment of age 65. (Refer divorced spouse cases with period of termination prior to attainment of age 65 to M&P-A.)

Months in which the spouse or divorced spouse was not paid the reduced age O/M benefit solely because the RR formula rate was higher (e.g. RR Act benefit increase creates rate temporarily higher than O/M rate) cannot be considered non-payment months. They are not dropped from the age reduction factor when the spouse or divorced spouse attains age 65.

- C. Beneficiary Attains Age 65 Before 1-1-78 - The original employee or spouse benefit is reduced for each month the beneficiary is under age 65 on the date (s)he is included in the O/M computation. Any subsequent increase prior to 1-1-78 in the individual 100% O/M benefit computation caused by an increase to PIA #9 is reduced for the number of months the beneficiary is under age 65 on the effective date of the benefit increase.

The non-payment months under the social security formula must be dropped from the individual's age reduction factor for each date break that includes these months.

EXAMPLE: The employee's date of birth is 2-10-12. His 100% O/M effective date is 9-1-75. The PIA of \$296.70 is adjusted for the 17 month age reduction reducing the employee's benefit by \$28.00 to \$268.70. From 1-1-76 thru 12-31-76, the employee earns \$12,000.00 for the year with excess earnings in each month. This results in twelve permanent work deductions to the family O/M amount.

The employee stops working on 12-31-76. The annuity rate is recomputed to include the 6-76 cost-of-living adjustment. The PIA is adjusted to the 6-76 rate of \$315.70. The eight month age reduction applied to the \$19.00 increase reduces it by \$.80 to \$18.20. The employee's benefit effective 1-1-77 is \$286.90. The total age reduction is \$28.80.

Effective 2-1-77, the month in which the employee attained age 65, the age reduction factor for the O/M can be adjusted to exclude the 12 permanent work deduction months.

The PIA of \$296.70 effective 1-1-76 is adjusted for 5 age reduction months reducing the employee's benefit by \$8.20 to \$288.50. The 6-76 increase is reduced by one age reduction month to \$18.90. The employee's benefit effective 2-1-77 is \$307.40. The total age reduction is adjusted to \$8.30 eff. 2-1-77.

- D. Beneficiary Attains Age 65 After December 1977 - The total non-payment months under the social security formula must be dropped from the total age reduction factor effective the month in which the beneficiary attains age 65.
1. Original Age Reduction Applied Before 1-1978 - If the original age reduction was applied before 1-1-78, compute the adjusted age reduction factor by multiplying the number of months for which a reduced age benefit was paid with non-payment months dropped (ARF) by the money amount of the current age reduction (MAR). Divide the result by the number of months in the original reduction factor (ORF). The quotient is the ARF'd money amount of reduction.

$$\frac{(\text{ARF} \times (\text{MAR}))}{\text{ORF}} = \text{ARF'd money amount of reduction.}$$

ORF

In these cases, since the ARF is effective prior to 9-1981, if the result is not a multiple of \$.10, round down to the next lower multiple of \$.10. For any adjustment to the age reduction effective 9-1981 or later, if not a multiple of \$.10 round up to the next higher multiple of \$.10.

EXAMPLE 1: The employee's date of birth is 6-10-13. His O/M date of entitlement is 9-1-77. PIA #9 equals \$318.20. A nine month age reduction of \$15.90 reduces the original employee benefit to \$302.30 effective 9-1-77. PIA #9 is increased by 6.5% to \$338.90 effective 6-1-78. The age reduction amount before adjustment for the ARF is increased to \$16.90 due to the PIA increase.

$$\$15.90 \times 1.065 = \$16.90 \text{ (Rounded down to the dime)}$$

The employee's earnings of \$12,000 in 1977 with earnings over the exempt amount in all months caused work deductions under the O/M formula for September - December 1977. The employee does not work after 1-1-78.

The age reduction factor is adjusted effective 6-1-78 as follows:

$$\frac{5 \times \$16.90}{9} = \$9.30 \text{ (Rounded down to the dime)}$$

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EXAMPLE 2: The spouse's date of birth is 3-9-13. The O/M effective date is 9-1-76. PIA #9 effective 9-1-76 is \$302.30 and effective 6-1-77 is \$320.20. The unreduced spouse benefit effective 9-1-76 is \$151.20 and effective 6-1-77 is \$160.10.

The spouse has three permanent work deductions in 1976 and four permanent work deductions in 1977. She stopped working 1-1-78.

The age reduction in effect in 2-78 is \$19.30. This amount is adjusted effective 3-1-78 as follows:

$$\frac{11 \times \$19.30}{18} = \$11.70 \text{ (ARF'd Money Amount of Reduction)}$$

18 Rounded down to the dime)

2. Original Age Reduction Applied 1-1978 or Later - If the original age reduction was applied 1-1978 or later, simply deduct the non-payment months from the months used in the original age reduction factor.

For employee's, the PIA #9 is reduced by 1/180th (5/9 of 1%) for each month in the ARF'd age reduction factor.

For a spouse or divorced spouse, the O/M share is reduced by 1/144th (25/36 of 1%) for each month in the ARF'd age reduction factor.

Prior to 9-1981, if the spouse age reduction is not a multiple of \$.10, round down to the next lower multiple of \$.10. Effective 9-1981 or later for spouses or 10-1981 or later for divorced spouses, if the age reduction is not a multiple of \$.10, round up to the next higher multiple of \$.10.

- E. Manual Control For Adjustment - When a reduced employee O/M benefit is withheld due to excess earnings for any month before the employee attains age 65, set a (10-01) call-up for the first day of the year after the year in which the employee attains age 65.

When a reduced spouse or divorced spouse O/M benefit is not paid for any month before the spouse or divorced spouse attains age 65, set a (10-01) call-up for the first day of the year after the year in which the spouse or divorced spouse attains age 65.

### 8.3.88 Change in Age Reduced Benefit Amount after Adjustment of Age Reduction Factor

- A. General - Prior to 1-1-78, the age reduction was not increased after the beneficiary attained age 65. Effective with benefits payable 1-1-78 or later, the ARF'd money amount of the age reduction is increased by the same percentage the PIA is increased.

B. Age Reduction in 100% O/M Effective Before 1-1-78

1. Employee Benefit - Determine the percentage increase as follows:

- To compute the age reduction increase when an amendment or cost-of-living increase is involved, multiply the ARF'd money amounts of the age reduction by the percentage PIA #9 is increased.

$$(AMAR) \times (1 + COL\%) = (IMAR)$$

- To compute the age reduction increase for cases involving a recomputed PIA #9, divide the new PIA (NPIA) times the adjusted money amount of reduction (AMAR) by the old PIA (OPIA).

$$\frac{(NPIA) \times (AMAR) = (IMAR)}{(OPIA)}$$

(OPIA)

The result is the increase money amount of the age reduction (IMAR). Prior to 9-1981, if this is not a multiple of \$.10, round to next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the

result is not a multiple of \$.10, round it to the next higher multiple of \$.10.

EXAMPLE: The employee's date of birth is 5-4-13. The 100% O/M effective date is 10-1-77 and PIA #9 equals \$368.90. The original seven month age reduction amount of \$14.30 is adjusted effective 5-1-78 to drop three permanent work deduction months. The ARF'd amount of the age reduction is \$8.10.

PIA 9 is increased by 6.5% to \$392.90 effective 6-1-78. The age reduction effective 6-1-78 is  $\$8.10 \times 1.065 = \$8.60$  (rounded down.) The employee benefit effective 6-1-78 is  $\$384.30$  ( $\$392.90 - \$8.60$ ).

Subsequent COL increases are computed through 6-1981 (rounded down). The results are \$9.40 effective 6-1979, \$10.70 effective 6-1980, and \$11.80 effective 6-1981. The 6-1982 age reduction amount is rounded up to the dime.

## 2. Spouse Benefit

Determine the percentage increase as follows:

- To compute the age reduction increase when an amendment or cost-of-living increase is involved, multiply the ARF'd money amount of the age reduction by the percentage the PIA #9 is increased.

$$(\text{AMAR}) \times (1 + \text{COL}\%) = (\text{new AMAR})$$

- To compute the age reduction increase 1-1-78 or later for cases involving a recomputed PIA or change in family composition (fewer members entitled), divide the new unreduced spouse benefit (NUSB) times the ARF'd money amount of the reduction (AMAR) by the old unreduced spouse benefit (OUSB).

$$\frac{(\text{NUSB}) \times (\text{AMAR})}{(\text{OUSB})} = (\text{new increased AMAR})$$

- To compute the age reduction decrease 1-1-78 or later for cases involving a change in family composition (more members entitled), divide the new unreduced spouse benefit (NUSB) times the ARF'd money amount of the reduction (AMAR) by the old unreduced spouse benefit (OUSB).

$$\frac{(\text{NUSB}) \times (\text{AMAR})}{(\text{OUSB})} = (\text{new decreased AMAR})$$



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(OUSB)

The result is the new adjusted money amount of the age reduction (AMAR). Prior to 9-1981, if the result is not a multiple of \$.10, round to next lower multiple of \$.10. Effective with rate changes 9-1981 or later, if the result is not a multiple of \$.10, round to next higher multiple of \$.10.

EXAMPLE: The spouse's date of birth is 3-9-13. The O/M effective date is 9-1-76. The ARF'd money amount of reduction effective 3-1-78 is \$11.70.

The 6-1977 PIA of \$320.20 is increased by 6.5% to \$341.10 effective 6-1-78. The new unreduced spouse benefit is \$170.60.

The age reduction is increased by the same percentage as the PIA:

$$\$11.70 \times 1.065 = \$12.40$$

Assume the PIA is recomputed to \$346.00 effective 1-1-79. The new unreduced spouse benefit is \$173.00 and the age reduction is increased as follows:

$$\frac{\$173.00 \times \$12.40}{\$170.60} = \$12.50$$

$$\$170.60$$

The spouse benefit effective 1-1-79 is \$160.50 (\$173.00 - \$12.50).

Subsequent COL increases are computed through 6-1981 (rounded down). The results are \$13.70 eff. 6-1979, \$15.60 eff. 6-1980 and \$17.30 eff. 6-1981. The 6-1982 age reduction amount is rounded up to the dime.

### C. Age Reduction in 100% Effective 1-1-78 or Later

1. Employee Benefit - The increased PIA #9 is reduced by 1/180th (5/9 of 1%) for each month in the ARF'd age reduction factor.

Prior to 9-1981, Table RI of SSA's Rainbow Book listed the rounded reduced PIA's based on the number of reduction months. Effective with rate changes 9-1981, the 1981 SS Act Amendment rounding rules apply. The age reduction amount, if not a multiple of \$.10, is rounded up to the next higher multiple of \$.10.

EXAMPLE - The employee's DOB is 4-5-16. The age and service O/M effective date is 7-1-80. The PIA of \$691.50 is reduced by \$57.60 to \$633.90 for the 15 months the employee is under age 65. The employee has 4 permanent work deductions in 1980. These months are dropped from the age reduction factor effective 4-1-81, resulting in an employee benefit reduced for 11 months by \$42.20 to \$649.30.

The PIA is increased to \$769.00 effective 6-1-81 due to a cost-of-living increase. This PIA is reduced for the 11 months in the adjusted age reduction factor by \$46.90. The reduced employee benefit effective 6-1-81 is \$722.10.

The COL increased age reductions effective 6-1-82 or later are rounded up to the dime under the 1981 SS Act amendments.

2. Spouse or Divorced Spouse Benefit - The spouse benefit (50% of PIA #9 adjusted for the family maximum, if necessary) or divorced spouse benefit (50% of PIA #9) is reduced by 1/144th (25/36 of 1%) for each month in the ARF'd age reduction factor.

Prior to 9-1981, for spouse's, Table RII of SSA's Rainbow Book listed the rounded reduced PIA's based on the number of reduction months. Effective with rate changes 9-1981 for spouse's and for divorced spouse's included in O/M 10-1-81 or later, the 1981 SS Act Amendment rounding rules apply. The age reduction amount, if not a multiple of \$.10, is rounded up to the next higher multiple of \$.10.

EXAMPLE - The spouse (DOB 5-26-16) is included in the DIB O/M computation effective 7-1-80. The PIA effective 7-1-80 is \$515.40 and the unreduced spouse benefit of \$257.70 is reduced for the 10 months the spouse is under age 65 by \$17.80 to \$239.90. The spouse has one permanent work deduction in 1980. This month is dropped from the age reduction factor effective 5-1-81 resulting in a spouse benefit reduced for 9 months by \$16.10 to \$241.60.

The PIA is increased to \$573.20 effective 6-1-81 due to a cost-of-living increase. The unreduced spouse benefit of \$286.60 is reduced for the 9 months in the adjusted age reduction factor. The reduced spouse benefit effective 6-1-81 is reduced by \$17.90.

The COL increased age reductions effective 6-1-82 or later are rounded up to the dime under the 1981 SS Act Amendments.

### 8.3.89 Adjustment in 110% Grandfather O/M for Reduced Railroad Formula Annuity before O/M Effective Date

When the 110% Grandfather O/M first becomes applicable for a month after a month in which a reduced railroad formula annuity was paid, reduce the O/M rate as follows:

1. Apply the regular 110% Grandfather O/M age reduction to the employee or spouse benefit.
2. Reduce the 110% Grandfather family O/M rates for the "other benefits" being paid to the beneficiaries.
3. Multiply the amount of the railroad formula annuity before age reduction by a fraction, the numerator of which is equal to the number of months for which the railroad formula annuity was paid prior to the O/M effective date and the denominator is 180. If the railroad formula annuity had been paid at two different rates before the 110% Grandfather O/M effective date, the amount of the reduction would be determined by multiplying each railroad formula rate before age reduction by a fraction consisting of the number of months for which it was paid over 180.

When both the employee and spouse received reduced railroad formula annuities before the 110% Grandfather O/M effective date, the reduction for each is computed separately and added together.

4. The result from step three is subtracted from the total family 110% Grandfather O/M benefit. The result is rounded to the nearest cent.
5. If the 100% family O/M rate later exceeds the 110% grandfather O/M the red. RR before O/M reduction is carried forward and subtracted from the 100% family O/M rate. The result is not rounded.

NOTE: If a reduced RR formula rate is paid before the 100% O/M in a case where the 110% Grandfather did not apply, refer the case to M&P.

6. If the spouse is receiving a railroad spouse annuity, the total family O/M benefits reduced by the reduced RR adjustment amount are apportioned between the employee and spouse annuities. The individual rates should not again be rounded.

EXAMPLE 1: An employee age 62 with 25 years service receives an RR formula annuity which is reduced for age, for five months pending entitlement to a DIB O/M. The PIA #11 is \$270.70. An FTS is also included in the family group. The railroad formula rate before age reduction would have been \$352.91.

$$5/180 \times \$352.91 = \$9.80$$

This amount subtracted from the 110% Grandfather O/M amount of \$446.71, results in an O/M guaranty amount of \$436.91.

Effective 6-1-76, the 100% family O/M rate of \$466.80 exceeds the 110% Grandfather O/M. The amount of \$9.80 is deducted from the 6-1-76 100% O/M rate.

When the student ceases FTA on 12-31-76, the case reverts back to the RR formula.

EXAMPLE 2: A spouse age 62 of an employee age 62 with 25 years of service receives an RR formula annuity effective 4-1-75, which is reduced for age for five months pending the employee's entitlement to a DIB O/M. PIA #11 is \$270.70. The unreduced railroad formula rate would have been \$126.52. The spouse will receive an age reduction under the O/M computation from the DIB O/M effective date plus the adjustment for the reduced railroad formula spouse annuity. An FTS is also included in the family group.

$$5/180 \times \$352.91 = \$9.80 \text{ (ee red. amt).}$$

$$5/180 \times \$126.52 = 3.51 \text{ (sp red. amt).}$$

$$9.80 + 3.51 = 13.31 \text{ (total red. amt).}$$

This amount subtracted from the 110% Grandfather amount of \$527.01, results in an O/M guaranty (before proportioning) of \$513.70.

When the FTS ceases FTA on 8-30-75, the case reverts back to the RR formula.

### **8.3.90 Adjustment for Reduced Age and Service Benefit under the Social Security Formula before DIB O/M Effective Date**

#### **A. Adjustment of Age Reduction Factor**

If the employee received either a reduced social security retirement insurance benefit or a reduced retirement age and service O/M computation before the DIB O/M effective date, the DIB O/M employee benefit must be reduced by the amount the employee's PIA would be reduced if the employee attained 65 on the DIB O/M effective date. The following steps apply in determining the recalculated PIA and the reduced DIB:

1. Recalculate the PIA #9 or PIA #11 to take into account the period of disability.
2. Determine the age reduction for the employee's age and service O/M based on the recalculated PIA #9 or PIA #11 and actual attainment of age

65. The recalculated reduced O/M benefit is payable from the age and service O/M effective date.

3. Adjust the age reduction factor (ARF) for the employee's DIB O/M benefit based on the recalculated PIA and deemed attainment of age 65 on the DIB O/M effective date. Months after the DIB O/M effective date and months for which total or partial work deductions under the O/M formula, if any, were imposed are dropped from the age reduction factor.

EXAMPLE: The employee born 1-7-16 with 12 years service filed for an annuity in 1-78. The reduced retirement O/M employee benefit of \$262.00 based on a PIA #9 of \$327.40 is paid effective 1-1-78. Later, he is determined to have been disabled 10-31-77 with DIB to begin 4-1-78. The recalculated PIA due to the D/F is \$338.70. The recalculated employee benefit before the DIB O/M is \$271.00 and the employee DIB O/M benefit is \$333.10. The PIA #9 is increased to \$360.80 effective 6-1-78.

	<b>Initial Reduced O/M Ben</b>	<b>Recalculated Reduced O/M</b>	<b>Reduced DIB O/M</b>
PIA #9	327.40	338.70	338.70
RF	36	36	3
MOE	1-78	1-78	4-78
Employee Benefit	262.00	271.00	333.10
Age Reduction	65.40	67.70	5.60

#### B. Change in DIB Benefit Amount After Adjustment of Age Reduction Factor

Prior to 1-1-78, the age reduction was not increased after the beneficiary was deemed to attain age 65. Effective with benefits payable 1-1-78 or later, the ARF'd money amount of the age reduction is increased by the same percentage the PIA is increased. The initial date of entitlement to the DIB O/M determines the method used in subsequent increases to the age reduction.

##### 1. DIB O/M Effective Before 1-1-78

To compute the age reduction increase when an amendment or cost-of-living increase is involved, multiply the ARF'd money amount of age reduction by the percentage PIA #9 is increased. If the result is not a multiple of \$.10, round it down to the next lowest multiple of \$.10.

EXAMPLE - The DIB O/M date of entitlement is 9-1-77. PIA #9 is \$327.40 effective 9-1-77 and increased by 6.5% to \$348.70 effective 6-1-78.

A three month reduction applied to the 9-1-77 DIB O/M benefit resulted in ARF'd money amount of reduction of \$5.40. This amount is increased 6-1-78 as follows:

$$\$5.40 \times 1.065 = \$5.70$$

To compute the age reduction increase for cases involving a recomputed PIA #9 after the disability period, divide the new PIA (NPIA) times the ARF'd money amount of reduction (MAR) by the old PIA (OPIA). The quotient is the increased money amount of reduction (IMAR). If the result is not a multiple of \$.10, round to the next lower multiple of \$.10.

$$\frac{(\text{NPIA}) \times (\text{MAR})}{(\text{OPIA})} = \text{IMAR}$$

## 2. DIB O/M Effective 1-1-78 or Later

PIA #9 is reduced by 1/180th (5/9 of 1%) for each month in the ARF'd age reduction factor.

EXAMPLE - The employee born 9-12-15 is paid a reduced age and service O/M effective 9-1-77 pending approval of a DIB O/M. The disability freeze is effective 10-27-77 and the DIB O/M effective date is 4-1-78. The PIA of \$361.90 is reduced to \$347.90, by the seven months of prior RIB entitlement effective 4-1-78. Effective 6-1-78 the PIA was increased to \$385.50 due to a cost-of-living increase. This PIA is reduced by same reduction factor of seven months.

### **8.3.91 Adjustment for Reduced Widow(er)'s Benefit before O/M Effective Date**

If the employee received a reduced widow(er)'s benefit under the Social Security Act before the 100% O/M or 110% Grandfather O/M effective date, refer the case to the Methods and Procedures Section.

### **8.3.92 Age Reduction Effective 01-2000**

- A. General - Beginning in January 2000 full retirement age (FRA) gradually increases from age 65 to age 67. This change applies to annuitants born after 1937.

The increase in FRA affects regular annuity eligibility requirements; age reduction calculations; RIB limit calculations; worker's compensation or public disability benefit termination; and attainment processing based on age 65.

The increase in FRA does not affect Medicare eligibility; supplemental annuity eligibility or calculation; or attainment processing based on age 16, 18 or 62.

- B. Early and Full Retirement Age Defined - Section 216 (l) (2) of the Social Security Act defines early retirement as age 62 for old age, wife's, or husband's benefits. The new provisions do not affect the age for early retirement.

Full retirement age (FRA) will depend on the annuitant's year of birth. For those born before 01-02-1938, FRA will remain age 65. For those born after 01-01-1938, FRA will gradually rise from age 65 to age 67.

- C. Age Reduction - For employees born after 1937, the maximum percentage reduction will rise from 20% to 30%. The maximum number of age reduction months will rise from 36 to 60. For months 1 through 36, the reduction remains 1/180 for each month. For months 37 through 60, the reductions is 1/240.

#### AGE REDUCTION TABLES

##### TABLES TO DETERMINE AMOUNTS OF AGE REDUCTION FOR EMPLOYEE ANNUITANTS HAVING LESS THAN 30 YEARS OF SERVICE WHO ATTAIN AGE 62 ON 1/02/2000 OR LATER

Employee annuitants who attain age 62 on 1/02/2000 or later are subject to an increase in the age at which certain unreduced annuities can be paid. This is referred to as their Full Retirement Age (FRA).

The increased age reduction will apply to the tier 1 benefit and vested dual benefit for employees with less than 30 years of service. It will also apply to the tier 2 benefit of employees with less than 30 years of service who had no creditable railroad service prior to August 12, 1983.

The total age reduction factor equals 1/180 for each month of age reduction from 1 month through 36 months, added to 1/240 for each month of age reduction from 37 months through 60 months, when applicable. NOTE: A person attains a given age the day before his or her birthday. Consequently, someone born on January 1 is considered to have been born on December 31 of the previous year.

<b>EE YOB</b>	<b>Yr Att. age 62</b>	<b>Ret age for unred. ann. (FRA)</b>	<b>Maximum No. Mos A/R for this YOB</b>	<b>Maximum A/R for this YOB</b>
1937 & earlier	1999 & earlier	65 yr 0 mo.	36	20.000%

1938	2000	65 yr 2 mo.	38	20.833%
1939	2001	65 yr 4 mo.	40	21.667%
1940	2002	65 yr 6 mo.	42	22.500%
1941	2003	65 yr 8 mo.	44	23.333%
1942	2004	65 yr 10 mo.	46	24.167%
1943-54	2005-2016	66 yr 0 mo.	48	25.000%
1955	2017	66 yr 2 mo.	50	25.833%
1956	2018	66 yr 4 mo.	52	26.667%
1957	2019	66 yr 6 mo.	54	27.500%
1958	2020	66 yr 8 mo.	56	28.333%
1959	2021	66 yr 10 mo.	58	29.167%
1960 & later	2022 & later	67 yr 0 mo.	60	30.000%

Count the number of months the employee is under full retirement age (FRA) based on the employee's year of birth using the table above. Using the table below, determine the age reduction factor corresponding to the total number of months the EE is under his FRA.

<b>No. mos. A/R</b>	<b>Total A/R factor</b>	<b>No. mos. A/R</b>	<b>Total A/R factor</b>
60	30.000%	30	16.667%
59	29.583%	29	16.111%
58	29.167%	28	15.556%
57	28.750%	27	15.000%
56	28.333%	26	14.444%
55	27.917%	25	13.889%
54	27.500%	24	13.333%



53	27.083%	23	12.778%
52	26.667%	22	12.222%
51	26.250%	21	11.667%
50	25.833%	20	11.111%
49	25.417%	19	10.556%
48	25.000%	18	10.000%
47	24.583%	17	9.444%
46	24.167%	16	8.889%
45	23.750%	15	8.333%
44	23.333%	14	7.778%
43	22.917%	13	7.222%
42	22.500%	12	6.667%
41	22.083%	11	6.111%
40	21.667%	10	5.556%
39	21.250%	9	5.000%
38	20.833%	8	4.444%
37	20.417%	7	3.889%
36	20.000%	6	3.333%
35	19.444%	5	2.778%
34	18.889%	4	2.222%
33	18.333%	3	1.667%
32	17.778%	2	1.111%
31	17.222%	1	0.556%

Example 1: An employee born 6/3/1942, has an ABD of 7/1/2004. The employee files for a reduced age 62 annuity. The employee will attain age 62 in 2004 and

be entitled to a full unreduced annuity at age 65, 10 months. The age reduction is calculated:

6/2007 - Age 65

4/2008 - Add 10 months

7/2004 - ABD

Number of months under FRA = 45 months.

The age reduction factor is 23.750%.

Example 2: An employee born 10/2/1940, files for a reduced age 62 annuity with an ABD of 12/1/2002. The employee will attain age 62 in 2002. A full retirement annuity (FRA) will be payable at age 65 years, 6 months. The age reduction is calculated:

10/2005 - Age 65

4/2006 - Add 6 months

12/2002 - ABD

Number of months under FRA = 40 months.

The age reduction factor is 21.667%.

Example 3: An employee born on 2/1/1939, files for a reduced age annuity. The ABD is 1/1/2004. The FRA is payable at 65 years, 4 months. The age reduction is calculated:

1/2004 - Age 65

5/2004 - Add 4 months

1/2004 - ABD

Number of months under FRA = 4 months.

The age reduction factor is 2.222%.

## AGE REDUCTION TABLES

TABLES TO DETERMINE AMOUNTS OF AGE REDUCTION FOR EMPLOYEE AND SPOUSE ANNUITANTS RETIRING BEFORE AGE 62 WITH 30 YEARS OF SERVICE WHO ATTAIN AGE 62 ON 1/1/2000 OR LATER

- A) Employee annuitants who attain age 62 on 1/1/2000 or later are subject to an increase in the age at which certain unreduced annuities can be paid. This is referred to as their Full Retirement Age (FRA).

Early retirement reductions for those retiring with 30 or more years of service apply to tier 1 benefits only.

Employees retiring at age 62 with 30 years of service ARE NOT subject to any age reduction.

The total age reduction factors are based on 1/180 for each month under retirement age up to 36 months, added to 1/240 for each month of age reduction from 37 months through 60 months, if applicable.

<b>EE YOB</b>	<b>Tier 1 portion of annuity is reduced by this A/R %</b>	<b>Tier 1 portion of annuity is reduced by recalculated A/R % at age 62</b>
Before 1938	20.000%	19.444%
1938	20.833%*	20.417%
1939	21.667%*	21.250%
1940	22.500%	22.083%
1941	23.333%	22.917%
1942	24.167%	23.750%
1943-1954	25.000%	24.583%
1955	25.833%	25.417%
1956	26.667%	26.250%
1957	27.500%	27.083%
1958	28.333%	27.917%
1959	29.167%	28.750%
1960 or later	30.000%	29.583%

- If retirement is before the year 2000, only a 20% reduction is effective on the ABD, which will result in a slightly higher age reduction factor when the factor is recalculated at age 62.

Note: The recalculated age reduction factor at age 62 assumes the employee is NOT born on the second day of the month. If the employee is born on the second day of the month, the recalculated age reduction factor in the right-hand column will be the same as the pre-age 62 age reduction factor.

EXAMPLE: An employee born 7/5/41, has an ABD of 8/1/2001. The employee is filing for a reduced age 30/60 annuity. The tier 1 age reduction is 23.333%. When the employee turns age 62 (8/1/2003), the new age reduction will be 22.917%.

B) Spouse annuitants retiring before age 62 and the employee retires before age 62 with 30 years of service:

- The spouse's tier 1 amount will be one-half of the employee's annuity beginning date tier 1 amount.
- The spouse annuity tier 1 amount will be recomputed at age 62 (but not before the employee attains age 62) as shown below:

<b>Spouse DOB</b>	<b>Year Spouse Tier 1 Amount Will Be Recomputed Is</b>	<b>Age 62 Recomputed Tier 1 Amount Will Be Reduced By</b>
1937 or earlier	1999	25.000%
1938	2000	25.833%
1939	2001	26.667%
1940	2002	27.500%
1941	2003	28.333%
1942	2004	29.167%
1943-1954	2005-2016	30.000%
1955	2017	30.833%
1956	2018	31.667%
1957	2019	32.500%

1958	2020	33.333%
1959	2021	34.167%
1960 or later	2022 or later	35.000%

The above table assumes the full 36/180 month age reduction before actual age 65, as if the spouse was born on the second day of the month.

Retirement reductions for spouses or employees with 30 or more years of service only apply to tier 1 benefits and only if the employee retires before age 62.

EXAMPLE 1: An employee born on 3/4/42 files for a reduced 30/60 annuity. The ABD is 2/1/2003. The age reduction will be 24.167% on the employee's ABD. The spouse also files for a reduced 30/60 annuity with the same ABD. The spouse's DOB is 4/3/40. The spouse will receive 1/2 of the employee's age reduced tier 1. The employee's tier 1 is recalculated beginning 4/2004. The new age reduction factor for the employee will be 23.750%. The spouse's recalculated age reduction will be:

4/2005 - Age 65

10/2005 - Add 6 months

4/2004 - Recalc ABD

Number of months under FRA = 18 months.

The spouse's recalculated age reduction factor is 12.500%.

EXAMPLE 2: An employee born on 10/3/39 files for a reduced 30/60 annuity. The ABD is 11/1/99. The ABD age reduction is 20.000%. The spouse later files for a reduced age 30/60, with a DOB of 8/8/41. The ABD will be 9/1/2001. The spouse will receive 1/2 of the employee's age reduced tier 1 on the spouse's ABD. The employee's tier 1 will be recalculated on 11/1/2001. The new age reduction for the employee will be 21.250%. The spouse's tier 1 will be recalculated on 9/1/2003. The spouse's recalculated age reduction will be:

8/2006 - Spouse age 65

4/2007 - Add 8 months

9/2003 - Recalc ABD

Number of months under FRA = 43 months.

The spouse recalculation age reduction factor is 27.917%.

## AGE REDUCTION TABLES

## TABLES TO DETERMINE AMOUNTS OF AGE REDUCTION FOR SPOUSES &amp; DIVORCED SPOUSES ATTAINING AGE 62 ON 1/1/2000 OR LATER

Spouse/divorced spouse annuitants who attain age 62 on 1/1/2000 or later are subject to an increase in the age at which certain unreduced annuities can be paid. This is referred to as their Full Retirement Age (FRA).

The increased age reduction will apply to the tier 1 benefit with the maximum reduction gradually rising from 25% to 35% by the year 2022. The tier 2 reduction remains at 25% for a spouse if the employee had any railroad service before August 12, 1983.

The total age reduction factor equals 1/144 for each of the first 36 months under retirement age, added to 1/240 for each month of age reduction from 37 months through 60 months, if applicable.

<b>SP YOB</b>	<b>YR age 62</b>	<b>Age for unreduced annuity (FRA)</b>	<b>Max No. Mos. A/R for this YOB</b>	<b>Max A/R for this YOB</b>
1937 or earlier	1999 & earlier	65 yrs 0 mo.	36 mo.	25.000%
1938	2000	65 yrs 2 mo.	38 mo.	25.833%
1939	2001	65 yrs 4 mo.	40 mo.	26.667%
1940	2002	65 yrs 6 mo.	42 mo.	27.500%
1941	2003	65 yrs 8 mo.	44 mo.	28.333%
1942	2004	65 yrs 10 mo.	46 mo.	29.167%
1943-54	2005-2016	66 yrs 0 mo.	48 mo.	30.000%
1955	2017	66 yrs 2 mo.	50 mo.	30.833%
1956	2018	66 yrs 4 mo.	52 mo.	31.667%
1957	2019	66 yrs 6 mo.	54 mo.	32.500%
1958	2020	66 yrs 8 mo.	56 mo.	33.333%
1959	2021	66 yrs 10 mo.	58 mo.	34.167%

1960 & later	2022 & later	67 yrs 0 mo.	60 mo.	35.000%
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Count the number of months the spouse/divorced spouse is under full retirement age (FRA) based on the spouse/divorced spouse's year of birth using the table above. Using the table below, determine the age reduction factor corresponding to the number of months the MA/XA is under his/her FRA.

**TABLE OF AGE REDUCTION FACTORS FOR SPOUSES OF EMPLOYEES WITH LESS THAN 30 YEARS OF SERVICE AND DIVORCED SPOUSES ATTAINING AGE 62 ON 1/1/2000 OR LATER**

<b>NO. MOS. A/R</b>	<b>TOTAL A/R FACTOR</b>	<b>NO. MOS. A/R</b>	<b>TOTAL A/R FACTOR</b>
60	35.000%	30	20.833%
59	34.583%	29	20.139%
58	34.167%	28	19.444%
57	33.750%	27	18.750%
56	33.333%	26	18.056%
55	32.917%	25	17.361%
54	32.500%	24	16.667%
53	32.083%	23	15.972%
52	31.667%	22	15.278%
51	31.250%	21	14.583%
50	30.833%	20	13.889%
49	30.417%	19	13.194%
48	30.000%	18	12.500%
47	29.583%	17	11.806%
46	29.167%	16	11.111%
45	28.750%	15	10.417%

44	28.333%	14	9.722%
43	27.917%	13	9.028%
42	27.500%	12	8.333%
41	27.083%	11	7.639%
40	26.667%	10	6.944%
39	26.250%	9	6.250%
38	25.833%	8	5.556%
37	25.417%	7	4.861%
36	25.000%	6	4.167%
35	24.306%	5	3.472%
34	23.611%	4	2.778%
33	22.917%	3	2.083%
32	22.222%	2	1.389%
31	21.528%	1	0.694%

EXAMPLE 1: A spouse born on 8/3/40 files for a reduced age 62 annuity. The ABD is 1/1/2004. An FRA is payable at age 65 years, 6 months. The age reduction will be calculated:

8/2005 - Age 65

2/2006 - Add 6 months

1/2004 - Recalc age 62 ABD

Number of months under FRA = 25 months.

The age reduction at age 62 is 17.361%.

EXAMPLE 2: A spouse files for a reduced age 62 annuity with an ABD of 6/1/2022. Her DOB is 3/8/60. An FRA is payable at 67 years, 0 months. The age reduction will be calculated:

3/2025 - Age 65



3/2027 - Add 24 months

6/2022 - ABD

Number of months under FRA = 57 months.

The age reduction factor is 33.750%.

### **8.3.95 Delayed Retirement Credits**

The delayed retirement credit provision of the 1972 Social Security Act Amendments provides a bonus which is added to the eligible employee's PIA based on creditable increment months.

The delayed retirement benefit or bonus provides an increase for the wage earner only. The PIA itself does not change. Therefore, the family maximum or auxiliary life benefits are not affected.

If the employee is dually entitled to an annuity under the retirement O/M formula and either an RR spouse O/M annuity or RR survivor benefit, the employee O/M benefit increased by the delayed retirement benefit (or bonus) is deducted from the spouse or survivor annuity. The employee's delayed retirement credits cannot be added to the spouse or survivor annuity being paid based on another wage record.

The delayed retirement benefit or bonus can be added to the employee benefit based on an AMW, Trans, Old Start or AIME PIA only. It cannot be added to a benefit based on the Special Minimum PIA. If the amount of the AMW, Trans, Old Start or AIME PIA is less than the Special Minimum PIA before the addition of the delayed retirement benefit or bonus, the higher amount based on either the regular PIA plus the delayed retirement benefit or the SPC MIN PIA is payable to the employee. However, benefits for any auxiliaries will be determined under the maximum for the Special Minimum PIA.

### **8.3.96 Increment Months under the Social Security Act Prior to 1-1-79**

For benefits payable prior to 1-1-79, an increment month is credited under the Social Security Act for each month for which a fully insured wage earner who has attained age 65 (but has not attained age 72) is not paid an RIB because:

- His(her) first month of entitlement to the RIB is after the month in which (s)he attained age 65; or
- A full work deduction applies after the wage earner attains age 65.

An increment month can be credited only if the wage earner was not paid a reduced for age RIB. If the date of entitlement to the RIB is before the wage earner attained age 65 and benefits were withheld due to excess earnings, resulting in an adjusted age reduction factor at age 65 or zero, the wage earner was not paid a reduced RIB.

SSA converts an unreduced DIB to an unreduced RIB when the wage earner attains age 65. Such a person would be eligible for an increment month if the RIB is later withheld on account of work.

In dual entitlement cases, work deductions for a given month are applied against the total dual benefit in determining increment months and not just against the RIB portion of the monthly benefit amount. For example, if a total monthly benefit amount is \$250, consisting of a \$200 RIB and a \$50 WIB, and in a given month a \$220 work deduction applies, this month may not be counted as an increment even though the work deduction exceeded the total monthly RIB amount.

### **8.3.97 Increment Months under the Railroad Retirement Act Prior to 1-1-79**

A. Delayed Retirement Benefit Under 100% O/M - The delayed retirement benefit under the 1974 Railroad Retirement Act 100% O/M is computed under Social Security Act rules. For benefits payable prior to 1-1-79, an increment month is credited for each month for which an employee insured for the O/M who has attained age 65 (but has not attained age 72) is not paid an employee O/M benefit because:

- His(her) O/M effective date is after the month in which (s)he attained age 65; or
- A full work deduction under the social security formula\* applies after the employee attains age 65 even if the RR formula annuity is not subject to work deductions. However, if the O/M is not paid in a month solely because the RR formula is higher, a DRC is not creditable.

\*NOTE: If the employee returns to LPE (prior to 12-1-1988) or railroad service after the ABD, his (her) earnings from such employment must be sufficient to cause one or more full work deduction month(s) under the social security work deduction formula to qualify for a delayed retirement benefit under the 100% O/M.

An increment month can be credited only if the employee was not paid a reduced for age employee O/M benefit under the 100% O/M or 110% Grandfather O/M formula. If the 100% O/M effective date is before the wage earner attained age 65 and reduced age and service O/M benefits were withheld due to excess earnings, resulting in an adjusted O/M age reduction factor at age 65 of zero, the employee was not paid a reduced for age employee O/M benefit.

An employee who has been paid an unreduced DIB - O/M annuity is eligible for a delayed retirement credit if (s)he incurs full work deductions under the social security formula after (s)he attains age 65.

In dual entitlement cases, work deductions under the social security formula for a given month are applied against the total months benefits payable to the employee under the Social Security Act and not just the employee O/M benefit. For example, the employee is entitled to a retirement employee O/M benefit of \$200 and a retirement spouse O/M benefit on another wage record of \$50 (after reduction for the employee benefit). In a given month, a work deduction of \$220 would not be sufficient to include that month as an increment month.

- B. Delayed Retirement Bonus Under the 110% Grandfather O/M - The 1973 Amendments to the 1937 Railroad Retirement Act limited the increment months to be used in computing the delayed retirement bonus in 110% Grandfather O/M cases to months in which the employee:

- Has actually attained age 65 (but has not attained age 72); and
- Is insured for the O/M; and
- Has not filed for an RR employee annuity.

Months after the ABD for which work deductions would have been applied under the social security formula were not counted.

### **8.3.98 Increment Months under the Social Security Act 1-1-79 or Later**

For benefits payable 1-1-79 or later, regardless of the date of entitlement, an increment month is credited under the Social Security Act for each month for which a fully insured wage earner who has attained FRA but has not attained age 70 (age 72 prior to 1/1/1984) is not paid an RIB because:

- His(her) first month of entitlement to the RIB is after the month in which he attained FRA; or
- A full work deduction applies after the employee attains FRA, regardless of the first month of entitlement.

Increment months can be credited in reduced age cases. However, the increase due to these increment months cannot be paid before 1-1-79. The provisions for converting a DIB to an RIB and for crediting increment months in dual entitlement cases are the same as those stated in RCM [8.3.96](#).

### **8.3.99 Increment Months under the Railroad Retirement Act 1-1-79 or Later**

- A. Delayed Retirement Benefit Under 100% O/M - The delayed retirement benefit under the 1974 Railroad Retirement Act 100% O/M is computed under Social Security Act Rules. An increment month is credited for each month for which an

employee insured for the O/M who has attained FRA, (but has not attained age 70 (age 72 prior to 1/1/1984)) is not paid an employee O/M benefit because:

- his(her) O/M effective date is after the month in which (s)he attained FRA; or,
- a full work deduction under the social security formula applies after employee attains FRA, even if the RR formula annuity is not subject to work deductions, regardless of the O/M effective date. (However, if the O/M is not paid in a month solely because the RR formula is higher, a DRC is not creditable.)

An increment month can be credited in reduced age cases. However, the increase due to these increment months cannot be paid before 1-1-79.

The provisions for LPE, DIB - O/M cases and dual entitlement cases are the same as those stated in RCM [8.3.97](#).

- B. Delayed Retirement Bonus Under the 110% Grandfather O/M - The provisions stated in RCM [8.3.97](#) are still applicable.

### **8.3.100 Effective Date of Increase**

Generally, if the employee has attained FRA, an increment month earned in a specific year prior to the year of attainment of age 70, (age 72 prior to 1/1/1984) will be used to increase the benefit beginning with January 1 of the following year. Delayed retirement credits in the year in which age 70 (age 72 prior to 1/1/1984) is attained will be used to increase the benefit effective with the month in which age 70 (age 72 prior to 1/1/1984) is attained. The wage earner may not be credited with an increment month for the month (s)he attains age 70 (age 72 prior to 1/1/1984) or any later month.

However, the first DRC's payable in retirement O/M cases could not include months before 1-1971. If the employee benefit is not reduced for age, the DRC increase is effective no earlier than 1-1-73. If the employee benefit is reduced for age, the DRC increase is effective no earlier than 1-1-79.

EXAMPLE: The employee, born 9-1906, is awarded an unreduced 100% O/M annuity effective 10-1-75. Since he attained age 65 in 9-71 and was insured under the Social Security Act, he is credited with forty increment months before 1-1-75 and nine increment months for 1975. However, at the time his O/M annuity is initially awarded in 10-1975, only the increments before 1-1-75 can be included in the O/M computation. His case must be coded for a call-up 1-1-76 to include the nine increments in 1975 to produce a total of 49 increments effective 1-1-76.

The employee incurs four full work deductions in 1976 which result in four additional delayed retirement credits effective 1-1-77 resulting in a total of 53 DRC's.

The employee does not have excess earnings in 1977 but returns to work and incurs three full work deductions in 1978. The three DRC's are added effective 9-1-78, the month in which the employee attains age 72, to produce a total of 56 DRC's.

Additional DRC's cannot be credited after the employee attains age 72.

EXAMPLE 2: The employee born 7-10-12 is awarded a 100% O/M reduced age annuity effective 7-1-74. He attained age 65 in 1977 and had 3 increment months in that year. He has 4 increment months in 1978. Since his benefit was reduced for age, the 7 increment months are credited effective 1-1-79.

### 8.3.101 Amount of Delayed Retirement Benefit (or Bonus)

- A. Employee Attains Age 65 Before 1982 - The amount of the delayed retirement benefit under the 100% O/M is  $1/12$  of 1% of the current PIA #9 for each increment month acquired by the employee after (s)he attains age 65 # increase months/ $12 \times .01 \times \text{PIA \#9}$ ).

The delayed retirement bonus under the 110% Grandfather O/M is  $1/12$  of 1% of PIA #11 for each increment month acquired by the employee after (s)he attains age 65 # of increase months/ $12 \times .01 \times \text{PIA \#11}$ ).

The number of increments months effective January 1 of any calendar year are added to increment months for prior years. The total of (the number of months/ $12 \times .01$ ) is multiplied by the current PIA #9 in 100% O/M cases or to PIA #11 in 110% Grandfather O/M cases to determine the amount of bonus.

Table DI of the Social Security Computation and Benefit Tables shows the amount of a delayed retirement credit combined with the PIA amount for benefits payable before 9-1981. Effective 9-1981 or later, the computation is subject to the rounding rules of the 1981 SS Act Amendments. If the result is not a multiple of \$.10, it is rounded to the next lower multiple of \$.10.

EXAMPLE: The employee acquires 5 increment months in 1980. His PIA effective 1-1-81 is \$709.70. The amount of the 100% O/M delayed retirement benefit payable 1-1-81 is \$3.00. ( $5/12 \times .01 \times \$709.70 = \$2.95$  rounded up to next \$.10.)

In 1981 he acquires 8 more increment months. A recomputation and cost-of-living increases his PIA #9 to \$791.20. A total of 13 increment months are applied to this PIA. The 100% O/M delayed retirement benefit payable 1-1-82 is \$8.50 ( $13/12 \times .01 \times \$791.20 = \$8.57$  rounded down to next \$.10.)

NOTE: If the amount of delayed retirement benefit or bonus in an O/M case is less than tolerance, do not recertify an annuity in force only to pay this increase. Instead, annotate the folder to show that the increase should be considered in the next adjustment.

- B. Employee Attains Age 65 In 1982 through 1989 - The amount of the delayed retirement benefit under the 100% O/M is 1/4 of 1% of the current PIA #9 for each increment month acquired by the employee after (s)he attains age 65. The earliest this increased amount can be paid is 1-1-83 (employees who attain age 65 in 1982).

The number of increment months effective January 1 of any calendar year 1983 or later are added to the increment months for prior years. The total accumulated increment months are applied to the current PIA #9 in 100% O/M cases to determine the amount of bonus #incr. mos./4 x .01 x PIA 9). If the result is not a multiple of \$.10, it is rounded to the next lower multiple of \$.10.

- C. Employee Attains Age 65 1990 through 2002 - Beginning with 1991, the percentage by which the 100% O/M is increased for delayed retirement will change every other year. The increase depends on the year in which the employee attains age 65 and is found by multiplying the DRC percentage shown in [FOM1 1015.5.1.B2](#) times the number of increment months times the current PIA 9.
- D. Employee Attains FRA in 2003 or Later - -- Beginning with 2003, the percentage by which the 100% O/M is increased for delayed retirement will change every other year until it tops off at 2/3 of 1% for employees born 1/2/1943 or later. The increase depends on the year in which the employee attains FRA and is found by multiplying the DRC percentage shown in FOM1 [1015.5.1.B2](#) times the number of increment months times the current PIA #9.

### 8.3.102 Using the Appendix to Determine DRC Amounts

To compute the amount of the delayed retirement credit for the 100% O/M for employees who attain age 65 before 1982 or for the 110% Grandfather O/M using Appendix D in RCM [8.6](#), take the following actions:

- A. 100% O/M Computation

Step 1: Determine the number of delayed retirement increment months.

Step 2: Find the decimal which corresponds to the number of increment months in Appendix D of [RCM 8.6](#).

Step 3: Multiply the employee's PIA #9 by the decimal obtained from Step 2. Prior to 9-1981, if the result is not a multiple of \$.10, round up to next higher multiple of \$.10. Effective 9-1981 or later, if the result is not a multiple of \$.10, round down to the next lower multiple of \$.10. The result is the PIA #9 increased by the employee's DRC's in 100% O/M cases.

- B. 110% Grandfather O/M Computation

Step 1: Determine the number of delayed retirement increment months.

Step 2: Find the decimal which corresponds to the number of increment months in Appendix D of RCM [8.6](#).

Step 3: Multiply the employee's PIA #11 by the decimal obtained from Step 2. Round the result to the nearest cent. The result is the PIA #11 increased by the employee's DRC's in 110% Grandfather O/M cases.

### **8.3.103 Automatic Cost-of-Living Increases for Employees who Attain Age 62 or Have Disability Onset Before 1-1-79**

Under the 1974 Railroad Retirement Act, the 110% Grandfather O/M is not subject to cost-of-living increases. PIA #11 is always based on the 6-1974 AMW PIA Table.

The 100% O/M computation based on PIA #9 for an employee who attains age 62 or has disability onset before 1-1-79 is subject to cost-of-living increase under SSA rules:

- A. Cost-of-Living Increase for PIA Based on AMW or Converted PIB - The 1972 Amendments to the Social Security Act provide a general automatic cost-of-living increase in the PIA (based on the AMW "New Start" or converted PIB "Old Start") whenever the average consumer price index for a specific calendar quarter of the year exceeds the average consumer price index for a similar quarter in a prior year by 3%. The first automatic cost-of-living increase was effective 6-1-75. This provision still applies for employees who attained age 62 or became disabled before 1-1-79.

The amount of the increased PIA's, Table Maximums and effective dates will continue to be calculated by SSA. Use the Social Security Computation and Benefit Tables to determine benefit amounts for these cases.

- B. Cost-of-Living Increase For Special Minimum PIA - Effective June 1979, regardless of the O/M effective date, the SPC MIN PIA and family maximum is subject to automatic cost-of-living increases to be published by SSA based on an increase in the consumer price index. The revised SPC MIN PIA's and corresponding family maximums will be indicated in tables separate from the AMW PIA Tables.

### **8.3.104 Cost-of-Living Increases for Employees who Attain Age 62 or Have Disability Onset 1-1-79 or Later**

Under the 1974 RRA, the 110% Grandfather O/M is not subject to cost-of-living increases. PIA #11 is always based on the 6-1974 AMW PIA Table.

The 100% O/M based on PIA #9 for an employee who attains age 62 or has disability onset 1-1-79 or later is subject to cost-of-living increases under SSA rules:

A. Decoupling Provision of 1977 SS Act Amendments - Under the decoupling provisions of the 1977 Social Security Act Amendments, benefits, other than the SPC MIN PIA and corresponding auxiliary benefits, for wage earners who attain age 62 or become disabled 1-1-79 or later are not automatically increased for the cost-of-living. The initial PIA #9 is either derived from the 6-1978 PIA Table based on the AMW, "New Start", or converted PIB "Old Start", or is computed by applying the formula based on the year of eligibility to the amount of the AIME. A cost-of-living increase can be added to this PIA as follows:

1. 1977 Simplified "Old Start" Guarantee - The cost-of-living increase percentages beginning with the year of first eligibility are applied to the 6-1978 PIA (converted from PIB). Eligibility does not have to exist prior to the June 1, general benefit increase for PIA to be subject to the cost-of-living increase. As long as eligibility exists by December 31, of the calendar year, the PIA #9 can be increased by the cost-of-living percentage for that year. However, the increased amount is not payable until June 1 of that year.

EXAMPLE 1: The employee (DOB 5-27-21) has an O/M effective date of 5-1-83. Assume the following general cost-of-living increases were possible: 5% - 6-1-79, 6.2% - 6-1-80, 7.5% - 6-1-81, 3.2% - 6-1-82 and 5.9% - 6-1-83. In this case, the cost-of-living increases cannot begin until 1983, the year of eligibility. The 6-1978 PIA #9 of \$251.80 is payable on the O/M effective date. It is increased by 5.9% to \$266.70 effective 6-1-83.

EXAMPLE 2: The employee whose disability onset date is 9-17-83 has an O/M effective date of 3-1-84. Assuming the same percentage increases as in sample 1, the 6-1-1978 PIA #9 of \$251.80 is increased by 5.9% only payable on the O/M effective date. The resulting PIA #9 effective 3-1-84 is \$266.70.

2. New Start Transitional Guarantee PIA - The cost-of-living percentages beginning with the year of first eligibility are applied to the 6-1978 PIA (based on AMW) similar to Section (A) above. Eligibility does not have to exist prior to the June 1 general benefit increase for the PIA to be subject to the cost-of-living increase. As long as eligibility exists by December 31, of the calendar year, the PIA #9 can be increased by the cost-of-living percentage for that year. However, the increased amount is not payable until June 1, of that year.
3. AIME PIA - In general, the "bend points" (portion of AIME to which the percentages are applied) are adjusted each year if the national average wages increase. The "bend points" which apply to the individual wage record, on the other hand, are established in the employee's year of eligibility and do not change. Once established, the AIME PIA is subject to percentage cost-of-living increases beginning June 1 of the year of



eligibility. Actual payments may not begin until the wage earner becomes entitled to benefits.

EXAMPLE: The employee (DOB 9-4-18) does not cease LPE until 8-31-82. His year of eligibility is 1980. Therefore, the AIME PIA is computed based on the bend points for 1980. The AIME PIA would be increased by 14.3% for 1980, 11.2% for 1981 and 7.4% for 1982. Payments would begin on the O/M effective date of 9-1-82. The employee is entitled to all subsequent cost-of-living percentage increases while the O/M is applicable.

4. Frozen Minimum PIA - The cost-of-living percentage increase is applicable beginning the earlier of:

1. The year in which at least a partial month's O/M benefit is paid; or,
2. The year in which the employee attains age 65.

This differs from the other PIA computations in which COL increases are based on the year of eligibility.

EXAMPLE: The employee (DOB 7-19-18) is eligible under the SS Act rules in 7-1980. He does not retire until 9-1982 and is paid for 9-1982 on. The Frozen Minimum PIA of \$122.00 is not increased until the 7.4% increase payable in 1982. The resulting PIA #9 effective 9-1982 is \$131.00 (rounded down).

In the case where the employee is entitled, terminates (e.g., LPE-prior to 12-1-1988) and later becomes re-entitled, cost-of-living increases are applied to the Frozen Minimum PIA only for years in which the employee is actually paid for one or more months.

B. Cost-of Living Increase For Special Minimum PIA - The Special Minimum PIA is not "decoupled". Effective June 1979 the SPC MIN PIA and family maximum is subject to automatic cost-of-living increases to be published by SSA based on an increase in the consumer price index. The revised SPC MIN PIA's and corresponding family maximums are located in RCM [Chapter 8.11](#), Appendix C.

The employee is entitled to the current SPC MIN PIA that corresponds to his years of coverage. The year of eligibility is not a factor.

### 8.3.105 Dual Benefit Reductions in Family Maximum Cases

Usually, the adjustment of 100% O/M benefits for the family maximum is computed before the offset for other railroad annuities or social security benefits. The reduction of a spouse or child 100% O/M benefit for "other benefits" payable does not, in itself, permit the 100% O/M benefits in the family group to be revised upwards.

However, when determining the reduction for the family maximum under the 100% O/M computation, do not include the following beneficiaries in the family group:

- A spouse who is entitled to an SS benefit that equals or exceeds 1/2 of the employee's PIA #9 (the O/M share would be reduced to zero); or,
- A spouse whose eligibility for an SS benefit occurred before or at the time (s)he is eligible to be included in the O/M computation, if the family benefits are greater if (s)he is not included; or,
- A divorced spouse; or
- A child who is receiving a benefit at SSA on other than the RR employee's wage record that equals or exceeds 1/2 of PIA #9 (the child's O/M share would be reduced to zero); or,
- A child included in the computation of another RR annuity;

A combined family maximum, as shown in [RCM 8.3.115](#), may be used in determining the O/M rate if a child is considered in the computation of two annuities on separate wage records.

### **8.3.106 Elimination of "Plugged Rates" in Retirement O/M Computation**

Prior to the 1972 Railroad Retirement Act Amendments, a "plugged rate" was computed for the social security benefit offset when the month the beneficiary became entitled to a reduced Social Security Act benefit differed from the month the beneficiary was included in the Retirement O/M.

The 1972 amendments provided that only the actual amount of the social security benefits being paid can be used in the O/M computation offset for "other benefits." The offset for potential entitlement to a social security benefit and the need to use "plugged rates" was eliminated in Retirement O/M cases.

The provisions of these amendments were carried forward to the 1974 RRA O/M cases.

### **8.3.107 Social Security Benefit Payments on Railroad Employee's Wage Record**

The total employee and auxiliary benefits included in the 100% O/M computation are reduced but not below zero, by the total amount of the SSA benefits based on the employee's wages only that are actually being paid under the Social Security Act to the members of the family group.

Where the maximum is involved, it has been the practice of the Board to develop and include only sufficient auxiliary beneficiaries to provide maximum benefits. However, if

the family (excluding a divorced spouse) is also entitled to SS benefits based on the employee's wages, the total amount of SS benefits to which the family is entitled is deducted from the Retirement O/M benefits even though some of the beneficiaries are not included in the Retirement O/M computation. (If the employee is receiving worker's compensation, refer to RCM [8.3.150](#) - [8.3.161](#).) If the divorced spouse is receiving SS benefits based on the employee's wages, those SS benefits are treated as "other benefits" and are subtracted from the divorced spouse's 100% O/M benefit (50% x PIA #9) since the divorced spouse benefit is not subject to the family maximum.

EXAMPLE - The family group consists of the disabled employee (DOB 8-2-21), female spouse, and a minor child in the spouse's care.

PIA #9 effective 8-1-78 is \$348.70 with a family maximum of \$647.50.

The family group is also entitled to social security benefits effective 8-1-78 on the employee's wage record as follows: employee \$121.80, spouse \$30.50 and child \$30.50. The amount of \$647.50 is reduced by the total social security benefits of \$182.80, resulting in a 100% O/M guaranty rate of \$464.70. If the total RR formula rate is less than \$464.70, the 100% O/M formula will apply.

### **8.3.108 Social Security Benefit Payable to RR Employee under Someone Else's Wage Record**

The employee 100% O/M benefit is reduced, but not below zero, by the actual amount of a social security benefit being paid to the employee based on someone else's wage record. (If a reduction for worker's compensation is involved, see RCM [8.3.161](#).)

EXAMPLE - The family group consists of the employee (DOB 1-5-16) and spouse (DOB 4-2-14). The PIA #9 effective 5-1-78 is \$402.70, resulting in an employee 100% O/M benefit after age reduction of \$333.40. The employee is receiving social security benefits of \$61.80 on the spouse's wage record effective 1-1-78. The employee benefit is reduced by the amount of the social security benefit (\$333.40 - \$61.80).

### **8.3.109 Social Security Benefit Payable to RR Spouse or Divorced Spouse on Other than RR Employee's Wage Record**

The spouse 100% O/M benefit (after adjustment for the family maximum, if applicable) or divorced spouse benefit is reduced, but not below zero, by the actual amount of the social security benefit, regardless of whether entitlement to a reduced SS benefit is simultaneous with, before, or after O/M entitlement. (If a reduction for worker's compensation is involved, see RCM [8.3.161](#).)

Compute the spouse or divorced spouse retirement O/M benefit as follows:

Step 1 - Determine the spouse's full retirement O/M formula benefit (reduced for family maximum, if applicable) or the divorced spouse retirement O/M formula benefit.

Step 2 - Reduce the result of Step 1 by the number of months the spouse or divorced spouse is under age 65, if any (see RCM [8.3.85](#) - [8.3.86](#)).

Step 3 - Reduce the result of Step 2 by the actual amount of the SS benefit, if any.

EXAMPLE - The family group consists of the disabled employee, spouse (DOB 6-10-19), and FTS. The O/M effective date is 6-1-79. The PIA #9 is \$771.10 effective 6-1-81 with a family maximum of \$1349.60, resulting in an employee benefit of \$771.10, reduced spouse benefit of \$217.00 and FTS benefit of \$289.30.

The spouse is also entitled to a RIB effective 6-1-81 of \$155.90. The spouse 6-1-81 O/M benefit is reduced by the 6-1-81 SS benefit amount to \$61.10 (\$217.00 - \$155.90).

When the social security benefit equals or exceeds the spouse's 100% O/M benefit in a family maximum case, the benefits are recomputed as if the spouse were not a member of the family group.

When the PIA on which the divorced spouse's RIB/DIB SS benefit is based equals or exceeds the divorced spouse's 100% O/M benefit (50% of PIA #9) a divorced spouse annuity and O/M benefit is terminated.

### **8.3.110 Social Security Benefit Payable to Child(ren) on Other than RR Employee's Wage Record**

The child's 100% O/M benefit is reduced, but not below zero, by the actual amount of a social security benefit being paid to the child based on a wage record other than the RR employee. (If a reduction for worker's compensation is involved, see RCM [8.3.161](#).)

When the social security benefit equals or exceeds the child's 100% O/M benefit in a family maximum case, the benefits are recomputed as if the child was not a member of the family group.

EXAMPLE - The family group consists of the disabled employee, spouse (DOB 5-6-31) and minor step-child. The PIA #9 effective 6-1-78 is \$410.20 with a family maximum of \$744.10, resulting in an employee benefit of \$410.20, spouse benefit of \$167.00 and child's benefit of \$167.00.

The child is entitled to a social security benefit of \$121.80 based on his deceased father's wage record. The child's O/M benefit is reduced by the amount of the social security benefit (\$167.00 - \$121.80).

### **8.3.111 Spouse or Divorced Spouse Entitled to a Public Service Pension**

A reduction may apply if a non-dependent male spouse, a divorced spouse annuitant who was married to the employee for less than 20 years or, effective 7-1-83, any

spouse (male or female) included in the retirement O/M computation is entitled to a public service pension.

See [RCM Chapter 1.3.180ff](#) for a complete explanation of "public service pension" reductions.

### **8.3.112 Beneficiary Entitled to an Employee and a Spouse or Divorced Spouse Annuity**

If the beneficiary is simultaneously entitled to both an employee annuity on his (her) own wage record and a spouse or divorced spouse annuity on another wage record, the total social security formula benefits payable based on both wage records must exceed the total railroad formula rates payable based on both wage records for the retirement O/M to apply in either case. Each annuity payable must be increased proportionately to the total amount or the additional amount that would be payable on both records under the Social Security formula.

For the steps used to determine whether the O/M applies in this situation, refer to Appendix G.

### **8.3.113 Beneficiary Entitled to an Employee and a Survivor Annuity**

If the beneficiary is simultaneously entitled to both an employee annuity on his (her) own wage record and a railroad survivor annuity on another wage record, the retirement benefits may be paid under the higher of the Retirement O/M computation or the RR formula.

The Retirement employee O/M benefit is reduced for social security benefits as explained in [RCM 8.3.107](#) and [RCM 8.3.108](#). Indicate in the "Remarks" section of Form G-354.3 that the employee is also receiving an RR survivor annuity and include the survivor annuity claim number.

For an example of the O/M computation, refer to Appendix H. If the retirement O/M computation exceeds the RR formula rate, refer the case to M&P-A.

### **8.3.114 Employee, Spouse or Divorced Spouse Receiving Two or More "Other Benefits"**

If the employee is receiving two or more social security benefits, the retirement O/M employee benefit is reduced by the combined amount of the social security benefits.

If the spouse or divorced spouse is receiving two or more "Other benefits" (e.g., two social security benefits or a social security benefit and a retirement O/M employee benefit on her (his) own wage record), the retirement O/M spouse or divorced spouse benefit is reduced by the combined amount of the "other benefits."

If a spouse or divorced spouse included in the retirement O/M computation is entitled to both a social security and a public service pension the retirement O/M spouse or divorced spouse benefit is reduced by the total of the full social security benefit amount plus the public service pension amount subject to offset (depending on when the public service pension entitlement began). See [RCM Chapter 1.3.180ff](#) for how to determine the amount of the public service pension that is subject to offset.

### 8.3.115 Child(ren) Entitled Under Two Railroad Earnings Record

A child can usually be included in the computation of benefits payable on only one RR earnings record. The dually entitled child(ren) should be paid on the RR earnings record with the higher PIA unless this would result in the family as a whole receiving less total monthly benefits (considering the RR formula rate in retirement cases).

When the family maximum is not involved in either case, test the child(ren)'s rates payable using 50% of the retirement O/M PIA #9 or 75% of the survivor PIA plus the survivor annuity Tier II.

When the family maximum is involved in either case, a series of comparisons is made when a child is entitled under two railroad earnings records to determine the account on which the dually entitled child(ren) should be paid:

- (a) Compute the railroad formula rate payable in the retirement cases; and,
- (b) On each wage record, compute each benefit amount (including Tier II, if survivor case) as though the dually entitled child(ren) were not included in the family group (without combining the PIA maximums), and,
- (c) On each wage record, compute each benefit amount (including Tier II, if survivor case) with the dually entitled child(ren) included in the family group and the family maximums combined but not higher than the lesser of:
  - (1) the sum of the individual family maximums on each earnings records; or,
  - (2) for entitlements before 1-1-79, the current amount of the highest AMW PIA family maximum (e.g., 1216.90 effective 6-1-78); or,
  - (3) for entitlement 1-1-79 or later, 1.75 times the highest AIME PIA possible in the year based on AIME equal to 1/12 of the contribution and benefit based effective in that year. The cost-of-living percentage increase for the year can be added after June 1 of the calendar year.

Year	Base	Assumed PIA as of Jan. 1	1.75 x PIA
1979	22,900	575.10	1006.50

1980	25,900	612.60	1072.10
1981	29,700	660.10	1155.20
1982	32,400	774.40	1355.20
1983	35,700	853.30	1493.20

If the child is entitled on one wage record with an AMW PIA in effect in December 1978 and one wage record with an AIME PIA, the combined family maximum cannot exceed (3) above.

- (d) Pay the combination that yields the highest monthly benefit:
- (1) Include the dually entitled child(ren) with the combined family maximum on the one wage record; and,
  - (2) Exclude the dually entitled child(ren) from the other wage record and:
    - in retirement cases, either pay the benefits computed under the O/M with the regular family maximum, if applicable, or computed under the RR formula; or,
    - in survivor cases, pay benefits computed with the regular family maximum, if still applicable, plus Tier II.

EXCEPTIONS: If the living employee and dually entitled IPI child do not live in the same household, refer the case to M&P-A.

If the rate payable in the retirement O/M computation, due to the inclusion of an IPI child and application of the combined family maximum, exceeds the amount that the child would receive as a survivor annuitant, refer the case to M&P-A.

This determination is made from the ABD of the latest annuity. Once the correct earnings record under which to include the child is chosen, there is no eligibility for the child(ren) to be included under the other wage record, even during those months in which the higher benefit is not paid because of deduction events. It is immaterial that those events are not causes for deductions from the other wage record.

For examples of the O/M computation, refer to Appendix I.

### **8.3.116 Dual Entitlement Cases – 110% Grandfather O/M**

The total SSA formula benefits are reduced for entitlement to social security benefits or other railroad retirement annuities as explained in [RCM 8.3.105](#) - [8.3.115](#) except:

- The original family O/M rates are based on PIA #11; and,

- The social security rates are the SS rates that would have been payable under the 6-1974 PIA Table; and,
- The spouse's own railroad retirement annuity "other benefit" rates are the rates that would have been payable under the RR Act as computed in 12-1974 before any adjustment for earnings after 12-1974; and,
- The amount of the O/M is equal to the DIFFERENCE between:
  - (1) the amount that would be payable under the SS Act to the employee, the wife or husband and children, if any, if the employee's compensation after 1936 were credited as "wages;" and,
  - (2) the amount payable under the SS Act on the basis of the employee's actual wages alone, plus 10% of the SS Act rate on the combined record after reduction for the maximum (if necessary) but before reduction for "other benefits."

NOTE: Under the 1937 RRA, the 110% O/M payable to beneficiaries entitled for months before 10-1966 was 110% of the DIFFERENCE between:

- (1) The amount that would be payable under the SS Act to the employee, the wife or husband, and the children, if any, if the employee's compensation after 1936 were credited as "wages," and
- (2) The amount payable under the SS Act on the basis of the employee's actual wages alone.

### **8.3.117 De-Converting Social Security Benefits to 12-1974 Rates**

SS benefit amounts to be used in the 110% Grandfather O/M computation are determined as follows:

- (A) If the MBR shows a rate in effect on or after 6-1-74 but before 6-1-75 and the rate was not recomputed 1-1-75, use that rate; or,
- (B) If the MBR shows that the SS benefit was not effective until 6-1-75 or later or includes a recomputation 1-1-75, figure the SS amount (without any recomputation effective 1-1-75 or later), using the following:
  - (1) DIB or Full Age RIB, Spouse Benefit - Deconvert the current AMW PIA to the 6-1974 PIA. If an RIB has been increased for SS DRC's, use Table DI in the Social Security Rainbow Book to deconvert the benefit increased for DRC's. (See example 1.)
  - (2) Reduced Age RIB, Spouse Benefit - Deconvert the current AMW PIA to the 6-1974 AMW PIA. Determine the number of months under age 65 on the SS DOE and apply the SS Act reduction. (For RIB, use Table RI in the



Social Security Rainbow Book. For spouse benefit, use Table RII.) (See example 2.)

- (3) Reduced Age DIB (RIB to DIB Conversion) - Determine the number of months between the effective date of the reduced RIB and the effective date of the reduced DIB. Deconvert the current AMW PIA to the 6-1974 AMW PIA and apply the SS Act reduction based on that number of months. (See example 3.)

#### EXAMPLES OF DECONVERSION

##### EXAMPLE 1 - Full Age RIB with DRC's

6-1975 AMW PIA = \$200.70	6-1974 AMW PIA = \$185.80
6-1975 AMW PIA + DRC's = \$201.60	6-1974 AMW PIA + 5 DRC's = \$186.60* (Table DI shows it takes 5)

DRC's to increase \$200.70

PIA to \$201.60 benefit.)

##### EXAMPLE 2 - Reduced Age RIB

6-1975 AMW PIA = \$216.20	6-1974 AMW PIA = \$200.10
Reduction Mos. = 20	Reduction Mos. = 20
6-1975 Rate = \$192.20	6-1974 Rate = \$177.90*

##### EXAMPLE 3: Reduced Age DIB (RIB to DIB Conversion)

6-1975 AMW PIA = \$255.80	6-1974 AMW PIA = \$236.80
	Mos. Pd. Reduced RIB = 4
	6-1974 Benefit Rate = \$231.60*

\*Amounts to be used for 110% O/M computation.

### 8.3.118 Deconverting Railroad Formula Annuities to 12-1974 Rates

To compute the railroad formula 12-1974 rate, de-convert the current AMW PIA #1 to the 6-1974 AMW PIA. Use this PIA as the "pass-thru" PIA to compute the 1937 RRA rates on Form G-353.

### 8.3.125 Rounding of O/M Benefits

Round the result of any step in the calculation of the 110% Grandfather O/M only to the nearest cent. The exact amount of any actuarial adjustment partial withholding, waiver or Medicare premium is subtracted from this amount.

### 8.3.126 Rounding of Beneficiary Shares under 100% O/M Computation

Prior to 9-1981, when the computed PIA or the individual benefit including a benefit adjusted for the family maximum (before reduction for "other" benefits) is not a multiple of \$0.10, it is rounded to the next higher multiple of \$0.10. The maximum limitation on family benefits may be exceeded to the extent required to round individual benefits to the \$0.10 multiple.

The beneficiary O/M rate computations are subject to revised rounding procedures under the 1981 SS Act Amendments for rate changes effective 9-1981 or later. If the beneficiary's O/M share is not a multiple of \$0.10, it is rounded to the next lower multiple of \$0.10. After determining the amount of the beneficiary's share (amount after reduction for "other benefits"), if the result is not a multiple of \$1.00, round the amount of the beneficiary share down to the next lower multiple of \$1.00.

EXCEPTION: Cases paid a June COL increased on a mechanical mass adjustment were not rounded down to the dollar since each beneficiary share is not in the Research record. In these cases, the total family rate before proportionate shares are determined is rounded down to the dollar. (Examiners should not attempt to correct the mechanical rate merely to make it equal to the manual rate in the cases.)

The PIA and Family Maximum computations through 12-31-81 for employee's whose eligibility year is 1981 or earlier, if not a multiple of \$.10, are rounded up to the next higher multiple of \$.10. Recomputations effective Jan. 1, 1982 are rounded in the same manner. Effective with the June 1982 cost-of-living increase, if these PIA's are not a multiple of \$.10, they are rounded down to the nearest multiple of \$.10.

The PIA and Family Maximum computations for employee's whose eligibility year is 1982 or later, if not a multiple of \$.10, are rounded down to the nearest multiple of \$.10.

The proportionate shares of the 100% O/M computed for an employee and spouse under the RR Act are rounded only to the nearest cent.

### 8.3.127 Rounding Total 100% O/M Rate

Effective with rate changes 9-1981 or later the total 100% O/M rate, before proportionate share are determined is a multiple of \$1.00 due to rounding of beneficiary shares. The exact amount of the actuarial adjustment is to be subtracted from the rounded 100% O/M rate, rounded (to nearest cent) proportionate share, or rounded (to nearest cent) 110% Grandfather O/M rate, whichever is applicable. The result of this subtraction is not rounded.

### 8.3.131 Waiver of Annuities

If the annuitant has waived part of the computed annuity rate, do not pay more than the amount specified by the annuitant on Form G-129 or written statement signed by the annuitant requesting a waiver.

Benefits waived by one member of the family group may not be added to the shares payable to other members in the family group.

### 8.3.135 Retirement O/M Work Deductions

The Social Security Act rules for work deductions based on the amount of earnings are applied to the employee age and service 100% O/M or 110% Grandfather O/M as if social security had jurisdiction of the case. A "work deduction insured status" under the RR Act is not required.

Although the Social Security Act applies work deductions in DIB cases only to an auxiliary beneficiary who has excess earnings, additional Railroad Retirement Act rules for work deductions in disability cases are applied to the DIB O/M if the employee has excess earnings.

The RRA also prohibits payment of an RR annuity to an annuitant in employer service. Therefore, an RR employee annuity is not payable under either the RR formula or O/M computation for any month in which the RR employee is in Employer service. A spouse can be included as an IPI in the O/M computation of the employee annuity for months in which (s)he is working in "Employer Service," provided the O/M computation was in force prior to the application of work deductions. The spouse IPI benefit is still subject to work deductions under the social security formula.

The O/M test is applied to the total RR formula and O/M computation monthly rates before application of work deductions.

- If the O/M computation is higher and there are no switching restrictions, the O/M is applicable. The case may revert back to the RR formula (subject to RR Act work deductions) on a month by month basis if this would result in higher benefits.

- If the RR rate is higher, the RR formula is applicable. Work deductions under the RR formula do not allow a switch to the O/M computation.

A general explanation of the social security formula work deduction computation is given in this chapter. Detailed explanations of earnings subject to work deductions are included in [RCM Chapter 5.7](#).

### 8.3.136 Work Deductions Applied to Employee O/M Benefit Due to Wages or Self-Employment Earnings

#### A. Work Deductions For Age and Service O/M

##### 1. Earnings Over Exempt Amount

If the employee is under full retirement age (age 70 prior to January 1, 2000) or (age 72 prior to 1-1-83, a reduction the employee's earnings over the annual exempt amount set for the employee's age is applied to the employee and auxiliary benefits. Before 1-1-78, work deductions are not applied to any "non-work months." From 1-1-78 on, this exception applies only in the FIRST year the employee is both entitled to an annuity (either RR formula or O/M computation) and has a "non-work month." (A non-work month is a month in which the employee neither earned more than the MONTHLY EARNINGS EXEMPT AMOUNT nor performed substantial services in self-employment.)

If an auxiliary also has excess earnings, refer to RCM [8.3.143](#).

EXAMPLE: The family group consists of an age and service annuitant, spouse and a minor child in the spouse's care. PIA #9 is \$354.80 effective 1-1-2021 and \$375.80 effective 12-1-2021.

The 2021 100% O/M rates payable before applying work deductions are as follows:

	<b>EE</b>	<b>Spouse</b>	<b>Child</b>
1-1-21	354.80	146.00	146.00
12-1-21	375.80	154.60	154.60

The employee has earnings of \$21,960 in 2021 with earnings over \$1,580 in all months. The excess earnings of \$1,500 cause the permanent deduction of the full family O/M rate for January and February 2021. The remaining \$206.40 is withheld from the family's March 1, 2021 benefit.

## 2. Penalty For Failure to Report Earnings (100% O/M Only)

If the employee fails to make a timely report of earnings and an overpayment results, the 100% O/M computation benefit may be subject to a penalty (see [RCM 5.7](#)). Benefits for a spouse or IPI child are not payable under the O/M when the employee O/M annuity is not payable. Payments may, however, revert to the RR formula (subject to RR Act work deductions) for the deducted penalty months

## 3. Non-Payment Months Due to Work Outside U.S

The employee's age and service 100% O/M or 110% Grandfather O/M annuity is subject to Social Security earnings restrictions. Prior to 5-1-83, if a person included in the O/M engages in work outside the U.S. in employment not covered by the SS Act, the 7 day work test would apply (see [RCM 5.7](#)). Effective 5-1-83 or later, if the employee engages in work outside the U.S. for more than 45 hours in a month, in employment not covered by the SS Act, work deductions may apply.

Prior to 9-1-84, auxiliary benefits for a spouse or IPI child of the employee are subject to the 7 day work test applied to the employee's earnings. Effective 9-1-84 or later auxiliary benefits are withheld on the same basis as the employee's benefit (45 hour a month test).

The case may revert to the railroad formula (subject to RR Act work deductions) for the Social Security Act non-payment months.

## B. Work Deductions For DIB O/M

Under the Railroad Retirement Act, a disability annuity is withheld for any month in which:

- The annuitant is under full retirement age; and
- The annuitant is paid more than \$200.00 in earnings from employment or SE of any kind.

Benefits for a spouse or IPI child are not payable when the employee annuity is not payable.

An adjustment may be payable at the end of the year when permanent work deductions are applied (see [RCM 5.7.80](#)).

The employee's regular employment may indicate an ability to engage in SGA and result in the termination of the disability freeze, and therefore, the DIB O/M. (See [RCM 1.2.](#))

Although earnings deductions under the social security formula do not apply to the disabled employee, a working auxiliary in the DIB O/M computation other than a disabled child is subject to offset for their own earnings over the exempt amount set for their age.

### **8.3.137 Employee Annuitant in Railroad or LPE (Prior to 12-1-1988)**

The employee's 100% or 110% O/M annuity is not payable for any month in which the employee renders railroad or LPE (prior to 12-1-1988) service. A spouse or child's benefit is not payable for any month in which the employee's benefit is not payable.

### **8.3.138 Earnings of a Disabled Child**

A disabled child included in the family group for the retirement O/M computation is not subject to RR Act work deductions. However, the child's earnings may indicate that (s)he has recovered from his (her) disability. If a disabled child is employed, forward the case to the Disability Rating Section.

### **8.3.139 Relationship Of Spouse, Minor Child, Or FTS Work Deductions To Family Maximum**

This section applies only to auxiliary benefits in the retirement O/M computations that are subject to the family maximum. This excludes a divorced spouse. (See Section [8.3.140ff](#) for rules that apply to a divorced spouse annuitant included in the O/M).

Under the Social Security Act rules the annual earnings test is applied to a spouse, child or FTS O/M share adjusted for the family maximum. However, the Social Security Act provides a temporary month by month recomputation of the shares payable under the family maximum when the full amount of a working spouse, minor child or FTS is withheld due to:

- (1) 7-day or 45 hour work test because of an auxiliary's or survivor's work outside U.S.;
- (2) In-care deductions;
- (3) VR deductions because of a childhood disability beneficiary's refusal to accept VR;
- (4) Deductions under the annual earnings test because of an auxiliary's or survivor's work;
- (5) Penalty deductions against any beneficiary; and
- (6) Unpaid maritime tax deductions.

In both the retirement age and service O/M and DIB O/M, the remaining spouse, minor child or FTS shares for these fully deducted months are computed as if the working auxiliary were not included in the family group. However, each recomputed auxiliary share cannot exceed 50% of the employee's PIA #9 in 100% O/M computations or 50% of the employee's PIA #11 in 110% Grandfather O/M computations (adjusted for other benefits if applicable) and the total employee, spouse, minor child and FTS benefits cannot exceed the family maximum amount.

The non-working spouse, minor child or FTS O/M shares are also recomputed in the month in which the working spouse, minor child or FTS is entitled to a partial month benefit. The dollar amount of the benefits lost by the working auxiliary due to excess earnings is distributed amount the non-working auxiliaries. However, each recomputed auxiliary share cannot exceed 50% of the employee's PIA #9 in 100% O/M computations or 50% of the employee's PIA #11 in 110% Grandfather O/M computations (adjusted for other benefits, if applicable) and the total employee, spouse, minor child and FTS benefits cannot exceed the family maximum amount. See Example 1, below.

Where excess earnings arising from the work of two or more auxiliaries are to be deducted from their benefits for the same month, each of their benefit rates is adjusted (for work deduction purposes) as if it were the only auxiliary benefit on the wage record subject to work deductions. See Example 2, below.

If a non-working spouse benefit is subject to an age reduction, apply the age reduction after the shares are adjusted to exclude a working auxiliary.

If a disability worker's compensation offset has been applied to the family O/M benefits, the benefits payable to the auxiliaries are reduced by the disability offset before work deductions are applied.

The deduction - before - reduction provision does not apply to deduction of premium payments for SMI coverage or for non-payment provisions not listed in this section.

**EXAMPLE 1** - The family group consists of the disabled employee, spouse and the minor child in spouse's care. The PIA #9 effective 1-1-77 is \$344.10 with a family maximum of \$631.30 and effective 6-1-77 is \$364.50 with a family maximum of \$668.60

The 1977 100% O/M rates payable before applying work deductions are as follows:

	<b>EE</b>	<b>Spouse</b>	<b>Child</b>
1-1-77	344.10	143.60	143.60
6-1-77	364.50	152.10	152.10

The spouse earned \$3870.00 in 1977 and, therefore, has excess earnings of \$435.00. Since the spouse benefit is fully deducted in the months of January through March 1977, the child's benefit is increased to \$172.10 (50% of PIA #9) for these months. Since the spouse is entitled to a partial payment of \$139.40 for April 1977, the child's benefit for this month is increased to \$147.80. The family group is entitled to the regular family maximum rates for the remaining months in 1977.

EXAMPLE 2 - The family group consists of the disabled employee, spouse, FTS and minor child in spouse's care. The PIA #9 effective 1-1-77 is \$359.50 with a family maximum of \$653.50 and effective 6-1-77 is \$380.80 with a family maximum of \$692.10.

The 1977 100% O/M rates payable before applying work deductions are as follows:

	<b>EE</b>	<b>Spouse</b>	<b>FTS</b>	<b>Child</b>
1-1-77	359.50	98.00	98.00	98.00
6-1-77	380.80	103.80	103.80	103.80

The spouse earned \$3250.00 in 1977 and has excess earnings of 125.00. The FTS earned 3770.00 in 1977 and has excess earnings of \$385.00. The rates payable after work deductions are as follows:

	<b>EE</b>	<b>Spouse</b>	<b>FTS</b>	<b>Child</b>
1-1-77	359.50	-	-	179.80
2-1-77	359.50	71.00	-	179.80
3-1-77	359.50	147.00	-	147.00
4-1-77	359.50	143.50	7.00	143.50
5-1-77	359.50	98.00	98.00	98.00

The family group is entitled to the regular family maximum rates for the remaining months in 1977.



### 8.3.140 Railroad Spouse or Divorced Spouse Annuitant has Compensation, Wages or Self-Employment Earnings over Exempt Amount

Under the Social Security formula, if the beneficiary is under full retirement age, (age 70 prior to January 1, 2000), or age 72 prior to 1-1-83,, the railroad spouse benefit (adjusted for the family maximum, if applicable) or divorced spouse benefit computed under the 100% O/M computation or 110% Grandfather O/M computation is subject to a reduction of the spouse's or divorced spouse's compensation, wages or self-employment earnings over the annual exempt amount set for her (his) age. Before 1-1-78, work deductions are not applied to any months in which the annuitant neither earned more than the monthly exempt amount nor performed substantial services in self-employment. From 1-1-78 on, application of the monthly earnings test is based on more complicated rules as explained in RCM [Chapter 5.7](#).

If the family benefits are subject to the O/M family maximum in the month(s) in which the spouse's O/M benefit is fully or partially deducted, refer to [RCM 8.3.139](#).

If the spouse or divorced spouse is in railroad or LPE(prior to 12-1-1988), refer to RCM 8.3.141.

EXAMPLE - The family group receiving benefits under the 100% O/M computation consists of the disabled employee, RR spouse annuitant (DOB 9-12-14) and an FTS (DOB 1-10-58). The PIA #9 is \$354.80 effective 1-1-77 with a family maximum of \$646.70 and \$375.80 effective 6-1-77 with a family maximum of \$684.90. The 1977 100% O/M rates payable before applying the spouse's work deductions are as follows:

	<b>EE</b>	<b>SP</b>	<b>FTS</b>
1-1-77	354.80	113.60	146.00
6-1-77	357.80	120.60	154.60

The spouse earned wages of \$4000 in 1977 and, therefore, has excess earnings of \$500. Her O/M benefit is fully deducted for Jan. 1977 through April 1977. A partial payment of \$68.00 is paid for May 1977. The full spouse benefit is payable for the remaining months in 1977.

The FTS benefit is adjusted to \$177.40 for the months January 1977 through May 1977 (see RCM 8.3.139).

### 8.3.141 Spouse or Divorced Spouse Annuitant in "Employer" or "Last Person" Service

The annuity rate cannot be switched from the RR formula to the O/M computation solely to include a spouse or divorced spouse whose annuity is suspended because of railroad or LPE (prior to 12-1-1988). However, if the O/M was in force prior to the application of work deductions, and the spouse is in railroad or LPE (prior to 12-1-1988), any spouse O/M benefit due after applying the social security formula earnings deduction described in [RCM 8.3.140](#) may be included in the employee's O/M computation rate if this computation would yield a higher monthly rate than the RR formula rate.

NOTE: If the divorced spouse works in RR service or LPE (prior to 12-1-1988) while the O/M formula is being paid, refer the case to P&S-RAC.

If the family benefits are subject to the O/M family maximum in the month(s) in which the spouse's O/M benefit is fully or partially deducted, refer to RCM 8.3.139.

EXAMPLE 1: The family group receiving benefits under the 100% O/M computation consists of the age and service annuitant (DOB 7-5-58), an RR spouse annuitant (DOB 9-12-1961) and an FTS (DOB 1-10-2003). The PIA #9 is \$354.80 effective 1-1-2021 with a family maximum of \$646.70 and \$375.80 effective 12-1-2021 with a family maximum of \$684.90.

The 2021 100% O/M rates payable before applying work deductions are as follows:

	<b>EE</b>	<b>Spouse</b>	<b>FTS</b>
1-1-2021	354.80	113.60	146.00
6-1-2021	375.80	120.60	154.60

The spouse worked in railroad service January 1, 2021 through July 31, 2021 and earned compensation of \$19,960.00. Her excess earnings are \$500. The spouse benefit is fully deducted from January 1921 through April 2021 because of the amount of the earnings.

Since the 100% O/M is currently in force, the partial spouse benefit of \$68.00 for May 2021 and the full monthly spouse benefits of \$120.60 for June and July 2021 are included in the employee's O/M annuity because the spouse annuity is not payable. When the spouse ceases railroad service effective August 1, 2021, the O/M rate is again paid directly to her.

The FTS benefit is adjusted to \$177.40 for the months January 2021 through May 2021 (see RCM 8.3.139). The FTS benefit is included in the employee O/M annuity rate

January - July 2021. When the spouse annuity is payable August 2021, the FTS benefit is prorated between the employee and spouse annuities.

EXAMPLE 2: The family group consists of the RR employee annuitant (DOB 7-5-1958) and RR spouse annuitant (DOB 9-2-1961). Benefits are in force under the RR formula.

The spouse works part-time in LPE January 1, 2021 - July 31, 2021 and earns under \$18,960.00.

The O/M computation to include the spouse as an IPI in the employee annuity rate yields a 100% O/M rate that exceeds the RR formula rate. However, the O/M cannot be paid because of the restriction against switching from the RR to O/M formula rate.

### **8.3.142 Ineligible (IPI) Spouse, Minor Child, or FTS Included in O/M Computation Has Compensation, Wages or Self-Employment Earnings over Exempt Amount**

Under the social security formula, the IPI spouse, minor child or FTS benefit included in the 100% O/M computation or 110% Grandfather O/M computation is subject to reduction of the auxiliary's own earnings over the annuity exempt amount set for his (her) age. Before 1-1-78, work deductions are not applied to the auxiliary's benefit for any month in which the annuitant neither earned more than the monthly exempt amount nor performed substantial services in self-employment. From 1-1-78 on, application of the monthly earnings test is based on more complicated rules as explained in [RCM 5.7](#).

A disabled child is not subject to work deductions. However, his (her) regular employment may indicate that (s)he has recovered from his (her) disability. If a disabled child is employed, forward the case to the Disability Rating Section.

If the IPI spouse works in LPE (prior to 12-1-1988) or the spouse, minor child or FTS works in railroad service, the IPI benefit is still included in the employee's annuity 100% O/M computation after applying the SS formula work deductions to the amount of earnings.

NOTE: A divorced spouse cannot be included as an IPI in the retirement O/M computation.

If the family benefits are subject to the O/M family maximum in the months in which the auxiliary benefit is withheld, refer to [RCM 8.3.139](#).

EXAMPLE 1: The disabled employee (DOB 7-24-1970) has an ABD of 4-1-2020. The spouse (DOB 4-3-14) filed a "spouse election" effective 7-1-76. Benefits are payable under the 100% O/M.

The spouse works in regular employment and has wages of \$4500.00 in 1977 with excess earnings in all months. The 1977 100% O/M rates payable before applying work deductions are as follows:

	<b>EE</b>	<b>Spouse</b>
1-1-77	354.80	136.80
6-1-77	375.80	145.70

A partial IPI spouse benefit of \$79.70 is included in the employee's 100% O/M annuity computation for June 1977. The full IPI spouse benefit of \$145.70 is included in the O/M computation for the remaining months in 1977.

EXAMPLE 2: If the spouse in EXAMPLE 1 had been working in employer service and earned compensation of \$4500 in 1977 with excess earnings in all months, the computation of the IPI spouse benefit would be the same.

### **8.3.143 Both Age and Service Employee and Auxiliary are Subject to Work Deductions**

#### **A. Applying Employee's Work Deductions**

If the employee is under full retirement age, (age 70 prior to January 1, 2000, or age 72 prior to 1-1-83), a reduction of the employee's earnings over the annual exempt amount set for the employee's age is applied to the employee and auxiliary benefits. Before 1-1-78, work deductions are not applied to any month in which the annuitant neither earned more than the monthly exempt amount nor performed substantial services in self-employment. From 1-1-78 on, application of the monthly earnings test is based on more complicated rules as explained in [RCM Chapter 5.7](#).

The Social Security Act has a statutory formula (based on the proportion of the original shares payable before adjustment for the family maximum) which divides the total payment for the month in which the employee has a partial work deduction between all members of the family group at a ratio of 2/x for the employee to 1/x for each auxiliary (x = the number of persons in the family group plus 1). However, the auxiliaries cannot be paid more than 50% of PIA #9 in the 100% O/M or 50% of PIA #11 in the 110% Grandfather O/M before adjustment for other benefits). An amount in excess of the auxiliary rates before work deductions is included in the employee's partial month.

This allocation is necessary in the retirement O/M computation only when an auxiliary has excess earnings that will be applied to his share of the employee's partial month payment.

EXAMPLE - The family group consists of the employee and FTS. PIA #9 equals \$243.90 effective 1-1-77 and \$258.30 effective 6-1-77. Under the 100% O/M computation, the employee's benefit is \$243.90 effective 1-1-77 and \$258.30

effective 6-1-77 and the FTS benefit is \$122.00 effective 1-1-77 and \$129.20 effective 6-1-77. The employee earned \$10,000 in 1977 earnings. Permanent work deductions are applied to both the employee and FTS benefit from January through September.

The formula applied to the October 1977 partial month benefit of \$267.00 results in the employee benefit of \$178.00 and FTS benefit of \$89.00.

#### B. Applying Auxiliary's Work Deductions

If the spouse or divorced spouse is under full retirement age, (age 70 prior to January 1, 2000, or age 72 prior to 1-1-83, and has excess earnings or a child has excess earnings, a reduction of the auxiliary's earnings over the annual exempt amount set for his (her) age is applied only to his (her) O/M share. Before 1-1-78, work deductions are not applied to any "non-work months." From 1-1-78 on, application of the monthly earnings test is based on more complicated rules as explained in RCM Chapter 5.7.

If both the employee and auxiliary other than a divorced spouse (spouse or child) are subject to work deductions, the excess earnings of the auxiliary can be applied only to his (her) O/M share remaining after applying deductions for the employee's excess earnings.

EXAMPLE - In the family group described in section (A):

The FTS earned \$4500.00 in 1977. The auxiliary benefits remaining after applying the employee's W/D total \$347.40 (October 1977 through December 1977). Since this is less than the student's excess earnings (\$750.00), the entire FTS accrual for 1977 must be withheld.

As explained in RCM 8.3.139, the family maximum may be adjusted when the auxiliary benefit, other than the divorced spouse benefit, is deducted.

The shares of the employee's partial month benefit that was distributed to the auxiliaries can also be adjusted by "excluding" the working auxiliary from the family group and redistributing the dollar amount of his (her) share of the partial payment among the non-working auxiliaries. However, the recomputed auxiliary shares cannot exceed 50% of the employee's PIA #9 in 100% O/M computations or 50% of the employee's PIA #11 in 110% Grandfather O/M computations (adjusted for "other benefits," if applicable). An amount in the excess of the total auxiliary rates before work deductions, is added to the employee's partial payment.

If a non-working spouse benefit is subject to an age reduction, apply the age reduction after the shares are adjusted to exclude a working auxiliary.

If a disability worker's compensation offset has been applied to the family O/M benefits, the benefits payable to the auxiliaries are reduced by the disability offset before work deductions are applied.

The earnings of the working auxiliary are charged against the dollar amount of his (her) share of the employee's partial month benefit (even though it is redistributed among the other auxiliaries) plus his (her) remaining auxiliary benefits due up to the lesser of the extent of the excess earnings or the extent of the auxiliary accrual for the year.

EXAMPLE - The family group consists of the employee (over 65), spouse and two minor children in the spouse's care. The PIA #9 effective 1-1-77 is \$408.80 with a family maximum of \$716.20 and effective 6-1-77 is \$433.00 with a family maximum of \$758.50. The employee earned \$4854.00 in 1977 and the spouse earned \$3490.00 in 1977.

1. Benefits payable to the family group before application of work deductions are:

	<b>Eff 1/77</b>	<b>Eff 6/77</b>
A	\$408.80	\$433.00
B	102.50	108.50
C1	102.50	108.50
C2	102.50	108.50
	\$716.30	\$758.50

2. Benefits payable for the W/D months after charging employee's excess earnings (\$927.00).

	<b>1/77</b>	<b>2/77</b>	<b>3/77</b>	<b>4/77</b>
A	None	\$202.30 (2/5)	\$408.80	\$408.80
B	None	101.20 (1/5)	102.50	102.50
C1	None	101.20 (1/5)	102.50	102.50
C2	None	101.20 (1/5)	102.50	102.50

Total Payable	\$505.90	\$716.30	\$716.30	
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3. Benefits payable for the W/D months after charging B's excess earnings (\$245.00) against her benefit amount.

	1/77	2/77	3/77	4/77
A	None	\$202.30 (2/5)	\$408.80	\$408.80
B	None	None	None	61.20
C1	None	151.70 (3/10)	153.80	123.20
C2	None	151.70 (3/10)	153.80	123.20
Total Payable	\$505.70	\$716.40	\$716.40	

### 8.3.150 Adjustment for Worker's Comp, Black Lung Benefits or Other Disabilities

An annuity paid under the DIB O/M may be reduced for any month in which an employee is under age 62 and is entitled to State or Federal periodic worker's compensation benefits and/or certain types of "Black Lung Benefits" (BLB) which are considered to be Federal worker's compensation. This is intended to prevent an individual from receiving more benefits based on disability than he earned in wages prior to becoming disabled.

If the employee is receiving disability benefits under a Federal, State or local government program as explained in RCM [Chapter 8.5](#), refer the case to P&S-RAC. The MEGACAP provisions of the 1981 SS Act Amendments may apply.

### 8.3.151 Definition of Worker's Compensation, Black Lung Benefits, and Megacap Benefits

Worker's Compensation, Black Lung Benefits, or Megacap benefits for offset purposes are explained in RCM [Chapter 8.5](#).

### 8.3.152 When WC or Megacap Benefit Reduction is Applicable

The conditions for applying a worker's compensation or Megacap benefit reduction the DIB O/M depend on the disability onset date and the effective date of the DIB O/M.

A. Disability Onset Date Before March 2, 1981 - Offset will be applied to the DIB O/M and/or auxiliary benefits payable for a month only if all of the following conditions are met:

1. The month is after 12-1965 and before the disabled individual attains age 62;  
  
AND,
2. The period of disability involved began after 6-1965;  
  
AND,
3. The month is the month following the month the Board received notice that the individual is entitled to worker's compensation or black lung benefits. The reduction cannot be made earlier than the month following the month in which the worker's compensation payments and/or BLB are reported to the Board.  
  
AND,
4. The WC is paid under a state or federal plan that does not provide for reducing the WC benefit because of DIB entitlement. (See [RCM 8.5](#) for a list of states that reduce their WC benefits.)  
  
AND,
5. If the benefits are Black Lung Benefits, they are paid under Part C of Title IV of the Federal Coal Mine Health and Safety Act.

B. Disability Onset Date March 2, 1981 or Later - If DIB O/M benefits are payable before September 1, 1981 because a waiting period is not required, the conditions in section (A), above apply.

If benefits are first payable September 1, 1981 or later, the 1981 SS Act Amendments apply. Offset will be applied to the DIB O/M only if the following conditions are met:

1. The DIB O/M effective date is before the disabled individual attains age 65 if the individual attains age 65 before December 19, 2015; or
2. Effective December 19, 2015, the DIB O/M effective date is before the disabled individual attains full retirement age, if the individual attains age 65 on December 19, 2015 or later;  
  
AND,



2. If the benefits are Black Lung Benefits, they are paid under Part C of Title IV of the Federal Coal Mine Health and Safety Act.

The 1981 SS Amendments removed the notice provision so that offset can be imposed for any month in which an individual is entitled to both the DIB O/M and another disability benefit. (Formerly, offset could not be imposed until the month after the notice of receipt of worker's compensation was received.)

The 1981 amendments also removed the provision that excepted from offset cases where the state or federal plan reduces their benefit for a SSA DIB. Such "reverse offset" will continue to be allowed for states with such plans already in effect on February 18, 1981.

The Achieving a Better Life Experience (ABLE) Act was enacted December 19, 2014. This legislation included a Title II provision that affects WC/PDB offset. The Able Act changed the age at which WC/PDB offset ends for disability beneficiaries from age 65 to Full Retirement Age (FRA). The effective date of the provision is December 19, 2015. This change applies to any individual whose Disability Insurance Benefit (DIB) is offset for WC/PDB and who attains age 65 on December 19, 2015 (DOB of 12/20/1950) or later.

The reduction is applied after reductions for the family monthly maximum but before any deduction (e.g., "other benefits" or work deductions). Under SSA rules, if auxiliary benefits are paid, the reduction is applied proportionately, first against the auxiliary benefits and then against the DIB if the sum of the auxiliary benefits is less than the amount of the reduction. In DIB O/M cases, the reduction is applied to the total SSA formula rate before offset for "other benefits."

If a spouse or child is receiving worker's compensation, on his (her) own wage record refer the case to P&S-RAC.

### **8.3.153 Developing Worker's Compensation or Megacap Benefit Information**

See RCM [Chapter 8.5](#) for developing Worker's Compensation and/or Megacap benefit information in DIB O/M cases.

### **8.3.154 Definition of Average Current Earnings**

- A. Effective 1-1973 - Effective 1-1973, the following formula is used for the determination of the average current earnings (ACE) used to determine the amount of the WC or Megacap reduction. The 1977 SS Act Amendments retained the use of the AMW instead of the AIME in cases with an "eligibility year" of 1979 or later in which a worker's compensation offset is required. The earnings are not indexed and are not subject to yearly earnings maximums. The ACE for the worker's compensation offset is the highest of the following:

1. The worker's AMW on which PIA #9 is based (i.e., if PIA #9 is \$587.80, the AMW would be 637);  
  
OR,
2. The "high-5" AMW - The AMW based on his actual earnings (not subject to yearly earnings maximum) for the highest 5 consecutive years ("high-5") after 1950;  
  
OR,
3. The "high-1" AMW - The AMW based on the calendar year of highest actual earnings ("high-1") during the period consisting of the year of onset or disablement and the five preceding years (not subject to yearly earnings maximum).

This definition of the ACE applies to all WC or Megacap offset cases for DIB O/M payments beginning 1-1973. It also applies for making redetermination of WC in cases in which the offset was applied before 1-1973. (In such cases, substitute this ACE effective 1-1973 for that actually used in the earlier offset computation.)

B. Effective 2-1968 through 12-1972 - Effective 2-1968 through 12-1972, the ACE for the worker's compensation offset was the higher of:

1. The AMW on which the DIB is based;  
  
OR,
2. The "high-5" AMW (see A.1, above).

This definition of ACE applies to all WC offset cases for DIB O/M payments 2-1968 through 12-1972 and for making redeterminations for that period of WC for cases in which an offset was applied before 2-1968.

C. Before 2-1968 - Before 2-1968, the ACE for the worker's compensation offset was the higher of:

1. The AMW on which the DIB was based;  
  
OR,
2. The AMW based on his posted earnings for the "highest-5" consecutive years after 1950.

Determine the "Average Current Earnings" as explained in [RCM Chapter 8.5](#), but substituting PIA #9 for PIA #1.

### 8.3.155 Computing Amount of Worker's Compensation or Megacap Reduction

A. Initial Determination of Reduction - The initial worker's compensation or Megacap reduction is equal to the difference between:

1. The total amount of benefits computed under the SS Act formula (PIA #9) including any auxiliary benefits plus the monthly worker's compensation or Megacap benefit. (If the employee is receiving more than one WC benefit (e.g., one black lung benefit) and one WC benefit, use the combined amounts of these benefits.);

AND,

2. The higher of:

- 80% of the disabled worker's average current earnings (ACE) before disablement;

OR,

- The sum of the DIB O/M and any auxiliary benefits before offset.

The result is rounded down to the nearest multiple of \$.10.

The reduction is applied first against the auxiliary benefits and then against the DIB if the sum of the auxiliary benefits is less than the amount of the reduction. The amount of offset under the DIB O/M could result in a reduction in the O/M rate or a change to the RR Act formula rate.

EXAMPLE - The employee is receiving a monthly WC benefit of \$75.00. The DIB O/M family rate is \$1028.30. The total monthly benefit is \$1103.30 (\$75.00 + 1028.30).

The ACE is \$1081.00. The ACE times 80% equals \$864.80. This amount is less than the DIB O/M family rate.

The reduction for worker's compensation is \$75.00 (\$1103.30 - \$1028.30).

Once computed, the amount of the reduction is not increased. However, it may be recalculated as explained below.

B. Change in Family Composition - Even though the family maximum may not be involved in the original offset computation, the addition or subtraction of a beneficiary may cause the family benefit to become, or cease to be, the applicable limit for offset.

When the family composition changes, the WC reduction is recomputed as if the new family composition had existed when the WC reduction was first applied. This adjusted reduction amount is effective on the first of the month in which the family composition changed. Cost-of-living increases are added from this point.

NOTE: The suspension of a phase-out student in May through August of a year is considered a change in the family composition. The WC reduction for those months is computed as if the phase-out student was not entitled when the WC reduction was first applied.

EXAMPLE - The employee reports on 12-7-79 that he is receiving monthly worker's compensation benefits of \$200.00 with a month of entitlement of 8-1-79. The offset is effective 11-80 using 80% of the ACE (\$826.40) as the applicable limit for offset.

An auxiliary is added 9-1-81. The total DIB and auxiliary benefits are recomputed as if this family composition had existed 1-1-80. The resulting family maximum rate of \$840.20 exceeds 80% of the ACE and is used as the new applicable limit.

Once the WC reduction is computed the 6-1980 and 6-1981 cost-of-living increases are added to the DIB O/M rate. The adjusted WC reduction amount is not effective until 9-1-81, the month of the change of family composition.

- C. Cost-of-Living Increases - Any increases in the retirement O/M rate due to cost-of-living, recomputation of the PIA, or a statutory PIA increase after the WC reduction is imposed, is not subject to offset. The increase is simply added to the amount, if any, that is payable.

EXAMPLE - PIA #9 is \$706.80 effective 9-1979. The family O/M rate of \$1236.90 is reduced for WC by \$300.00 to \$936.90. The PIA #9 increases to \$807.90 effective 6-1980 with a family maximum of \$1413.80. The difference (\$1413.80 - \$1236.90 = \$176.90) is added to the benefits payable to the family group (\$936.390 + \$176.90 = \$1113.80).

### 8.3.156 Redetermination of the ACE

The law provides that the ACE for all cases subject to disability offset shall be recomputed in the second calendar year after the year in which offset was first imposed and each third year thereafter to take into account rises in national earnings levels. The new amount payable, if any, will be effective with the January following the year the redetermination is made.

NOTE: Offset must be continuous when determining eligibility for a triennial redetermination of the ACE.

The redetermination will be figured by increasing the ACE in keeping with rises in national earnings levels and recomputing the offset using this new ACE. The SSA Office

of the Actuary determines the applicable ratios annually. (see [RCM 8.5](#) for how to redetermine the ACE.)

### 8.3.157 Change in Amount of Worker's Compensation or Megacap Benefit

If the amount of the employee's monthly WC or Megacap payment decreases, offset will be recomputed since the family could receive additional benefits as a result of the change. The higher benefits will be payable effective with the month of the benefit change.

If the amount of the employee's monthly WC or Megacap payment increases, the offset will be recomputed as of the date of the WC increase. However, all cost-of-living or statutory increases from the date of initial reduction for WC or Megacap are protected from offset.

EXAMPLE - The DIB O/M family rate effective 9-1-79 before WC reduction is \$720.00. The WC benefit is \$200 per month. The ACE is \$925 (80% = \$740.). The WC reduction is computed as follows:

$\$720.00 + \$200.00 = \$920.00 - \$740.00 = \$180.00$ . The 9-1-79 DIB O/M rate is \$540. (\$720 - \$180)

The DIB O/M rate before WC reduction increases by \$103.00 to \$823.00 effective 6-1-80. Since the WC benefit did not change, the WC reduction remains \$180.00. The rate after WC reduction is  $\$823.00 - \$180.00 = \$643.00$ .

On 1-1981, the WC rate increases to \$250 per month. The reduction is computed as follows:

$\$823.00 + \$250 = \$1073.00 - \$823.00 = \$250$ . The 1-1981 DIB O/M rate before considering the saved COL increase would be  $\$823.00 - \$250.00 = \$573.00$ . However, the \$103.00 COL increase is added to this amount, increasing the rate to \$676.00 ( $\$573.00 + \$103.00$ ).

### 8.3.158 Award Instructions

- A. Apply Reduction - Complete the "REMARKS" and "OTHER BENEFIT" section of Form G-354.3 as explained in "SPECIAL SITUATIONS" of the G-354.3 instructions in [RCM 8.6](#).
- B. Notify Annuitant - Notify the annuitant about the WC or Megacap adjustment by including in the award notice whichever of the following code paragraphs is appropriate:

- (1) Code paragraph 1762 when DIB O/M is reduced because of receipt of WC or Megacap benefits and the reduced rate exceeds the RR Act formula rate;

OR,

- (2) Code paragraph 1762.1 when DIB O/M is reduced to RR Act Formula rate because of receipt of WC or Megacap benefits;

OR,

- (3) Code paragraph 1762.2 when DIB O/M rate is increased or applied because the reduction for WC or Megacap benefits has ended.

- C. Code For Call-Up - If offset has been applied, code the case for call-up for a redetermination of the ACE (see RCM [8.3.156](#)). Enter a "49-01" call-up on Form G-662 for Dec. 1 of the year after the year the offset was first applied. Show the reason as "Redetermination of WC reduction."

If the employee did not attain age 62 or 65 (whichever applies) in the year the redetermination is made, code the case for call-up for another redetermination. Enter a "49-01" call-up on Form G-662 for Dec. 1 of the third calendar year following the redetermination year.

(See [RCM Chapter 8.5](#) for redetermination.)

### **8.3.159 Effect Of Worker's Compensation or Megacap Benefits on Medicare Coverage**

If the disabled employee is entitled to WC or Megacap benefits, he may be entitled to reimbursement for medical expenses based on this program. Refer cases in which the employee is also entitled to Medicare to the Retirement Medicare Section to notify the Part B carrier of the WC or Megacap benefit coverage.

### **8.3.160 Removing Worker's Compensation or Megacap Benefit Reduction**

When the employee is no longer entitled to benefits that require a worker's compensation or Megacap benefit reduction, his entitlement to the WC or Megacap benefit ends, or if a WC reduction is still applicable to the DIB O/M when the employee attains age 62, 65 if he/she attains age 65 before December 19, 2015 or FRA if he/she attains age 65 December 19, 2015 (DOB of 12/20/1950) or later, the WC reduction should be removed. The vouchered award with the new rate is the folder record of the adjustment.

### 8.3.161 Social Security Benefit Reduced for Worker's Compensation, Black Lung or Megacap Benefits

The offset to the O/M computation depends upon the type of social security benefit that is being reduced for worker's compensation, black lung or Megacap benefits.

- A. Employee's Benefit Reduced For Worker's Compensation or Megacap Benefits - The total family DIB O/M benefit after adjustment for the family maximum but before any deductions is reduced in any month in which the employee is under age 62 (or 65, if the 1981 SS Act Amendments apply, or FRA if age 65 is attained December 19, 2015 or later) and is entitled to State or Federal periodic worker's compensation or Megacap benefits.

If the employee is receiving a social security benefit at SSA that is reduced for worker's compensation or Megacap benefits the employee O/M benefit (after adjustment for W/C or Megacap benefits) is reduced by the actual amount of the social security benefit that is being paid (after W/C or Megacap reduction).

- B. Spouse or Child's Social Security Benefit Reduced for Worker's Compensation or Megacap Benefits - When the beneficiary is entitled to a benefit under the Social Security Act on other than the RR employee's or their own wage record that is reduced for worker's compensation or Megacap benefits, his (her) O/M benefit is reduced by the actual amount of the social security benefit that is being paid (after reduction).

If the social security benefits is a DIB on his (her) own wage record that is reduced for worker's compensation or Megacap benefits refer the case to P&S-RAC.

### 8.3.170 Assignment Cases

Prior to the passage of the Social Services amendments of 1974 (PL93-647) the employee could authorize the Board to pay part of his (her) total O/M computation annuity rate to another person by completing an "Assignment of Payment Statement." It was necessary for the person to be included in the O/M computation for the assignment to be made. Usually the amount authorized by the employee to be paid to the assignee was equal to the amount the employee O/M computation increased because of that person. However, the employee could designate an amount that was not necessarily attributable to the ineligible person.

The employee may request that this O/M assignment amount be increased or decreased at any time. It is not the Board's responsibility to solicit changes in the amount of the assignment whenever there is a cost-of-living increase or change in family group composition. The assignment amount should continue to be paid until the employee completes a new assignment or until the person can no longer be included in the O/M computation. However, if the RR formula exceeds the O/M formula but the

person for whom the assignment was made is still eligible to be included in the O/M, contact the employee to ask if there should be a change in the assignment.

Beginning with the passage of the Social Services Amendments of 1974 (PL93-647), assignments may also be made when the RR formula rate is payable, but only if a request is made because garnishment of the annuity, or a court order for alimony or child support is threatened. Assignments in O/M formula cases can still be made if requested by the employee, but the reason for the assignment should be ascertained since there may be a garnishment involved. If a new assignment or a change in the assignment amount is requested in either an O/M or RR formula case in which a garnishment exists, refer the case to the Office of General Counsel as shown in [RCM 10.2.45](#).

### **8.3.171 Award Form Entries**

Where an employee assigns a share of the O/M to an IPI as explained in section [8.3.170](#), show in the remarks block of the Form G-354.3, "O/M Assignment Case - IPI's share awarded on G-355."

Complete the Form G-355 as follows:

1. Complete the RRB claim number and/or Employee's SSA Number, Type of Award, Payment Summary; and,
2. Change the Payee Code in the Certification of Payment Section from "2" to "3" in red. Then complete the remaining items in this section; and,
3. Indicate the following in remarks: "Not a spouse award. Form prepared to award IPI's share of O/M to person having custody."
4. Voucher the award.

### **8.3.172 Recovery of Overpayments**

The annuity remains the employee's benefit, even if the employee assigns part of his annuity to someone else. If an overpayment is created due to an event affecting the IPI, the Board has the authority to either recover the entire overpayment from the employee, or recover part of the overpayment from the employee and the balance from the assignee. Consideration should be given to whose earnings caused an excess earnings overpayment, who benefited from the proceeds of the overpayment, or who is entitled to future RR benefits from which the overpayment can be recovered.

### **8.3.173 Garnishment of Retirement Annuities for Alimony or Child Support**

A garnishment of the retirement annuity is based on a court order. It can be any amount and can be paid to a person who is not included in the O/M computation.



The Office of General Counsel (OGC) handles all matters and makes all decisions related to the appropriateness and acceptability of legal notices of garnishment and the removal of those orders. The Reconsideration Unit in Operations implements the decision of the OGC in these cases including any subsequent annuity adjustment or COL increase payable in the employee's annuity rate. Any action that does not directly affect the annuity rate, or relate to, or cancel a garnishment (e.g., change of address) is handled in the regular adjudication units.

