



FROM THE DESK OF

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For Publication
September 2002

Full Retirement Age & Early Retirement Age Reductions

Railroad retirement benefits are subject to reduction if an employee with less than 30 years of service retires before attaining full retirement age. While employees with less than 30 years of service may still retire at age 62, the age at which full retirement benefits are payable was increased by 1983 social security legislation first effective in the year 2000. This legislation affected railroad retirement benefits through coordinating provisions of the Railroad Retirement Act, and the age requirements for some unreduced railroad retirement benefits changed just like the social security requirements.

The following questions and answers explain how these early retirement age reductions are applied to railroad retirement annuities.

1. What age is full railroad retirement age for employees with less than 30 years of service and is it the same for all employees?

Full retirement age, the earliest age at which a person can begin receiving railroad retirement or social security benefits without any reduction for early retirement, ranges from age 65 for those born before 1938 to age 67 for those born in 1960 or later, the same as for social security.

2. How are the changes in the maximum age reduction phased in?

Beginning in the year 2000, the age requirements for some unreduced railroad retirement benefits began to rise just like the social security requirements. For employees with less than thirty years of service and their spouses, the full retirement age increases from 65 to 66, and from 66 to 67, at the rate of two months per year over two separate six-year periods. This also affects how reduced benefits are computed for early retirement.

The increase in full retirement age from age 65 to age 66 affects those people who were born in the years 1938 through 1942. The full retirement age will remain at age 66 for people born in the years 1943 through 1954. The increase in full retirement age from age 66 to age 67 affects those who were born in the years 1955 through 1959. For people who were born in 1960 or later the full retirement age will be age 67.

3. How does this affect the early retirement age reductions applied to the annuities of those who retire before full retirement age?

The early retirement annuity reductions applied to annuities awarded before full retirement age are increasing. For employees retiring between age 62 and full retirement age with less than 30 years of service, the maximum reduction will be 30 percent by the year 2022. Under prior law, the maximum reduction was 20 percent.

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Age reductions are applied separately to the tier I and tier II components of an annuity. The tier I reduction is 1/180 for each of the first 36 months the employee is under full retirement age when his or her annuity begins and 1/240 for each additional month. This will result in a gradual increase in the reduction at age 62 to 30 percent for an employee once the age 67 retirement age is in effect.

These same reductions apply to the tier II component of the annuity. However, if an employee had any creditable railroad service before August 12, 1983, the retirement age for tier II purposes will remain 65, and the tier II benefit will not be reduced beyond 20 percent.

The following chart shows how the gradual increase in full retirement age will affect employees.

Employee Retires with Less than 30 Years of Service

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

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

4. What are some examples of how this will affect the amounts payable to employees retiring before full retirement age with less than 30 years of service?

Take the example of an employee born on June 2, 1950, who retires in 2012 at the age of 62. In terms of today's dollars and current benefit levels, not counting future increases in creditable earnings, assume this employee is eligible for monthly tier I and tier II benefits, before age reductions, of \$1,200 and \$800, respectively, for a total monthly benefit of \$2,000.

Upon retirement at age 62, the employee's tier I benefit would be reduced by 25 percent, the maximum age reduction applicable in 2012. This would yield a tier I monthly benefit of \$900; the employee's tier II benefit would also be reduced by 25 percent, providing a tier II amount of \$600 and a total monthly rate of \$1,500. However, if the employee had any rail service before August 12, 1983, the tier II benefit would be subject to a maximum reduction of only 20 percent, providing a tier II amount of \$640, and a total monthly rate of \$1,540.

As a second example, take an employee born on June 2, 1960, and also eligible for monthly tier I and tier II benefits, before age reductions, of \$1,200 and \$800, respectively, for a total monthly

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benefit of \$2,000. This employee retires in 2022 at age 62 with no service before August 12, 1983. Consequently, a 30 percent reduction is applied to both the tier I and tier II benefits and the net total annuity would be \$1,400.

5. How are railroad retirement spouse benefits affected by this change?

If an employee retiring with less than 30 years of service is age 62, the employee's spouse is also eligible for an annuity the first full month the spouse is age 62. Early retirement reductions are applied to the spouse annuity if the spouse retires prior to full retirement age. Beginning in the year 2000, full retirement age for a spouse gradually began to rise to age 67, just as for an employee, depending on the year of birth. While reduced spouse benefits are still payable at age 62, the maximum reduction will be 35 percent by the year 2022. However, if an employee had creditable rail service prior to August 12, 1983, the increased age reduction is limited to the spouse's tier I benefit.

Take for an example the spouse of a railroader with less than 30 years of service, none of it prior to August 12, 1983, retiring in 2022 at age 62, with a spouse annuity, in terms of today's dollars and current benefit payments and before any reductions for age, of \$1,000 a month. With the maximum reduction of 35 percent applicable in 2022, her net monthly benefit would be \$650, while if this same spouse were retiring in 2002 with the maximum age reduction of 27.50 percent, her net monthly benefit would be \$725.

The following chart shows how this will affect the spouses of railroad employees if the employee retires with less than 30 years of service.

Spouse Age Reductions

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

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

6. What age reductions are applied to employees who retired with 30 years of service prior to 2002?

Under the Railroad Retirement and Survivors' Improvement Act of 2001, employees with 30 or more years of creditable service are eligible for full age and service annuities the first full month

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they are age 60, if their annuities begin January 1, 2002, or later. The spouses of such employees are likewise eligible for full annuities, which can also begin with the first full month the spouse is age 60. Also, if a disability annuitant is age 60 and has 30 years of service, his or her spouse can receive an annuity at age 60 without any age reduction if the spouse's annuity beginning date is January 1, 2002, or later.

However, early retirement reductions are applied to the tier I portion of an employee's annuity if the employee first became eligible for a 60/30 annuity July 1, 1984, or later and retired at ages 60 or 61 before 2002. The tier I benefit awarded such an employee's spouse will also be reduced for early retirement, regardless of whether the spouse retires at age 60 or 62, and regardless of the date the spouse's annuity begins.

7. Are age reductions applied to employee disability annuities?

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

8. Do these changes also affect survivor benefits?

Yes. The eligibility age for a full widow(er)'s annuity is also gradually rising from 65 to 67. A widow(er), surviving divorced spouse or remarried widow(er) whose annuity begins at full retirement age or later will generally receive an annuity unreduced for early retirement. However, if the deceased employee received an annuity that was reduced for early retirement, a reduction would be applied to the tier I amount payable to the widow(er), surviving divorced spouse or remarried widow(er). The maximum age reductions will range from 17.1 percent to 20.36 percent, depending on the widow(er)'s date of birth. For a surviving divorced spouse or remarried widow(er), the maximum age reduction is 28.5 percent. For a disabled widow(er), disabled surviving divorced spouse or disabled remarried widow(er), the maximum reduction is 28.5 percent, even if the annuity begins at age 50.

9. How can individuals get more information about railroad retirement annuities and their eligibility requirement?

Employees should contact the nearest field office of the Board for information or refer to the Board's Web site at www.rrb.gov.

Persons can find the address and phone number of the Board office serving their area by calling the automated toll-free RRB Help Line at 1-800-808-0772, or from the Board's Web site. Most Board offices are open to the public from 9:00 a.m. to 3:30 p.m., Monday through Friday, except on Federal holidays.

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