

**Subpart G—Recomputation To Include Additional Railroad Service and Compensation**

**§ 226.90 When recomputation applies.**

An employee's annuity may be recomputed to include additional railroad service and compensation and social security wages which the employee earns after the beginning date of the employee annuity. The annuity is recomputed only if the recomputation increases the annuity rate by more than \$1 a month or results in a lump-sum payment of more than \$5. Before a recomputed rate can be paid, the employee must stop working in the railroad industry. A recomputed tier I component is payable beginning with January 1 of the year after the year in which the wages or compensation are earned or (provided the employee is age 62 or disabled), in the case of railroad compensation, in the year after the employee stops working in the railroad industry. A recomputed tier II component is payable from the date the annuity is reinstated after the employee has ceased railroad work.

**§ 226.91 How an employee annuity rate is recomputed.**

(a) *Tier I.* A recomputation is made if any social security wages or railroad compensation for a year in which the employee returned to work are higher than the earnings for a year included in the previous computation of the tier I PIA, as shown in part 225 of this chapter. The higher earnings are used instead of the lower earnings for the earlier year to determine the average monthly wage or average indexed monthly earnings. Part 225 of this chapter describes how a PIA is recomputed.

(b) *Tier II.* The additional service is added to the years of service previously used in computing the tier II rate. The additional compensation is used to recompute the average monthly compensation, if the compensation for a month in which the employee returned to railroad service is higher than the compensation for a month used in the previous computation of the average monthly compensation. The higher monthly compensation is used instead of the lower compensation for a pre-

vious month to determine the new average monthly compensation as shown in § 226.62 of this part. The increased years of service and average monthly compensation are used in computing a new tier II rate, as shown in § 226.11 of this part.

*Example:* An employee receiving an annuity which began on January 1, 1992, returns to railroad service for 10 months in 1992 and 2 months in 1993. He stops work on February 20, 1993. He has earnings of \$34,500.00 in 1992 and \$5,200.00 in 1993. His tier II rate effective January 1, 1992, was based on 26 years (312 months) of service and an average monthly compensation of \$2,995 (\$179,700÷60). The additional 12 months of service increases the year of service used in computing the tier II rate to 27 (312 months + 12 months = 324 months ÷ 12 = 27). The 1992 earnings of \$34,500.00 are used instead of 1987 earnings of \$32,700.00. The 1993 earnings are not used because they are lower than the earnings for previous months used in computing the average monthly compensation. The additional \$1,800.00 in earnings increases the average monthly compensation to \$3,025 (\$179,100 + \$1,800.00 = \$181,500.00÷60). The initial tier II amount is increased from \$545.09 (26×\$2,995×.007) to \$571.73 (27×\$3,025×.007), effective with the date of annuity reinstatement, March 1, 1993.

**§ 226.92 Effect of recomputation on spouse and divorced spouse annuity.**

The annuity of a spouse or divorced spouse is recomputed to use the employee's recomputed tier I PIA and tier II rate, if the recomputation results in a lump-sum payment of more than \$5 or an increase in the spouse or divorced spouse annuity rate of more than \$1 a month. The spouse or divorced spouse annuity rate is recomputed beginning with the same date the employee's annuity rate is recomputed.

**PART 227—COMPUTING SUPPLEMENTAL ANNUITIES**

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- 227.1 Introduction.
- 227.2 Initial supplemental annuity rate.
- 227.3 Reduction for railroad retirement family maximum.
- 227.4 Reduction for employer pension.
- 227.5 Employer tax credits.

AUTHORITY: 45 U.S.C. 231f(b)(5).

SOURCE: 50 FR 11502, Mar. 22, 1985, unless otherwise noted.

**Railroad Retirement Board**

**§ 227.5**

**§ 227.1 Introduction.**

This part explains how to compute a supplemental annuity. A supplemental annuity is payable to an employee who meets the requirements in §216.12 of this chapter.

**§ 227.2 Initial supplemental annuity rate.**

The supplemental annuity rate, before reduction for the railroad retirement family maximum or any private pension, is \$23 for an employee's first 25 years of service plus \$4 for each added year of service up to 30 years. The highest supplemental annuity rate is \$43 for an employee with 30 or more years of service.

**§ 227.3 Reduction for railroad retirement family maximum.**

If the railroad retirement family maximum applies, and the reduction amount is higher than the spouse tier II rate, as shown in part 226 of this chapter, the initial supplemental annuity rate from §227.2 is reduced by the smaller of—

- (a) The difference between the total railroad retirement maximum reduction amount and the reduction in the spouse annuity; or
- (b) The total supplemental annuity rate from §227.2.

[50 FR 11502, Mar. 22, 1985, as amended at 54 FR 12903, Mar. 29, 1989]

**§ 227.4 Reduction for employer pension.**

- (a) *General.* The supplemental annuity for each month is reduced by the amount of any private pension the employee is receiving for that month based on the contributions of a railroad employer. This reduction is applied to the supplemental annuity amount after any reduction for railroad retirement family maximum. Private pension is explained in §216.14 of this chapter.
- (b) *Private pension reduced for supplemental annuity.* If the employer reduces the private pension for the employee's entitlement to the supplemental annuity, the reduced pension amount is subtracted from the supplemental annuity. However, the reduction in the supplemental annuity can be no greater than the difference between the supple-

mental annuity amount, after any reduction for railroad retirement family maximum, and the amount the private pension is reduced for the supplemental annuity. This guarantees that the sum of the reduced supplemental annuity and the reduced employer pension is not less than the amount of the full employer pension.

*Example:* The full employer pension is \$80. This is reduced by \$35 because of the employee's entitlement to a supplemental annuity. The initial supplemental annuity rate is \$43.

Full employer pension .....	\$80
Reduction for supplemental annuity .....	- 35
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Reduced pension amount .....	45
Supplemental annuity .....	43
Reduced pension amount .....	- 45

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	0

Guarantee amount:	
Supplemental annuity .....	43
Reduction in private pension .....	- 35

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	8
Supplemental annuity .....	43
Reduction in private pension .....	- 8

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Reduced supplemental annuity .....	35

The reduced supplemental annuity amount is \$35. This amount plus the reduced employer pension of \$45 equals \$80, the full amount of the employer pension.

- (c) *Part of private pension based on employee contributions.* If the employer pension is based on both employer and employee contributions, a special formula is used to determine the amount to be subtracted from the supplemental annuity. The Board first computes the pension amount the employee's contributions could have purchased from a private insurance company. That amount is subtracted from the total employer pension. The result is the pension amount used to reduce the supplemental annuity.

**§ 227.5 Employer tax credits.**

Employers are entitled to tax credits if they pay non-negotiated pensions to former employees whose supplemental annuities are reduced because of the pensions. Non-negotiated pensions are paid under pension plans that are not established by collective bargaining agreements. The tax credits for each month equal the sum of the reductions

for employer pensions in the supplemental annuities of all former employees for that month. The Board sends a report of total tax credits to each employer after the end of each calendar quarter. The credits are applied to the man-hour supplemental annuity tax the employer pays the Internal Revenue Service under section 3221 of the Railroad Retirement Tax Act.

## PART 228—COMPUTATION OF SURVIVOR ANNUITIES

### Subpart A—General

Sec.

228.1 Introduction.

228.2 Tier I and tier II annuity components.

### Subpart B—The Tier I Annuity Component

228.10 Computation of the tier I annuity component for a widow(er), disabled widow(er), remarried widow(er), and a surviving divorced spouse.

228.11 Computation of the tier I annuity component of a widow(er) with a child in care, remarried widow(er) with a child in care, or a surviving divorced spouse with a child in care.

228.12 Computation of the tier I annuity component of a child's insurance annuity.

228.13 Computation of the tier I annuity component of a parent's insurance annuity.

228.14 Family maximum.

228.15 Reduction for age.

228.16 Adjustments in the age reduction factor (ARF).

228.17 Adjustments to the widow(er)'s, disabled widow(er)'s, surviving divorced spouse's, and remarried widow(er)'s tier I annuity amount.

228.18 Reduction for public pension.

228.19 Reduction for a social security benefit.

228.20 Reduction for an employee annuity.

228.21 Entitlement as a spouse or divorced spouse and as a survivor.

228.22 Entitlement to more than one survivor annuity.

228.23 Priority of reductions.

228.40 Cost of living increase applicable to the tier I annuity component.

### Subpart C—The Tier II Annuity Component

228.50 Tier II annuity component widow(er), child, or parent.

228.51 Takeback amount.

228.52 Restored amount.

228.53 Spouse minimum guarantee.

228.60 Cost-of-living increase.

AUTHORITY: 45 U.S.C. 231f.

SOURCE: 60 FR 16368, Mar. 30, 1995, unless otherwise noted.

## Subpart A—General

### § 228.1 Introduction.

(a) *What does this part include?* This part includes the computation of a widow(er)'s, disabled widow(er)'s, remarried widow(er)'s, surviving divorced spouse's, parent's, and child's insurance annuity under the Railroad Retirement Act. This part describes the two annuity components or tiers which are included in these annuities. The tier I annuity component, which may be payable in all of the above annuities, is described in subpart B of this part. Subpart C of this part describes the tier II annuity component which is only applicable to the widow(er)'s, disabled widow(er)'s, parent's, and child's annuity.

(b) *Other relevant parts.* (1) Part 225, Primary Insurance Amount Determinations, describes the various types of primary insurance amounts which form the basis of the computation of the tier I annuity component described in this part.

(2) Part 216, Eligibility for an Annuity, describes the eligibility requirements for receipt of the annuity computations described in this part.

### § 228.2 Tier I and tier II annuity components.

(a) *Tier I annuity component.* The Tier I annuity component is generally the amount that would have been payable under the Social Security Act if all of the employee's earnings after 1936 under both the railroad retirement system and the social security system had been creditable under the Social Security Act.

(b) *Tier II annuity component.* The tier II annuity component is the portion of the survivor's annuity which is based on an employee's railroad earnings only. The tier II component of an annuity described in this part is a specified percentage of the employee's actual or anticipated tier II annuity component.