



Railroad Retirement

The Railroad Retirement Act authorizes the payment of retirement, disability, and survivor benefits to railroad workers and their spouses and survivors. Those benefits are administered by the Railroad Retirement Board, an independent federal agency.

Since 1995, retirees generally must have at least five years of covered railroad service to qualify for benefits. Eligible beneficiaries receive annuities that are divided into two tiers:

- Tier I annuities are based on a retiree's time in covered railroad service and on employment covered by Social Security. The benefits are roughly equivalent to Social Security benefits. Annuities are calculated using the Social Security benefit formula, which is based on a retiree's highest 35 years of earnings. Benefits are adjusted each year by the full Social Security cost-of-living adjustment (COLA), which is tied to the consumer price index for urban wage earners and clerical workers. Eligibility for disabled workers to receive Tier I annuities is based on medical certification and years of service.
- Tier II annuities are based on time in covered railroad service. The benefits are similar to private pension benefits and are paid out of the Rail Industry Pension Fund. Tier II annuities for current retirees are equal to seven-tenths of one percent of the retiree's average monthly earnings in the 60 months of highest earnings, multiplied by the total number of years of railroad service. Those benefits are adjusted each year by 32.5 percent of the annual Social Security COLA. Eligibility for disabled workers to receive Tier II benefits is based on medical certification, years of service, and age.

Some retirees who were first hired before October 1981 also are eligible for a supplemental annuity. In addition, railroad workers who were vested both in railroad retirement and in Social Security in 1974, when the two-tier benefit structure was established, are eligible for vested dual benefits. Those benefits are sometimes referred to as windfall benefits and provide certain vested beneficiaries with the additional annuity they would have received had the system not been reconfigured to eliminate overlapping benefits between Railroad Retirement and Social Security. Neither supplemental annuities nor vested dual benefits receive COLAs.

Railroad disability annuities may be payable to totally disabled railroad workers and to workers who can no longer perform regular railroad occupations, regardless of whether their disability was caused by railroad work.

Eligible spouses and survivors of railroad workers may receive some combination of Tier I and Tier II benefits, but divorced spouses and surviving divorced spouses are eligible only for partial Tier I benefits.

Railroad Retirement

	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2027- 2031	2027- 2036
BUDGET INFORMATION													
Millions of dollars, by fiscal year													
Tier I ^a	8,870	9,061	9,310	9,464	9,611	9,758	9,904	10,056	10,207	10,347	10,500	47,204	98,218
Tier II ^b	5,879	5,938	5,987	6,031	6,073	6,116	6,158	6,202	6,245	6,289	6,332	30,145	61,371
Supplemental Benefits ^c	45	43	40	38	35	33	30	28	26	24	22	189	319
Vested Dual Benefits ^d	<u>5</u>	<u>4</u>	<u>4</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>15</u>	<u>21</u>
Total	14,799	15,046	15,341	15,536	15,721	15,909	16,094	16,287	16,479	16,661	16,855	77,553	159,929
BENEFICIARY INFORMATION													
Number of Beneficiaries ^e	439,900	433,000	426,400	420,200	414,100	408,100	402,100	396,000	390,300	384,800	379,500	n.a.	n.a.

- a. Tier I benefits are based on time in covered railroad service and employment covered by Social Security. Benefits are adjusted each year by the full Social Security cost-of-living adjustment (COLA).
- b. Tier II benefits are for covered railroad service only. Benefits are adjusted each year by 32.5 percent of the annual Social Security COLA.
- c. Supplemental benefits are for certain retirees who were hired before October 1981 and are not subject to COLAs.
- d. Vested dual benefits are for certain retirees who were vested both in railroad retirement and in Social Security when railroad retirement benefits were restructured in 1974 and are not subject to COLAs. Outlays for those benefits are classified as discretionary spending.
- e. Railroad retirement annuitants may receive multiple components of benefits. This row shows the number of beneficiaries who receive at least one component, but with each beneficiary counted only once.