§ 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 supplemental 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
Reduced pension amount	45
Supplemental annuity	43
Reduced pension amount	−45
	0
Guarantee amount:	
Supplemental annuity	43
Reduction in private pension	−35
	8
Supplemental annuity	43
Reduction in private pension	−8
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.

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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.