

Understanding Social Security

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Presentation Topics

- Introduction
- Windfall Elimination Provision (“WEP”)
- Social Security Eligibility and Benefits
- Government Pension Offset (“GPO”)
- Social Security Benefit Categories
- Maximizing Social Security Benefits
- Applying for Social Security

Introduction

- In 1983, Social Security amendments made significant changes to benefits for retirees who receive “non-covered” pensions
- Massachusetts is 1 of 12 non-Social Security states
- Massachusetts public retirees receive “non-covered” pensions by SSA’s rules
- The provisions of the law are called “Windfall Elimination Provision” (WEP) and “Government Pension Offset” (GPO)

Introduction

- WEP and GPO affect the individuals who worked in the “non-covered” system
- WEP and GPO do not affect spouses who receive a survivor allowance from the worker
- WEP and GPO take effect when the non-covered worker begins to receive a retirement allowance
- A retiree’s public pension will never be touched by SSA

Windfall Elimination Provision ("WEP")



Windfall Elimination Provision (“WEP”)

- WEP is a change in the calculation of your own Social Security retirement benefits based on the money you earned under Social Security
- The change is internal in the calculation and based on several factors
- This change will lower, but never eliminate, your Social Security retirement benefits
- The WEP benefit cannot be reduced by more than $\frac{1}{2}$ of your non-covered pension amount

Factors Used to Calculate WEP

- Attainment of age 62
- Years paid into the Social Security System
- Number of “Substantial Earnings” years
- Your Public Pension **Option A** amount, before any deductions for health insurance and survivorship

WEP - Exceptions

- Exceptions to WEP:
 - You were age 62 by January 1986
 - You were *eligible* to receive your non-covered pension by January 1986
 - You have 30 years of “substantial earnings” as determined by Social Security
- If any of these exceptions apply to you, the WEP calculation will not be applied and your Social Security benefits will not be reduced

WEP - Substantial Earnings

- Social Security has defined “substantial earnings” with an exact dollar amount for each calendar year. If you earned the specified amount or more in a particular calendar year, you have a “substantial earnings year”
- In 2019 the amount is \$24,675
- **If you have 30 or more “substantial earnings years”, your Social Security retirement benefit will not be affected by WEP**
- If you have 21-29 “substantial earnings years”, the Social Security retirement benefit reduction will be less

How to Do a WEP Calculation

- Go to socialsecurity.gov/wepcalculator
- You will need:
 - Your date of birth
 - Your estimated public pension
 - Your Social Security Statement from SSA
- Follow the instructions to calculate your WEP 100% benefit

Create a “My Social Security” Account

- Open a “My Social Security” Account:
 - Go to ssa.gov
 - Set up an account
 - View, save, or print the Statement
 - **Note:** For those eligible for a retirement benefit and also subject to WEP, the Statement benefit at Full Retirement age will be incorrect
 - Review your Social Security earnings record for accuracy

Social Security Eligibility and Benefits

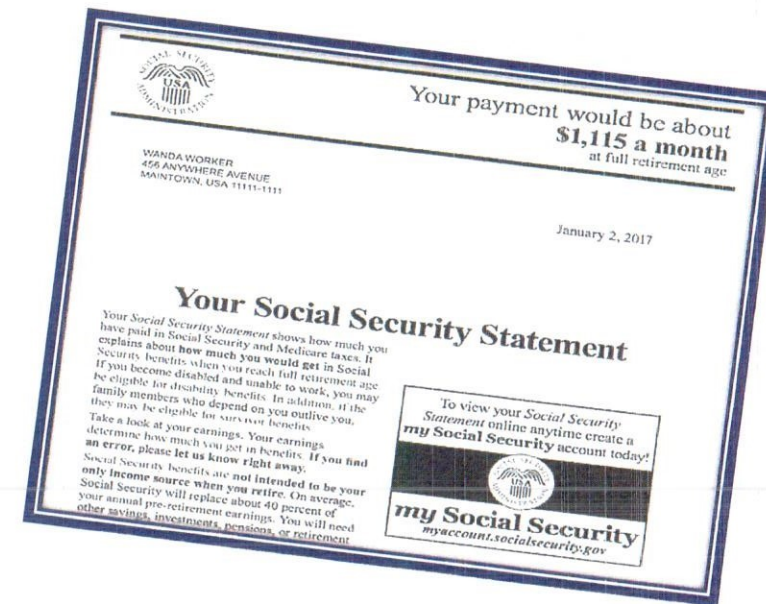


Eligibility for Social Security Benefits

- You vest when you have enough cumulative earnings paid into the Social Security system
- You need “40 credits” or 10 years of cumulative work throughout your lifetime to qualify for retirement benefits
- In 2019 you will receive one credit for every \$1,360 you earn
- You cannot exceed 4 credits (\$5,440) per calendar year
- You can earn credits anytime during your life, regardless of age

How to Determine if You are Vested

- Check Your Social Security Statement
- If you have enough work to be vested, the Social Security Administration will give you benefit projections
- If you are not vested, there will be no benefit amounts shown. It will tell you how many credits you have toward the 40 you need to qualify



Statement Earnings History

Your Earnings Record

Year You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings	Year You Worked	Your Taxed Social Security Earnings	Your Taxed Medicare Earnings
1966	\$ 1,620	\$ 1,620	1990	\$ 2,365	\$ 2,365
1967	3,237	3,237	1991	5,664	5,664
1968	3,451	3,451	1992	16,662	16,662
1969	4,255	4,255	1993	18,645	18,645
1970	4,285	4,285	1994	9,166	9,166
1971	915	915	1995	18,966	18,966
1972	134	134	1996	24,404	24,404
1973	415	415	1997	18,388	18,388
1974	977	977	1998	18,238	18,238
1975	0	0	1999	23,491	23,491
1976	182	182	2000	25,542	25,542
1977	4,464	4,464	2001	30,522	30,522
1978	4,485	4,485	2002	28,645	28,645
1979	0	0	2003	3,097	3,097
1980	0	0	2004	21,838	21,838
1981	0	0	2005	28,072	28,072
1982	0	0			
1983	0	0			
1984	1,760	1,760			
1985	3,680	3,680			
1986	9,221	9,221			
1987	7,519	7,519			
1988	6,238	6,238			
1989	3,208	3,208			

Total Social Security and Medicare taxes paid over your working career through the last year reported on the chart and Estimated taxes paid for Social Security:
 You paid: \$21,861 Your employers paid: \$5,033
 You paid: \$21,861 Your employers paid: \$5,033
 Note: You currently pay 6.2 percent of your salary, up to \$94,209, in Social Security taxes and 1.45 percent in Medicare tax on your entire salary. Your employer also pays 6.2 percent in Social Security taxes and 1.45 percent in Medicare tax. If you are self-employed, you pay the combined employee and employer amount of 12.4 percent in Social Security tax and 2.9 percent in Medicare taxes on your net earnings.

Help Us Keep Your Earnings Record Accurate

You, your employer and Social Security share responsibility for the accuracy of your earnings record. Since you began working, we recorded your reported earnings under your name and Social Security number. We have been processing last year's earnings report when your Statement was prepared. Your complete earnings history for last year will be shown on next year's Statement. If you worked for more than one employer, please contact us at 1-800-755-7277.

Calculating Your Benefit

- Retirement benefits are based on your average “lifetime earnings” paid into the Social Security system
- SSA uses your highest 35 years of earnings and then indexes for changes in wage levels over time
- **If you do not have 35 years of earnings, a zero will be used in the calculation for every year you fall short of 35 years**
- The result is your Full Retirement Age benefit (FRA)
- **Your Statement does not use the WEP formula, so the benefit amounts will be incorrect**

Full Retirement Age

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 & 2 months
1939	65 & 4 months
1940	65 & 6 months
1941	65 & 8 months
1942	65 & 10 months
1943-1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 or later	67

Statement of Estimated Benefits

Your Estimated Benefits

***Retirement** You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...

your full retirement age (67 years), your payment would be about.....	\$ 1,619 a month
age 70, your payment would be about	\$ 2,023 a month
age 62, your payment would be about	\$ 1,113 a month

***Disability** You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about..... \$ 1,441 a month

***Family** If you get retirement or disability benefits, your spouse and children also may qualify for benefits.

***Survivors** You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:

Your child.....	\$ 1,131 a month
Your spouse who is caring for your child.....	\$ 1,131 a month
Your spouse, if benefits start at full retirement age.....	\$ 1,508 a month
Total family benefits cannot be more than	\$ 2,778 a month

Your spouse or minor child may be eligible for a special one-time death benefit of \$255.

Medicare You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.

*** Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 77 percent of scheduled benefits.**

We based your benefit estimates on these facts:

Your date of birth (please verify your name on page 1 and this date of birth).....	April 5, 1973
Your estimated taxable earnings per year after 2013	\$44,833
Your Social Security number (only the last four digits are shown to help prevent identity theft).....	XXXX-XX-1234



This is the primary benefit amount.

Statement Recap

- Your Social Security Statement will reflect your credits and whether you qualify for a Social Security retirement benefit
- Your Statement will reflect your full (100%) benefit and your Full Retirement Age (FRA)
- Your Statement will not reflect the WEP calculation because SSA does not know that you will receive a “non-covered” retirement allowance
- The WEP calculation will change your full 100% benefit even if you take Social Security at a younger age

Government Pension Offset ("GPO")



Government Pension Offset (“GPO”)

- This provision impacts individuals who apply for benefits based upon a spouse’s Social Security record and who receive a public pension
- Social Security applies a formula that will reduce the spousal Social Security payment by **2/3** of the monthly public pension amount
- GPO could eliminate Social Security completely
- **The public pension is not affected by GPO**

Factors Used in Determining GPO

- Factors used:
 - The amount equal to $\frac{2}{3}$ of the public pension (the actual gross monthly amount payable before any deductions for health insurance, allotments or bonds) **and**
 - The Social Security spousal benefit due
- If $\frac{2}{3}$ of the public pension is greater than or equal to the spousal Social Security benefit, no spousal benefits are payable

Government Pension Offset Worksheet

- 1) Monthly public retirement allowance (Option A)
\$ _____
 - 2) 2/3 of the monthly amount shown above
\$ _____
 - 3) Monthly spousal benefit payable to you by SSA
\$ _____
- If line 2 is greater than line 3, **no** Social Security benefits are paid
 - If line 2 is less than line 3, you will receive the difference between lines 2 and 3

Example 1: GPO Worksheet

1) Monthly public retirement allowance

\$1,200

2) 2/3 of the monthly amount shown above

\$ 800

3) Monthly spousal benefit payable to you by SSA

\$1,000

Line 2 is less than line 3, **\$400 is payable**

Example 2: GPO Worksheet

- 1) Monthly public retirement allowance
\$2,100
- 2) 2/3 of the monthly amount shown above
\$1,400
- 3) Monthly spousal benefit payable to you by SSA
\$1,000

Line 2 is greater than line 3, **no spousal benefits paid**

Spousal Social Security Benefit Categories



Spousal Benefits on a Living Worker

- Current Spouse
 - Age 62 or older, or any age if caring for a child under age 16 or disabled
 - The worker must be receiving benefits for the spouse to collect
 - The spouse is subject to earnings limits until Full Retirement Age

Spousal Benefits on a Living Worker

- Ex-Spouse
 - Age 62 or older and not remarried
 - Duration of marriage must have been at least 10 years
 - If divorced at least two years and the worker is age 62 or older, the ex-spouse can receive benefits regardless of the worker's benefit status
 - Earnings restrictions apply until Full Retirement Age

Spousal Benefit Amounts on a Living Worker

- Spouses claiming benefits at Full Retirement Age are paid at 50% of the worker's unreduced full benefit
- The benefits are reduced for receiving payments earlier
- GPO will apply when the public pension is received

Spousal Benefit Amounts on a Living Worker

- Spouses must receive their own retirement as their primary benefit
- If additional benefits are payable as a spouse, it will be added to the spouse's own benefit so the highest total amount is paid
- **Spousal benefits are only payable when the worker is receiving payments**

Exception: If the spouse was born before January 2, 1954, Full Retirement Age benefits as a spouse are payable, while delaying the spouse's own retirement benefit until a later date - this is the last "financial strategy" remaining!

Surviving Spouse's Benefits on Deceased Worker

- Surviving Spouse (Not remarried)
 - Age 60 or older
 - Earnings limitations apply until Full Retirement Age
 - If remarriage occurs after age 60 for the first time, eligibility remains on the deceased worker's record

Surviving Spouse's Benefits on Deceased Worker

- Divorced Widows/Widowers
 - Age 60 or older
 - Earnings limitations apply until Full Retirement Age
 - Duration of marriage must have been at least 10 years and no remarriage for the applicant

Benefit Amounts for Surviving Spouses

- 100% of the deceased worker's benefit is paid to the surviving spouse who is Full Retirement Age or older at filing
- The full benefit is reduced for age to approximately 71.5% of deceased worker's unreduced benefit at age 60 (i.e., reduced proportionately between FRA and age 60 on a month by month adjustment)
- If the public pension is paid, GPO will apply
- Dual entitlement exists when the spouse is eligible for survivor benefits and benefits based on the survivor's own work record at different times

Maximizing Social Security Benefits



Maximizing Social Security Benefits

- SSA does not adjust your Social Security benefits for WEP or GPO until you retire and your paycheck becomes a retirement allowance
- If a worker reaches Full Retirement Age and is still employed in the public sector, all Social Security benefits are payable without imposing WEP or GPO because **there is no earnings limitation at Full Retirement Age**
- **You can collect Social Security benefits and still work**

Maximizing Benefits: 2019 Earnings Limitations

- Under Full Retirement Age Year
 - \$17,640 (\$1,470/mo.) \$1 for every \$2 earned will be withheld from benefits payable if the earnings limit is exceeded
- The Year Full Retirement Age is Reached
 - \$ 46,920/yr. (\$3,910/mo.) \$1 for every \$3 will be withheld from benefits payable, if the earnings limit is exceeded
- From the month of Full Retirement Age there is no earnings limitation
- Earnings include only W-2 gross wages or net profit from self-employment

Working Under Social Security After Public Employment

- The Social Security calculation always uses the highest 35 years of earnings
- As new wage information is posted to your Social Security record, it is compared to the yearly amounts currently being used - If the new annual wage is higher than one of the 35 years of earnings being used (including \$0), the lowest value is dropped and the new wage amount is added
- The monthly benefit is recalculated using a new 35 years and monthly payments increase
- If the new amount is less, your monthly benefit remains the same

Applying for Social Security Benefits



Applying for Social Security Benefits

- Applying online at www.ssa.gov is the most convenient way to apply for retirement, spousal benefits on a living worker, or Medicare only benefits
- To schedule an appointment with your local office call **1-800-772-1213** from 7am to 7pm
- You do not need an appointment to visit your local office, but the wait time can be long. To locate your office go to <https://www.ssa.gov/agency/contact/>
- Office hours are Monday-Tuesday and Thursday-Friday: 9am-4pm; Wednesday: 9am-noon

Applying for Social Security Benefits

- For SSA purposes, the “monthly pension amount” used is the gross monthly retirement allowance payable **before** any reduction for health insurance, survivor annuities, assignments, etc.
- WEP is **not affected** by COLA increases from public pensions
- Social Security spousal benefits **are affected** by COLA increases from the month the change is effective because of GPO

Applying for Social Security Benefits

- You should file approximately 3 months before the month you want benefits to begin. If you are receiving your public pension, SSA will need verification
- If applying for spousal benefits, proof of marriage, divorce or death may be requested. All documents are returned to applicants
- If receiving benefits while working, SSA must be notified of your retirement for WEP and GPO purposes. It may take 3-4 months to adjust the current benefit
- Reporting WEP - Form SSA 150 (PDF form available online)
- Reporting GPO - Form SSA 3885 (PDF form available online)

Social Security Links

- Social Security Website:
www.ssa.gov
- Create a “MySS” Account:
www.ssa.gov/myaccount
- WEP and Online Calculator:
www.ssa.gov/thirdparty/financial-planners.html
- GPO Online Calculator:
www.ssa.gov/planners/retire/gpo-calc.html
- To find your Social Security Office:
www.ssa.gov/agency/contact

Thank You for Your Time
and Attention



