

**Social Security and MA Public Pensions
What You and Your Members Need to Know**

MACRS, August 25, 2015

Middlesex County Retirement System



What Board Administrators Need to Know

- **The “basics” of Social Security**
- **An understanding of “WEP”**
- **An understanding of “GPO”**
- **The basic rules of Medicare**

- **How to best advise your members about these issues**

What Members Need to Know

- **Are they eligible for Social Security on their own?**
- **Are they eligible as a “spouse”?**
- **Will they be subject to “WEP” or “GPO”?**
- **When should they apply for benefits?**
- **When should they apply for Medicare?**

The Social Security “Basics”

For everyone there are 3 core elements for Social Security retirement:

- 1. VESTING**
- 2. CALCULATING**
- 3. THE 100% “FULL RETIREMENT AGE”**

**How Do You Qualify for
Social Security Retirement Benefits?**

- **You need to work to earn Social Security “credits” to be vested.**
- **Each \$1,220 in earnings gives you one credit.**
- **You can earn a maximum of 4 credits per year.**
- **Example: To earn 4 credits in 2015, you must earn at least \$4,880.**
- **Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.**

**How Social Security
Determines Your Benefit**

Social Security benefits are based on earnings

- **Step 1: Your wages are adjusted for changes in wage levels over time**
- **Step 2: Find the monthly average of your 35 highest earnings years**
- **Step 3: Result is “average indexed monthly earnings”**

Full Retirement Age

<u>Year of Birth</u>	<u>Full Retirement Age</u>
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

Social Security Benefits May be Adjusted When...

- A public employee in MA retires and begins to receive a public pension.
- A public employee in MA retires and begins to receive an “annuity” as his or her primary payout, i.e., 457 plans.

These are called “non-covered” pensions because public employees/employers did not pay into Social Security. Private sector employment contributes to Social Security.

“Windfall Elimination Provision”

Applies to those who receive a “non-covered” pension and are also vested for their own Social Security retirement benefit.

Applies only to one’s own Social Security retirement benefit.

The “Windfall” provision pays a lower retirement benefit, but will never eliminate their benefit.

The “Windfall” 100% benefit can never be reduced by more than $\frac{1}{2}$ your non-covered pension amount. (The maximum reduction for 2015 is \$413.)

Exceptions to the “Windfall”

- **Age 62 by 1/86**
- **“Eligible” for non-covered pension by 1/86**
- **30 years of what Social Security considers “substantial earnings”**

If none of these exceptions apply, the “WEP” formula will be imposed and you will receive a lower Social Security payment

What are “Substantial Earnings”?

- Social Security has determined an exact dollar amount to be “substantial” for each calendar year – if you earned at least that amount or more in that year, you have a “substantial earnings year”.
- If you total 30 or more of these years, your Social Security benefit will not be affected.
- If you have 21-29 of these years, your retirement benefit is not lowered as much.

“Substantial Earnings”

'37-54	\$900	1979	\$4,720
'55-58	\$1,050	1980	\$5,100
'59-65	\$1,200	1981	\$5,550
'66-67	\$1,650	1982	\$6,075
'68-71	\$1,950	1983	\$6,675
1972	\$2,250	1984	\$7,050
1973	\$2,700	1985	\$7,425
1974	\$3,300	1986	\$7,875
1975	\$3,525	1987	\$8,175
1976	\$3,825	1988	\$8,400
1977	\$4,125	1989	\$8,925
1978	\$4,425	1990	\$9,525

“Substantial Earnings” (cont.)

1991	\$9,900	2003	\$16,125
1992	\$10,350	2004	\$16,275
1993	\$10,725	2005	\$16,725
1994	\$11,250	2006	\$17,475
1995	\$11,325	2007	\$18,150
1996	\$11,625	2008	\$18,975
1997	\$12,150	'09-'11	\$19,800
1998	\$12,675	2012	\$20,475
1999	\$13,425	2013	\$21,075
2000	\$14,175	2014	\$21,750
2001	\$14,925	2015	\$22,050
2002	\$15,750		

“Government Pension Offset”

- Applies to individuals who qualify for spousal benefits on a living or deceased worker and receive a non-covered pension.
- “GPO” chips away the spousal benefit and may chip it away to zero.
- The “offset” only affects the Social Security benefit.

Who Qualifies as a Spouse for Life Benefits?

- **At least 62 years of age**
- **Currently married to the worker**
- **Divorced from worker and not remarried**
- **and must meet a 10 year duration of marriage (from date of marriage to date of final divorce decree)**

Who Qualifies for Spousal Benefits on a Deceased Worker?

- **Widows and widowers at least age 60 who have not remarried**
- **Remarried widows and widowers who remarry after age 60**
- **Divorced widows/widowers who are not remarried and meet the duration of marriage prior to divorce**

How "GPO" Works

2/3 of the non-covered monthly pension amount is subtracted from the Social Security spousal benefit

Example:

- **Public pension is \$1200/month**
- **2/3 of \$1200 is \$800**
- **Assume SS spousal benefit is \$750**
- **Then, no spousal benefits are due from Social Security.**

Rule: If 2/3 of the public pension is more than the Social Security spousal benefit, the spouse will get nothing.

When "WEP" and "GPO" Will Not Apply

- **These provisions ONLY APPLY when the noncovered pension is being received.**
- **Until someone begins to draw the non-covered pension, Social Security does not adjust the benefits!**

You Can Work & Still Receive Benefits

Under Full Retirement Age Year

\$15,720/yr. (\$1,310/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

\$ 41,880/yr. (\$3,490/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.

How to Determine Your WEP/GPO Benefit

- 1. Go to socialsecurity.gov**
- 2. Go to “Benefits” on the toolbar**
- 3. Click on “Government Employees”**
- 4. Click “Windfall Calculator”**
- 5. Click “Govt. Pension Offset Calculator”**

Open a “my Social Security Account”

- **Provide some personal information to verify your identity.**
- **Choose a username and password to create your account.**
- **Go to socialsecurity.gov**

my Social Security Services

Before you receive benefits you can:

- **Verify your lifetime earnings according to Social Security’s records**
- **Review the estimated Social Security and Medicare taxes you’ve paid**
- **View, save, and print your *Social Security Statement****
- **Learn about qualifying and sign up for Medicare**

**** The Social Security retirement amounts in the “Statement” may not be accurate!!!!***

my Social Security Services

If you do get benefits you can:

- **Check your benefit and payment information and verify your earnings record**
- **Change your address and phone number**
- **Start or change your direct deposit**

Your Age at the Time You Elect Retirement Benefits Affects the Amount

If you are a Worker and Retire on your own Social Security:

- **At the earliest age, 62, you get a reduced monthly payment.**
- **At your full retirement age, you get your 100% benefit.**
- **Delaying benefits beyond full retirement age, whether working or not, will increase the full 100% (8%/yr. until age 70).**

Benefits for Surviving Spouses

- **At full retirement age, 100% of deceased worker's benefit**
- **At age 60, 71.5% of deceased worker's unreduced benefit is payable**
- **Filing option- reduced benefits on one record at age 60, reduced or unreduced benefit on other record at age 62 or older**
- **Benefits apply to both widow or widower and divorced widow or widower.**

Medicare Coverage

- **Part A - Hospital Insurance**
- **Covers most inpatient hospital expenses**
- **2015 Deductible \$1,260**

- **Part B - Medical Insurance**
- **Covers 80% doctor bills & other**
- **outpatient medical expenses after 1st**
- **\$147 in approved charges**
- **2015 Standard Monthly Premium \$104.90**

Who is Eligible for Free Part A?

- **Individuals with 40 credits under Social Security**
- **Individuals who do not have 40 credits but are a spouse, ex-spouse, widow/widower of a worker who has 40 credits**
- **“Non-covered” employees who paid into Medicare only for 10 years (1.45% of F.I.C.A. taxes)**

**** Anyone can purchase Part B!**

There Are 3 Enrollment Periods

- **INITIAL ENROLLMENT**
- **SPECIAL ENROLLMENT**
- **GENERAL ENROLLMENT**

Initial Enrollment Period

- **This is your “age 65 window.”**
- **File 3 months prior to your 65th birthday month to be effective the first day of the month you turn 65.**
- **This applies to those not working with an active employer plan at 65 and/or those not covered under a spouse’s active plan at 65.**

Special Enrollment Period

- **An “active” employee or spouse of an employee**
- **covered by employer group health plan will**
- **remain on the employer plan as “primary” beyond age 65, in most cases.**
- **This enrollment does not hold a penalty for filing after age 65.**
- **There is no lapse in coverage from “active” to “retiree” status**

Special Enrollment Period (cont.)

- **The employer is asked to complete a form (L564) to verify the active coverage dates. The individual signs a Part B enrollment form (HCFA 40B)**
 - **Part B should be initiated 2-3 months before the date of change from active to retiree so that coverage will be in place timely.**
- **If you are not on Part A at the time of retirement, you will need to file for both Parts A and B by completing a full application with SSA.**

General Enrollment Period

- **A "GEP" occurs each Jan. through March for individuals who missed an initial or special enrollment. The coverage begins July 1st of the year of enrollment.**
- **A penalty of 10% is imposed for each year the person should have applied for Part B, but did not.**
- **The penalty is added to the base premium for that year and remains for life!**

What If...?

I retired from MA public service before age 65 and carry my health insurance as a retiree. I am approaching age 65...

- You must file for both Part A and B within 3 months of your 65th birthday month. Medicare is effective on the 1st day of the month you turn 65.
- You'll be billed quarterly until you begin to receive Social Security payments.
- **If you are already collecting SS when you are 65, Medicare is automatic** and Social Security will notify you about 4 months before your 65th birthday!

What if...?

I am approaching age 65 and will continue to work beyond age 65 and have coverage under an employer group plan...

- Your active plan is primary and Medicare is not needed until you retire.
- If you do nothing with Medicare, you will not be penalized. You **can** (but are not required) to sign up for Part A only. It will not interfere with your active coverage.
- Your employer will verify your active coverage when you retire and apply for Medicare.
- This applies to spouses covered under the active plan.

What if I'm over 65, my active plan is ending and...?

I have Part A only:

About 3 months before you or your spouse retires, request the "Special Enrollment" forms from Social Security.

I never signed up for Part A or Part B:

You must complete an application for Medicare. File it online in 8 minutes or less or call Social Security and make a phone appointment to file for A and B.

Filing 2-3 months before retirement will effectuate Medicare the first month of retiree status and there will be no lapse in coverage and no penalty.

Things to Remember

- **File for retirement benefits about 3 months before you want to begin collecting.**
- **If you are already retired from public service and are not yet receiving Social Security benefits, file for Medicare Parts A and B three months before your 65th birthday.**
- **If you work past "full retirement age", you must contact your local SS office about 3 months before you retire to provide proof of your public pension and apply for Part A and/or Part B.**

More Things to Remember

- **Web pages for “WEP” and “GPO”:** <http://www.socialsecurity.gov/planners/retire/gpo-wep.html>
- **Web page for GPO reporting form (ssa-3885):** [Socialsecurity.gov/forms/ssa-3885pdf](http://socialsecurity.gov/forms/ssa-3885pdf)
- **Web pages for WEP reporting form (ssa-150):** [Socialsecurity.gov/forms/ssa-150pdf](http://socialsecurity.gov/forms/ssa-150pdf)
- **Medicare Part B forms for working past age 65:**
HCFA 40B and L564:
[social security.gov/forms](http://socialsecurity.gov/forms).

Social Security’s Online Services

www.socialsecurity.gov

Online Services for before or after you receive benefits:

- **Social Security Statement**
- **Change of Address and Phone Number**
- **Get a Benefit Verification Letter**
- **Start or Change Direct Deposit**
- **Retirement Estimator**
- **Retirement & Disability Applications**
- **Medicare Online**
- **Apply for Extra Help With Medicare Drug Plan Costs**
- **Retirement/Survivors/Disability Planner**
- **Medicare Card Replacements**

???QUESTIONS???

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