

# Social Security and MA Public Pensions

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What you need to know

# The Social Security “Basics”

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- 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?

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- You need to work to earn Social Security “credits” to be vested.
- Each \$1,360.00 in earnings gives you one credit in 2019
- You can earn a maximum of 4 credits per year
  - Example: To earn 4 credits in 2019, you must earn at least \$5,440.
- Earning 40 credits (10 years of work) throughout your working life will qualify you for a retirement benefit.
- Each year the earnings for one credit changes.

# How Social Security Determines Your Benefit

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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

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Year of Birth *	Full Retirement Age
<a href="#"><u>1937 or earlier</u></a>	65
<a href="#"><u>1938</u></a>	65 and 2 months
<a href="#"><u>1939</u></a>	65 and 4 months
<a href="#"><u>1940</u></a>	65 and 6 months
<a href="#"><u>1941</u></a>	65 and 8 months
<a href="#"><u>1942</u></a>	65 and 10 months
<a href="#"><u>1943--1954</u></a>	66
<a href="#"><u>1955</u></a>	66 and 2 months
<a href="#"><u>1956</u></a>	66 and 4 months
<a href="#"><u>1957</u></a>	66 and 6 months
<a href="#"><u>1958</u></a>	66 and 8 months
<a href="#"><u>1959</u></a>	66 and 10 months
<a href="#"><u>1960 and later</u></a>	67

*\*If you were born on January 1st of any year you should refer to the previous year. (If you were born on the 1st of the month, we figure your benefit (and your full retirement age) as if your birthday was in the previous month.)*

# Social Security Benefits May Be Adjusted When:

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- 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

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- 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 them 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 **2018 is \$554.00.**

# Exceptions to the Windfall

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- Age 62 by 1/1986
- Eligible for non-covered pension by 1/1986
- Have 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”?

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- 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 retirement benefit **will not** be affected.
- If you have 21-29 of these years, your retirement benefit **will** be affected but at a lower percentage.

<u>Year</u>	<u>Substantial earnings</u>
1937–1954	\$ 900
1955–1958	\$1,050
1959–1965	\$1,200
1966–1967	\$1,650
1968–1971	\$1,950
1972	\$2,250
1973	\$2,700
1974	\$3,300
1975	\$3,525
1976	\$3,825
1977	\$4,125
1978	\$4,425
1979	\$4,725
1980	\$5,100
1981	\$5,550
1982	\$6,075
1983	\$6,675
1984	\$7,050
1985	\$7,425
1986	\$7,875
1987	\$8,175
1988	\$8,400
1989	\$8,925
1990	\$9,525

<u>Year</u>	<u>Substantial earnings</u>
1991	\$9,900
1992	\$10,350
1993	\$10,725
1994	\$11,250
1995	\$11,325
1996	\$11,625
1997	\$12,150
1998	\$12,675
1999	\$13,425
2000	\$14,175
2001	\$14,925
2002	\$15,750
2003	\$16,125
2004	\$16,275
2005	\$16,725
2006	\$17,475
2007	\$18,150
2008	\$18,975
2009–2011	\$19,800
2012	\$20,475
2013	\$21,075
2014	\$21,750
2015-2016	\$22,050
2017	\$23,625
2018	\$23,850
2019	\$24,675

<u>Years of substantial earnings</u>	<u>Percentage</u>
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

# Government Pension Offset

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- 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.

# Who Qualifies as a Spouse for Life Benefits?

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

# Who Qualifies for Spousal Benefits on a Deceased Worker?

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- 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

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- 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 Social Security benefit is payable because 2/3 of the public pension is more than SS

# When “WEP” and “GPO” will Not Apply

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- These provisions **ONLY APPLY** when the non-covered 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

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- If you are under full retirement age for the entire year, we deduct \$1 from your benefit payments for every \$2 you earn above the annual limit.
- For 2019 that limit is **\$17,640**.
- In the year you reach full retirement age, we deduct \$1 in benefits for every \$3 you earn above a different limit, but we only count earnings before the month you reach your full retirement age.
- If you will reach full retirement age in 2019, the limit on your earnings for the months before full retirement age is **\$46,920**.
- From the month of Full Retirement Age there is no limit to how much you can earn.

# How To Determine Your WEP/GPO Benefit

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- Go to [ssa.gov](https://ssa.gov)
- Click on “Retirement Estimator” at the bottom of the page
- Click on “Pension Based on Work Not Covered By Social Security.”
- Click “Windfall Calculator”
- Click “Government Pension Offset Calculator”

# Open a “my Social Security Account”

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- Provide some personal information to verify your identity



The screenshot shows the 'my Social Security' account creation form. At the top left is the Social Security Administration logo. Below it, the text reads 'Please tell us who you are'. The form is divided into several sections: 'Your Name' (with subtext 'As shown on your Social Security card.') containing four input fields for First, M.I., Last, and Suffix; 'Social Security Number (SSN)' with a single input field; and 'Date of Birth' with three input fields for Month, Day, and Year. The Month field is a dropdown menu.

- Choose a username and password

# *my* Social Security Services

Before you receive benefits, you can:

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- 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 signing up for Medicare
- The Social Security retirement amounts may not be accurate

# *my* Social Security Services

If you do get benefits you can:

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

# Your Age At The Time You Elect Retirement Benefits Affects The Amount

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If you are a Worker and Retire:

- At age 62, you get a lower monthly payment
- At your full retirement age, you get your full benefit
- You get an even higher monthly payment if you work past your full retirement age
- Delaying benefits beyond full retirement age, whether working or not, increases the full 100%

# Widow or Widower Benefit Computation

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- At full retirement age, 100% of deceased worker's unreduced benefit
- At age 60, 71.5% of deceased worker's unreduced benefit
- Reduced benefits on one record at age 60, reduced or unreduced benefit on other record at age 62 or older
- Full benefits to both widow or widower and divorced widow or widower

# Medicare Coverage

- Part A – Hospital Plan
  - Covers most inpatient hospital expenses
  - 2018 Deductible \$1,364.00
- Part B – Medical Insurance
  - Covers 80% doctor bills & other outpatient medical expenses after 1st \$185.00 in approved charges
  - 2019 Standard Monthly Premium \$135.50
- Part D – Medicare Prescription Drug Plan
  - Covers a major portion of prescription drug costs for Medicare beneficiaries
  - Enroll with Medicare prescription drug provider not SSA

# Who is Eligible for Free Part A

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- 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

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- Initial Enrollment
- Special Enrollment
- General Enrollment

# Initial Enrollment Period

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

# Special Enrollment Period

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- 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
- Your employer is asked to complete a form to verify the active coverage dates
- 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, you will need to file for both Parts A and B by completing a full application with SSA

# General Enrollment Period

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- A “GEP” occurs each January through March for individuals who missed an initial or special enrollment. The coverage begins July 1<sup>st</sup> of that year
- A penalty of 10% is imposed for each year you should have applied for Part B, but did not
- The penalty is added to the base premium that year and remains for life.

# What do I do now if?

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- **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 65<sup>th</sup> birthday month. Medicare is effective on the 1<sup>st</sup> 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 65<sup>th</sup> birthday.

# What do I do now if?

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- **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 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 do I do now if I'm over 65 and my active plan is ending?

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- **I have Part A only:**

- Contact SS 2-3 months before you or your spouse retires and request “Special Enrollment” forms to be completed and returned to Social Security.

- **I never signed up for Part A or 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 Part A and B.

**Medicare begins the month you go from active to retiree status and there is no lapse in coverage and no penalty.**

# How will it work?

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- Medicare Part A and B will be the foundation of your coverage. The “supplemental plan **through the Town of Saugus or Saugus Housing** will complete your coverage.
- The 2 plans will work together to provide a comprehensive package of coverage.
- Medicare Part A & Part B = 80%
- Supplement = 20%

# Things to Remember

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- 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 Part A and B 3 months before your 65<sup>th</sup> 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.**

# Social Security Links

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- Web pages for “WEP” and “GPO”:  
<https://www.ssa.gov/planners/retire/gpo-wep.html>
- Web page for GPO reporting form (SSA-3885):  
<https://www.ssa.gov/forms/ssa-3885.pdf>
- Web page for WEP reporting form (SSA-150):  
<https://www.ssa.gov/forms/ssa-150.pdf>
- Medicare Part B forms for working past age 65:  
<https://secure.ssa.gov/apps10/poms/images/Other/G-CMS-L564.pdf>

# Social Security's Online Services

[www.ssa.gov](http://www.ssa.gov)

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## Online Services for Before and 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