

Social Security and MA Public Pensions

What You and Your Members Need to Know

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Prepared by 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 employees about these issues**

What Employees 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.

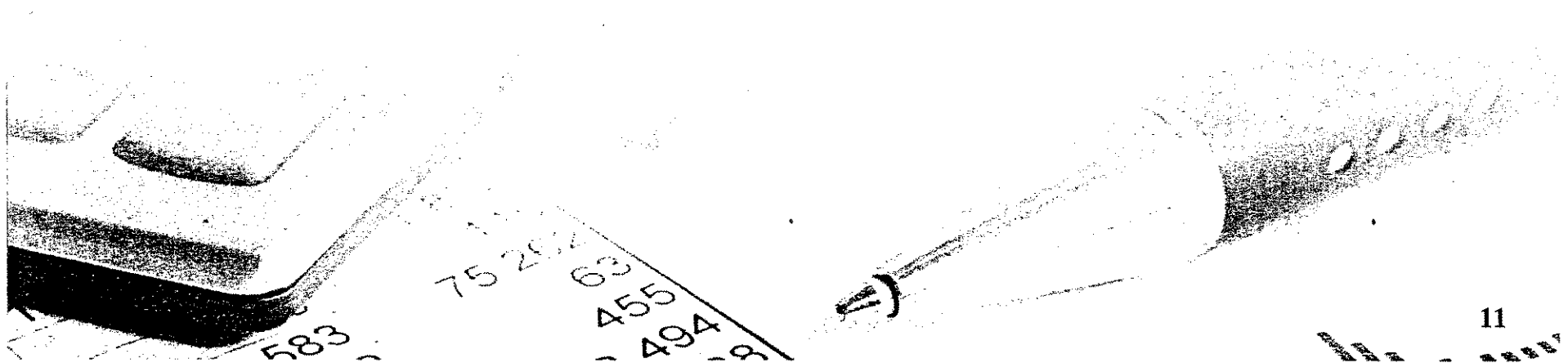
How Social Security Determines Your Benefit

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

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

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 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 2015 is \$413.)**

Exceptions to the Windfall

- **Age 62 by 1/86**
- **Eligible for non-covered pension by 1/86**
- **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”?

- **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 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.**

Who Qualifies as a Spouse for Life Benefits?

- **At least age 62**
- **Currently married to the worker**
- **Divorced from 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?

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

When “WEP” and “GPO” will Not Apply

- **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

You Can If You Make More,
If You Are Make Up To Some Benefits Will
Be Withheld

Under Full

Retirement Age \$15,720/yr. (\$1,310/mo.) \$1 for every \$2

The Year Full Retirement

Age is Reached \$ 41,880/yr. (\$3,490/mo.) \$1 for every \$3

**From the month of Full Retirement Age there is no
limit to how much you can earn!**

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.



Create an Account

Verify your Identity Secure your Identity Create your Account

Please tell us who you are

Your Name:
As shown on your Social Security card

First M.I. Last Suffix



Create an Account

Verify your Identity Secure your Identity Create your Account

Please create your account details

Username:

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 signing up for Medicare**
- **The Social Security retirement amounts 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; and**
- **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:

- **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

- **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 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**

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?

- **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 employer plan at 65**
- **Those not covered under a working spouse’s plan**

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.)

- **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

- **A “GEP” occurs each Jan. through March for individuals who missed an initial or special enrollment. The coverage begins July 1st 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...?

- **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 do I do now 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 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, my active plan is ending and...?

- **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.

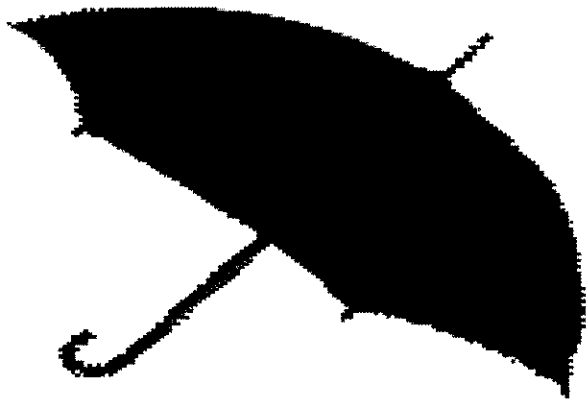
I never signed up for Part A or B:

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

- Medicare A and B will be the foundation of your coverage. The “supplemental plan **through your city/town/municipality** will complete your coverage.
- The 2 plans will work together to provide a comprehensive package of coverage.
- Medicare A+B = 80% Supplement = 20%



Medicare B Income Related Monthly Adjusted Amount (“IRMAA”)

Single	Married filing jointly	IRMAA Amount	Total monthly Premium
Less than or equal to \$85K	Less than or equal to \$170K	\$0.00	\$104.90
>\$85K up through \$107K	>\$170K up through \$214K	\$42.00	\$146.90
>\$107K up through \$160K	>\$214K up through \$320K	\$104.90	\$209.80
>\$160K up through \$214K	>\$320K up through \$428K	\$167.80	\$272.70
Greater than \$214K	Greater than \$428K	\$230.80	\$335.70

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 A and B 3 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**