

Social Security Seminar for Public Employees

Social Security Administration

1

30 minutes from now, you'll know the answers



- Will it even be there?
- How do I qualify for Social Security?
- How are benefits figured?
- What about Medicare?

2

And those darn offsets!!!!



- One reduces your own benefit
- The other offsets any benefits you might be due on your spouse's Social Security record
- And I know you won't believe this, but I'm going to try to convince you they are **fair!!**

3

Social Security's Impact on America

- It has made an enormous difference in the lives of millions of Americans
- It has allowed families to stay together after times of crisis
- It has raised the standard of living for lower income Americans

4

Social Security is More than a Retirement Program

- Disability Insurance
- Survivors Insurance
- Philosophy 101:
Sometimes life doesn't turn out as planned!

5

Will it even be there?

- Of course! A better question to ask: How will Social Security change?
- Major Social Security reforms will be long-range and phased in over decades (i.e. affect young rather than old)

6

Low Income Americans Get a Higher Replacement Rate

- Rich people will collect Social Security too, but only about 24% of taxed earnings
- Very low earners will get a benefit that's closer to 90% of taxed earnings
- The average American will get about 40% of taxed earnings

7

Will you get something?

- Must have 40 credits (formerly called "quarters")
- That means roughly 10 years of Social Security taxed work (not consecutive)
- In 2016, earn 1 credit for each \$1,260 earned, but no more than 4/year



8

How Your Retirement Benefit is Computed

- Step 1
 - Wages are adjusted for inflation
- Step 2
 - Your highest 35 years of earnings are added together and divided by 420 months.
 - The result is the "Average Indexed Monthly Earnings" (AIME)

How Your Retirement Benefit is Computed *(cont.)*

- Step 3
 - The benefit is computed by applying a three tier computation to the "AIME"—EFFECTIVE 01/201
 - 90% of first \$826
 - 32% of next \$4980
 - 15% of remainder

Example:

AIME = \$1500



■ 90% X 826	=	743.40
■ 32% X 674	=	215.68
■ 15% X 0	=	0
■ Primary Insurance Amount		959.00

Replacement Rates



Low Income Worker: 55 - 90%



Average Income Worker: 40%



Upper Income Worker: 25%

Public employees look "poor"

- The addition of all those "zero" years gives us an artificially low average wage
- So our computer thinks we're poor and gives us the 90% rate of return



13

But we're not "poor"



- A public employee is not the kind of low-income worker the weighted benefit formula is trying to compensate
- We're an average paid worker and should get rate of return for average Americans

14

Windfall Elimination Provision

Standard Computation

WEP Computation

- | | |
|----------------------|----------------------|
| ■ 90% of first \$826 | ■ 40% of first \$826 |
| ■ 32% of next \$4980 | ■ 32% of next \$4980 |
| ■ 15% of remainder | ■ 15% of remainder |

Example:



AIME = \$1500

40%			=	330.40
90%	X	826	=	743.40
32%	X	674	=	215.68
15%	X	0	=	0
■ Primary Insurance Amount				959.00
				546.00

Exception To The Windfall Formula

Years of Coverage	% Formula
30 or more	90
29	85
28	80
27	75
26	70
25	65
24	60
23	55
22	50
21	45

Substantial Social Security Wages for Exception

Year	Substantial earnings	Year	Substantial earnings
1937-1954	\$900	1991	\$9,900
1955-1958	\$1,050	1992	\$10,350
1959-1965	\$1,200	1993	\$10,725
1966-1967	\$1,650	1994	\$11,250
1968-1971	\$1,950	1995	\$11,325
1972	\$2,250	1996	\$11,625
1973	\$2,700	1997	\$12,150
1974	\$3,300	1998	\$12,675
1975	\$3,525	1999	\$13,425
1976	\$3,825	2000	\$14,175
1977	\$4,125	2001	\$14,925
1978	\$4,425	2002	\$15,750
1979	\$4,725	2003	\$16,125
1980	\$5,100	2004	\$16,275
1981	\$5,550	2005	\$16,725
1982	\$6,075	2006	\$17,475
1983	\$6,675	2007	\$18,150
1984	\$7,050	2008	\$18,975
1985	\$7,425	2009-2011	\$19,800
1986	\$7,875	2012	\$20,475
1987	\$8,175	2013	\$21,075
1988	\$8,400	2014	\$21,750
1989	\$8,925	2015	\$22,050
1990	\$9,525		

***WEP Guarantee:
Amount of reduction can never
exceed
one half of the public pension
amount***

19



Who Can Get a *Statement* Online?

You must be at least 18 years old and have:

- **A valid E-mail address;**
- **A Social Security number; and**
- **A U.S. mailing address.**

How Do I Get My *Statement* Online?

To get your *Statement* online, you must first create a *my* Social Security account with us. Once you have an account, you can view your *Social Security Statement* at any time.

Sign In or Create an Account

New Users

You must be able to verify some information about yourself and:

- Have a valid email address.
- Have a Social Security Number.
- Have a U.S. mailing address and be at least 15 years of age.



[Create An Account](#) [Learn More](#)

Existing Users

Username:

[Forgot Username](#)

Password:

[Forgot Password](#)

Social Security
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Information For Government Employees

Some federal employees and employees of state or local government agencies may be eligible for pensions that are based on earnings not covered by Social Security.

If you don't pay Social Security taxes on your government earnings and you are eligible for Social Security benefits, the formula used to figure your benefit amount may be modified, giving you a lower Social Security benefit.

If You Are Eligible For Social Security Benefits On Your Own Record

- The "How It Works" section of the [Windfall Elimination Provision \(WEP\)](#) fact sheet explains the formula Social Security may use to modify your benefit amount.

Note: State government pensions do not affect your benefit amount when you apply on your own record.

- How the Windfall Elimination Provision Can Affect Your Social Security Benefit provides a chart to show how your benefit amount changes based on your years of substantial earnings and the year you became eligible for benefits.

Note: You can find a table that lists the amount of substantial earnings for each year at the bottom of the second page of our [Windfall Elimination Provision \(WEP\)](#) fact sheet.

- Use the [WEP Online Calculator](#) to calculate your estimated retirement or disability benefits if you are affected by the WEP.

Related information

- [Plan Your Retirement](#)
- [Federal Government Employment](#)
- [State And Local Government Employment](#)
- [Examples: How The Windfall Elimination Provision Can Affect Your Social Security Benefit](#)
- [R's employment at Federal Service](#)

Publications

- [Special Payments After Retirement \(S\)](#)
- [How Work Affects Your Benefits \(S\)](#)

Two Important Points

- If you have 40/more credits ("quarters") you will definitely get a SS check
- But if you have paid SS taxes for fewer than 30 years, your benefit will be adjusted (and your Social Security statement is wrong)



26

Government Pension Offset

- Applies to Spouses and Widow(er) benefits only
- Two thirds of the amount of the government pension will be used to reduce the Social Security Spouses/Widow(er) benefit
 - Example
 - 2/3 of a \$900 government pension = \$600
 - If spouses benefit = \$900
 - Spouses benefit = \$300

Key to understanding GPO



- Understanding that "dependents" benefits should be paid to someone who is "dependent"
- Consider history of spouse's benefits under Social Security

28

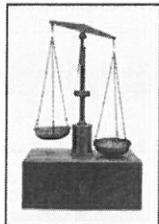
Before GPO...

- Tom & Sue paid SS
- Tom gets \$1000 SS
- Sue gets \$1000 SS
- Sue can't get wife's benefit because her own SS "offsets" it
- Law recognizes that Sue was not dependent on Tom
- Al paid SS & Ann was a teacher
- Al gets \$1000 SS
- Ann gets \$1000 PERS
- We also paid Ann \$500 in SS wife's benefits!
- Old law didn't see Ann not dependent

29

GPO ensures fairness...

- It treats Ann, the teacher, the same way we treat Sue, the non-teacher
- It says you can't get a dependent's benefit unless you truly are dependent



30

Medicare & Public Employees

- Even if not paying Social Security tax, some of you are paying Medicare tax
- If SS reduced (WEP), Medicare is not
- Those who don't pay Medicare tax may get it on a spouse's SS record
- You will get Medicare on spouse's record even if your cash benefit is offset (GPO)

31

What is Medicare?

- Hospital Insurance (Part A)
- Medical Insurance (Part B)
- Medicare Advantage Plans (Part C)
- Prescription Drug Insurance (Part D)

32

Part A

- **In general Part A covers:**
 - **Hospital care**
 - **Skilled nursing facility care**
 - **Nursing home care (as long as custodial care isn't the only care you need)**
 - **Hospice**
 - **Home health service**

33

In Patient Hospital Coverage

- Hospital Deductible: \$1288
- Coinsurance: Day 61-90: \$322 per day
- Lifetime Guarantee days (60): \$644 per day
- After day 150: NO COVERAGE!

Premium if not insured=\$411/mo.

34

Part B

- **Medically necessary services:**
Services or supplies that are needed to diagnose or treat your medical condition and that meets accepted standards of medical practice
- **Preventive services:** Health care to prevent illness (like the flu) or detect it at an early stage, when treatment is most likely to work best

35

2016 Costs at a Glance

- Part B premium: Most people pay \$121.80 each month
(Hold Harmless Provision \$104.90)
- Part B deductible: \$166 per year

36

Medicare Enrollment Periods

- IEP - Initial Enrollment Period
- GEP - General Enrollment Period
- SEP - Special Enrollment Period

Wealthier Seniors will Pay More for their Part B in 2016

Beneficiaries who file an individual tax return with income:	Beneficiaries who file a Joint tax return with income:	Income Related Monthly Adjustment amount	Total Monthly Premium amount
Less than or equal to \$85,000	Less than or equal to \$170,000	\$0.00	\$121.80
Greater than \$85,000 and less than or equal to \$107,000	Greater than \$170,000 and less than or equal to \$214,000	\$48.70	\$170.50
Greater than \$107,000 and less than or equal to \$160,000	Greater than \$214,000 and less than or equal to \$320,000	\$121.80	\$243.60
Greater than \$160,000 and less than or equal to \$214,000	Greater than \$320,000 and less than or equal to \$428,000	\$194.90	\$316.70
Greater than \$214,000	Greater than \$428,000	\$268.00	\$389.80

And Now There's Part D!

- When you become eligible for Medicare, you can purchase Part D Prescription Drug Plans
- You want to sign up when first eligible, or you will pay more
- Program is voluntary
- www.medicare.gov "compare prescription drug plans"



The Affordable Care Act and You

- **President Obama signed the Affordable Care Act into law March 23, 2010.**
- **Key parts of the Affordable Care Act took effect January 1, 2014.**
- **Every plan will offer comprehensive coverage – from doctors’ visits to medications to hospital visits.**
- **If your employer doesn’t offer health insurance, you can buy insurance directly at the “Marketplace,” available at www.healthcare.gov.**

The Affordable Care Act

- **Open enrollment period for 2015 is November 15, 2014 through February 15, 2015.**
- **If you have 2014 Marketplace coverage and don’t do anything, you will automatically be enrolled in the same plan you had in 2014 or a similar plan, and your coverage will start on January 1, 2015.**
- **Visit the Health Insurance Marketplace at www.HealthCare.gov now to get information about how the Affordable Care Act can help you.**
- **You may call the following toll free number to get your Marketplace questions answered by a customer service representative available 24/7: 1-800-318-2596 (TTY:1-855-889-4325).**

www.healthcare.gov



Thank you.

47
