Social Security Information

When you retire from the City, there are two provisions of Federal law that may reduce your social security benefits.

The Government Pension offset – effects your spousal benefits. The formula is: 2/3 of your pension from the city is used to offset your spousal social security benefit.

The Windfall Elimination Provision – effects your own social security benefits. A different formula is used to calculate your social security resulting in a reduction in benefits.

There are exceptions. *Please refer to the attached social security handouts for complete information regarding these regulations*.

Retirement before age 65
You must enroll in both Medicare A & B within 3 months of age 65 to ensure coverage at 65. Medicare becomes the primary payer at age 65. Failure to do this results in a penalty and a restricted enrollment period.

You should speak directly with a Claims Representative for information regarding your social security benefits. These are the individuals that actually calculate your benefits and have the most accurate information.

Information on the nearest Social Security Office is as follows:

Office Address:

- SUITE 4208
- 439 SOUTH UNION STREET
- LAWRENCE , MA 01843

Office Phone:

- (800) 772-1213
- (978) 686-6171
- TTY: (978) 794-9696

Office Hours:

- MONDAY - FRIDAY:09:00 AM - 04:00 PM

Directions to our office:

- LOCATED IN HERITAGE PLACE
  NEAR INTERSECTION OF WINTHROP AVE RT 114 & S UNION ST
  NEAR REGISTRY OF MOTOR VEHICLES-**BUS RT 39B**

www.socialsecurity.gov

Government Pension Offset

A law that affects spouses and widows or widowers

If you receive a pension from a federal, state or local government based on work where you did not pay Social Security taxes, your Social Security spouse's or widow's or widower's benefits may be reduced. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

Your Social Security benefits will be reduced by two-thirds of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be deducted from your Social Security benefits. For example, if you are eligible for a $500 spouse's, widow's or widower's benefit from Social Security, you will receive $100 per month from Social Security ($500 – $400 = $100).

If you take your government pension annuity in a lump sum, Social Security still will calculate the reduction as if you chose to get monthly benefit payments from your government work.

Why will my Social Security benefits be reduced?

Benefits we pay to wives, husbands, widows and widowers are "dependent's" benefits. These benefits were established in the 1930s to compensate spouses who stayed home to raise a family and who were financially dependent on the working spouse. But as it has become more common for both spouses in a married couple to work, each earned his or her own Social Security retirement benefit. The law has always required that a person's benefit as a spouse, widow or widower be offset dollar for dollar by the amount of his or her own retirement benefit.

In other words, if a woman worked and earned her own $800 monthly Social Security retirement benefit, but she also was due a $500 wife's benefit on her husband's Social Security record, we could not pay that wife's benefit because her own Social Security benefit offset it. But, before enactment of the Government Pension Offset provision, if that same woman was a government employee who did not pay into Social Security, and who earned an $800 government pension, there was no offset, and we were required to pay her a full wife's benefit in addition to her government pension.

If this government employee's work had instead been subject to Social Security taxes, any Social Security benefit payable as a spouse, widow or widower would have been reduced by the person's own Social Security retirement benefit. In enacting the Government Pension Offset provision, Congress intended to ensure that when determining the amount of spousal benefit, government employees who do not pay Social Security taxes would be treated in a similar manner to those who work in the private sector and do pay Social Security taxes.

When won't my Social Security benefits be reduced?

Generally, your Social Security benefits as a spouse, widow or widower will not be reduced if you:

- Are receiving a government pension that is not based on your earnings; or
- Are a federal (including Civil Service Offset), state or local government employee whose government pension is based on a job where you were paying Social Security taxes; and
  - —you filed for and were entitled to spouse's, widow's or widower's benefits before April 1, 2004; or
  - —your last day of employment (that your pension is based on) is before July 1, 2004; or

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—you paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain conditions, fewer than 60 months may be required for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

Also, there are other situations where Social Security benefits as a spouse, widow or widower will not be reduced; for example, if you:

- Are a federal employee who elected to switch from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and
  - —you filed for and were entitled to spouse's, widow's or widower's benefits before April 1, 2004; or
  - —your last day of service (that your pension is based on) is before July 1, 2004; or
  - —you paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
- Received or were eligible to receive a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received or were eligible to receive a federal, state or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

Note: *A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.*

What about Medicare?

Even if you do not receive cash benefits based on your spouse's work, you still can get Medicare at age 65 on your spouse's record if you are not eligible for it on your own record.

Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse or widow or widower. However, your own benefits may be reduced because of another provision of the law. For more information, ask for *Windfall Elimination Provision* (Publication No. 05-10045).

Contacting Social Security

For more information and to find copies of our publications, visit our website at ***www.socialsecurity.gov*** or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

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Windfall Elimination Provision

2012

Your Social Security retirement or disability benefits may be reduced

If you work for an employer who does not withhold Social Security taxes from your salary, such as a government agency or an employer in another country, the pension you get based on that work may reduce your Social Security benefits.

The Windfall Elimination Provision affects how the amount of your retirement or disability benefit is calculated if you receive a pension from work where Social Security taxes were not taken out of your pay. A modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit than you otherwise would receive.

When your benefits may be affected

The Windfall Elimination Provision primarily affects you if you earned a pension in any job where you did not pay Social Security taxes and you also worked in other jobs long enough to qualify for a Social Security retirement or disability benefit.

For example, this provision affects Social Security benefits when any part of a person's federal service after 1956 is covered under the Civil Service Retirement System (CSRS). However, federal service where Social Security taxes are withheld (Federal Employees' Retirement System) will not reduce your Social Security benefit amounts.

The Windfall Elimination Provision may apply if:

- You reached 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you did not pay Social Security taxes after 1985, even if you are still working.

Why a different formula is used

Social Security benefits are intended to replace only a percentage of a worker's pre-retirement earnings. The way Social Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked mainly in a job not covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job where they did not pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

How it works

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. We separate your average earnings into three amounts and multiply the amounts using three factors. For example, for a worker who turns 62 in 2012, the first $767 of average monthly earnings is multiplied by 90 percent; the next $3,857 by 32 percent; and the remainder by 15 percent. The sum of the three amounts equals the total monthly payment amount.

The 90 percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989. For those who reach 62 or became disabled in 1990 or later, the 90 percent factor is reduced to 40 percent.

There are exceptions to this rule. For example, the 90 percent factor is not reduced if you have 30 or more years of "substantial" earnings in a job where you paid Social Security taxes. See the first table that lists the amount of substantial earnings for each year.

The second table shows the percentage used depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent.

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To see the maximum amount your benefit could be reduced, visit ***www.socialsecurity.gov/retire2/wep-chart.htm***.

Some exceptions...

The Windfall Elimination Provision does not apply if:

- You are a federal worker first hired after December 31, 1983;
- You were employed on December 31, 1983, by a nonprofit organization that did not withhold Social Security taxes from your pay at first, but then began withholding Social Security taxes from your pay;
- Your only pension is based on railroad employment;
- The only work you did where you did not pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision does not apply to survivors benefits. However, benefits may be reduced for widows or widowers because of another provision of the law. Ask for *Government Pension Offset* (Publication No. 05-10007).

...and a guarantee

If you get a relatively low pension, you are protected. The reduction in your Social Security benefit cannot be more than one-half of the amount of your pension that is based on earnings after 1956 on which you did not pay Social Security taxes.

Contacting Social Security

For more information and to find copies of our publications, visit our website at ***www.socialsecurity.gov*** or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

Year	Substantial earnings
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

Year	Substantial earnings
1989	$8,925
1990	$9,525
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

Years of substantial earnings	Percentage
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

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Your Retirement Benefit: How It Is Figured

2012

As you make plans for your retirement, you may ask, "How much will I get from Social Security?" You can use the Retirement Estimator at ***www.socialsecurity.gov/estimator*** to find out how much you might receive.

Many people wonder how their benefit is figured. Social Security benefits are based on your lifetime earnings. Your actual earnings are adjusted or "indexed" to account for changes in average wages since the year the earnings were received. Then Social Security calculates your average indexed monthly earnings during the 35 years in which you earned the most. We apply a formula to these earnings and arrive at your basic benefit, or "primary insurance amount" (PIA). This is how much you would receive at your full retirement age—65 or older, depending on your date of birth.

On the back of this page is a worksheet you can use to estimate your retirement benefit if you were born in 1950. It is only an estimate; for specific information, talk with a Social Security representative.

Factors that can change the amount of your retirement benefit

- *You choose to get benefits before your full retirement age.* You can begin to receive Social Security benefits as early as age 62, but at a reduced rate. Your basic benefit will be reduced by a certain percentage if you retire before reaching full retirement age.
- *You are eligible for cost-of-living benefit increases starting with the year you become age 62.* This is true even if you do not get benefits until your full retirement age or even age 70. Cost-of-living increases are added to your benefit beginning with the year you reach 62 up to the year you start receiving benefits.
- *You delay your retirement past your full retirement age.* Social Security benefits are increased by a certain percentage (depending on your date of birth) if you delay receiving benefits until after your full retirement age. If you do so, your benefit amount will be increased until you start taking benefits or you reach age 70.
- *You are a government worker with a pension.* If you also get or are eligible for a pension from work where you did not pay Social Security taxes (usually a government job), a different formula is applied to your average indexed monthly earnings. To find out how the Windfall Elimination Provision (WEP) affects your benefits, go to ***www.socialsecurity.gov/gpo-wep*** and use the WEP online calculator. You also can review the WEP fact sheet to find out how your benefit is figured. Or, you can contact Social Security and ask for *Windfall Elimination Provision* (Publication No. 05-10045).

You may find a more detailed explanation about how your retirement benefit is calculated in the *Annual Statistical Supplement, 2010, Appendix D.* The publication is available on the Internet at ***www.socialsecurity.gov/policy/docs/statcomps/supplement*** or you can order a paper copy by writing to the Government Printing Office, P.O. Box 371954, Pittsburgh, PA 15250-7954.

Contacting Social Security

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Estimating your Social Security retirement benefit

For workers born in 1950 (people born in 1950 become age 62 in 2012 and are eligible for a benefit)

This worksheet shows how to estimate the Social Security monthly retirement benefit you would be eligible for at age 62 if you were born in 1950. It also allows you to estimate what you would receive at age 66, your full retirement age, **excluding any cost-of-living adjustments for which you may be eligible.** If you continue working past age 62, your additional earnings could increase your benefit. People born after 1950 can use this worksheet, but their actual benefit may be higher due to additional earnings and benefit increases. If you were born before 1950, please go online at ***www.socialsecurity.gov*** or contact us for your worksheet.

Step 1: Enter your actual earnings in Column B, but not more than the amount shown in Column A. If you have no earnings, enter "0."

Step 2: Multiply the amounts in Column B by the index factors in Column C, and enter the results in Column D. This gives you your indexed earnings, or the approximate value of your earnings in current dollars.

Step 3: Choose from Column D the 35 years with the highest amounts. Add these amounts. $_________

Step 4: Divide the result from Step 3 by 420 (the number of months in 35 years). Round down to the next lowest dollar. This will give you your average indexed monthly earnings. $_________

Step 5: a. Multiply the first $767 in Step 4 by 90%. $_________

b. Multiply the amount in Step 4 over $767 and less than or equal to $4,624 by 32%. $_________

c. Multiply the amount in Step 4 over $4,624 by 15%. $_________

Step 6: Add a, b and c from Step 5. Round down to the next lowest dollar. This is your estimated monthly retirement benefit at age 66, your full retirement age. $_________

Step 7: Multiply the amount in Step 6 by 75%. This is your estimated monthly retirement benefit if you retire at age 62. $_________

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1951	$3,600		14.89	
1952	3,600		14.02	
1953	3,600		13.27	
1954	3,600		13.21	
1955	4,200		12.62	
1956	4,200		11.80	
1957	4,200		11.44	
1958	4,200		11.34	
1959	4,800		10.81	
1960	4,800		10.40	
1961	4,800		10.20	
1962	4,800		9.71	
1963	4,800		9.48	
1964	4,800		9.11	
1965	4,800		8.95	
1966	6,600		8.44	
1967	6,600		7.99	
1968	7,800		7.48	
1969	7,800		7.07	
1970	7,800		6.74	
1971	7,800		6.41	
1972	9,000		5.84	
1973	10,800		5.50	
1974	13,200		5.19	
1975	14,100		4.83	
1976	15,300		4.52	
1977	16,500		4.26	
1978	17,700		3.95	
1979	22,900		3.63	
1980	25,900		3.33	
1981	29,700		3.03	

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1982	32,400		2.87	
1983	35,700		2.73	
1984	37,800		2.58	
1985	39,600		2.48	
1986	42,000		2.41	
1987	43,800		2.26	
1988	45,000		2.16	
1989	48,000		2.07	
1990	51,300		1.98	
1991	53,400		1.91	
1992	55,500		1.82	
1993	57,600		1.80	
1994	60,600		1.75	
1995	61,200		1.69	
1996	62,700		1.61	
1997	65,400		1.52	
1998	68,400		1.44	
1999	72,600		1.37	
2000	76,200		1.30	
2001	80,400		1.27	
2002	84,900		1.25	
2003	87,000		1.22	
2004	87,900		1.17	
2005	90,000		1.13	
2006	94,200		1.08	
2007	97,500		1.03	
2008	102,000		1.01	
2009	106,800		1.02	
2010-2011	106,800		1.00	

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