



SOCIAL SECURITY

Social Security and Your Pension

**Insurance and More Seminar
Monday, August 17, 2009**

Presenters

Paul Cordes, Assistant District Manager

Barb Harrod, Technical Expert

Joliet, Illinois

What we will cover

- **Brief history**
- **Our current beneficiaries and the Boomers**
- **Trust Fund Solvency**
- **Retirement and the Windfall Elimination Provision/Government Pension Offset**
- **When it's time to file**
- **Medicare**

History - Social Security's Programs

1935

**Retirement
Insurance**

1939

**Survivors
Insurance**

1956

**Disability
Insurance**

Other Programs

1965

Medicare

1972

**Supplemental
Security
Income**

2003

**Medicare
Part D**

A Foundation for Planning Your Future



Who Gets Benefits from Social Security?

50 million people

7.1 million Disabled Workers,
1.8 million Dependents

4.6 million
Widows/ Widowers

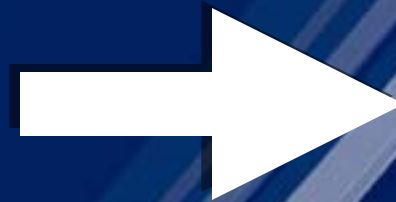
1.9 million
Children of
Deceased Workers

31.5 million Retired Workers
2.9 million Dependents

2/2008

Who Pays for Social Security?

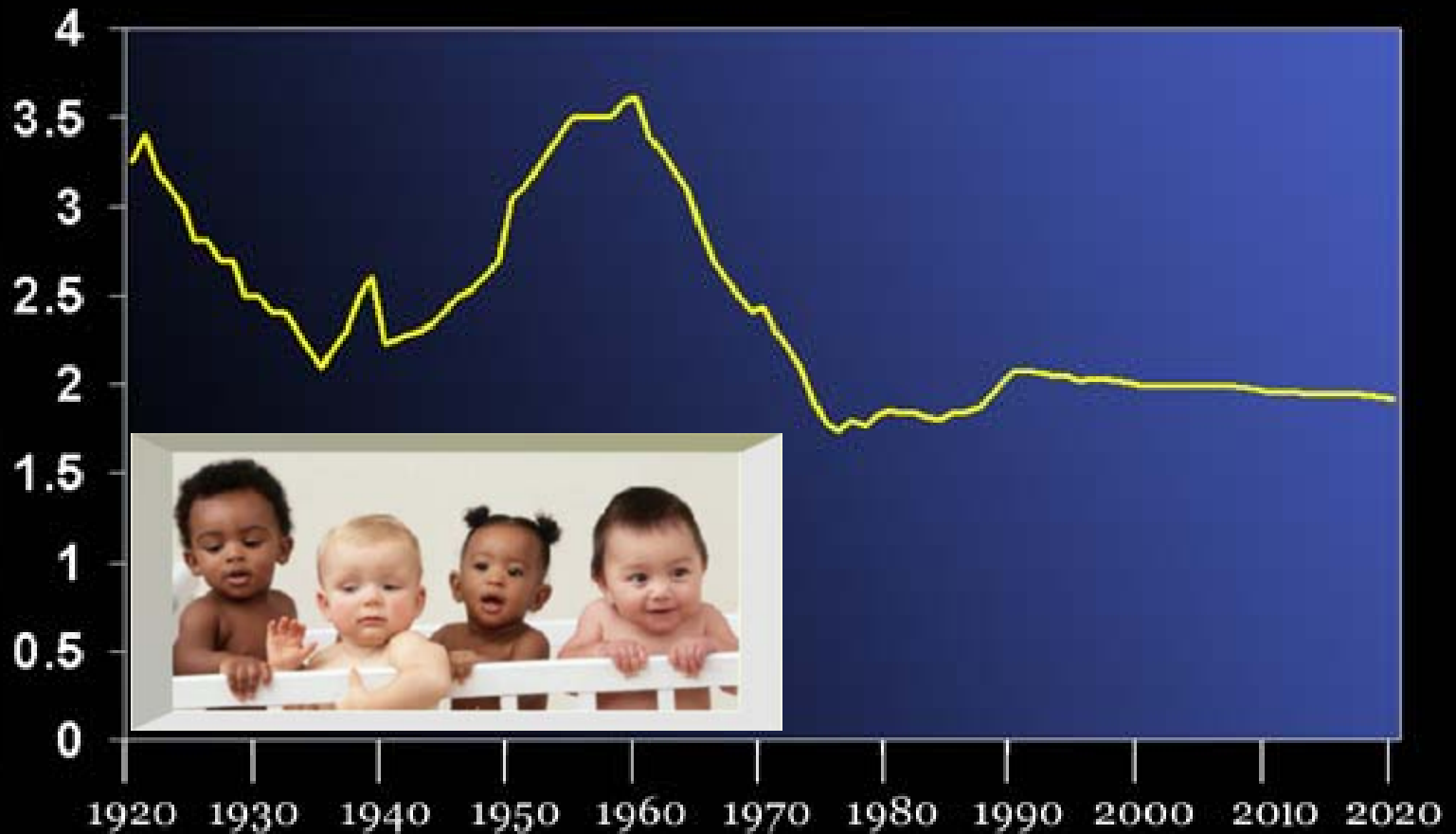
**Workers
&
Employers**



**Payments
to
Beneficiaries**

U.S. Birth Rate 1920-2020

Children Per Woman



The Number of Workers per Beneficiary is Decreasing

5

1960

3

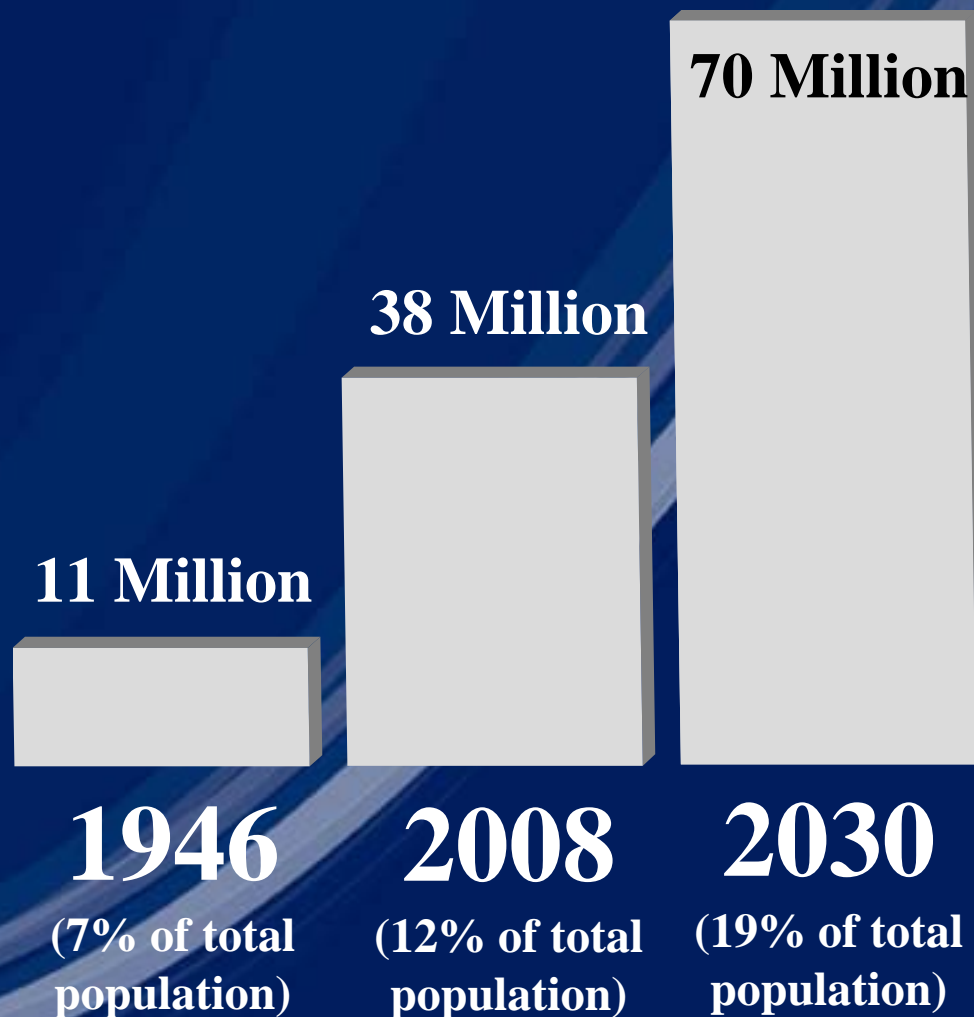
2008

2

2030

America Is Getting Older

U.S. Population Age 65 & Older



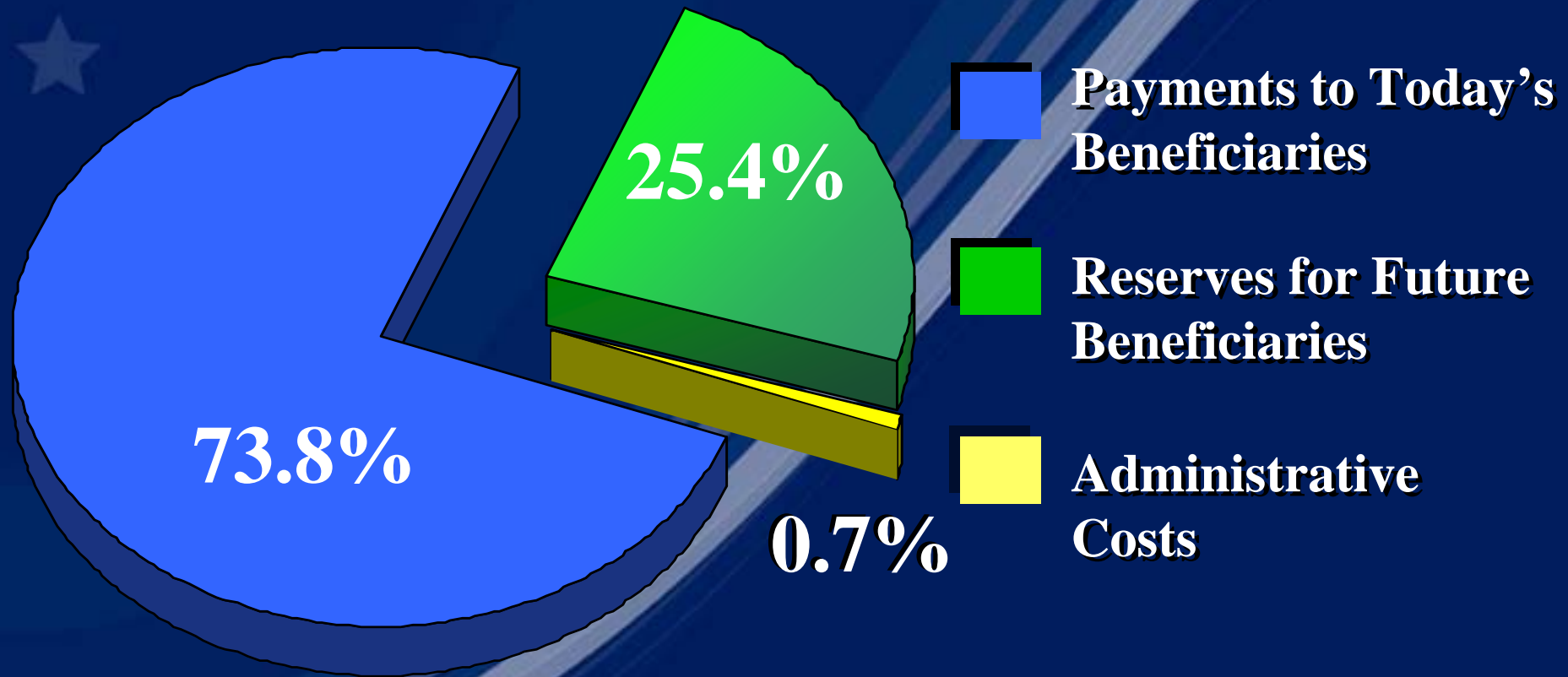
Life Expectancy for Those Age 65 Today

	Men	Women
U.S. Population	81	85
White	80	84
African Americans	79	83
Hispanic	85	88
Asian	84	88
American Indians	84	88

Social Security Cost-of-Living Adjustments

Effective Date	Amount	Effective Date	Amount
June 1975	8%	Dec 1992	3%
June 1976	6.4%	Dec 1993	2.6%
June 1977	5.9%	Dec 1994	2.8%
June 1978	6.5%	Dec 1995	2.6%
June 1979	9.9%	Dec 1996	2.9%
June 1980	14.3%	Dec 1997	2.1%
June 1981	11.2%	Dec 1998	1.3%
June 1982	7.4%	Dec 1999	2.5%
Dec 1983	3.5%	Dec 2000	3.5%
Dec 1984	3.5%	Dec 2001	2.6%
Dec 1985	3.1%	Dec 2002	1.4%
Dec 1986	1.3%	Dec 2003	2.1%
Dec 1987	4.2%	Dec 2004	2.7%
Dec 1988	4%	Dec 2005	4.1%
Dec 1989	4.7%	Dec 2006	3.3%
Dec 1990	5.4%	Dec 2007	2.3%
Dec 1991	3.7%	Dec 2008	5.8%

How Is Social Security Income Spent?



Where Does the Money Come From?

Social Security Trust Fund 2008



Payroll Tax

84%

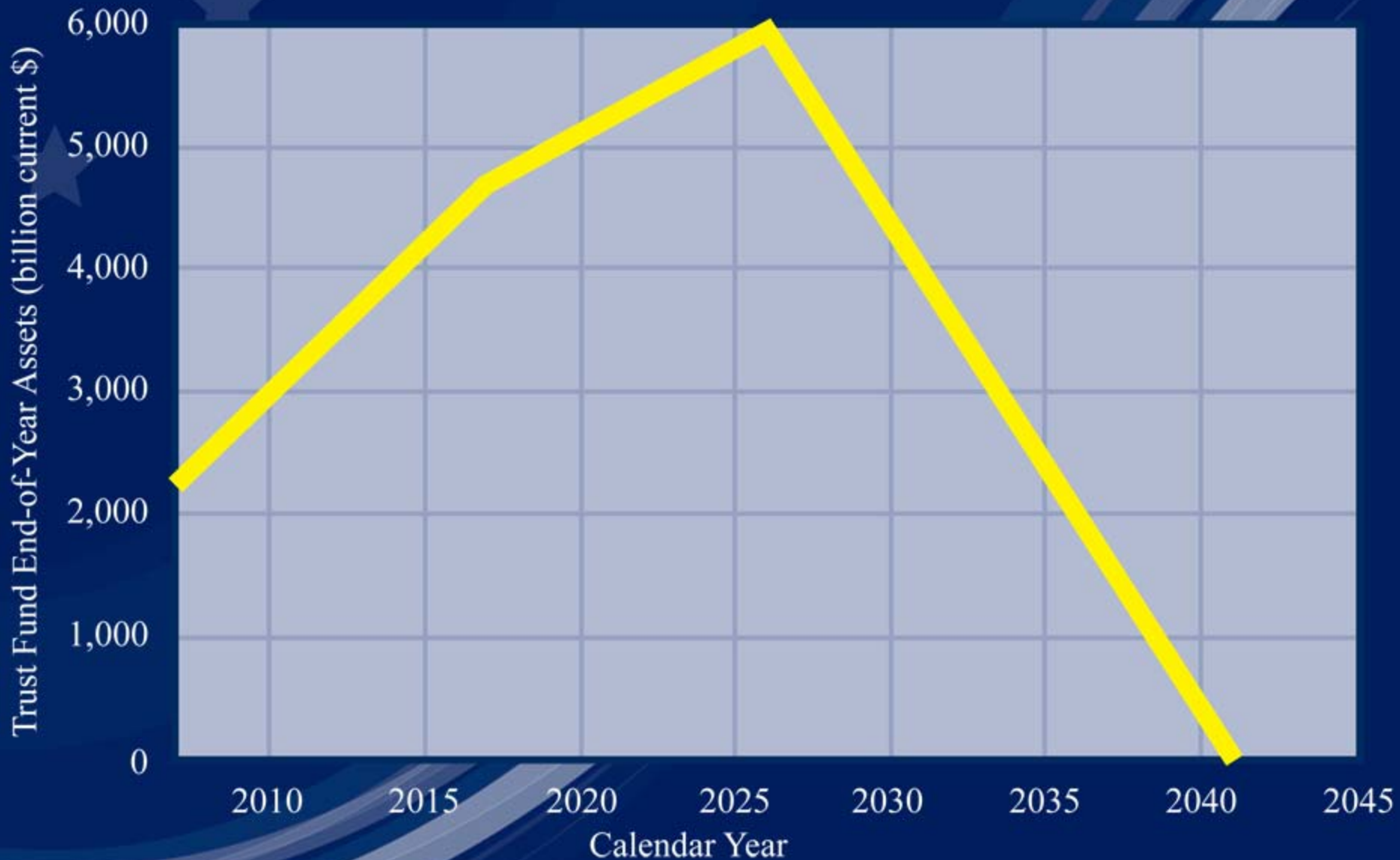
Trust Fund Interest

14%

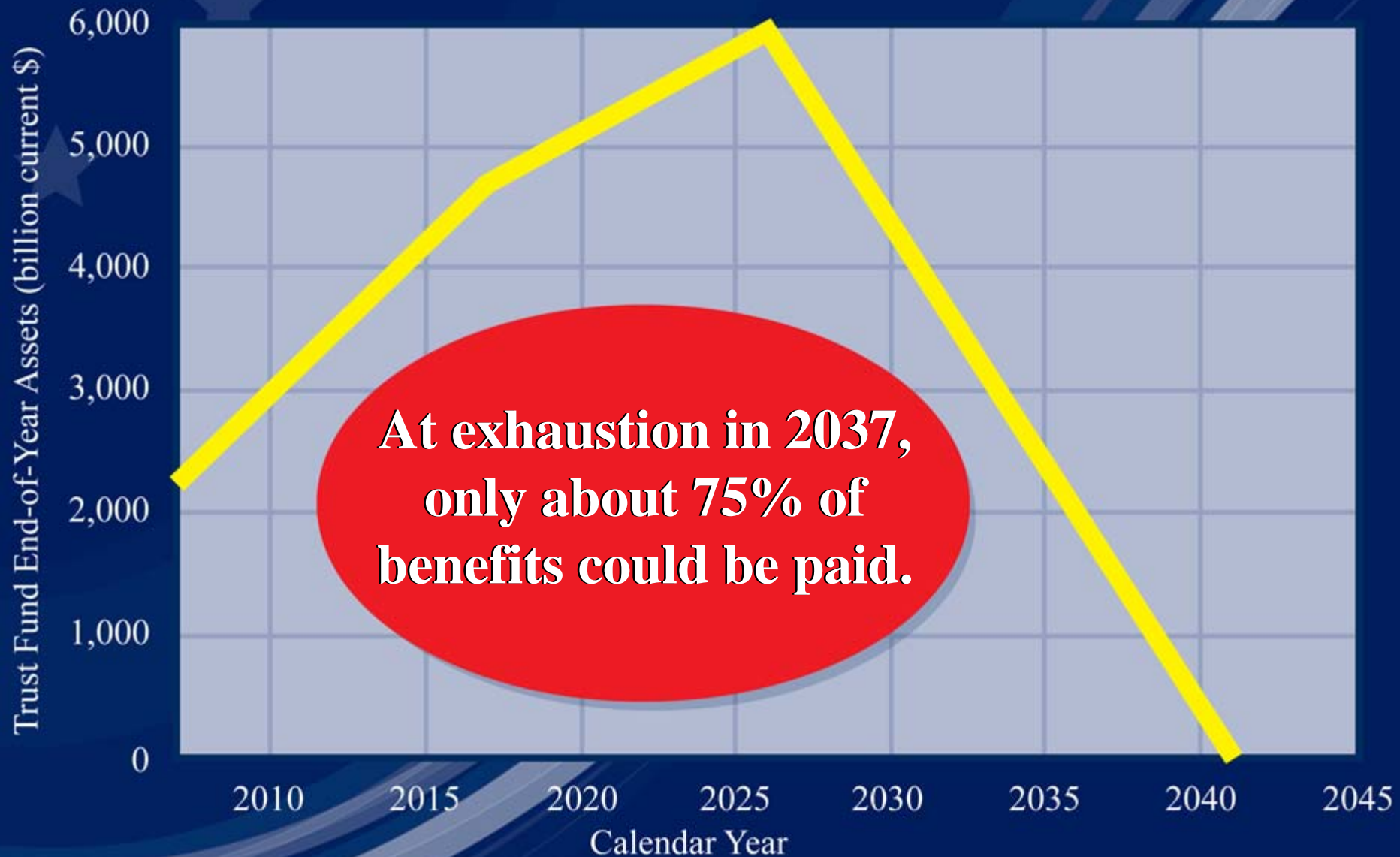
Taxation of Benefits

2%

In 2016, Social Security Will Begin Paying More in Benefits than is Collected in Taxes



In 2016, Social Security Will Begin Paying More in Benefits than is Collected in Taxes



Retirement Benefits



You Need to Work to Earn Social Security Credits

- **Each \$1,090 in earnings gives you one credit**
- **You can earn a maximum of 4 credits per year**



Example: To earn 4 credits in 2009, you must earn at least \$4,360. Earning 40 credits throughout your working life will qualify you for a retirement benefit.

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

Your Age When You Retire Affects Your Benefits

If You're a Worker and Retire

- At age 62, you get a lower monthly payment permanently
- 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

In Addition to the Retiree, Who Else Can Get Benefits?

Your Spouse

- **At age 62**
- **At any age if caring for child under 16 or disabled**
- **Divorced spouses may qualify**

Your Child

- **Not married under 18**
(under 19 if still in high school)
- **Not married and disabled before age 22**

How Social Security Determines Your Benefit

★ Social Security benefits are based on earnings

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

Your Social Security Statement



- **If you will earn a government pension for work not covered by Social Security**
- **The benefit estimate on your Statement is probably wrong!**

Windfall Elimination Provision

Government Pension Offset

When your pension is from work not covered by Social Security, two laws may affect your Social Security benefit.

Windfall Elimination Provision (WEP) applies when you have at least 40 SS credits and are eligible for Social Security on your own work record.

Government Pension Offset (GPO) only applies to Social Security spouse/widow(ers) benefits.

A Little Background on WEP

- Why a different formula is used.
- One of the “social” goals of Social Security is to raise the standard of living for lower income workers.
- Lower income workers usually have less retirement resources and will depend more upon Social Security for living expenses.

How do we do this?

- **Lower-paid workers receive larger benefits in relation to their prior earning than do higher-paid workers.**
- **Social Security replaces a certain amount of your average yearly earnings**

What is your income group?

Average Yearly Earnings (Approximate)

<u>Rate</u>	<u>Replacement</u>
\$51,000	31%
\$39,000	39%
\$14,000	53%

What if You Don't Have 35 Years of Work Under Social Security?



- We Use Zero's!
- The result: Your average earnings are very low, making it appear you are a low income worker.....

But You Aren't!

Average Yearly Earnings (Approximate)

<u>Rate</u>	<u>Replacement</u>
\$51,000	31%
\$39,000	39%
\$14,000	53%

- So we adjust the computation to put you in the proper income group.

Windfall Elimination Provision (WEP)

Social Security benefits are figured using a modified formula for people receiving a pension from work not covered by Social Security.

Estimating your Benefit (with full WEP)

Worker age 62

We separate your average earnings into three amounts and multiply the amounts using three factors.

- First \$744 of average monthly earnings is multiplied by 90% = A
- Next \$3,739 by 32% = B
- Remainder by 15% = C
- $A+B+C =$ **Total Monthly Payment Amount**

Exception to the WEP

- Recognizes the more years of substantial earnings a person has paid Social Security taxes, the closer that person should be to the standard benefit formula.
- 30+ years = WEP doesn't apply
- 21-29 years = modified WEP
- 20 or less years = full WEP

www.socialsecurity.gov

Social Security Online - The Official Website of the U.S. Social Security Administration - Microsoft Internet Explorer provided

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Retirement | **Survivors** | **Disability** | **Supplemental Security Income (SSI)** | **Medicare**

What You Can Do Online

- Check the Status of Your Application
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Internet

Use the New Retirement Estimator

The screenshot shows the 'Benefit Calculators' section of the Social Security Online website. The page title is 'About the Retirement Estimator'. It contains three main sections: 'How the Retirement Estimator Works', 'Who Can Use the Retirement Estimator', and 'How Long Can You Stay On Each Page?'. A 'Caution' box on the right states that users cannot use the estimator if they are covered by Medicare or currently receive benefits based on their earnings or block access. A red button labeled 'Estimate Your Retirement Benefits' is also visible. At the bottom, there is a 'Continue' button and a footer with the date 'Last reviewed or modified Wednesday, Jul 23, 2008'.

How the Retirement Estimator Works

The [Retirement Estimator](#) produces estimates that are based on your actual Social Security earnings record. Retirement estimates are just that, estimates. They will vary slightly from the actual benefit you may receive in the future because:

- Your Social Security earnings record is constantly being updated.
- Our calculators use different parameters and assumptions (e.g., different stop work ages, future earnings projections, etc.), and
- Your actual future benefit will be adjusted for inflation.

Who Can Use the Retirement Estimator

You can use the [Retirement Estimator](#) if:

- You are **not** currently receiving benefits on your own Social Security record,
- You are **not** a Medicare beneficiary,
- You have enough [Social Security credits](#) at this time to qualify for benefits, and
- You are **not** eligible for a [Pension Based on Work Not Covered By Social Security](#).

How Long Can You Stay On Each Page?

For security reasons, there are time limits for viewing each page. You will receive a warning after 25 minutes without doing anything, and you will be able to extend your time on the page. After the third warning on a page, you must move to another page or your time will run out and your work on that page will be lost.

Note: If you turned JavaScript off in your browser, you will not receive these warnings. After you spend 30 minutes on a page, you must move to another page or you will be logged out.

[Continue](#)

Privacy Policy | Website Policies & Other Important Information | Site Map
Last reviewed or modified Wednesday, Jul 23, 2008

You can get estimates of your future Social Security retirement benefits using our new online Retirement Estimator.

- No manual keying of earnings is needed
- ‘What if’ scenarios are easy

It's convenient, secure and quick.

www.socialsecurity.gov/estimator



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**Estimate
Your
Retirement
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Continue

Government Pension Offset

Only applies to Social Security

- Spouse

- Widow

- Widower Benefits

Are you Dependent on Your Spouse?

- Social Security pays spouse/surviving spouse benefits to individuals dependent on their spouses.

Spousal Benefits Before GPO

Scenario 1

- Fred and Alice paid FICA
Fred gets \$1600 Social Security benefit at Full Retirement Age
- Alice gets \$1000 Social Security benefit at Full Retirement Age
- Spouse's 50% rate=\$800
- Alice can't get spouse's benefits because her own Social Security benefit is higher (offsets it)
- Law recognizes Alice is not dependent on Fred

Scenario 2

- Tom paid FICA and Ann paid into non-covered pension
- Tom gets \$1600 Social Security benefits at Full Retirement Age
- Ann gets \$1500 non-covered pension
- Ann's \$0 benefits on her own Social Security make her look dependent on Tom
- Ann receives \$800 SS spouse's benefit
- Is this fair to Alice?

How Does it Work?

- Government Pension Offset treats all spouses the same whether they paid into Social Security or not.

GPO reduces spouse's benefit by two-thirds of the non-covered pension...So Ann from Scenario 2

- Ann's spouse's rate = \$800
- $\frac{2}{3}$ of Anne's \$1500 non-covered pension = \$1000
- Ann's Social Security spouse's benefit = \$0

But never say never...

- **GPO offsets widow's benefit by two-thirds of the non-covered pension**

Tom dies.

Ann's widow's rate = \$1600

2/3 of Anne's \$1500 non-covered pension = \$1000

Ann's SS widow's benefit = \$600

You Can Work & Still Receive Benefits



If You Are	You Can Make Up To	If You Make More, Some Benefits Will Be Withheld
Under Full Retirement Age	\$14,160/yr. (\$1,180/mo.)	\$1 for every \$2
The Year Full Retirement Age is Reached	\$37,680/yr. (\$3,140/mo.)	\$1 for every \$3
Month of Full Retirement Age and Above	No Limit	No Limit

What Will You Need When Applying for Your Social Security Benefits?

- ✓ **Social Security number for each applicant**
- ✓ **Proof of age** (birth certificate)
- ✓ **Latest W-2 or self-employment tax return**
- ✓ **Earnings estimate**
- ✓ **Bank information for direct deposit**
- ✓ **Information about marriages/divorces**
- ✓ **Information about military or railroad service**

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It's so easy

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Internet

Retirement Benefit Application

The screenshot shows a Microsoft Internet Explorer browser window displaying the Social Security Retirement Benefit Application page. The browser's address bar shows the URL: <https://secure.ssa.gov/apps6z/IRRet/rib>. The page header features the Social Security Online logo and the text "Retirement Benefit Application" and "www.socialsecurity.gov".

Welcome to the Social Security Retirement Benefit Application

Form Approved: OMB No. 0960-0618
Expires 08/31/2011

Thank you for using our online Retirement application.

Before you begin...

Before you start applying for benefits, you should read [Using this application](#) in order to understand the information and documents that may be needed.

You may also want to review:

- [When to Start Receiving Retirement Benefits](#)
- [Special Instructions For Blind Users](#)
- [Other Ways To Apply](#)
- [Medicare - For people Within 3 Months of Age 65 or Older](#)
- [Help With Medicare Prescription Drug Costs](#)
- [Internet Security Policy](#)
- [Website Policies & Other Important Information](#)
- [Social Security Accessibility Policy](#)

Before you start your application, we recommend that you get an estimate of your retirement benefit. It will help you to answer some of the questions on the application. You may want to print or save the estimate to refer to during your application.

If you want to finish an application that you already started:

To Start The Application Process...

Please select one of the following. Tell us information about the person completing this application.

- I am applying for myself.
- I am helping someone who wants to apply for benefits and is with me.
- I am helping someone who is not with me, and therefore can not sign the application at this time.

[Privacy Act Statement](#)

I have read the Privacy Act Statement

Who Can Get Medicare?

65 & older

-or-

**Receiving Social Security disability
benefits at least 24 months**

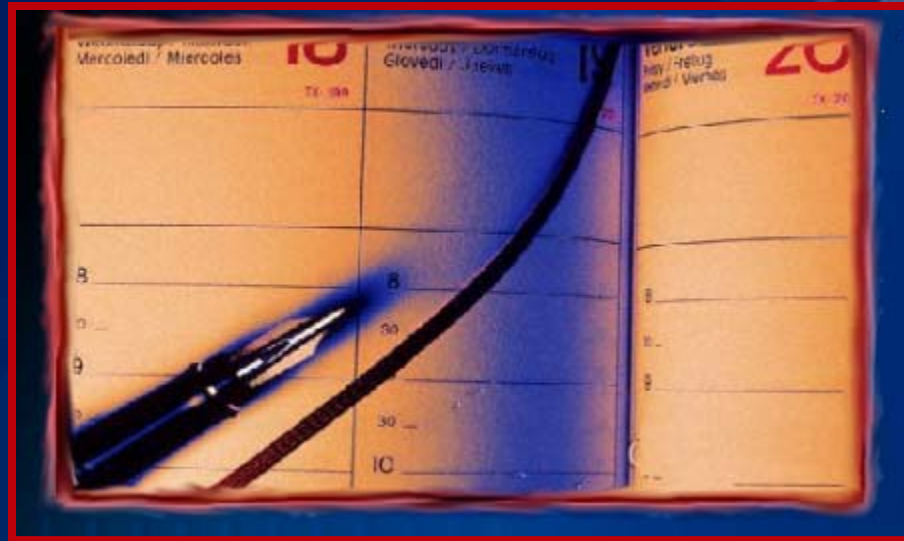
-or-

Permanent kidney failure

-or-

Amyotrophic Lateral Sclerosis (ALS)

When Can I Sign Up for Medicare?



Medicare Enrollment Periods:

- Initial - at age 65
- Special - if still working
- General Enrollment - January-March

Medicare Coverage

Part A Hospital Insurance

- **Covers most inpatient hospital expenses.**
2009 Deductible \$1,068

Part B Supplementary Medical Insurance

- **Covers 80% doctor bills & other outpatient medical expenses after 1st \$135 in approved charges.**
2009 Monthly Premium \$96.40 (High earners will pay more)

Part D Medicare Prescription Drug Plan

- **Covers a major portion of prescription drug costs for Medicare beneficiaries.**
2009 average Monthly Premium \$28.00

For More Medicare Information

1-800-MEDICARE

(1-800-633-4227)

TTY 1-877-486-2048

www.medicare.gov

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Other Social Security's Online Services



- **Apply for Extra Help**
- **Retirement/Survivors/Disability Planner**
- **Request a *Statement***
- **Change of Address**
- **Medicare Card Replacements**
- **Request a Benefit Verification Letter**
- **Start or Change Direct Deposit**

Questions?



Local Office Information

Joliet Social Security Office Address:
158 N. Scott St.
Joliet, IL 60432

General Inquiries: 815-740-2020

Toll free service at: 800-772-1213

Email us at: IL.FO.Joliet@ssa.gov