
Social Security and the MTRS member

Remember to contact the Social Security Administration, and **understand** whether—and how—the two offsets may apply to you

Q During your membership in the MTRS, you pay into the retirement system instead of Social Security. Do you still need to contact the Social Security Administration?

YES—all MTRS members should contact the Social Security Administration to determine their eligibility for Social Security benefits, including Medicare—and when they need to apply for Part B—**EITHER three months before your retirement OR three months before age 65, whichever comes first.**

Massachusetts is one of a handful of “non-Social Security” states. This means that you, as a member of a contributory retirement system, pay into our system instead of Social Security; you do not earn any Social Security “credits” or “quarters” for your MTRS contributions or service. However, you may have earned Social Security credits through other employment. If you are eligible for Social Security benefits—either based on your own past employment, or your spouse’s past employment, you may be subject to one of two Social Security “double-dipping” laws, as outlined below.

If you are eligible to receive Social Security benefits, and, at the time you are eligible for an MTRS retirement benefit you instead take a refund of your MTRS account, your Social Security benefits could be subject to reduction under the Windfall Elimination Provision.

Q Do you expect to be eligible to collect Social Security benefits based on...

1) ...your **own** past employment? Yes No

If yes, you may be subject to the **Windfall Elimination Provision (WEP)**. If you have 40 credits (or “quarters”) under the Social Security system (in other words, you are eligible to receive Social Security benefits), then Social Security will use a “modified formula” to calculate your pension **unless**:

- you had 20 years of creditable service with the MTRS before January 1, 1986 *or*
- you were age 55 and had at least 10 years of creditable service before January 1, 1986 *or*
- you will have at least 30 years of “substantial earnings” under the Social Security system. For further information on “substantial earnings,” contact your local Social Security Administration office.

If you do not meet any of these requirements, you will receive a reduced Social Security pension. In order to determine the amount of the reduction that applies to you, please contact the Social Security Administration at 800-772-1213.

2) ...your **spouse’s** past employment? Yes No

If yes, you may be subject to the **Government Pension Offset (GPO)**. If you expect to collect a spousal or widow’s benefit under Social Security, these benefits may be reduced by two-thirds of the amount of your MTRS retirement allowance. You will be exempt from this offset if you meet all the requirements for Social Security Spousal benefits in effect in 1977 *and*:

- you had 20 years of creditable service with the MTRS before December 1, 1982 *or*
- you were age 55 and had at least 10 years of creditable service before December 1, 1982 *or*
- you were age 55 or had 20 years of creditable service before July 1, 1983 *and* you received half support from your spouse.

In all cases, the Social Security Administration requires that male retirees of the MTRS must have received at least half support from their wives to apply for spousal benefits.

The Windfall Elimination Provision (WEP)

Social Security Administration Factsheet:
SSA Publication
No. 05-10045
2016

Your Social Security retirement or disability benefits may be reduced

The Windfall Elimination Provision may affect how Social Security calculates your retirement or disability benefit. 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, any pension you get from that work may reduce your Social Security benefits.

When your benefits may be affected

This provision may affect you when you earn a pension from an employer who didn't withhold Social Security taxes *and* you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

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.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. Your Social Security benefit amounts won't be reduced if you performed federal service under a system such as the Federal Employees' Retirement System in which Social Security taxes were withheld.

How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

Social Security bases your Social Security benefit on your average monthly earnings adjusted for average wage growth. Social Security separates your average earnings into three amounts and multiplies the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2016 the first \$856 of average monthly earnings is multiplied by 90 percent; earnings between \$856 and \$5,157 by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA which is then decreased or increased depending on whether the worker starts benefits before or after full retirement age (FRA) to get the monthly payment amount.

When Social Security applies this formula, the percentage of career average earnings paid to lower-paid workers is greater than highly paid workers. For example, workers age 62 in 2016, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,456 (49 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,573 (32 percent) plus COLAs. However, if either of these workers start benefits earlier, their monthly benefit will be reduced.

Why Social Security uses a different formula

Before 1983, people whose primary job wasn't 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 for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, Social Security reduces the 90 percent factor in their formula and phases it 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, Social Security reduces the 90 percent factor to 40 percent.

Amount considered "substantial," by year

| Year | Substantial Earnings |
|-------------------|----------------------|
| 1937-54 | \$ 900 |
| 1955-58 | 1,050 |
| 1959-65 | 1,200 |
| 1966-67 | 1,650 |
| 1968-71 | 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 |
| 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 |

Some exceptions

The Windfall Elimination Provision doesn't 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 for railroad employment;
- the only work you performed for which 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 doesn't apply to survivors' benefits. Social Security may reduce widows' or widowers' benefits because of another law. For more information, see the Government Pension Offset (Publication No. 05-10007), below.

See the table titled *Amount considered substantial, by year*, on the previous page, that lists substantial earnings for each year.

The table titled *Percentage applied to "substantial" earnings*, in the margin at left, shows the percentage used depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, Social Security reduces the 90 percent factor to between 45 and 85 percent.

To see the maximum amount Social Security could reduce your benefit, visit www.socialsecurity.gov/retire2/wep-chart.htm.

Percentage applied to "substantial" earnings

| Years of Substantial Earnings | % |
|-------------------------------|-----|
| 30 or more . . . | 90% |
| 29 | 85 |
| 28 | 80 |
| 27 | 75 |
| 26 | 70 |
| 25 | 65 |
| 24 | 60 |
| 23 | 55 |
| 22 | 50 |
| 21 | 45 |
| 20 or less . . . | 40 |

A guarantee

The law protects you if you get a low pension. Social Security will not reduce your Social Security benefit for more than half of your pension for earnings after 1956 on which you did not pay Social Security taxes.

The Government Pension Offset (GPO)

A law that affects spouses and widows or widowers

If you receive a pension from a federal, state or local government based on work for which you didn't pay Social Security taxes, Social Security may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

How much will my Social Security benefits be reduced?

Social Security will reduce your Social Security benefits 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 spouses, widows or widowers benefit from Social Security, you'll get \$100 a 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 Social Security pays to spouses, widows and widowers are "dependent's" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and who were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

Social Security Administration
Factsheet:
SSA Publication
No. 05-10007
2016

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but she was also due a \$500 wife's benefit on her husband's record, Social Security couldn't pay that wife's benefit because her own 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. Social Security had to pay her a full wife's benefit in addition to her government pension.

If this person's government work had been subject to Social Security taxes, Social Security would reduce any spouse, widow or widower benefit because of their own Social Security benefit. The Government Pension Offset ensures that Social Security calculates the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

When won't my Social Security benefits be reduced?

Generally, Social Security won't reduce your Social Security benefits as a spouse, widow or widower if you:

- receive a government pension that's not based on your earnings; or
- are a federal (including Civil Service Offset), state or local government employee and your government pension is from a job for which you paid Social Security taxes; and
 - you filed for and were entitled to spouses, widows or widowers benefits before April 1, 2004; or
 - your last day of employment (that your pension is based on) is before July 1, 2004; or
 - you paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain conditions, Social Security requires fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which Social Security won't reduce your Social Security benefits as a spouse, widow or widower; for example, if you:

- are a federal employee who switched 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 spouses, widows or widowers 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 don't get 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, see Windfall Elimination Provision (Publication No. 05-10045), above.

Contacting Social Security

For information from the Social Security Administration, call the toll-free customer service phone line at 800-772-1213.

Representatives are available to answer questions from 7 a.m. to 7 p.m. and the line is open 24 hours a day for general recorded information. Or visit online at www.ssa.gov.

If you believe that, based on your age and/or amount of creditable service with the MTRS, you are exempt from either the Windfall Elimination Provision or the Government Pension Offset, the Social Security Administration will require you to submit a letter from us that states the date on which you met the eligibility requirement. To request this letter, call us at 617-679-6877.