

# Belmont Retirement System



Member Education Meeting

October 20, 2016

# Presentation Topics

## Part One

- Introduction
- System Eligibility and Enrollment
- Contributions and Benefits
- Retirement Overview
- Pension Reform Summary

## Part Two

- Social Security and Your Public Pension

# Introduction

- Massachusetts has its own retirement plan for public workers and is 1 of 15 non-Social Security states – neither public employees nor public employers contribute to Social Security (6.2%)
- Since 1986, public employees and public employers contribute to the Medicare portion of FICA (1.45%)
- Social Security benefits earned from non-public employment are subject to the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) – addressed in Part Two of presentation



# Introduction

- 104 contributory retirement systems within the Commonwealth of Massachusetts: State , Teachers, County, Regional, Municipal and others
- Chapter 32 of the General Laws is the public employee “retirement plan,” and defines the benefits, contribution requirements, accounting and investment structure for all retirement systems
- Retirement systems are overseen by retirement boards consisting of 5 members

# The Belmont Retirement Board

Chairman

Thomas F. Gibson

*Ex Officio* Member

Chitra Subramanian

Elected Member

Walter Wellman

Elected Member

Ross Vona

Selectmens' Member

James Sloman

*Executive Director*

*Angela Olszewski*

*Retirement Assistant*

*Robert Soohoo*

# System Eligibility and Enrollment





# Membership

- Approximately 458 active employees, 346 retired/survivor/beneficiary members, and 164 inactive members
- Governmental employers are the Town of Belmont, Belmont School Department (excluding teachers), Belmont Housing Authority, and Belmont Municipal Light Department

# Eligibility and Creditable Service

- Employees must be employed in a permanent position for a minimum of 25 hours per week to be eligible for membership in the Belmont Retirement System
- Employees who are employed less than 25 hours per week are ineligible for membership and must contribute to a deferred compensation plan or other similar plan under the federal Omnibus Budget Reconciliation Act (OBRA) of 1990
- Employees CANNOT contribute to Social Security



# Eligibility and Creditable Service

- Members work the full number of hours assigned to the position receive a full year of creditable service. If the member moves from a part-time to a full-time position or the part-time position becomes full-time, then all prior service performed as part-time service will be prorated
- With certain exceptions, members are allowed to purchase prior creditable service through re-deposits of retirement contributions, and purchases of prior non-contributing public employment

# Contributions and Benefits



# Employee Contribution Rates

- Employees contribute a percentage of “regular compensation” to the retirement system

<u>Membership Date</u>	<u>Rate</u>
Prior to 1/1/75	5%
After 1/1/75, prior to 1/1/84	7%
After 1/1/84, prior to 7/1/96	8%
After 7/1/96	9%

- Employees who established membership after 1/1/79 contribute an additional 2% of compensation in excess of \$30,000 (\$576.92 per week, \$1,153.85 bi-weekly)



# Group Classifications

- The retirement plan classifies members into groups based on their occupation, position or duties
- It is possible for a member to hold positions throughout his or her career that are classified in more than one group
- Belmont Retirement System members are classified into three groups:

# Group Classifications

- Group 1: officials and general employees including clerical, administrative and technical workers, laborers, mechanics and all others not otherwise classified
- Group 2: certain statutory job titles, including fire or police signal operators or signal maintenance repairmen, and licensed electricians employed by a municipality



# Group Classifications

- Group 4: public safety employees, such as police officers, fire fighters, and certain employees of the municipal electric light department
- A member's Group Classification will determine the age factor that is used when calculating a member's retirement allowance
- It is the Board's responsibility classify employees, and the employer's responsibility to ensure that the Board is made aware of employment changes that may impact group classification



# Group Classifications

- Members entering the system on or after April 2, 2012 will have their retirement calculations prorated based upon their service in different Group Classifications
- Members who established membership prior to April 2, 2012 have the option to prorate their retirement calculations based upon their service in different Group Classifications
- Such members must be actively performing the duties of the Group 2 or Group 4 position for at least 12 months prior to retirement

# Belmont Retirement System Assets

- **\$89,528,766** in Assets as of 10/01/16
- Assets are accumulated from three sources:
  - Member Contributions
  - Governmental Appropriations
  - Investment Returns
- Assets invested through the investment program and asset allocation determined by the Board in conjunction with its investment advisor, NEPC



# Belmont Retirement System Assets

- Massachusetts pension fund receipts, 1993 - 2014:∗
  - 32.65% from employer contributions
  - 20.19% from employee contributions
  - 47.15% from investment earnings
- In 2014, the average Massachusetts public pension benefit was \$2,365 per month or \$28,385 per year

*∗Source: National Institute on Retirement Security, "Pensionomics 2016: Measuring the Economic Impact of DB Pension Expenditures "  
<http://www.nirsonline.org>*



# Retirement Overview



# Retirement Overview

## **Superannuation – Membership prior to 04/02/12**

- The retirement allowance cannot exceed 80% of the employee's highest three-year rate of regular compensation
- In Group 1, the maximum benefit of 80% of regular compensation is reached at age 65 with 32 years of service – Group 2 - age 60, Group 4 - age 55
- Allowance is exempt from state income tax

### GROUP 1 CHART

For Members who entered service on  
or before April 2, 2012.

## HOW TO USE THE CHART

Multiply the indicated percentage by the average of your Three highest consecutive years salary.

**Eligibility:** You are eligible to retire at age 55 with 10 years of service.  
If you have 20 years of service you can retire at any age.

For estimating purposes only.

AGE AT RETIREMENT																	
YEARS OF SERVICE	AGE→	50	51	52	53	54	55	56	57	58	59	60	61	62	63	64	65+
	YEARS↓																
	10						15.0	16.0	17.0	18.0	19.0	20.0	21.0	22.0	23.0	24.0	25.0
	11						16.5	17.6	18.7	19.8	20.9	22.0	23.1	24.2	25.3	26.4	27.5
	12						18.0	19.2	20.4	21.6	22.8	24.0	25.2	26.4	27.6	28.8	30.0
	13						19.5	20.8	22.1	23.4	24.7	26.0	27.3	28.6	29.9	31.2	32.5
	14						21.0	22.4	23.8	25.2	26.6	28.0	29.4	30.8	32.2	33.6	35.0
	15						22.5	24.0	25.5	27.0	28.5	30.0	31.5	33.0	34.5	36.0	37.5
	16						24.0	25.6	27.2	28.8	30.4	32.0	33.6	35.2	36.8	38.4	40.0
	17						25.5	27.2	28.9	30.6	32.3	34.0	35.7	37.4	39.1	40.8	42.5
	18						27.0	28.8	30.6	32.4	34.2	36.0	37.8	39.6	41.4	43.2	45.0
	19						28.5	30.4	32.3	34.2	36.1	38.0	39.9	41.8	43.7	45.6	47.5
	20	20.0	22.0	24.0	26.0	28.0	30.0	32.0	34.0	36.0	38.0	40.0	42.0	44.0	46.0	48.0	50.0
	21	21.0	23.1	25.2	27.3	29.4	31.5	33.6	35.7	37.8	39.9	42.0	44.1	46.2	48.3	50.4	52.5
	22	22.0	24.2	26.4	28.6	30.8	33.0	35.2	37.4	39.6	41.8	44.0	46.2	48.4	50.6	52.8	55.0
	23	23.0	25.3	27.6	29.9	32.2	34.5	36.8	39.1	41.4	43.7	46.0	48.3	50.6	52.9	55.2	57.5
	24	24.0	26.4	28.8	31.2	33.6	36.0	38.4	40.8	43.2	45.6	48.0	50.4	52.8	55.2	57.6	60.0
	25	25.0	27.5	30.0	32.5	35.0	37.5	40.0	42.5	45.0	47.5	50.0	52.5	55.0	57.5	60.0	62.5
	26	26.0	28.6	31.2	33.8	36.4	39.0	41.6	44.2	46.8	49.4	52.0	54.8	57.2	59.8	63.4	65.0
	27	27.0	29.7	32.4	35.1	37.8	40.5	43.2	45.9	48.6	51.3	54.0	56.7	59.4	62.1	64.8	67.5
	28	28.0	30.8	33.6	36.4	39.2	42.0	44.8	47.6	50.4	53.2	56.0	58.8	61.6	64.4	67.2	70.0
	29	29.0	31.9	34.8	37.7	40.6	43.5	46.4	49.3	52.2	55.1	58.0	60.9	63.8	66.7	69.6	72.5
	30	30.0	33.0	36.0	39.0	42.0	45.0	48.0	51.0	54.0	57.0	60.0	63.0	66.0	69.0	72.0	75.0
	31	31.0	34.1	37.2	40.3	43.4	46.5	49.6	52.7	55.8	58.9	62.0	65.1	68.2	71.3	74.4	77.5
	32	32.0	35.2	38.4	41.6	44.8	48.0	51.2	54.4	57.6	60.8	64.0	67.2	70.4	73.6	76.8	80.0
	33	33.0	36.3	39.6	42.9	46.2	49.5	52.8	56.1	59.4	62.7	66.0	69.3	72.6	75.9	79.2	80.0
	34		37.4	40.8	44.2	47.6	51.0	54.5	57.8	61.2	64.6	68.0	71.4	74.8	78.2	80.0	80.0
	35			42.0	45.5	49.0	52.5	56.0	59.5	63.0	66.5	70.0	73.5	77.0	80.0	80.0	80.0
	36				46.8	50.4	54.0	57.6	61.2	64.8	68.4	72.0	75.6	79.2	80.0	80.0	80.0
	37					51.8	55.5	59.2	62.9	66.6	70.3	74.0	77.7	80.0	80.0	80.0	80.0
	38						57.0	60.8	64.6	68.4	72.2	76.0	79.8	80.0	80.0	80.0	80.0
	39							62.4	66.3	70.2	74.1	78.0	80.0	80.0	80.0	80.0	80.0
	40								68.0	72.0	76.0	80.0	80.0	80.0	80.0	80.0	80.0



MIDDLESEX COUNTY RETIREMENT SYSTEM  
GROUP 4 RETIREMENT PERCENTAGE CHART

### GROUP 4 CHART

For Members who entered service  
on or before April 2, 2012.

## HOW TO USE THE CHART

Multiply the indicated percentage by the average of your Three highest consecutive years salary.

For estimating purposes only.

**Eligibility:** You are eligible to retire at age 55 with 10 years of service.

If you have 20 years of service you can retire at any age.

[illegible]

# Retirement Overview

## **Termination Allowance – Membership prior to 04/02/12**

- Must have at least 30 years of creditable service and resign before attaining age 55, or
- At least 20 years of creditable service if the position is abolished, or if employee is removed or discharged for a cause other than moral turpitude or violation of rules
- Allowance is the annuity and a pension equal to one-third of the highest average annual rate of regular compensation during any consecutive 5 year period

# Retirement Overview

## Ordinary Disability – Membership prior to/after 04/02/12

- Must be totally and permanently incapacitated from performing essential duties as a result of illness or injury which is **NOT DUTY RELATED**
- Must have 10 years of creditable service to apply
- Retirement allowance is equal to the amount paid for superannuation at age 55/60 (Veterans receive 50% of last 12 months of compensation, plus annuity)



# Accidental Disability

- Must be totally and permanently incapacitated from the performance of duties as a result of illness or injury sustained or hazard undergone **WHILE IN THE PERFORMANCE OF DUTIES** (Strictly applied)
- Allowance is exempt from state taxation, and pension portion is exempt from federal taxation
- Payment Options are the same for superannuation, ordinary disability and accidental disability

# Accidental Disability

- Police Officers are entitled to the “heart presumption”
- Fire Fighters are entitled to the “heart,” “lung” and “cancer” presumptions
- Disability from heart or respiratory disease, or cancer, **IS PRESUMED TO HAVE BEEN SUFFERED IN THE LINE OF DUTY**, unless rebutted by competent evidence
- Not required to prove that disability was caused by a specific injury and notice of injury not required



# Accidental Disability

- Allowance is 72% of the annual rate of regular compensation on the date of injury, or 72% of the average annual rate of regular compensation for the last 12 months preceding the effective date of retirement, whichever is greater; plus annuity, plus benefit for dependent children
- Allowance capped at 75% if service entry date was after 1/1/88



# Retirement Overview

## Payment Options

- **Option A** – Highest payment to the retiree - At death, no payments to a survivor
- **Option B** – Approximately 1-5% less than Option A - At death, the balance of retiree's contributions, *if any*, is paid to the retiree's beneficiary
- **Option C** – 7% to 14% less than Option A - At death, 2/3 of the allowance is paid to the beneficiary (spouse, unremarried former spouse, child, parent, sister or brother) **Option C “Pops-up” to Option A if beneficiary predeceases retiree**

# Retirement Calculations

## Payment Options – Death Before Retirement

- **Option D** – If member dies before retiring, Option D provides a designated beneficiary or surviving spouse with a lifetime retirement allowance
- The designated beneficiary or surviving spouse is entitled to receive the Option C allowance the member would have been entitled to receive if the member had attained age 55 and retired on the date he or she died
- The member's years of service at death plus any public employment service for which the beneficiary makes a "make-up" payment will be used in the calculation



# Retirement Calculations

## Payment Options – Death Before Retirement

- **Option D** (continued)
- If the member does not designate an Option D beneficiary and the member's eligible spouse does not elect to receive a lifetime allowance, the member's accumulated deductions will be paid in a lump sum to the member's designated beneficiary or beneficiaries
- Exception where the member dies survived by minor children



# Retirement Calculations

## Payment Options – Death Before Retirement

- **Option D** (continued)
- The minimum allowance is \$250 per month, or \$3,000 annually
- Can designate only one Option D beneficiary: a member's spouse, child, sibling or parent, or a member's former spouse (provided he or she has not remarried at the time of being designated as the Option D beneficiary)
- Even if not nominated, an eligible spouse may elect to receive this benefit upon the death the spouse

# Accidental Death

- Provides benefits to a spouse and dependent children of a member “who dies as the result of a personal injury sustained or a hazard undergone as a result of, and while in the performance of, his duties at some definite place and at some definite time ... without serious and willful misconduct on his part”



# Accidental Death

- Benefits to surviving spouse consist of: a lump sum payment of the member's accumulated deductions; a pension equal to 72% of the annual rate of regular compensation on the date of injury, or the average annual rate of regular compensation for the 12 month period immediately preceding the date of death, whichever is greater, plus dependent children benefit
- If no surviving spouse, dependent children are eligible for cash payment and pension for a limited period (age 18 or 22) unless disabled from working



# Involuntary Retirement

- Employer/Department Head is authorized to file an application to retire a member for disability or superannuation
- Within 15 days of receiving application, member may request a hearing before the retirement board if age and service requirements are met

# Regular Compensation Update

- As of July 1, 2009, defined as: “compensation received exclusively as wages by an employee for services performed in the course of employment for the employer”
- “Wages” are defined as “base salary or other base compensation”
- To be regular compensation, payments must be pre-determined, non-discretionary, and guaranteed



# Regular Compensation Update

## Regular Compensation Generally Includes:

- Annual rate of compensation in salary schedule
- Educational incentives (including payments for holding certifications and licenses)
- Payments for length of service, i.e., “longevity”
- Shift differentials and certain “on-call” payments
- Hazmat payments (police and fire)
- Injured on Duty Pay (police and fire)
- Premiums for holidays (police and fire )



# Regular Compensation Update

## **Regular Compensation Generally Excludes:**

- Overtime
- Bonuses
- Payments which will not recur or which will recur for only a limited or definite term are considered to be a “bonus” (e.g., salary augmentation plans, enhanced longevity plans, sick leave swaps)
- Expense Reimbursements

# Regular Compensation Update

## **Regular Compensation Generally Excludes:**

- Amounts paid for selling back unused vacation, sick leave, or other leave
- Severance pay
- Amounts paid as early retirement incentives
- Any payments made as a result of giving notice of retirement
- Housing, lodging, travel, clothing allowances, annuities, expense payments, automobile usage, insurance premiums



# Working After Retirement

## In the Public Sector

- Earnings Restrictions - Retirees who return to public sector employment cannot earn more than the current pay for the position held at the time of retirement, plus \$15,000,\* less the retirement allowance. (\*Applicable the next January 1 after 12 months of retirement)

Current Salary 2015:	\$60,000
Retirement Allowance:	<u>\$40,000</u>
Allowable Public Sector	\$20,000
Earnings (Add \$15,000):	\$35,000



# Working After Retirement

## In the Public Sector: Other Restrictions

- A retiree may not work more than **960 HOURS** in a public sector position per calendar year
- Earnings from elective office, jury service and emergency employment with a public entity are unrestricted
- No restrictions when working in the federal government or in the public sector in another state

# Working After Retirement

- Applies to “consultant” and “independent contractor”
- Earnings for police and fire “details” are included, regardless of whether the town ultimately bills a private entity for the work
- Excess earnings are to be sought by the Treasurer of the employing entity. In the absence of repayment to the Treasurer, the Court has determined that the Retirement Board must seek recoupment



# Working After Retirement

## In The Private Sector

- Salary Restrictions
  - A non-disability retiree can earn *unlimited salary* in the private sector with no impact upon the retiree's retirement allowance
  - A disability retiree is limited to earning the difference between the current salary for the retiree's former position, minus the current retirement allowance, plus \$15,000

# Working After Retirement

## Earnings Example – Disability Retiree

Current Salary	\$60,000
Disability Retirement Allowance	<u>\$40,000</u>
Allowable Earnings	\$20,000
	<u>+ 15,000 =</u>
	\$35,000

**Excess Earnings Must Be Refunded to the Retirement Board**



# Pension Reform Overview



# Three Waves of Pension Reform

- Chapter 21 of the Acts of 2009
- Chapter 131 of the Acts of 2010
- Chapter 188 of the Acts of 2010
- Chapter 176 of the Acts of 2011



# Chapter 21 of the Acts of 2009

- Redefined and restricted “regular compensation”
- Prohibited creditable service for employees and officials earning under \$5,000
- Changed the retirement calculation for employees with dual service in separate pension systems
- Eliminated “working out of grade” disability calculations
- Eliminated certain benefits for elected officials

# Chapter 131 of the Acts of 2010

- Capped pensionable earnings at 64% of the federal earnings limitation codified in U.S.C. 401(a)(17)
- The 2014 federal compensation limit of \$260,000 caps pensionable earnings for members entering the system after January 1, 2011 to \$166,400, with a maximum retirement benefit of \$133,120
- Provided a **local option** to increase the minimum allowance paid to certain surviving spouses of disability retirees from \$6,000 to \$9,000



# Chapter 188 of the Acts of 2010

- Provided a **local option** to increase the \$12,000 current base amount of the annual cost-of living adjustment for retirees in increments of \$1,000
- The COLA base has been increased to \$13,000 for all retired state employees and retired teachers, and increased for retirees of over 2/3 of all municipalities (Range: \$13,000 - \$18,000)
- Retirement Board is undertaking an actuarial review of the impact of raising the COLA base

# Chapter 176 of the Acts of 2011

- **Increased Normal Retirement Age (e.g., 65 to 67)**
- **Increased Average Annual Compensation (AAC) factor from 3 to 5 years**
- **Increased early retirement reduction (i.e., reduced age factors for calculation)**
- Increased interest on service purchases
- Eliminated termination retirement allowances
- Enacted anti-spiking provisions



# Actuarial Plan Cost Reduction Estimate

- Increased AAC from 3 to 5 years 3.5% - 4.0%
- Increased Retirement Age 4.0% - 5.0%
- Reduced Age Factors 4.0% - 5.0%
- *Combined Impact* 11.0% - 14.0%

*Source: PERAC*



# Cost Implications of 2011 Benefit Reforms

- Changes are prospective for members entering the retirement system on or after April 2, 2012
- Cost savings will be gradual – no immediate relief in retirement appropriations
- In estimating long term impact, actuaries will assume entire membership is impacted by prospective provisions
- Long term savings have been estimated at between \$5 – 6 Billion

# Current Retirement Benefit Assumptions

If:

- Group 1 member
- Hired after 7/1/96
- Long-term employee
- Retires under superannuation
- Investment return assumption met

Then:

- Employee paying most, if not all, of benefit

*Source: PERAC*

# Part Two – Social Security and Your Belmont Retirement Allowance



Member Education Meeting

October 20, 2016



# What Employees and Retirees Need to Know

- Basic eligibility for Social Security benefits
- Who will be affected by WEP, GPO (or both)
- When should you apply for benefits
- How to navigate the Social Security website

# Qualifying for Social Security Retirement

- **Vesting** for retirement is determined by work paid into the cash portion of F.I.C.A.
- **Earning “40 credits”** (10 years of cumulative work) is qualifying for a Social Security retirement benefit.
- Earning credits in a calendar year is measured by a monetary amount that usually changes annually.
- In 2016 one credit is earned for every \$1,260 earned, never to exceed 4 credits ( \$5040 for 4 credits).



# Calculating The Retirement Benefit

The calculation is a 3 step formula:

- Step 1: Wages are adjusted for changes in wage levels over time (indexing).
- Step 2: Find the monthly average of the **35** highest earnings years.
- Step 3: The result is the “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

# The Effect Of Belmont Pensions On Social Security

- “Windfall Elimination Provision” may be imposed for Social Security retirement benefits.
- “Government Pension Offset” may be imposed for spousal benefits of living and deceased workers.

# Those Who Will Be Effected

- Public employees who receive a monthly retirement allowance from the Belmont Retirement System
- Public employees in MA who receive an “annuity” as a primary payout ( 457 plans)
- Social Security refers to these pensions as “non covered”. MA is one of 15 states that does not contribute to Social Security.

**\*Spouses who receive a survivor allowance from the Belmont Retirement System are not impacted.**



# Important Social Security Definitions for “Windfall Elimination Provision”

## “Eligible”

- The date an individual first meets all requirements to be benefit eligible, even if they continue working and have not applied for a retirement allowance from the Belmont Retirement System.
- Pension eligibility is determined by the agency paying the pension (BRS), not Social Security.
- Employment **vesting** does not constitute pension eligibility.

# Definitions

## “Pension”

- Any periodic payment or lump sum payment received from a defined benefit or defined contribution plan. Lump sum payments are prorated and subject to WEP. Payments from 457 plans, if the plan is the primary retirement plan.

## “Monthly pension amount”

- The pension amount used for WEP includes the monthly amount payable **before** any reduction for health insurance, survivor annuities, allotments assignments of pension, etc. (monthly retirement allowance)
- Pension+ Annuity = Monthly Retirement Allowance



# Definitions

## “Withdrawals”

- Withdrawals of employee's own contributions and interest made **before** the employee is eligible to receive a pension are not subject to WEP if the employee forfeits all rights to the pension.
- Withdrawals of the employee's own contributions and interest made **after** the employee is eligible to receive a pension are considered a lump-sum pension for WEP purposes.



# “Windfall Elimination Provision”

- This applies to those who receive a “non-covered” pension and are also vested for their own Social Security retirement benefit.
- The “Windfall” provision pays a lower retirement benefit by using a **formula change** but the retirement benefit will never be eliminated.
- The “Windfall” 100% benefit can never be reduced by more than  $\frac{1}{2}$  your non-covered pension amount.

# Exceptions to the WEP

You will not be affected by “WEP” if you were:

- Age 62 by 1/86
- Eligible for non-covered pension by 1/86
- Have 30 year of what Social Security considers “substantial earnings”.

If any of these exceptions apply, the “WEP” formula change will not be imposed.



# “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, the retirement benefit will not be affected by WEP.
- If you have 21-29 of these years, the retirement benefit adjustment will not be as significant.



# “Substantial Earnings”

• ‘37-54	\$900	• 1979	\$4,72
• ‘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	• 2016	\$22,050



# To Determine Your WEP Benefit

- Go to [socialsecurity.gov](https://www.socialsecurity.gov)
- Go to **“MENU”** on the toolbar
- Click on **“INFORMATION FOR FINANCIAL PLANNERS”**
- Click **“Windfall Calculator”** on right hand side
- **Have the** the “Statement” and a public pension estimate available.



# “Government Pension Offset”

- This provision impacts individuals who are eligible for benefits based upon a spouse's Social Security AND are receiving a public pension.
- Social Security applies a formula that will reduce the spousal payment by **2/3** of the monthly public pension amount.
- “GPO” could eliminate Social Security completely.

# Government Pension Offset Example

- Spouse receives a public pension of \$900 per month
- Spouse would otherwise be entitled to \$500 per month from Social Security as a spouse
- Because  $\frac{2}{3}$  of \$900 is \$600 and \$600 is greater than \$500, no spousal benefits will be paid.



# “GPO WORKSHEET”

- 1) BRS monthly retirement allowance (Option A)  
\$ \_\_\_\_\_
- 2) 2/3 of the monthly amount shown above  
\$ \_\_\_\_\_
- 3) Monthly spousal benefit payable to you by SSA  
\$ \_\_\_\_\_

If #2 is greater than #3, **no** Social Security benefits are payable to you as a spouse.

If #2 is less than #3, you will receive the difference between the two amounts shown.

# How Public Pension COLA's Affect Social Security Benefits

Those affected by WEP:

- Changes in pension amount will not affect the initial WEP calculation

Those affected by GPO:

- A change in the monthly pension amount such as periodic cost of living adjustments will affect the pension amount



# 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!
- When a worker reaches “full retirement age” and is still working in the public sector position, the full Social Security benefit is payable without imposing WEP or GPO because:
  - **There is no earnings limitation at “full retirement age”**

# Earnings Limitations Before “FRA”

## Under Full Retirement Age Year

\$15,720/yr. (\$1,310/mo.) \$1 for every \$2 earned will be withheld from benefits payable, if the earnings limit is exceeded.

## The Year Full Retirement Age is Reached

\$ 41,880/yr. (\$3,490/mo.) \$1 for every \$3 will be withheld from benefits payable, if the earnings limit is exceeded.

**From the month of Full Retirement Age there is no earnings limitation.**



# What Should You Do First?

Open a “My Social Security” Account:

- Go to [socialsecurity.gov](https://www.socialsecurity.gov)
- Set up an account
- View, save and print the “Statement”\*
- Review the Social Security earnings posted and Medicare taxes paid

\*For those eligible for a retirement benefit and also subject to WEP, the statement benefit at “FRA” will be incorrect.

# Benefit Category Reminders

## Retirement Benefits:

- Age 62 is the earliest age for benefits. Benefits are permanently reduced for filing before “full retirement age.”
- Delaying until “full retirement age” means receiving the full 100% benefit.
- You get an even higher monthly payment if you delay benefits past your full retirement age up to age 70 of 8% per year.
- Earnings limits are still in effect until “FRA” month.



# Benefit Category Reminders

Spousal Benefits (on a living worker):

## Current Spouse

- Age 62 or older
- At any age, if caring for a child under age 16 or disabled
- Worker must be collecting

## Ex-Spouse

- Age 62 or older and not remarried
- Marriage lasted at least 10 years
- If divorce has been in effect at least two years and the worker is at least age 62, the ex-spouse can receive benefits

# Benefit Category Reminders

Spousal Benefits (on a deceased worker):

## Surviving spouse, not remarried

- Age 60 is the earliest
- At full retirement age, 100% of the deceased's benefit is payable and reduced for age before that.
- If remarriage occurs after age 60, eligibility remains

## Divorced widows/widowers

- Duration of marriage (10years) and not remarried are also requirements
- The earnings limits are in effect until "FRA"



# Social Security Links for WEP

Social Security Website

[www.socialsecurity.gov](http://www.socialsecurity.gov)

Create a “MySS” account

[www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount)

WEP and “substantial earnings”

[www.socialsecurity.gov/planners/retire/gpo-wep.html](http://www.socialsecurity.gov/planners/retire/gpo-wep.html)

WEP online calculator

[www.socialsecurity.gov/planners/retire/anyPiaWepjs04.html](http://www.socialsecurity.gov/planners/retire/anyPiaWepjs04.html)

Thank You For  
Your Time And  
Attention

