

# Social Security, Medicare and Other Retirement Plans

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## Social Security, Medicare and Other Retirement Plans

Information provided in this handbook regarding potential Social Security and Medicare benefits is general in nature. Decisions regarding these benefits should only be made after contacting the Social Security Administration or Medicare. The minimum Social Security retirement age is currently 62.

### PSRS Members and Social Security

As a member of PSRS, you are a member of a defined benefit, or DB, retirement plan that, upon retirement, will provide you with predictable retirement income for life, no matter how long you live. Your PSRS retirement is funded through investment earnings of the System, and contributions made by you and your employer.

Most PSRS members employed by public school districts and two-year public colleges covered by PSRS **do not** contribute to the federal Social Security program on their PSRS-covered earnings. There are no provisions of law that allow individual PSRS members to choose to participate in Social Security. Social Security participation is based on the school district you work for and your position.

You may qualify for Social Security benefits based on other, non-PSRS-covered employment, or through a spouse or ex-spouse. These Social Security benefits may be reduced if you also qualify for PSRS benefits.

### PSRS Positions Covered by Social Security

A limited number of members have PSRS service and Social Security credit for employment at the five state regional universities, the three state colleges, the Missouri Department of Mental Health and the Missouri Department of Corrections (see page 23). The PSRS contributions and benefits applicable to such employment are two-thirds the value of those stated herein for public school service.

In some cases, if your employer and the State Social Security Administrator determine that your position is subject to Social Security contributions, your earnings

are subject to Social Security taxes and two-thirds of the normal PSRS contribution rate, as required by law. Attainment of PSRS retirement eligibility, calculation of your final average salary and service are not affected by the Social Security coverage.

Members paying into PSRS at two-thirds the normal PSRS contribution rate will have benefits for affected years of employment calculated at two-thirds the normal benefit amount, and will also receive Social Security units based on their earnings. Age and service requirements for PSRS benefit eligibility, however, are the same for all members.

If you are unsure whether your position is affected, contact your employer.

### Possible Reductions in Your Social Security Benefits

You may qualify for Social Security benefits if you have 40 units (a minimum of 10 years) of Social Security-covered employment. You may also be eligible for benefits from Social Security through your spouse or ex-spouse (living or deceased).

If you qualify for PSRS retirement benefits and also for Social Security benefits either because you have sufficient Social Security-covered employment or through a spouse, two Social Security laws could cause a reduction in your Social Security benefit. These laws are the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). These laws apply beginning with the first month you receive both a PSRS and a Social Security benefit.

Your Social Security benefits may also be reduced if you take a refund of your contributions and interest while eligible for PSRS service retirement benefits.

#### *The Windfall Elimination Provision (WEP)*

**Who is affected?** The WEP affects individuals who earn a pension from work not covered by Social Security (like most PSRS members) and also work at other jobs that are covered by Social Security long enough to qualify for Social Security benefits.

**How does it work?** The Social Security program is designed to give lower-paid workers a higher percentage of their pre-retirement income. PSRS members who do not pay Social Security taxes on

their income appear to be lower-paid workers on their Social Security records. Their Social Security benefits are, therefore, calculated giving them a higher percentage of their pre-retirement income, resulting in a “windfall” or unintended gain. The WEP prevents this windfall by reducing their Social Security benefits. The benefit is usually reduced about 50%, but it cannot be reduced to zero.

**Are there exceptions?** The WEP does not apply to members who have 30 years of “substantial” Social Security earnings.

### *The Government Pension Offset (GPO)*

**Who is affected?** The GPO affects individuals who earn a pension from work not covered by Social Security (like most PSRS members) and who also qualify for spousal Social Security benefits.

**How does it work?** Spousal Social Security benefits are designed to compensate spouses who are financially dependent on their working spouse. Spouses who work and earn wages are not considered dependents, and they have a reduction applied to their spousal benefits based on their own wages reported to Social Security. Similarly, for PSRS members who have not paid Social Security taxes, the GPO applies a reduction that equals two-thirds of their PSRS benefits which typically eliminates their entire spousal Social Security benefit.

**Are there exceptions?** For PSRS members who work their last five calendar years paying two-thirds the PSRS contribution rate and also pay Social Security taxes, the GPO may not apply.

### WEP and GPO At a Glance

	Windfall Elimination Provision (WEP)	Government Pension Offset (GPO)
<b>Who is Affected</b>	WEP affects individuals who earn a pension from work not covered by Social Security (like most PSRS members) and <b>also work at other jobs that are covered by Social Security</b> long enough to qualify for Social Security benefits.	GPO affects individuals who earn a pension from work not covered by Social Security (like most PSRS members) and who <b>also qualify for spousal Social Security benefits</b> .
<b>How it Works</b>	The Social Security program is designed to give lower-paid workers a higher percentage of their pre-retirement income. PSRS members who do not pay Social Security taxes on their income appear to be lower-paid workers on their Social Security record. Their Social Security benefits are, therefore, calculated giving them a higher percentage of their pre-retirement income, resulting in a “windfall” or unintended gain. The WEP prevents this windfall by reducing their Social Security benefits. <b>The benefit is usually reduced about 50%, but it cannot be reduced to zero.</b>	Spousal Social Security benefits are designed to compensate spouses who are financially dependent on their working spouse. Spouses who work and earn wages are not considered dependents, and they have a reduction applied to their spousal benefits based on their own wages reported to Social Security. For PSRS members who have not paid Social Security taxes, the GPO applies a reduction that equals two-thirds of their PSRS benefit which <b>typically eliminates their entire spousal Social Security benefit</b> .
<b>Exceptions</b>	The WEP does not apply to members who have 30 years of “substantial” Social Security earnings.  Keep in mind, the GPO may still apply to a spousal benefit calculation.	For PSRS members who work their last five calendar years paying two-thirds the PSRS contribution rate and also pay Social Security taxes, the GPO may not apply.

We recommend that you contact Social Security at (800) 772-1213, visit their website, [www.socialsecurity.gov](http://www.socialsecurity.gov), or visit your local Social Security office to determine how the WEP and GPO laws affect you. To get an accurate estimate of your Social Security benefit, you must inform them you will be receiving a PSRS benefit.

## Questions to Ask Social Security About WEP and GPO

When you receive a benefit estimate from the Social Security Administration, or use their online benefit estimator, your Social Security benefit amount is not reduced by either the WEP or GPO formulas. You should specifically ask Social Security to calculate your benefits for you considering these laws.

When you contact the Social Security Administration, have the following information available:

- Your Social Security number and your spouse's, if married; and your previous spouses', if widowed or divorced
- PSRS *Benefit Estimate*
- Expected PSRS retirement date

Ask the following questions:

- Can you please explain WEP (the Windfall Elimination Provision)?
- Can you please explain GPO (the Government Pension Offset)?
- Will my Social Security benefit be reduced because I am (or will be) receiving a non-Social Security-covered pension? If so, how much?
- Is this reduction avoidable?
- Am I eligible for spousal benefits from Social Security while receiving a public pension?

Request the following relevant fact sheets from the Social Security Administration or find them on the Social Security website:

- “The Windfall Elimination Provision,” SSA Publication No. 05-10045 (relates to your own work experience)
- “Government Pension Offset,” SSA Publication No. 05-10007 (relates to spouse's or widow's benefits)

## Medicare Benefits for PSRS Members

If you are a U.S. citizen or a lawfully admitted alien who has lived in the U.S. for at least five years, you can receive Medicare benefits at age 65. The real question for PSRS members is whether or not you will have to pay a premium for Medicare coverage.

If you were hired by a PSRS-covered employer before April 1986 and have not changed employers since that time, you do not pay into Medicare on your PSRS-covered wages.

If you were hired by a PSRS-covered employer or have changed PSRS-covered employers since April 1986, Medicare contributions are withheld from your pay. When you pay into Medicare, your employer matches your contributions and you receive “units” based on your earnings. You can receive a maximum of four units in one calendar year.

If you are unsure if you have sufficient Medicare service on your record, or your spouses' records, to qualify for Medicare benefits, please contact them at 1-800-MEDICARE.

Important notes regarding Medicare:

- Specific enrollment periods exist.
- If you do not enroll when first eligible, you may pay higher premiums at a later date.
- If you are eligible for Medicare and choose not to enroll because you have coverage through a private insurance group, your insurance may not cover any expenses that Medicare would have paid.

There are four parts to Medicare:

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

You may have coverage under any or all parts.

## Part A - Hospital Insurance

Medicare Part A pays for inpatient hospital expenses, hospice care and skilled home health services for home bound patients, and helps with short-term, inpatient care in skilled nursing facilities if the patient is there for rehabilitation.

You can receive Part A free, if you:

- Have 40 Medicare units from your own employment
- Qualify through an eligible spouse or ex-spouse

If you do not qualify to receive Part A free, you can pay a monthly premium.

## Part B - Medical Insurance

Medicare Part B helps pay for doctors' services, outpatient hospital care and some medical equipment and supplies. Everyone must pay a premium to receive Part B coverage regardless of the number of Social Security units they have. Premiums for Part B are deducted from your monthly Social Security benefit. If you are not eligible to receive Social Security benefits, you are billed quarterly.

## Part C - Medicare Advantage Plans

Medicare Advantage Plans are health plan options approved by Medicare and administered by private companies. Medicare Advantage Plans provide all of your Part A (hospital) and Part B (medical) coverage and must cover medically-necessary services. They generally offer extra benefits, and many include Part D coverage (see below).

## Part D - Prescription Drug Coverage

Prescription drug plans are available to people with Medicare. Insurance companies and other private companies work with Medicare to offer these prescription drug plans. They will negotiate discounts on prescription drug prices.

Medicare prescription drug plans provide insurance coverage for prescription drugs. Like other insurance, if you join you pay a monthly premium and a portion of the cost of prescriptions. Costs vary depending on the plan you choose.

Prescription drug plans may also vary in what prescription drugs are covered, how much you have to pay, and which pharmacies you can use. When you join a prescription drug plan, it is important to choose one that meets your prescription drug needs.

**Medicare benefits may be payable under special circumstances not explained in this booklet, such as with the occurrence of a disability. Contact CLAIM, the Missouri State Health Insurance Assistance Program, at (800) 390-3330, or visit [www.missouricclaim.org](http://www.missouricclaim.org) for specific information about your entitlement to Medicare benefits.**



## Frequently Asked Questions

### Q. If I am eligible for Social Security and Medicare benefits, at what age will they begin?

- A. Reduced Social Security benefits are available at age 62; full benefits begin based on the year of your birth and no earlier than age 65. Medicare benefits begin at age 65 for most individuals.

### Q. Can I avoid some of the reduction in my Social Security benefit based on my years of Social Security-covered employment?

- A. If you have between 21 and 29 years of “substantial” Social Security earnings, the reduction under the WEP is applied on a sliding scale with each additional year of earnings giving you a higher percentage of your full benefit. With 30 years of substantial Social Security earnings, the WEP is totally eliminated. Keep in mind, the GPO may still apply to a spousal benefit.

### Q. How will my Social Security benefit be affected if I take a refund of my PSRS contributions and interest in a lump sum and forfeit PSRS monthly benefits?

- A. Social Security benefits may still be reduced if you take a refund of your PSRS contributions and interest.

### Q. Is it to my advantage to take a refund of my PSRS contributions and interest and forfeit PSRS lifetime monthly benefits in order to receive Social Security?

- A. You should weigh this decision carefully and consider factors such as:
- The amount of your benefits from PSRS and Social Security
  - If the WEP or GPO will still apply to your Social Security benefits
  - Possible cost-of-living adjustments from PSRS or Social Security
  - The PSRS \$5,000 Death Benefit
  - Eligibility for health insurance through your PSRS employer

### Q. If I name my spouse to receive PSRS benefits after I die, will his or her Social Security benefit be reduced?

- A. In most cases, the answer is no, unless your spouse also receives a pension which he or she earned from a non-Social-Security-covered pension plan.

### Q. Can I voluntarily choose to pay the full contribution rate to PSRS, rather than two-thirds the full rate, if I am also paying into Social Security based on my position?

- A. No. There are no provisions within the law to allow individuals this choice.

### Q. Is it possible that the WEP and GPO will be repealed?

- A. Yes. However, according to Social Security, elimination of the WEP and GPO would have a 10-year cost of approximately \$90 billion.

## Social Security and Railroad Benefits

PSRS benefits, in almost all cases, are not affected by Social Security or railroad pension eligibility. However, Social Security and railroad pensions are often reduced because of PSRS benefits. If you qualify for Social Security or a Railroad Retirement pension, you may want to contact those offices to determine if your PSRS benefit will affect that pension.