

Social Security and Medicare



PUBLIC SCHOOL RETIREMENT
SYSTEM OF MISSOURI

PSRS Members and Social Security

As a member of the Public School Retirement System of Missouri (PSRS) you are part of a defined benefit, or DB, retirement plan that provides you with predictable retirement income for life, no matter how long you live. Your PSRS benefits are funded by investment earnings of the System, and contributions made by you and your employer.

Most PSRS Members Are Not Covered by Social Security

Most PSRS members **do not** contribute to the federal Social Security program on their PSRS-covered salary.

- The law does not allow individual PSRS members to choose to participate in Social Security.
- Social Security participation is based on your employer and your position.

Some PSRS Members Are Covered by Social Security

If your employer and the Missouri Social Security Administrator determine that your PSRS-covered position is covered by Social Security:

- You pay Social Security taxes and two-thirds of the normal PSRS contribution rate.
- Your PSRS retirement eligibility, final average salary used to determine your benefit and your service earned with PSRS are not affected.
- Your benefits for affected years of employment are calculated at two-thirds the normal benefit amount.
- You also receive Social Security units based on the earnings.

Age and service requirements for PSRS benefit eligibility are the same for all members.

If you are unsure whether your position is covered by Social Security, contact your employer.

You May Be Eligible for Social Security

You can qualify for Social Security benefits two ways.

- If you have 40 units (10 years) of Social Security-covered employment you are eligible for benefits because of your own employment.
- You may also be eligible for benefits from Social Security through your spouse or ex-spouse (living or deceased).

Possible Reductions in Your Social Security Benefits

If you qualify for PSRS benefits and Social Security, two federal laws could cause a reduction in your Social Security benefit.

The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) apply beginning the first month you receive both a PSRS and a Social Security benefit.

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



WEP and GPO At-a-Glance

Windfall Elimination Provision (WEP)		Government Pension Offset (GPO)	
Who is Affected 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.		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 it Works 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 PSRS-covered income appear to be lower-paid workers on their Social Security record. Therefore, their Social Security benefit is 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 benefit. The benefit is usually reduced about 50%, but it cannot be reduced to zero.		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 benefit 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 the PSRS benefit. This typically eliminates the entire spousal Social Security benefit.	
Exceptions 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 paying 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, or contact 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.

Helpful Resources

To view your Social Security Statement, get an estimate and more, visit www.socialsecurity.gov to set up a My Social Security account.

For further information on the WEP, visit www.socialsecurity.gov/pubs/EN-05-10045.pdf.

For further information on the GPO, visit www.socialsecurity.gov/pubs/EN-05-10007.pdf.

Questions to Ask Social Security

When you contact the Social Security Administration, you will need:

- Your Social Security number and your spouse's, if married; your previous spouses', if widowed or divorced
- A PSRS benefit estimate
- Your expected PSRS retirement date

Ask the following questions:

- Can you explain WEP (the Windfall Elimination Provision)?
- Can you explain GPO (the Government Pension Offset)?
- Will my Social Security benefit be reduced because I am (or will be) receiving a public (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?

Benefit estimates you receive from Social Security, as well as estimates you view on the Social Security website, www.socialsecurity.gov, are not reduced by either the WEP or GPO.

You should specifically ask Social Security to calculate your benefits for you considering these laws.



Medicare Benefits

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 you will have to pay a premium for Medicare coverage.

- If you were hired by a PSRS-covered employer or have changed PSRS-covered employers since March 1986, **Medicare contributions are withheld from your pay**. Your employer matches your Medicare contributions and you receive “units” based on your earnings. You can receive a maximum of four Medicare units in one calendar year.
- 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 are unsure if you have sufficient Medicare service on your record, or your spouses' records, to qualify for Medicare benefits, please contact Medicare at **(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. You can choose to participate in 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 Medicare 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 that are not explained in this brochure, such as with the occurrence of a disability. Contact Medicare at **(800) MEDICARE**, or visit **www.medicare.gov** for specific information about your entitlement to Medicare benefits.

You can also contact Missouri SHIP, the Missouri State Health Insurance Assistance Program, at **(800) 390-3330** or visit their website **www.missouriship.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. The age at which your full benefits begin is based on the year of your birth and is no earlier than age 65. Medicare benefits begin at age 65 for most individuals.
- Q. Can I avoid some of the reduction of 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 federal or state law to allow individuals this choice.

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

A. Yes. However, according to the Social Security Administration, elimination of the WEP and GPO would have a 10-year cost of approximately \$183 billion.

Contact Information

Social Security Administration
(800) 772-1213
www.socialsecurity.gov

To find your local Social Security office, use the Social Security office locator at www.socialsecurity.gov.

Medicare
(800) MEDICARE
www.medicare.gov

Missouri SHIP
(800) 390-3330
www.missouriship.org



Legal Disclaimer

This booklet explains your rights, benefits and responsibilities as a member of the Public School Retirement System of Missouri (PSRS). It is intended to serve as a ready source of information about the System and not as a legal document or a substitute for the law. If differences appear between the law and the booklet, the law must prevail.

The System is governed by the laws found in Chapter 169, ***Revised Statutes of Missouri*** and the ***Missouri Code of State Regulations (CSR)*** Title 16, Division 10.

Similarly, the law takes precedence over any oral statements made by a representative of PSRS regarding your rights, benefits and responsibilities as a PSRS member.

For further information, please refer to the PSRS ***Member Handbook***, contact us at our office or visit us online.



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