

SOCIAL SECURITY



Social Security Information

2019 Annual Delegates Meeting

Agenda

- The Brief History of Social Security
- Funding
- Benefit Calculation
- Retirement Age
- Reduced Benefits
- Spousal Benefits
- Survivor Benefits
- Earnings Limitations
- Cost-of-Living Adjustment (COLA)
- The Future of Social Security
- Resources





“There is no tragedy in growing old,
but there is tragedy in growing old
without means of support.”

- Franklin D. Roosevelt

A Brief History



- The Social Security Act was signed into law on August 14, 1935 by Franklin D. Roosevelt.
- Taxes were collected for the first time in January 1937 and the first one-time, lump-sum payments were made that same month.
- Regular ongoing monthly benefits started in January 1940.

A Brief History

- On January 31, 1940, the first monthly retirement check was issued to Ida May Fuller of Ludlow, Vermont.
- Her check was \$22.54.
- She had only paid \$25 in Social Security Tax.
- Ida collected \$22,888 in monthly benefits until she passed away in 1975 at 100.



Funding

- Social Security is funded primarily by a tax you pay on wages, which is matched by your employer.
- The overall tax is 7.65% of your pay, divided as follows:
 - 6.2% to fund Social Security
 - 1.45% to fund Medicare
- On your paystub, you may see deductions labeled as:
 - **OASDI** – Old Age, Survivors, and Disability Insurance
 - or*
 - **FICA** – Federal Insurance Contributions Act (which mandates Social Security withholding)



Funding

- In 2019, you pay Social Security tax on the first \$132,900 of wages.
 - Maximum Tax: \$8,239.80
- In 2020, you will pay Social Security tax on the first \$137,700 of wages
 - Maximum Tax: \$8,537.40
- You pay Medicare tax on all wages.

Pay Statement YOUR COMPANY, INC. 1800 ANYTOWN ROAD SUITE 200 CITYTOWN 02250

Wucker # 1111
Check Date 01/15/2020
Period Ending Date 01/15/2020

Division	Department	Employee #	Social Security #	Pay Prog	Type	Base Pay	Tax Type	Tax Jurisdiction	Stat Exem	Add S	Plan	Plan S
MI	DEPT	141	00-00-0000	SCHEDULED	CA	100.00	REGULAR	CA				

Pay Type	Pay Type	Hours (Units)	Gross Pay	YTD Hours (Units)	YTD Gross Pay	Tax Deductions			Voluntary Deductions			
						Desc	Wages	Amount	Y-T-D Amount	Desc	Scheduled Amount	Amount Taken
REGULAR	REG	80	100.00	80	100.00	FEDERAL	1455.00	200.00	2000.00			200.00
						FICA	1500.00	150.00	1500.00			
						MEDICARE	1500.00	24.00	240.00			
						ST SIT	1455.00	100.00	1000.00			
Dueses												0.00
YTD												474.00

NET PAY (GROSS PAY MINUS TAXES) 95.00

Type	Accrued Amount	Taken Amount	Balance	Description	Scheduled Amount	Calc Amount	Current Y-T-D Amount	Y-T-D Amount
ACCU	90.00	00.00	90.00					
ACCU	20.00	00.00	20.00					

Direct Deposit	Account Number	Account Type	Description	Amount
	00000000000000000000	CHECK	0000	95.00

Tax Deductions			
Desc.	Wages	Amount	Y-T-D Amount
FEDERAL	1455.00	200.00	2000.00
FICA	1500.00	150.00	1500.00
MEDICARE	1500.00	24.00	240.00
ST SIT	1455.00	100.00	1000.00
		474.00	

What Do People Really Want To Know About Social Security?

- How is my benefit calculated?
- When should I collect?
- Is my spouse able to collect on my record? What about my ex-spouse?
- What happens to my Social Security benefit if I die? Are survivor benefits available?
- How much can I earn while collecting Social Security?
- Is Social Security even going to be around for me?



The Benefit Calculation

- When you apply for retirement benefits, Social Security will add up your 35 highest years of indexed earnings, or the number of years of earnings up to 35.
- Indexed means Social Security will apply an inflation factor to each of the wages used to make past salaries equal to what they would be worth in today's dollars.

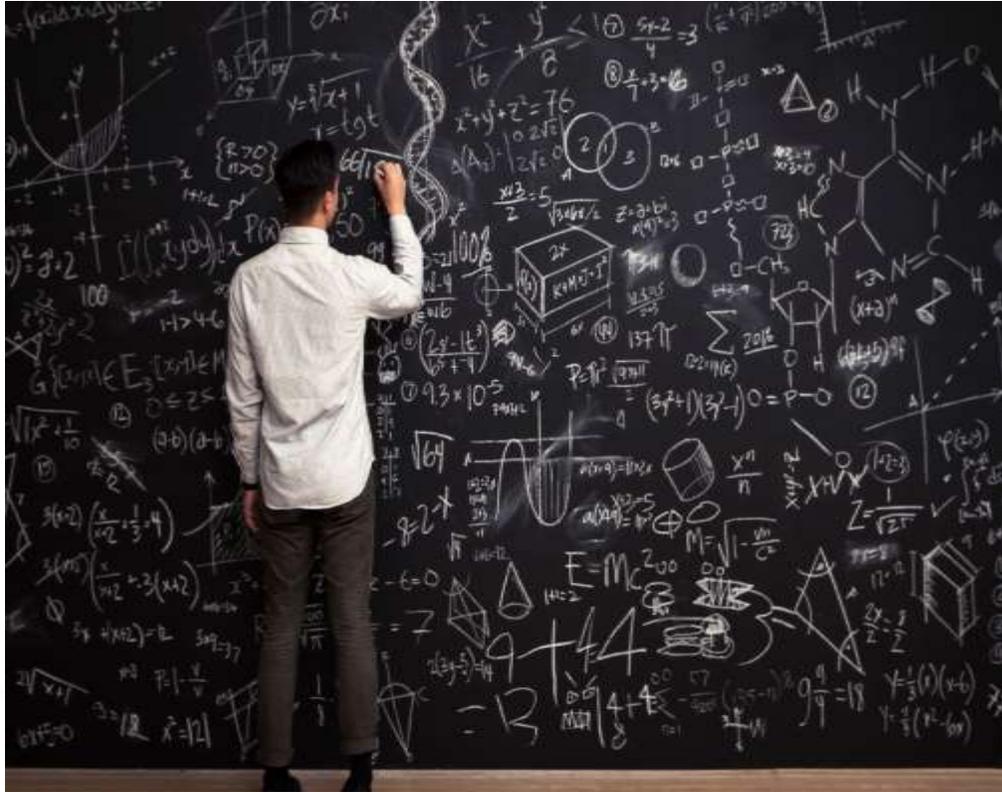


The Benefit Calculation

- For example, for someone first eligible to collect Social Security in 2019 (62 years old), the factor is 2.60 for 1988 earnings. Thus, a salary of \$20,000 in that year would be treated as \$52,000.
- The total of your indexed earnings is then divided by 420, which is the number of months in 35 years.
- The result is called your **Average Indexed Monthly Earnings (AIME)**.

Year	A. Maximum earnings	B. Actual earnings	C. Index factor	D. Indexed earnings
1988	\$45,000	\$20,000	2.60	\$52,000
1989	\$48,000		2.50	
1990	\$51,300		2.39	
1991	\$53,400		2.31	
1992	\$55,500		2.19	
1993	\$57,600		2.18	
1994	\$60,600		2.12	
1995	\$61,200		2.04	
1996	\$62,700		1.94	
1997	\$65,400		1.83	
1998	\$68,400		1.74	
1999	\$72,600		1.65	
2000	\$76,200		1.56	
2001	\$80,400		1.53	
2002	\$84,900		1.51	
2003	\$87,000		1.48	
2004	\$87,900		1.41	
2005	\$90,000		1.36	
2006	\$94,200		1.30	
2007	\$97,500		1.25	
2008	\$102,000		1.22	
2009	\$106,800		1.24	
2010	\$106,800		1.21	
2011	\$106,800		1.17	
2012	\$110,100		1.14	
2013	\$113,700		1.12	
2014	\$117,000		1.08	
2015	\$118,500		1.05	
2016	\$118,500		1.03	
2017	\$127,200		1.00	
2018	\$128,400		1.00	

The Benefit Calculation



- For those 62 this year with 35 years of maximum earnings, the highest AIME possible in 2019 is \$10,296.
- You get a % of these average lifetime monthly earnings based on the following formula:
 - 90% of the first \$926 of AIME;
 - 32% of the next \$4,657 of AIME;
 - 15% of the amount of AIME over \$5,583 to maximum of \$10,296.

Primary Insurance Amount



- **Primary Insurance Amount (PIA)** is another name for your Social Security Benefit.
- Your PIA would be your monthly Social Security retirement benefit if you collected at your **Full Retirement Age (FRA)**.
- The maximum monthly Social Security benefit at FRA in 2019 is \$2,861.

Retirement Age

- For those born in 1937 or earlier, full Social Security is payable at age 65.
- The FRA gradually increases to 67 for those born in 1960 or later.
- No matter what year your full retirement benefits are due, you can still collect a reduced benefit at age 62.

Year of Birth *	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943 - 1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

When Should I Collect?

2019



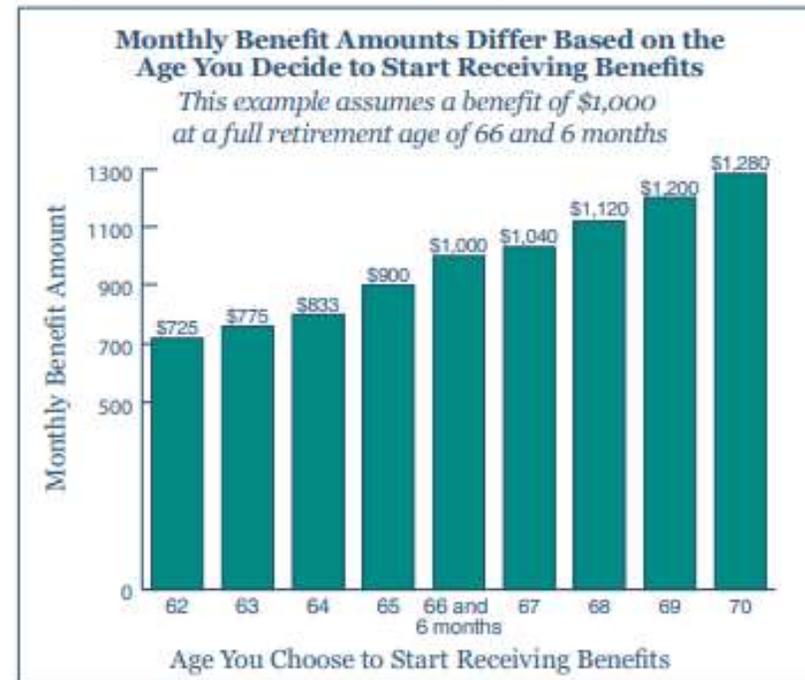
When to Start Receiving Retirement Benefits

At Social Security, we're often asked, "What's the best age to start receiving retirement benefits?" The answer is that there's not a single "best age" for everyone and, ultimately, it's your choice. The most important thing is to make an informed decision. Base your decision about when to apply for benefits on your individual and family circumstances. We hope the following information will help you understand how Social Security fits into your retirement decision.

Your decision is a personal one

Would it be better for you to start getting benefits early with a smaller monthly amount for more years, or wait for a larger monthly payment over a shorter timeframe? The answer is personal and depends on several factors, such as your current cash needs, your current health, and family longevity. Also, consider if you plan to work in retirement and if you have other sources of retirement income. You must also study your future financial needs and obligations, and calculate your future Social Security benefit. We hope you'll weigh all

The following chart shows an example of how your monthly benefit increases if you delay when you start receiving benefits.



Reduced Benefits

WHAT IS YOUR FULL RETIREMENT AGE?		
YEAR OF BIRTH	AGE TO RECEIVE FULL BENEFITS	AGE 62 BENEFITS AS % OF FULL RETIREMENT BENEFITS
1937 or earlier	65	80.0%
1938	65 and 2 months	79.17
1939	65 and 4 months	78.33
1940	65 and 6 months	77.50
1941	65 and 8 months	76.67
1942	65 and 10 months	75.83
1943-1954	66	75.0
1955	66 and 2 months	74.17
1956	66 and 4 months	73.33
1957	66 and 6 months	72.50
1958	66 and 8 months	71.67
1959	66 and 10 months	70.83
1960 and later	67	70.0

- If you collect Social Security before your FRA, you will receive a reduced benefit.
- For example, if you were born in 1957 you would receive 27.5% less at 62 than at FRA of 66 and 6 months.
- If you were born in 1960 or later, you would receive 30% less at 62 than at FRA of 67.

Reduced Benefits

Early Retirement Reduction

- $\frac{5}{9}$ of 1% (.5555) for each of the first 36 months immediately preceding FRA.
Maximum reduction = 20%.
- $\frac{5}{12}$ of 1% (.4167) for each additional month exceeding 36 months prior to FRA.



Reduced Benefits - Example

DOB – June 1957 & FRA 66 and 6 months

Collects.....December 2023 (66 and 6 months)

Reduction.....0%

Monthly Social Security Benefit.....\$2,000

Collects.....December 2019 (62 and 6 months, 4 years away from FRA)

36 months x .5555 = 20%

12 months x .4167 = 5%

Reduction = 25%

Monthly Social Security Benefit.....\$1,500

Reduced Benefits - Example

\$72,000 - Total received from age 62 and 6 months until FRA
÷ \$ 6,000 - Yearly benefit increase had you retired at FRA instead
12 years to “Break Even”



In this example, after **age 78**, you could say you were “ahead of the game” by waiting until your FRA to collect your Social Security benefit.

(If you successfully invested some of the money received during those four years, it may take longer to be able to say this.)

Retiring Beyond Full Age

How Much of an Increase?

Assuming you have 35 years of maximum earnings at retirement:

- If you retire at age 62 in 2019, your maximum monthly benefit would be \$2,209.
- If you retire at FRA in 2019, your maximum monthly benefit would be \$2,861.
- If you delay the start of your retirement benefit beyond FRA, your benefit amount will increase by 8% per year up to age 70.
- If you retire at age 70 in 2019, your maximum monthly benefit would be \$3,770.



When Should I Collect? Other Factors to Consider

- Are you still working?
- How is your health?
- Do you have other retirement income to support you if you decide to delay receiving your benefits?
- Are you eligible for benefits on someone else's record?
- Will other family members qualify for benefits on your record?



Evolving Through The Years

- Social Security has evolved from a retirement program for workers into a family-based economic program.
 - Under the 1935 law, what we now think of as Social Security only paid retirement benefits to the primary worker.
 - A 1939 change in the law added survivor benefits and benefits for the retiree's spouse and children.
- In 1956, disability benefits were added.
- Medicare began in 1966.

MORE SECURITY FOR THE AMERICAN FAMILY



WHEN AN INSURED WORKER DIES,
LEAVING DEPENDENT CHILDREN
AND A WIDOW, BOTH MOTHER
AND CHILDREN RECEIVE MONTHLY
BENEFITS UNTIL THE LATTER
REACH 18.

FOR INFORMATION WRITE OR CALL AT THE NEAREST FIELD OFFICE OF THE
SOCIAL SECURITY BOARD

Family Protection

If you are collecting Social Security benefits, your spouse and child can also receive Social Security benefits on your record.

Your Spouse

- Age 62 or older.
- At any age, if caring for a child under age 16

Your Child

- Not married and under 18
(or up to 19, if still in high school)
- Not married and disabled before age 22



Family Protection – Spousal Benefits

If you have filed to begin receiving your Social Security benefits, your spouse may be eligible to collect on your benefit.

- The maximum benefit is 50% of the worker's unreduced benefit.
- There is a reduction for retiring before full retirement age.
- If spouse's own benefit is less than 50% of the worker's, the benefits are combined.
- Does not reduce payment to worker.



Family Protection

Dan



Michael



Kathy



Family Protection – Spousal Benefits

Dan is age 62 in 2019. He is not insured for retirement benefits on his own work record. His wife, Kathy, is receiving retirement benefits. Her PIA is \$1,400.

Spousal Benefit options for Dan:



- Collect a reduced monthly benefit beginning at age 62 of \$472 ($\$1,400 \times .3375^*$).
- Collect 50% of Kathy's monthly benefit or \$700 at his FRA of 66 and 6 months.



*At age 62 the spousal benefit is 32 ½ - 34 ½ % of the worker's PIA. The percentage they can receive at age 62 is dependent on their own FRA.

Family Protection – Spousal Benefits

Dan is age 62 in 2019. He is insured for a retirement benefit on his own record and plans to collect at 62. His PIA is \$500. His PIA is less than 50% of Kathy's PIA of \$1,400.

Dan's PIA of \$500 is reduced by 27.5% for an age-62 monthly retirement benefit of \$363. His monthly spousal benefit is \$135, calculated as follows:

$$\begin{array}{r} \$700 \text{ (1/2 of Kathy's PIA)} \\ - \$500 \text{ (Dan's PIA)} \\ \hline \$200 \text{ (Excess)} \\ \times .675 \text{ (spousal benefit factor)} \\ \hline \mathbf{\$135} \end{array}$$

**Spousal Benefit Reduction

- 25/36 of 1% for each of the first 36 months
- plus 5/12 of 1% for each month in excess of 36

Dan receives a total of \$498 per month (\$363 + \$135).

If Kathy didn't become entitled to retirement benefits until Dan had already attained his full retirement age (66 and 6 months), Dan would be eligible for an unreduced spousal benefit of \$200 and would receive a total of \$563 per month.

Family Protection – Divorced Spouse

Your ex-spouse may also be eligible to collect on your benefit in the following cases.

- Marriage lasted at least 10 years
- Ex-spouse is 62 or older and unmarried.
(You can be remarried)
- **Whether you are retired or not but can qualify for benefits**, if you have been divorced for at least 2 years and your ex-spouse is 62 or older.

Your ex-spouse's benefit amount has no effect on the amount you or your current spouse can receive.



Family Protection

The Bipartisan Budget Act of 2015

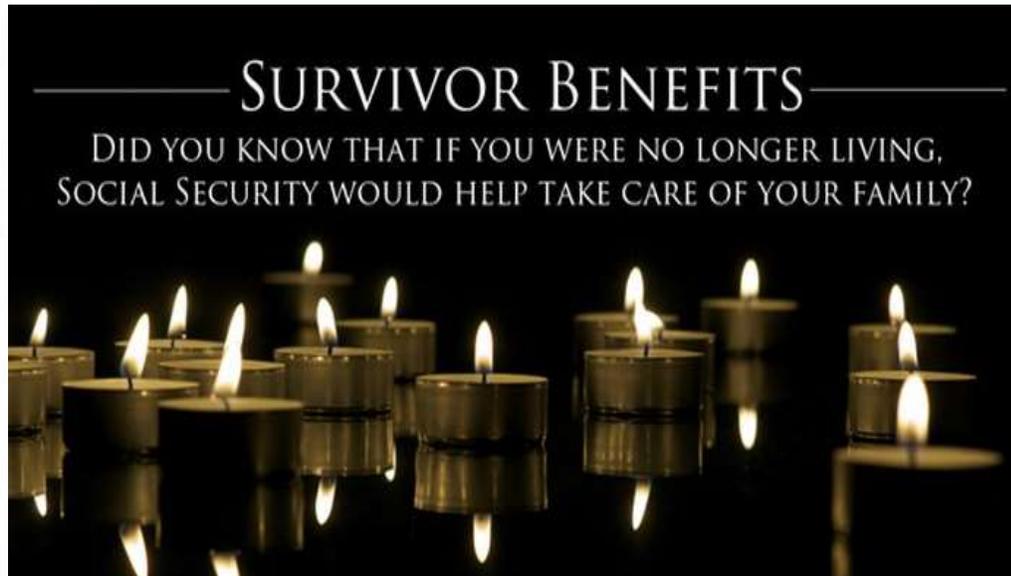
The Bipartisan Budget Act of 2015 introduced Deemed Filing.

The Deemed Filing requirement of the law states that if you are filing to collect on another's benefit, you are also filing on your own.

- If your spouse/ex-spouse is eligible for retirement benefits on their own record, they will receive that amount first. If the benefit on your record is higher, they will get an additional amount on your record so that the combination of benefits equals the higher amount.
- A spouse/ex-spouse **cannot** only collect a spousal benefit at 62 and defer their own retirement benefit until their FRA.
- Deemed Filing applies to individuals born on or after January 2, 1954.

IMPORTANT

Family Protection – Survivor Benefits



Widow or Widower

- Must be 60 or older; or
- 50 or older and disabled; or
- Any age if caring for your child who is younger than 16 or disabled.

Unmarried Children

- Younger than 18; or
- Between 18 and 19 but in elementary or secondary school on full-time basis; or
- 18 or older and severely disabled prior to turning 22.

Family Protection – Survivor Benefits



In 2019 Kathy dies at age 45, survived by a widower, Dan (age 45) and a son, Michael (age 15). Kathy's PIA at the time of death was \$1,400. Each survivor is entitled to a monthly benefit.

- Michael can also collect 75% (\$1,050) of Kathy's PIA until he turns age 18.
- Dan as a surviving spouse, although only 45, can collect 75% (\$1,050) of Kathy's PIA because he is caring for a child under the age of 16.

Family Protection – Survivor Benefits

As long as Dan does not remarry before age 60, he can then begin collecting 71.5% (\$1,001) of Kathy's PIA for the rest of his life.

If he chooses to wait until his FRA, he can collect 100% (\$1,400) of Kathy's PIA.

- Deemed Filing does not apply to survivor's benefits. If you are a widow or widower, you may start your survivor benefit independently of your retirement benefit if you restrict the scope of your application.
- Survivors who are under FRA are subject to the earnings limit applicable to those receiving retirement benefits.

Earnings Limitations

There is a limit on earnings for those collecting Social Security who have not reached their full retirement age:

For 2019, the limit is **\$17,640**
For 2020, the limit will be \$18,240

One dollar in Social Security benefits is withheld for every **\$2** in earnings above limit.

Earnings Limitations

Special Monthly Test in First Year of Retirement if Under FRA

- Many people who retire mid-year have already earned more than the annual earnings limit. In this first year, the monthly test can be used so earnings prior to the month of retirement are not counted towards the earnings limit.
- You can get a full Social Security check for any whole month you are retired, regardless of your yearly income.
- In this year, your earnings limit becomes the yearly limit divided by 12 or \$1,470 per month.



Earnings Limitations

Example: In 2019 you were collecting a Social Security benefit at age 64 and had a part-time job that paid you \$20,640 from January to December of that year.

Earnings in 2019: \$20,640

Earnings limitation: \$17,640

Amount over limit: $\frac{\$ 3,000}{\div 2}$

Social Security Withheld: \$ 1,500

Earnings Limitations

There is a limit on earnings in the year of your FRA, but only before you reach the month of your FRA:

For 2019, the limit is **\$46,920**
For 2020, the limit will be \$48,600

One dollar in Social Security benefits is withheld for every **\$3** in earnings above limit.

Earnings Limitations

Once you reach your full retirement
age (65 – 67):

NONE



Inflation Protection

- Social Security payments are adjusted for inflation through an annual **Cost-Of-Living-Adjustment**, or **COLA**.
- This COLA is based on the percentage increase in the Consumer Price Index (CPI) from September to September.
- The increase in Social Security payments that results—if any—is payable starting in January of each year.



Inflation Protection

- Congress enacted the COLA provision as part of the 1972 Social Security Amendments.
- Prior to this, benefit increases had to be enacted by Congress sporadically.
- In contrast, NYSTRS guarantees a 1 - 3% increase on the first \$18,000 of your pension once you are retired five years and are age 62.

July 1975 -- 8.0%
July 1976 -- 6.4%
July 1977 -- 5.9%
July 1978 -- 6.5%
July 1979 -- 9.9%
July 1980 -- 14.3%
July 1981 -- 11.2%
July 1982 -- 7.4%
January 1984 -- 3.5%
January 1985 -- 3.5%
January 1986 -- 3.1%
January 1987 -- 1.3%
January 1988 -- 4.2%
January 1989 -- 4.0%
January 1990 -- 4.7%
January 1991 -- 5.4%
January 1992 -- 3.7%
January 1993 -- 3.0%
January 1994 -- 2.6%
January 1995 -- 2.8%
January 1996 -- 2.6%
January 1997 -- 2.9%
January 1998 -- 2.1%



January 1999 -- 1.3%
January 2000 -- 2.5%
January 2001 -- 3.5%
January 2002 -- 2.6%
January 2003 -- 1.4%
January 2004 -- 2.1%
January 2005 -- 2.7%
January 2006 -- 4.1%
January 2007 -- 3.3%
January 2008 -- 2.3%
January 2009 -- 5.8%
January 2010 -- 0.0%
January 2011 -- 0.0%
January 2012 -- 3.6%
January 2013 -- 1.7%
January 2014 -- 1.5%
January 2015 -- 1.7%
January 2016 -- 0.0%
January 2017 -- 0.3%
January 2018 -- 2.0%
January 2019 -- 2.8%
January 2020 -- 1.6%

Taxes on Social Security



www.rpea.org

www.retirementliving.com

www.topretirements.com

- A maximum of 85% of your Social Security benefit can be federally taxable, depending on your total income.
- There is no NYS income tax on Social Security payments.
- Most states do not tax Social Security, but there are exceptions.

Will Social Security Be Around for Me?

- The most recent annual report by Social Security's trustees project that—**if no changes are made**—the trust fund will be depleted by 2035.
- At that point, annual Social Security tax revenues would fund 70-75% of promised benefits.
- This “depletion date” has varied from 2029 to 2042 over the past 20 years.



Possible Changes

- Gradually phase out the cap on wages subject to Social Security tax, currently \$132,900.
- Push back the age needed to reach full retirement.
- Base the COLA on a measure that more closely tracks costs for seniors, rather than for workers overall.
- Change the number of “Bend Points” and their percentages when calculating the Primary Insurance Amount.

Getting Information

[ssa.gov](https://www.ssa.gov) is an excellent site for Social Security information. You can...

- Download virtually any Social Security publication.
- View your statement and do online retirement calculations
[ssa.gov/estimator](https://www.ssa.gov/estimator)
[ssa.gov/myaccount](https://www.ssa.gov/myaccount)
- Review latest changes on COLAs, earnings limits, etc.
- Apply online for regular and disability Social Security retirement.



Figuring it Out

Go to: ssa.gov/myaccount to create your personal *my Social Security* account to review & download the latest version of your Social Security annual statement.

The screenshot shows the Social Security website interface. At the top, there is a navigation bar with the Social Security logo, a search icon, a menu icon, language options, and a sign-in/up link. Below the navigation bar, there are two main sections. On the left, a light blue box contains the text 'Create your personal my Social Security account today' and a 'Create an Account' button. A red arrow points to this button. Below the button are links for 'Finish Setting Up Your Account' and 'Sign In to Your Account'. On the right, a white box titled 'Your Estimated Benefits' contains a table of benefit estimates. A photograph of a family of four is visible in the background of the benefits section.

Your Estimated Benefits

*Retirement	You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...	
	your full retirement age (67 years), your payment would be about.....	\$ 1,915 a month
	age 70, your payment would be about	\$ 2,405 a month
	age 62, your payment would be about	\$ 1,344 a month
*Disability	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about.....	\$ 1,889 a month
*Family	If you get retirement or disability benefits, your spouse and children also may qualify for benefits.	
*Survivors	You have earned enough credits for your family to receive survivors benefits. If you die this year, certain members of your family may qualify for the following benefits:	
	Your child.....	\$ 1,416 a month
	Your spouse who is caring for your child.....	\$ 1,416 a month
	Your spouse, if benefits start at full retirement age.....	\$ 1,889 a month
	Total family benefits cannot be more than	\$ 3,443 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of \$255.	

Figuring it Out

Go to: ssa.gov/estimator to calculate various retirement scenarios, including the effect of collecting benefits “early.”

Retirement Estimator

How the Retirement Estimator Works

The Retirement Estimator gives estimates based on your actual Social Security earnings record. Please keep in mind that these are **just** estimates.

[Estimate Your Retirement Benefits](#)

We can't provide your actual benefit amount until you apply for benefits. **And that amount may differ from the estimates provided because:**

- Your earnings may increase or decrease in the future.
- After you start receiving benefits, they will be adjusted for cost-of-living increases.
- Your estimated benefits are based on current law. The law governing benefit amounts may change because, by 2035, the combined trust fund reserves are projected to become depleted – one year later than projected last year. Payroll taxes collected will be enough to pay only about 80 cents for each dollar of scheduled benefits.

Related Information

- [Your Options: Working, Applying for Retirement, Both?](#)
- [Estimate Your Life Expectancy](#)
- [Other Benefit Calculators](#)
- [When to Start Receiving Retirement Benefits](#)
- [Benefits For Your Spouse](#)
- [Other Things To Consider](#)
- [Retirement Toolkit](#)
- [my Social Security](#)

Online Applications

- [Apply Online For Retirement](#)

Retirement Estimator

Your Retirement Benefit Estimate

The age that you start your benefits determines how much you receive each month.

We created estimates for you at three common retirement ages using your earnings information. You can also add your own custom estimates by changing your stop work age and future earnings.

If you start your benefits:	And you earn an average of:	Your benefit will be about:
At full retirement (age 67)	\$100,000 a year (from now until full retirement)	\$2,716 a month
At age 70	\$100,000 a year (from now until age 70)	\$3,392 a month
At age 62	\$100,000 a year (from now until age 62)	\$1,826 a month

[Add a New Estimate](#)

[Exit](#)

[Print this page](#)

- [Retirement Planner](#)
- [When to Start Receiving Retirement Benefits](#)
- [How We Estimated Your Benefits](#)

[Apply for Benefits Now](#)

How to File

You should apply for benefits three to four months before the date you want your benefits to start.

You can apply:

- Online – Use your *my Social Security* account to complete the online retirement application.
- By phone – Call (800) 772-1213. If you are hearing-impaired, you can call TTY at (800) 325-0778.
- In person – Visit your local Social Security office. (Call first to make an appointment.)

