

SOCIAL SECURITY FOR CSRS AND FERS-SS

Social Security is the Nation's basic method of providing partial replacement of earnings when they are reduced or stopped because of retirement, disability, or the death of the wage earner. Social Security provides a base upon which to build private savings, investments or other insurance and an employer pension plan. Social Security provides four (4) types of benefits -- Retirement, Survivors Benefits, Disability and Medicare.

An employee who is covered by FERS, CSRS Offset, and CSRS Transfers, will have Social Security Coverage and Benefits. Information will also be important to those employees whom the government employs, but who are not covered by Social Security, or those covered under the Civil Service Retirement System. CSRS employees who have reached their Covered Quarters can have their Social Security benefits affected by the *Windfall Elimination Provision (WEP)*, *Government Pension Offset (GPO)* and *Catch-62*.

COVERED QUARTERS

Rights to Social Security benefits are earned by acquiring sufficient Quarters of Coverage (QC's). Most federal employees will need forty (40) QC's to be eligible for Social Security Retirement Benefits. If you were born before December 31, 1928 or earlier, take the last two digits of your birth year and add eleven (11) to find out how many QC's you need to be fully insured for retirement benefits. For example, if you were born in 1927, you would need 38 QC's, $(27 + 11 = 38)$.

Covered Quarters Are Earned

Through 1977, Covered Quarters were earned based on a calendar quarter. For each full quarter an employee works, they would receive credit for \$50 in covered wages. With this concept an employee had to work each quarter in order to get credit for four (4) quarters each year. Beginning in 1978, Quarters of Coverage is earned at any time a worker qualifies for the Quarter of Coverage amount in covered wages. The amount of one (1) Quarter of Coverage equals \$1,050 and four (4) Quarters of Coverage equals \$4,200 for 2008. Under this new formula a worker could earn four (4) Quarters of Coverage in one quarter if they had covered wages of \$3,880. Under no circumstance, however, can more than four (4) Quarters of Coverage be earned in any one calendar year. There is an earnings cap of \$13,560 per year, or \$36,120 in the month you reach full Social Security and unlimited on the day you reach full Social Security.

TAX RATES

Combining the tax of the Old Age, Survivors and Disability Insurance (OASDI), and Medicare (HI) compute the Federal Insurance Contributions Act or FICA. The employee (EE) and your agency as employer (ER) pay equal amounts of Social Security taxes including Medicare. The tax on the benefits portion is computed on every dollar earned up to the maximum taxable amount \$102,000 in 2008. Additionally, the Medicare tax is computed on every dollar earned with no maximum. There are two (2) separate taxes levied against your income under FICA:

- Medicare Tax (HI) entitles you to Medicare coverage when you become eligible, at age 65 or earlier if disabled.

- The Old Age, Survivors and Disability Insurance (OASDI) tax provides monthly cash benefits to you when you have met other eligibility requirements.

Year 2008	OASDI 06.20%	Maximum per year \$102,000	Medicare 01.45%	Maximum per year No limit	Total FICA 07.65%
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SOCIAL SECURITY BENEFITS ELIGIBILITY

Social Security does pay cash benefits when there is a loss of earned income due to retirement, the death of a wage earner or the disability of the wage earner. In addition to the worker other members of the family may be eligible for benefits when the worker becomes entitled. The following chart gives examples of the benefit and the % of benefit of the primary insured:

RETIREMENT BENEFITS AMOUNT	% OF PRIMARY INSURANCE
Worker	
At age 62	80 (1)
Full retirement age	100.0%
Spouse or Ex-Spouse	
At age 62	37.5 (1)
Full retirement age	50.0%
Child under 16 or if child is disabled	50.0%
Child, under age 18 or under 19 if in high school or any age if disabled	50.0%

DISABILITY BENEFITS AMOUNT	% OF PRIMARY INSURANCE
Worker	
Any age if Social Security definition of disability is met fully insured and currently connected to the covered work force	10
Spouse or Ex-Spouse	
At age 62	37.5 (1)
Full retirement age	50
Any age if caring for disabled worker's child under 16 or if child is disabled	50
Child, under age 18 or under 19 if in high school or any age if disabled	50

SURVIVOR BENEFITS AMOUNT	% OF PRIMARY INSURANCE
Spouse or Ex-Spouse	
Any age if caring for an eligible child under 16 or if child is disabled	75
Age 60	71.5
Age 62	82.9 (2) or 79.64 (3)
Full retirement age	100
Disabled Surviving Spouse or Ex-Spouse	

Age 50-59	71.5
Child, under age 18 or under 19 if in high school or any age if disabled	50
Aged Dependent Parent	
At least age 62, and financially dependent on worker before worker's death	82.5
<p>1) Reflects the actuarial reduction if the year of birth is prior to 1938. If the year of birth is 1938 or thereafter the actuarial reduction factor increases due to a gradual increase in the full retirement age, resulting in a lower percentage of the primary insurance amount being paid at age 62.</p> <p>2) Reflects the actuarial reduction if the year of birth is prior to 1938.</p> <p>3) If the year of birth is 1938 or thereafter, the actuarial reduction factor increases due to a gradual increase in the full retirement age, resulting in a lower percentage of the primary insurance amount being paid at age 62.</p>	

ACTUARIALLY REDUCED BENEFITS

Under Social Security, you can retire at age 62 if you are fully insured. Your benefit, however, will reduce 5/9th of 1% for each of the first 36 months and 5½ of 1% for each of the last 24 months a benefit is paid prior to the full retirement age. At present, the maximum reduction is 20%. Beginning with persons born in 1938 and thereafter, the full retirement age will gradually increase. While age 62 will continue as the earliest Social Security would be paid, the increase would cause a reduction in benefit at age 62, 30% for those retirees born 1960 or after. The gradual increase in full retirement would be phased as illustrated on the chart below.

INCREASE IN FULL RETIREMENT AGE			
Year of Birth	Full Attainment of Age 62	Retirement Age (Year/Month)	At Age 62 % of Primary Insurance Amount (1)
1938	2000	65/02	79.17%
1939	2001	65/04	78.33%
1940	2002	65/06	77.50%
1941	2003	65/08	76.67%
1942	2004	65/10	75.83%
1943-54	2005-16	66/00	75.00%
1955	2017	66/02	74.17%
1956	2018	66/04	73.33%
1957	2019	66/06	72.50%
1958	2020	66/08	71.67%
1959	2021	66/10	70.83%
1960 & after	2022 & after	67/00	70.00%
<p>1) Applies present law reduction factors (5/9 of 1% per month) for the first 36 months' receipt of early retirement benefits and the new reduction factor of 5/12 of 1% per month for additional months.</p>			

ESTIMATE YOUR SOCIAL SECURITY BENEFITS

Now that you have determined how many Quarters of Coverage you need, QC's, you will need to determine how many years of coverage will be included in your retirement computation. To determine the amount of years, simply subtract five (5) from the figure determined by the QC computation. For example, if you were born after 1929 you will need 40 quarters minus 5 equals 35. If you were born before 1929, let us say 1925, you will need 31, 25 plus 11 equals 36 minus 5 equals 31. The numbers determined always remain the same no matter how many years you actually worked. For example, if it is determined those 35 years will be used and you actually worked 10 of those years, 25 years of zero earning will be added to the calculation. If you worked 40 years of actual covered time, you will only use the highest 35 years, they do not have to be current or consecutive. You can obtain a copy of your Social Security covered wages shown year by year, free of charge, by completing a SSA 7004 form, which can be obtain by calling (800) 772-1213.

NOTE: *If you are a Civil Service employee, the Social Security benefits that are now given through the SSA-7004 procedure may not be the amount you ultimately receive. The Windfall Elimination Provision (WEP) may affect your Social Security benefit.*

MAXIMUM FAMILY BENEFIT FORMULA (MFB)

This formula establishes the maximum amount paid to a worker, spouse and/or eligible child/children based on the worker's Primary Insurance amount (PIA). The maximum will vary between 150 to 185% of PIA. For disabled workers the maximum is the smaller of (1) 85% of the worker's Average Indexed Monthly Earnings (AIME) (or 100% of the PIA if larger) or (2) 150% of the PIA.

MFB formula for 2008:

- 150% of the first \$909 of the PIA
- 272% of the next \$403 of the PIA
- 134% of the next \$399 of the PIA
- 175% of the amount of the PIA in excess of \$1,711

A divorced spouse is not included in figuring the MFB, except in cases where the divorced spouse qualifies because of "Child in Care."

WINDFALL ELIMINATION PROVISION (WEP)

The Social Security Amendments of 1983 included a provision that eliminates Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. This provision did not affect anyone until January 1, 1986, for persons who first became eligible after 1985. WEP applies a different benefit computation formula with a lower weighted factor. The provision never completely eliminates an individual's right to Social Security, but will substantially decrease the benefit. The Windfall Elimination Provision does not adversely affect the Social Security payable to survivors of workers who also receive survivor benefits.

What is the Windfall Elimination Provision?

The Windfall Elimination Provision simply lowers the amount of eligible Social Security payments to which an individual who pays a comparatively small amount of Social Security taxes would be entitled. This reduction occurs during the computation of the "weighted" benefit formula. The computation of the weighted factor in 2008 is:

- 90% replacement of the first \$711 of the AIME
- 32% replacement of over \$711 to \$4,288 of the AIME, and
- 15% replacement of the AIME in excess of \$4,288.

The Windfall Elimination Provision reduces the weighting formula as follows:

- 40% replacement of the first \$711 of the AIME
- 32% replacement of over \$711 to \$4,288 of the AIME, and
- 15% replacement of the AIME in excess of \$4,288

A 40% replacement factor is applied instead of the 90%.

NOTE: *There are two contributing factors that make up your Social Security payments, time in the program and amount contributed. Although the 50% difference between WEP and normal weighting may not seem significant, total contributions will not be as great for a CSRS employee.*

EFFECT OF SUBSTANTIAL SOCIAL SECURITY COVERED EARNINGS

If you have a number of years of substantial employment covered under Social Security, the Windfall Elimination Provision may not fully apply. The earnings must meet the substantial earnings guideline, \$18,975 in 2008. The chart below indicates the percentage that can be used in determining the weighted factor.

REPLACEMENT FACTOR	
If You Have	Line of Benefit Formula
20 or fewer years	40%
21	45%
22	50%
23	55%
24	60%
25	65%
26	70%
27	75%
28	80%
29	85%
30 or more years	90%

GOVERNMENT PENSION OFFSET (GPO)

The GPO (also known as the Public Pension Offset) was incorporated into the Social Security law in 1977. Unlike the Windfall Elimination Provision, the GPO affects any person who has his or her own earned right non-covered position, like CSRS. In addition it applies to unearned Social Security benefits to an eligible spouse or surviving spouse. Social Security law has always provided a dollar-for-dollar reduction of a spouse's benefit, if qualified, based on his or her own work in covered employment. First the spouse's benefit is computed. If less than the benefit as a worker, the benefit is not paid. If the spouse's benefit is larger, the person receives the benefit based on his or her own work plus the difference between that amount and the spouses benefit. In effect, the larger of the amounts is paid.

In 1983, the reduction was changed to \$2.00 of Social Security spouse's benefit for every \$3.00 of a non-covered pension for the first eligible to receive a Government pension after December 1982.

Exempt:

- All eligible beneficiaries of employees under the CSRS Offset Retirement Plan are automatically exempt from the PPO.
- All people who transferred into FERS prior to January 1, 1988.
- Any federal employee who transfers into FERS after June 30, 1988 must have a total of 60 months, 5 years of FERS coverage before they are exempt from the Government Pension Offset.

The Government Pension Offset does not affect a person's eligibility for Medicare based on his or her spouse's work under Social Security. Therefore, people age 65 or older should not delay applying for their spouse's benefit even though the offset may apply.