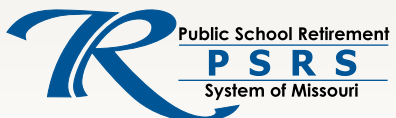




# Social Security and Medicare

What Every  
PSRS Member  
Should Know

- PSRS and Social Security
- Possible Social Security Benefit Reductions
- Questions to Ask Social Security
- Medicare



*Partners in Your Retirement Security.*

## PSRS and Social Security

Currently, all PSRS members pay into PSRS and no Social Security taxes are withheld on PSRS-covered earnings. Wage earners that make contributions to a public pension and do not pay Social Security taxes on earnings are subject to two federal laws that cause a reduction in Social Security retirement benefits. They are the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

Effective July 1, 2010, members employed in certain positions, to be determined by your employer and the Social Security Administration, will pay into PSRS at a two-thirds rate and will also pay into Social Security at the full rate. Consequently, members will receive PSRS benefits for those years calculated at a two-thirds rate and will also receive Social Security units based on their earnings.

For further information, visit the PSRS web site. To determine if your position is affected, contact your employer.



## Your Social Security Benefits Could be Reduced if You Qualify for both Social Security and PSRS Retirement Benefits

You may qualify for Social Security benefits if you have 40 units (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 of your Social Security benefit.

### Windfall Elimination Provision (WEP)

**Who is affected?** Individuals who earn a pension from work not covered by Social Security (like most PSRS members) and also work at other jobs where they pay Social Security taxes long enough to qualify for benefits.

**How does it work?** The Social Security program is structured to give a higher percentage of pre-retirement income to lower paid workers. PSRS members that do not pay Social Security taxes on their income appear to be lower-paid workers on their Social Security record. Their Social Security benefit is, therefore, calculated giving them a higher percentage of their pre-retirement income, resulting in a “windfall.” The WEP prevents this windfall by reducing their Social Security benefit. The WEP cannot reduce the Social Security benefit to zero. A good rule of thumb to use is to apply a reduction of about 50%.

## Questions to Ask Social Security

We recommend you contact Social Security at (800) 772-1213 or visit your local Social Security office to determine if 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.

**When you receive your annual statement from the Social Security Administration, your benefit amount is not reduced by either the WEP or GPO formula. You should specifically ask Social Security to calculate your benefits considering these laws.**

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

- Your Social Security number and all spouses' Social Security numbers
- Your PSRS benefit estimate
- Your expected PSRS retirement date

Ask the following questions:

- Please explain “WEP.”
- 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?
- Is there sufficient Social Security service on my own record (or a spouse's record) for Medicare benefits? If not, how may I secure those benefits?

Request the following fact sheets:

- “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 benefits)

**Are there exceptions?** The WEP does not apply to members eligible to retire from PSRS before 1986 or who have 30 years of “substantial” Social Security earnings.

### Government Pension Offset (GPO)

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

**How does it work?** Spousal benefits through Social Security are intended to be benefits for “dependents.” All spouses who work and earn wages have a reduction applied to their spousal benefit from Social Security because they are not considered to be dependent. For individuals who do not pay Social Security taxes on wages (like most PSRS members), the reduction is calculated differently because their Social Security record is not an accurate reflection of their actual wages earned. For PSRS members who have not paid Social Security taxes, the GPO applies a reduction that equals two-thirds of their PSRS benefit which typically eliminates their entire spousal Social Security benefit. In effect, this is similar to the reduction applied to working spouses who have paid Social Security taxes throughout their careers. These spouses typically receive their own Social Security benefit because it is a greater amount than what their spousal benefit would be given the applicable reduction.

**Are there exceptions?** The GPO does not apply to members eligible to retire from PSRS before December 1982.

# Medicare

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 or have changed employers since March 1986, Medicare contributions should be withheld from your pay. If you pay into Medicare, your employer matches your contributions. When you are paying into Medicare, you receive “units” based on your earnings. You can receive a maximum of four units in one calendar year.

Medicare benefits may be payable under special circumstances that are not explained in this brochure, such as with the occurrence of a disability. Contact the Social Security Administration at (800) MEDICARE for specific information about your entitlement to Medicare benefits.

There are four parts to Medicare: Part A - Hospital Insurance, Part B - Medical Insurance, Part C - Medicare Advantage Plans, and Part D - Prescription Drug Coverage.

## ***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, or
- You 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. You must pay a premium to receive Part B coverage regardless of the number of Social Security units you may 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 for Part B coverage.

## ***Part C - Medicare Advantage Plans***

Medicare Advantage Plans are health plan options approved by Medicare and run 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). For information about eligibility for Part C, visit [www.medicare.gov](http://www.medicare.gov) or call (800) MEDICARE.

## ***Part D - Prescription Drug Coverage***

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

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

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

## 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.

## Frequently Asked Questions

**Q.** Am I eligible to receive Social Security benefits if I am receiving PSRS benefits?

**A.** It depends. If you have 40 units of Social Security credit, you are eligible to receive Social Security benefits on your own employment record. You may also qualify to receive Social Security benefits through a spouse. However, when you do not pay Social Security taxes on PSRS-covered earnings, your Social Security benefits are subject to reductions under the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

**Q.** How do the WEP and GPO affect my Social Security benefits?

**A.** The WEP affects the Social Security benefit you are entitled to receive from your own employment record. A good rule of thumb is to reduce your benefit by about 50%. There is a dollar limit on how much your benefit can be reduced under the WEP. The GPO reduces the benefit you may be entitled to receive through a spouse. The GPO reduces your Social Security benefit by two-thirds of your PSRS benefit and can eliminate the entire Social Security benefit.

**Q.** Is there a limit to how much my Social Security benefit can be reduced by WEP or GPO?

**A.** The reduction in your Social Security benefit caused by WEP cannot be more than one-half the amount of your pension that is based on earnings after 1956 on which you did not pay Social Security taxes. There is no limit on the reduction under GPO which will typically eliminate the entire spousal benefit unless you have

very few years of service with PSRS on which you did not pay Social Security taxes.

**Q.** Can I voluntarily choose to pay into Social Security or Medicare while in PSRS-covered employment?

**A.** No. There are no legal provisions which give individuals this choice.

**Q.** Can I voluntarily choose to pay the full contribution rate to PSRS if I am also paying into Social Security?

**A.** No. There are no provisions within federal or state law to allow individuals this choice.

**Q.** Will I be affected by the recent ruling on Social Security coverage and Section 218 Agreements?

**A.** PSRS has no authority over this issue. Questions should be directed to your employer or to the State of Missouri Office of Administration as the state Social Security Administrator at the email address: 218agreements@oa.mo.gov.

**Q.** What if I have a lot of years with Social Security? Can I avoid some of the reduction of my Social Security benefit?

**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.** 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.** How will my Social Security benefit be affected if I withdraw my PSRS contributions in a lump sum and forfeit PSRS monthly benefits?

**A.** Social Security benefits may still be reduced if you withdraw your PSRS contributions.

**Q.** Is it to my advantage to withdraw from PSRS 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/or Social Security;
- If the GPO or WEP will apply to your Social Security benefits;
- Possible cost-of-living adjustments from PSRS or Social Security;
- Forfeiture of PSRS \$5,000 death benefit; and
- 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 worked as a public employee.

**Q.** Is it possible that 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 \$62 billion.

## Contact Us

**For more detailed information on your specific situation, contact the Social Security Administration at (800) 772-1213 or visit your local Social Security office.**

This brochure serves as a generalization of the laws covering Social Security and some exceptions may apply. We recommend that you discuss your entitlement to Social Security and Medicare benefits with the Social Security Administration.

[www.psr-speers.org](http://www.psr-speers.org)



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