

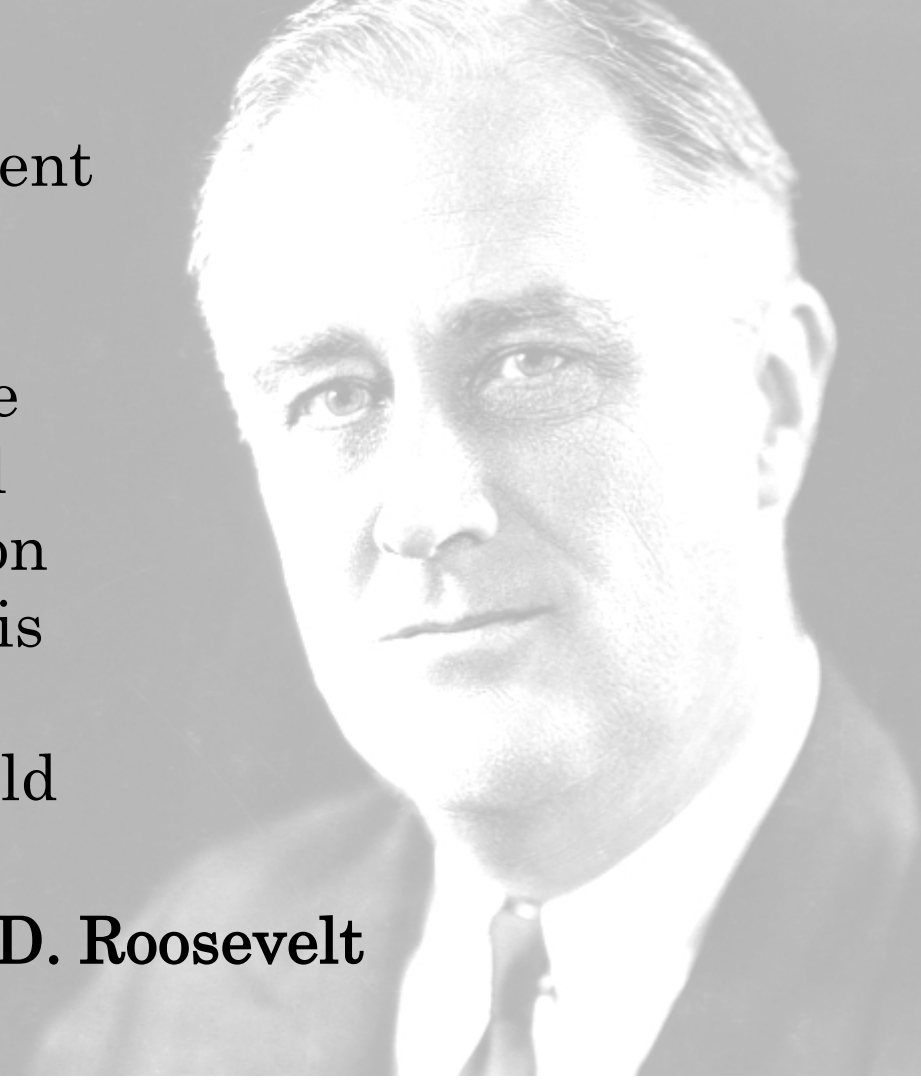


Social Security Information
Annual Delegates Meeting
November 6, 2016



“We can never insure 100 percent of the population against 100 percent of the hazards and vicissitudes of life, but we have tried to frame a law which will give some measure of protection to the average citizen and to his family against the loss of a job and against poverty-stricken old age.”

-Franklin D. Roosevelt



SOCIAL SECURITY BASICS

- Social Security continues to function as a safety net for retirees and people with disabilities, and to provide death benefits to taxpayer dependents.
- Currently, 9 out of 10 Americans age 65 or older receive monthly Social Security benefits.



SOCIAL SECURITY BASICS

- Many financial planners agree that, to live comfortably in retirement, you should plan to replace 70% of your pre-retirement income.
- **Social Security replaces an average of 40%.**
- Half of married couples and most unmarried people have 50% or more of their total retirement income from Social Security.



SOCIAL SECURITY BASICS

- For many Americans, especially those without secure public pensions, Social Security is their most valuable asset in retirement.
- Concern about protecting that valuable asset often causes Americans to worry and seek the counsel of family, friends and co-workers.
- **This frequently exposes workers to misinformation and myths about Social Security.**





MYTHBUSTERS

THE NYSTRS EDITION



MYTH # 1

Your Social Security
benefits are going into
an account with
your name on it.



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 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 2016, Social Security tax paid on first \$118,500 of wages.
- Maximum tax: \$7,347
- Medicare tax paid on all wages.
- Taxes paid are funding the monthly benefits paid out to current Social Security recipients.

Pay Statement YOUR COMPANY, INC. 1500 ANYTOWN ROAD Waukegan, IL 60087
 Client: 83052 R403 STATE 5907 CITY/TOWN 52250 Voucher # 1111
 Check Date: 01/15/2017 Period Ending Date: 01/15/2017

Division/Department	Employee #	Social Security #	Pay Freq	Type	Base Pay	Tax Type	Tax Jurisdiction	Dist Even	Add \$	Plan%	Plan \$
MILWAUKEE 2465 FOURTH STREET CITY/TOWN 52250	12	30-50-000	2016-01-15	1	500.00	2170A	WISCONSIN	1			

Pay Type	Pay Type	Hours (Units)	Gross Pay	YTD Hours (Units)	YTD Gross Pay	Desc	Wages	Amount	Y-T-D Amount	Desc	Scheduled Amount	Voluntary Deduction Amount Taken	Y-T-D Amount
REGULAR		40	1500.00	400	6000.00	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				
Current		40	1500.00	400	6000.00			474.00					
YTD								7347.00					

NET REG. DIRECT DEPOSIT

Accruals

Type	Accrued Amount	Taken Amount	Balance	Description	Scheduled Amount	Calc Amount	Y-T-D Amount
ADVICE	1500.00	00.00	1500.00				
ADVICE	20.00	00.00	20.00				

Direct Deposit

Account Number	Account Type	Description	Amount
046101011007	CHECKING	DEBIT	500.00

©2007 HowStuffWorks

KEEPING TRACK

- Social Security does keep track of individual earnings reported by employers.
- As salaries are reported, workers earn credits in the Social Security system.
- 40 credits are required to qualify for individual benefits.



KEEPING TRACK

- Workers can earn up to 4 credits each year.
- In 2016, one credit is equal to \$1,260 in reported income.
- $4 \text{ credits per year} \times 10 \text{ years} = 40 \text{ credits}$



40 credits needed to qualify for full benefits.

KEEPING TRACK

- Not all employees work in positions covered by Social Security. In some states, teachers and other public employees who have publicly funded pensions do not contribute taxes to fund Social Security.
- Americans who are self-employed earn credits similarly, but must pay both the employee and employer taxes required.



PAY NOW – BENEFIT LATER

- The Social Security Trust Funds account for taxes paid by workers and employers. Those taxes are invested and paid out in monthly benefits.
- The Trust Fund accounts are managed by the United States Department of the Treasury.
- Currently, Social Security projects it will be solvent through 2034. If no changes are made, the reserves will be depleted by 2034, and tax income will be able to pay only 75% of promised benefits.



MYTH # 1

~~Your Social Security
benefits are going into
an account with
your name on it.~~

BUSTED



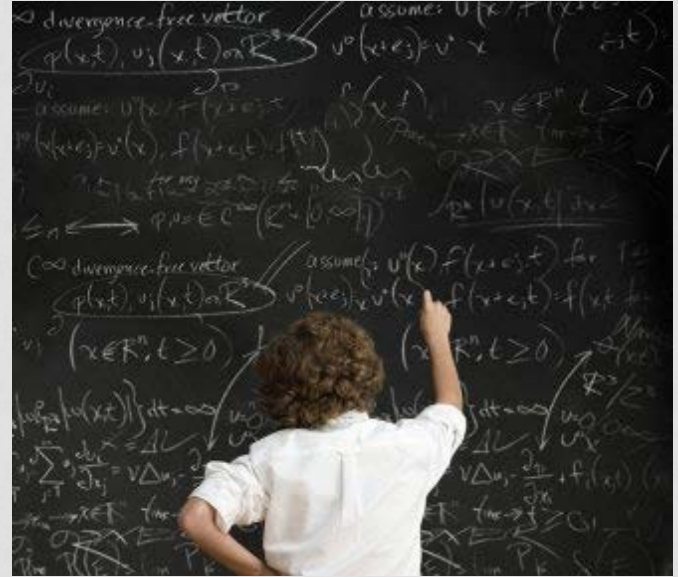
MYTH # 2

Your Social Security
payments are based
on your last ten years
of earnings.



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, if you become eligible to collect in 2016 (at age 62), the factor is 2.68 for 1986 earnings. A salary of \$20,000 in that year would be treated as \$53,600.
- The total of your indexed earnings, including years where no salary was reported, 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
1986	\$42,000	\$20,000	2.68	\$53,600
1987	\$43,800		2.52	
1988	\$45,000		2.40	
1989	\$48,000		2.31	
1990	\$51,300		2.21	
1991	\$53,400		2.13	
1992	\$55,500		2.03	
1993	\$57,600		2.01	
1994	\$60,600		1.96	
1995	\$61,200		1.88	
1996	\$62,700		1.79	
1997	\$65,400		1.69	
1998	\$68,400		1.61	
1999	\$72,600		1.53	
2000	\$76,200		1.45	
2001	\$80,400		1.41	
2002	\$84,900		1.40	
2003	\$87,000		1.36	
2004	\$87,900		1.30	
2005	\$90,000		1.26	
2006	\$94,200		1.20	
2007	\$97,500		1.15	
2008	\$102,000		1.12	
2009	\$106,800		1.14	
2010	\$106,800		1.12	
2011	\$106,800		1.08	
2012	\$110,100		1.05	
2013	\$113,700		1.04	
2014	\$117,000		1.00	
2015	\$118,500		1.00	

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 it at your Full Retirement Age (FRA).
- The maximum monthly Social Security benefit at FRA in 2016 is \$2,787.

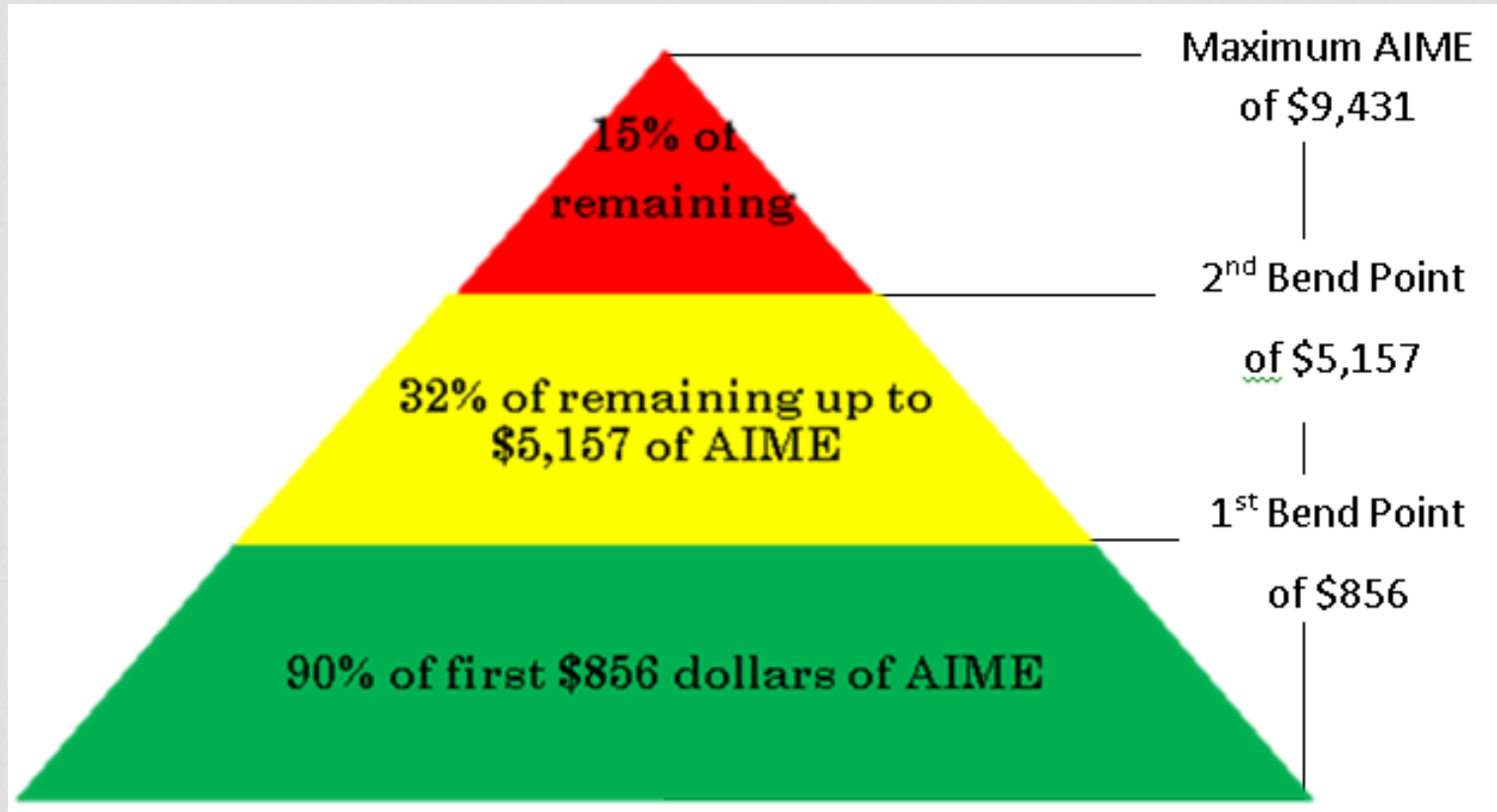


THE BENEFIT CALCULATION

- For those age 66 this year with 35 years of maximum earnings, the highest AIME possible in 2016 is \$9,431.
- You get a % of these average lifetime monthly earnings based on this formula:
 - 90% of the first \$856 of AIME;
 - 32% of the next \$5,157 of AIME; &
 - 15% of the amount of AIME over \$5,157, to the maximum of \$9,431.



THE BENEFIT CALCULATION



PRIMARY INSURANCE AMOUNT

Calculation of **PIA** for someone turning 66 in 2016
with maximum earnings over 35 years:

$$90\% \text{ of } \$ 856 = \$ 770$$

$$32\% \text{ of } \$5,157 = \$1,376$$

$$15\% \text{ of } \underline{\$4,274} = \underline{\$ 641}$$

$$\text{AIME} = \$9,431$$

$$\text{PIA} = \$2,787$$



MYTH # 2

~~Your Social Security payments
are based on your last ten years
of earnings.~~

BUSTED



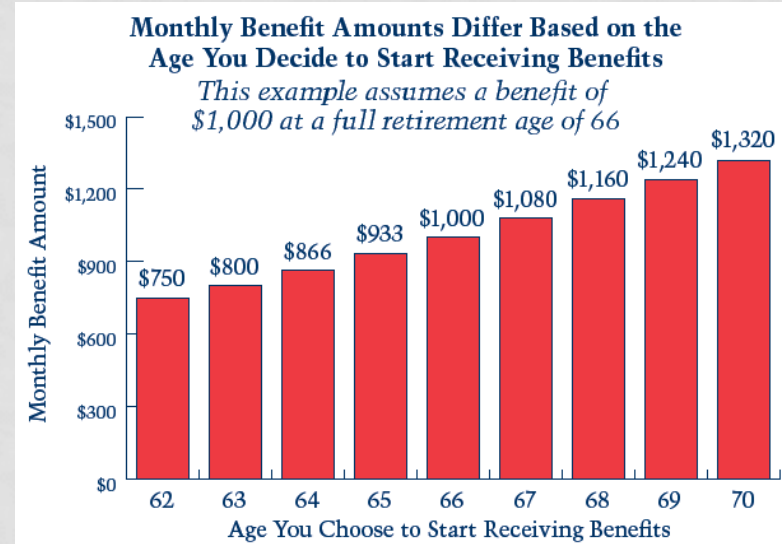
MYTH # 3

You should wait until
age 70 to collect your
Social Security benefits.



RETIREMENT AGE

- For those born in 1937 or earlier, full Social Security is payable at 65.
- The option to collect at 62 was introduced in 1956 for women and 1961 for men.
- The full retirement age gradually increases to 67 for those born in 1960 or later.
- No matter what year your full benefits are due, you can still collect reduced benefits at 62.



FULL RETIREMENT AGE (FRA)

Eligibility for Full Social Security Benefits

<u>Year of Birth</u>	<u>Full Retirement Age</u>
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 or later	67



REDUCED BENEFITS

- If you collect Social Security before your FRA, you will receive a reduced benefit.
- For example, if you were born between 1943 and 1954 and collect at 62, you would receive 75% of the FRA benefit at 66.
- If you were born in 1960 or later, you would receive 30% less at 62 than at FRA of 67.

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

REDUCED BENEFITS - EXAMPLE

DOB – June 1954 & FRA - 66

Collects.....June 2020 – Age 66 (FRA)

Deduction.....0%

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

Collects.....Nov. 2016 – Age 62 & 5 months

Deduction.....22.9%

Monthly Social Security Benefit.....\$1,542



RETIRING BEYOND FULL AGE

Delayed Filing Until Age 70

- Increase is 8% each year from FRA to age 70.
16/24 of 1% (.6667) increase for each month delayed beyond FRA.
- Benefit increases stop at age 70.

Example:

- Member born June 1950 (FRA = 66).
- Plans to retire Nov. 2016 (Age 66 & 5 months).
- 5 (months) x 16/24 = 3.33%.
- Benefit would be 103.33% of PIA.

PIA x 1.03333 = **Increased monthly payment**



RETIRING BEYOND FULL AGE

HOW MUCH OF AN INCREASE?

- If you retire at age 62 in 2016, your maximum benefit would be \$2,090.
- If you retire at full retirement age in 2016, your maximum benefit would be \$2,787.
- If you retire at age 70 in 2016, your maximum benefit would be \$3,678.



MYTH # 3

You should wait until age 70 to collect your Social Security benefits.

PLAUSIBLE



MYTH # 4

You should file for your
Social Security benefits
as soon as you are able.



RETIRING EARLY vs. AT FRA

- Example: Let's say you would receive \$20,000 per year if you retired at your FRA of 66.
- If you were to collect at age 62 instead, you would receive 75% of the \$20,000 benefit, **or \$15,000 per year.**



RETIRING EARLY vs. AT FRA

- If you instead wait until 66 to collect, you would receive \$5,000 more per year going forward than you would have received by collecting at 62.
- From 62 to your FRA of 66, you would collect \$60,000 in benefits.

$\$15,000 \text{ per year} \times 4 \text{ years} = \$60,000$



RETIRING EARLY vs. AT FRA

- $\frac{\$60,000 - \text{Total received from 62-66}}{\underline{\$5,000} - \text{Yearly benefit increase at FRA}}$

12 years to “Break Even”

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

If you successfully invested some of the money received from age 62-66, it may take longer to be able to say this.



RETIRING EARLY vs. AT 70

- $\$120,000 - (\$15,000 \times 8 \text{ years})$ Total received from 62-70
○ $\div \underline{\$11,400}$ - Yearly benefit increase at age 70

10.5 years to “Break Even”

- In this example, after **age 80**, you could say you were “ahead of the game” by waiting until your maximum filing age of 70 to collect benefits.



If you successfully invested some of the money received from age 62-70, it may take longer to be able to say this.

MYTH # 4

You should file for your Social Security benefits as soon as you are able.

PLAUSIBLE



MYTH # 5

Social Security no
longer provides
spousal benefits.



EVOLVING THROUGH THE YEARS

- Social Security has evolved from a retirement program for workers into a family-based economic security program.
- Benefits for the retiree's spouse and children
- Disability benefits
- Medicare benefits




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.
- The surviving spouse will collect the higher of the family benefits.

**MORE SECURITY FOR
THE AMERICAN FAMILY**



**THE WIDOW OF A QUALIFIED
WORKER WILL RECEIVE MONTHLY
BENEFITS AT AGE 65. IN CERTAIN
CASES, AN AGED DEPENDENT
PARENT MAY GET BENEFITS. ...**

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



FAMILY PROTECTION

DISABILITY BENEFITS

- **Social Security Disability Insurance (SSDI)**
 - For workers who become disabled before retirement age.
 - Only workers who have worked and paid Social Security taxes for many years are insured by the SSDI program.
 - Compassionate Allowance now speeds the application process for obvious qualifiers.
 - Fast-track for Wounded Warriors who are 100% permanently and totally disabled.
- **Social Security Insurance (SSI)**
 - Protects people who are aged, blind or disabled without enough credits for SSDI.



FAMILY PROTECTION

SPOUSAL BENEFITS

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

- Your child
 - Not married and under 18 (or under 19 if still in high school).
 - Not married and disabled before age 22.
- Your spouse
 - Age 62 or older.
 - At any age, if caring for a child under age 16 or disabled.



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 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

If you have filed to begin receiving your Social Security benefits, 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.)
- You have been divorced at least two years, and you and your ex-spouse are at least 62.



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

FAMILY PROTECTION

RECENT CHANGES

The Bipartisan Budget Act of 2015

- Section 831 of the law specifically restricts two complex filing strategies that were primarily used by married couples.
- Prior to these changes in the law, some married individuals would start receiving spousal benefits at full retirement age, while letting their own retirement benefit grow by delaying it.



FAMILY PROTECTION

THE BIPARTISAN BUDGET ACT OF 2015

The Introduction of Deemed Filing

- **Restricted Filing** allowed one partner to file for his or her benefit and the other to live off of the spousal benefits, delaying the second partner's own benefit to a later date.
- 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.



FAMILY PROTECTION

THE BIPARTISAN BUDGET ACT OF 2015

- This also eliminated a second strategy called **File and Suspend**.
- **File and Suspend** allowed one spouse to register for Social Security benefits and then immediately ask to suspend their payments.
- This filing made the other spouse eligible for spousal benefits.
- The suspended spouse's benefit would then grow at 8% each year until age 70.



MYTH # 5

~~Social Security no longer
provides spousal benefits.~~

BUSTED



MYTH # 6

You can't collect
Social Security benefits
while you are working.



EARNINGS LIMITATIONS

- The limit on earnings for those collecting Social Security who have not reached their FRA:
 - For 2016, the limit is \$15,720.
- One dollar in Social Security benefits is withheld for every \$2 in earnings above limit.



EARNINGS LIMITATIONS

Example: In 2016 you were collecting a Social Security benefit at age 64, and had a part-time job that paid you \$18,720 from January to December of that year.

Earnings in 2016:	\$18,720
Earnings Limitation:	\$15,720
<u>Amount Over Limit:</u>	<u>\$3,000/2</u>
Social Security Withheld:	\$1,500



EARNINGS LIMITATIONS



- The limit on earnings for those collecting in the year of their FRA, but before they reach the month of their FRA:
 - For 2016, the limit is **\$41,880**.
- One dollar in Social Security benefits is withheld for every \$3 in earnings above limit.

EARNINGS LIMITATIONS

- The limit on earnings for those collecting at their FRA (age 65 - 67):

NONE

MYTH # 6

~~You can't collect Social Security benefits while you are working.~~

BUSTED



MYTH # 7

Your Social Security
benefits are not taxable.



TAXES ON SOCIAL SECURITY

- 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.



rpea.org
retirementliving.com
topretirements.com

MYTH # 7

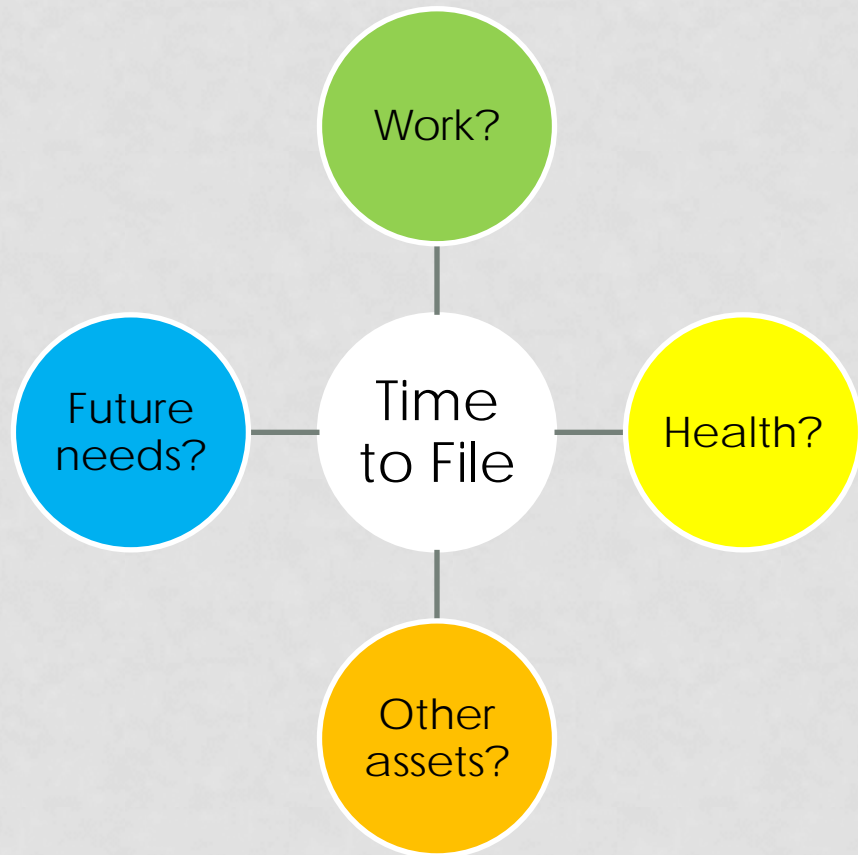
~~Your Social Security benefits
are not taxable.~~

BUSTED



DECIDING WHEN TO FILE

- Your Social Security benefit should only be one part of your financial plan in retirement.
- **Social Security benefits are not retroactive.**
- When deciding when you will file, consider your current and future needs.



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) during the 3rd quarter of the year.
- 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.

Year	COLA	Year	COLA	Year	COLA
1975	8.0	1990	5.4	2005	4.1
1976	6.4	1991	3.7	2006	3.3
1977	5.9	1992	3.0	2007	2.3
1978	6.5	1993	2.6	2008	5.8
1979	9.9	1994	2.8	2009	0.0
1980	14.3	1995	2.6	2010	0.0
1981	11.2	1996	2.9	2011	3.6
1982	7.4	1997	2.1	2012	1.7
1983	3.5	1998	1.3	2013	1.5
1984	3.5	1999 ^a	2.5	2014	1.7
1985	3.1	2000	3.5	2015	0.0
1986	1.3	2001	2.6	2016	0.3
1987	4.2	2002	1.4		
1988	4.0	2003	2.1		
1989	4.7	2004	2.7		

GETTING INFORMATION

- **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
ssa.gov/mystatement
 - Review latest changes on COLAs, earnings limits, etc.
 - Apply online for regular and disability Social Security retirement.



FIGURING IT ALL OUT

Go to: ssa.gov/mystatement to view & download the latest version of your Social Security annual statement.

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.....	\$ 1,680 a month
	age 70, your payment would be about	\$ 2,094 a month
	age 62, your payment would be about	\$ 1,159 a month
*Disability	You have earned enough credits to qualify for benefits. If you became disabled right now, your payment would be about.....	
		\$ 1,527 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.....	\$ 1,176 a month
	Your spouse who is caring for your child.....	\$ 1,176 a month
	Your spouse, if benefits start at full retirement age.....	\$ 1,569 a month
	Total family benefits cannot be more than	\$ 2,908 a month
	Your spouse or minor child may be eligible for a special one-time death benefit of \$255.	
Medicare	You have enough credits to qualify for Medicare at age 65. Even if you do not retire at age 65, be sure to contact Social Security three months before your 65th birthday to enroll in Medicare.	

* Your estimated benefits are based on current law. Congress has made changes to the law in the past and can do so at any time. The law governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to pay only about 77 percent of scheduled benefits.



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 the *Social Security Retirement Benefit 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.)

