A 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
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.
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 2018, you pay Social Security tax on the first $128,400 of wages.
  • Maximum Tax: $7,960.80

• In 2019, you will pay Social Security tax on the first $132,900 of wages
  • Maximum Tax: $8,239.80

• You pay Medicare tax on all wages.
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 2018 (62 years old), the factor is 2.64 for 1987 earnings. Thus, a salary of $20,000 in that year would be treated as $52,800.

• 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).
The Benefit Calculation

• For those 62 this year with 35 years of maximum earnings, the highest AIME possible in 2018 is $9,936.

• You get a % of these average lifetime monthly earnings based on the following formula:
  • 90% of the first $895 of AIME;
  • 32% of the next $4,502 of AIME;
  • 15% of the amount of AIME over $5,397 to maximum of $9,936.
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 2018 is $2,788.
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.

<table>
<thead>
<tr>
<th>Year of Birth</th>
<th>Full Retirement Age</th>
</tr>
</thead>
<tbody>
<tr>
<td>1937 or earlier</td>
<td>65</td>
</tr>
<tr>
<td>1938</td>
<td>65 and 2 months</td>
</tr>
<tr>
<td>1939</td>
<td>65 and 4 months</td>
</tr>
<tr>
<td>1940</td>
<td>65 and 6 months</td>
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<tr>
<td>1941</td>
<td>65 and 8 months</td>
</tr>
<tr>
<td>1942</td>
<td>65 and 10 months</td>
</tr>
<tr>
<td>1943 - 1954</td>
<td>66</td>
</tr>
<tr>
<td>1955</td>
<td>66 and 2 months</td>
</tr>
<tr>
<td>1956</td>
<td>66 and 4 months</td>
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<tr>
<td>1957</td>
<td>66 and 6 months</td>
</tr>
<tr>
<td>1958</td>
<td>66 and 8 months</td>
</tr>
<tr>
<td>1959</td>
<td>66 and 10 months</td>
</tr>
<tr>
<td>1960 and later</td>
<td>67</td>
</tr>
</tbody>
</table>
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.

Monthly Benefit Amounts Differ Based on the Age You Decide to Start Receiving Benefits

This example assumes a benefit of $1,300 at a full retirement age of 66 and 4 months

<table>
<thead>
<tr>
<th>Age You Choose to Start Receiving Benefits</th>
<th>Monthly Benefit Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>62</td>
<td>$963</td>
</tr>
<tr>
<td>63</td>
<td>$1,012</td>
</tr>
<tr>
<td>64</td>
<td>$1,067</td>
</tr>
<tr>
<td>65</td>
<td>$1,121</td>
</tr>
<tr>
<td>66 and 4 months</td>
<td>$1,175</td>
</tr>
<tr>
<td>67</td>
<td>$1,230</td>
</tr>
<tr>
<td>68</td>
<td>$1,289</td>
</tr>
<tr>
<td>69</td>
<td>$1,347</td>
</tr>
<tr>
<td>70</td>
<td>$1,406</td>
</tr>
</tbody>
</table>
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 you would receive 25% less at 62 than at FRA of 66.
- 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
  • 5/9 of 1% (.5555) for each of the first 36 months immediately preceding FRA. Maximum reduction = 20%.
  • 5/12 of 1% (.4167) for each additional month exceeding 36 months prior to FRA.
Reduced Benefits – Example

DOB – January 1957 & FRA 66 and 6 months

Collects.........................July 2023 (66 and 6 months)
Reduction.......................0%

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

Collects.........................July 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 pension 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 4 years, it may take longer to be able to say this.)
Retiring **Beyond** Full Age
How Much of an Increase?

- If you retire at age 62 in 2018, your maximum benefit would be $2,158.
- If you retire at FRA in 2018, your maximum benefit would be $2,788.
- 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 2018, your maximum benefit would be $3,698.
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.
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.
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 FRA.
- If spouse’s own benefit is less than 50% of the worker’s, the benefits are combined.
- The spousal benefit does not reduce payment to worker.
Family Protection – Spousal Benefits

Example

Frank is age 62 in 2018. He is not insured for retirement benefits on his own work record. His wife Sue is receiving retirement benefits. Her PIA is $1,400.

Spousal Benefit options for Frank:

• Collect a reduced benefit as early as age 62. At 62 the benefit is $478 ($1,400 x .3416*).
• Collect 50% of Sue’s benefit or $700 at his FRA of 66 and 4 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
Example

Frank is age 62 in 2018. 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 Sue’s PIA of $1,400.

Frank’s PIA of $500 is reduced by 26.7% for an age-62 retirement benefit of $368. His spousal benefit is $136, calculated as follows:

\[
\begin{align*}
&\text{\$700 (1/2 of Sue’s PIA)} \\
- &\text{\$500 (Frank’s PIA)} \\
= &\text{\$200 (Excess)} \\
\times &\text{.683 (spousal benefit factor)} \\
\text{\$136}
\end{align*}
\]

Frank receives a total of $504 per month ($368 + $136)

If Sue didn’t become entitled to retirement benefits until Frank had already attained his full retirement age (66 and 4 months). Frank would be eligible for an unreduced spousal benefit of $200 and would receive a total of $568 per month.

**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
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 two 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 – Divorced Spouse Example

Sue’s divorced spouse, Bob, is unmarried and age 62 in 2018. He is not insured for a Social Security benefit. If Sue is age 62 or older, whether retired or not, Bob can receive a divorced spouse’s benefit based on her work record.

- Bob’s age 62 benefit is $478 (reduced for early retirement).
- Bob’s benefit has no effect on Sue’s benefit when she decides to retire.
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.
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.
In 2018 Sue dies at age 45, survived by a widower Frank (age 45) and a son John (age 15). Sue’s PIA at the time of death was $1,400. Each survivor is entitled to a monthly benefit.

- Frank as a surviving spouse, although only 45, can collect 75% ($1,050) of Sue’s PIA because he is caring for a child under the age of 16.

- John can also collect 75% ($1,050) of Sue’s PIA until he turns age 18.
As long as Frank does not remarry before age 60, at that age, he can begin collecting 71.5% ($1,001) of Sue’s PIA for the rest of his life.

If he chooses to wait until his FRA he can collect 100% ($1,400) of Sue’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 2018, the limit is $17,040
For 2019, the limit will be $17,640

One dollar in Social Security benefits is withheld for every $2 in earnings above the 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 $1,420 monthly.
Example: In 2018 you were collecting a Social Security benefit at age 64 and had a part-time job that paid you $20,040 from January to December of that year.

Earnings in 2018: $20,040  
Earnings limitation: $17,040  
Amount over limit: $3,000  
$3,000 ÷ 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 2018, the limit is $45,360
For 2019, the limit will be $46,920

One dollar in Social Security benefits is withheld for every $3 in earnings above the 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.

<table>
<thead>
<tr>
<th>Year</th>
<th>Increase</th>
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<tbody>
<tr>
<td>July 1975</td>
<td>8.0%</td>
</tr>
<tr>
<td>July 1976</td>
<td>6.4%</td>
</tr>
<tr>
<td>July 1977</td>
<td>5.9%</td>
</tr>
<tr>
<td>July 1978</td>
<td>6.5%</td>
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<tr>
<td>July 1979</td>
<td>9.9%</td>
</tr>
<tr>
<td>July 1980</td>
<td>14.3%</td>
</tr>
<tr>
<td>July 1981</td>
<td>11.2%</td>
</tr>
<tr>
<td>July 1982</td>
<td>7.4%</td>
</tr>
<tr>
<td>January 1984</td>
<td>3.5%</td>
</tr>
<tr>
<td>January 1985</td>
<td>3.5%</td>
</tr>
<tr>
<td>January 1986</td>
<td>3.1%</td>
</tr>
<tr>
<td>January 1987</td>
<td>1.3%</td>
</tr>
<tr>
<td>January 1988</td>
<td>4.2%</td>
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<tr>
<td>January 1989</td>
<td>4.0%</td>
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<tr>
<td>January 1990</td>
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<td>0.3%</td>
</tr>
<tr>
<td>January 2018</td>
<td>2.0%</td>
</tr>
<tr>
<td>January 2019</td>
<td>2.8%</td>
</tr>
</tbody>
</table>
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.
Will Social Security Be Around For Me?

• The most recent annual report by Social Security’s trustees projects that—if no changes are made—the trust fund will be depleted by 2034.

• 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 $128,400.

• 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** 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](http://ssa.gov/estimator)
  - [ssa.gov/mystatement](http://ssa.gov/mystatement)
- Review latest changes on COLAs, earnings limits, etc.
- Apply online for regular and disability Social Security retirement.
Go to: ssa.gov/mystatement to view & download the latest version of your Social Security annual statement.

<table>
<thead>
<tr>
<th>Benefit Type</th>
<th>Description</th>
<th>Amounts</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Retirement</strong></td>
<td>You have earned enough credits to qualify for benefits. At your current earnings rate, if you continue working until...</td>
<td>$2,463 a month, $3,308 a month, $1,789 a month</td>
</tr>
<tr>
<td><strong>Disability</strong></td>
<td>You have earned enough credits to qualify for benefits. If you became disabled right now your payment would be about...</td>
<td>$2,360 a month</td>
</tr>
<tr>
<td><strong>Family</strong></td>
<td>If you get retirement or disability benefits, your spouse and children also may qualify for benefits.</td>
<td></td>
</tr>
<tr>
<td><strong>Survivors</strong></td>
<td>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:</td>
<td>$1,789 a month, $1,789 a month, $2,386 a month, $4,177 a month</td>
</tr>
</tbody>
</table>

**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 make changes at any time. The laws governing benefit amounts may change because, by 2033, the payroll taxes collected will be enough to only pay about 75 percent of scheduled benefits.

We based your benefit estimates on these facts:
Go to: ssa.gov/estimator to calculate various retirement scenarios, including the effect of collecting benefits “early.”
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.)