

## Social Security Questions & Answers

### Social Security Credit & Benefit Coverage

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**1 Do police officers and firefighters in the State of Colorado pay into Social Security?**

Firefighters and police officers in Colorado who are covered by FPPA, a local money purchase plan or an old hire plan are not paying into Social Security. Full-time paid firefighters in Colorado are not covered by Social Security. A few police departments are covered by Social Security, though, newly created police departments will not be covered by Social Security per state statute (CRS 31-31-401).

The Social Security Administration follows state statute or the municipality when it comes to determining if someone should be paying FICA taxes. Any full-time employee has to pay into a pension system. Currently, 97% of the population working in the U.S. pays into Social Security. Employers who had a pension system in place prior to Social Security's existence were exempt from paying into Social Security in terms of mandatory participation.

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**2 Can I voluntarily contribute to the Social Security Administration System (SSA) even though I perform non-SSA covered work?**

No. Only SSA covered work allows for FICA taxes to be paid into the SSA system.

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**3 How can I earn Social Security credits?**

You receive credits by working in SSA covered employment or self employment. Each \$1,120 earned under SSA covered employment in 2011 earns one SSA credit. Each year a maximum of four credits may be earned, so that in 2011 \$4,480 in SSA covered wages or net profit from self-employment results in four credits regardless of when it is earned in the year. The dollar amount which must be earned in order to receive one SSA credit is determined by the SSA each year.

**4 How many Social Security credits can I earn in one year?**

You may earn a maximum of four credits per year.

**5 Do I have to work a full year to earn 4 credits?**

No. Please see the answer to number 3.

**6 Do I have to pay into Social Security for the 10-year period immediately prior to my Social Security retirement?**

No. To qualify for SSA retirement you need 40 credits. Once you earn your 40 credits, you are vested and eligible for benefits at retirement age.

**7 If I had 40 credits before I began working as a police officer or firefighter but have not paid into Social Security for the last 20 years, do I still qualify for Social Security benefits?**

Yes. Once you earn your 40 credits, you are vested and eligible for benefits at retirement age.

**8 How do I find out how much I will get from Social Security?**

Historically, Social Security sent a yearly statement to everyone age 25 or older who worked under Social Security and did not yet receive benefits. In light of the current budget situation, Social Security has suspended issuing these yearly statements. Contact Social Security at 1-800-772-1213 for further guidance and assistance.

You may be able to estimate your retirement benefit using the SSA Retirement Estimator at <http://www.socialsecurity.gov/estimator/>.

**9 How do I complete the *Request for Earnings and Benefit Estimate Statement* form if I want to find out my current number of credits?**

Place a zero in all of the earnings questions, state that

you want to know what your benefits will be starting at age 62. By doing this, your Social Security projection will tell you how many credits you have today and what your benefits will pay starting at age 62, 65 and 70.

**10 I sent in a *Request for Earnings and Benefit Estimate Statement* form. When it came back, the form indicated that I would receive a \$400 a month benefit. Will I receive that amount? If not, how much will I get?**

If you receive a pension for work not covered by Social Security, use the examples below to estimate your reduced Social Security benefit.

To figure the maximum reduction on your record if you are 62 in 2011:

- A. Subtract \$374.5 from your Social Security estimate or
- B. Multiply your Social Security estimate by .44 or
- C. Divide your non-Social Security pension by 0.5, subtract that from your Social Security estimate.

Your Social Security benefit will be the highest of those three.

**EXAMPLE 1**

Social Security estimate is \$400, Fire/Police Pension is \$1,000

- A.  $\$400 - \$374.50 = \$25.50$ ,
- B.  $\$400 \times .44 = \$176$ ,
- C.  $\$1,000 \times .5 = \$500$   $\$400 - \$500 = -\$100$   
Option B pays the highest, \$176

**EXAMPLE 2**

Social Security estimate is \$1000, Fire/Police Pension is \$800

- A.  $\$1000 - \$374.50 = \$625.50$ ,
- B.  $\$1000 \times .44 = \$440$ ,
- C.  $\$800 \times .5 = \$400$   $\$1000 - \$400 = \$600$   
Option A pays the highest, \$625.50

**11 Why is there a reduction (or offset) in my Social Security benefit amount?**

Before 1983, people who worked mainly in a job not covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job where they did not pay Social Security taxes. Congress passed the *Windfall Elimination Provision* to remove that advantage.

**12 If I go to work after I retire from the police or fire department and pay into the Social Security system, will my Social Security benefit still be offset?**

Yes, you may be offset. However, the amount of the offset depends on the number of years you worked and paid into Social Security and whether or not you had “substantial earnings” during that time. The offset is complicated. To see the maximum amount your benefit could be reduced, visit [www.ssa.gov/retire2/wep-chart.htm](http://www.ssa.gov/retire2/wep-chart.htm). See also “**Information for: Government Employees**” on [www.ssa.gov](http://www.ssa.gov) and refer to the Social Security handout *Windfall Elimination Provision*.

## Spousal Coverage

**13 My spouse pays into Social Security for his/her pension. Will he/she be offset due to my pension offset?**

No. Spouses stand on their own records.

**14 If I inherit a non-FICA pension, will I receive a reduction?**

No. In order for you to receive a reduction, you have to be the person who did the work. If you inherit the pension, it is just another inheritance tool.

**15 I have earned 40 credits under Social Security. However, my spouse stayed home to take care of the children and does not have enough credits to qualify for Social Security. Does she qualify under my record for Social Security benefits? For Medicare benefits?**

Yes – to both.

As for Medicare, you can qualify if:

- You work and earn 40 credits, your Medicare coverage begins at age 65.
- You are married to a current spouse who has Medicare coverage or is benefit entitled.
- You are eligible for Medicare coverage when your spouse reaches age 62. You must be age 65. You are eligible even if Social Security does not pay anything due to offset.
- You are the 10-year divorced spouse of somebody who is insured at the time you are ready to collect and that spouse earned their credits during the time you were married. The 10-year time frame does not need to be consecutive but it must be 10 years of marriage to the same spouse. Multiple marriages to different people do not count.
- You are the surviving spouse of someone who was insured and died. You are eligible for Medicare coverage at age 65. If your spouse dies, time of marriage is not a factor; it only needs to be a legitimate marriage.

*Even though the full retirement age is no longer 65, you should sign up for Medicare three months before your 65th birthday.*

*Please see: **Who Can Get Medicare** at [www.ssa.gov](http://www.ssa.gov) for more information on qualifying due to a Social Security disability.*

**16 Would I still be covered if my spouse and I got divorced?**

Maybe, a person can receive benefits as a divorced spouse on a former spouse’s Social Security record if he or she:

- was married to the former spouse for at least 10 years;

- is at least age 62 years old;
- is unmarried;
- is not entitled to a higher Social Security benefit on his or her own record.

In addition, the former spouse must be entitled to receive his or her own retirement or disability benefit. If the former spouse is eligible for a benefit, but has not yet applied for it, the divorced spouse can still receive a benefit if he or she meets the eligibility requirements above and has been divorced from the former spouse for at least two years. Please see: How Does a Divorced Spouse Qualify for Benefits at [www.ssa.gov](http://www.ssa.gov) for more information.

### 17 Would I still be covered if my spouse died?

Yes, as long as it was a legitimate marriage that lasted at least nine months. Social Security does not have a longevity clause or a duration requirement if the death was accidental. Note: There are some specific exceptions. Please see [www.ssa.gov](http://www.ssa.gov) questions section for more information.

### 18 Does Social Security recognize common-law marriages or same sex marriages?

Social Security follows the laws of the state where the worker was residing at the time of death or the place where the worker is residing when the spouse applies for benefits. In order for a common law marriage to be valid, it must have been contracted in a state where common-law marriages are recognized. Many states do not honor common-law marriages, so you should check local laws. However, most states (even those in which a man and woman could not enter into a valid common-law marriage) will generally recognize a common-law marriage validly entered into in another state. Again, check local laws. Social Security does not recognize same sex marriages.

### 19 If I pay into a public pension for my career and my spouse pays into Social Security for his/her career, when my spouse dies do I receive a survivor benefit from Social Security? If so, is it reduced because I was in a non-Social

### Security Pension?

If you will receive a pension based on non-covered government work, then a different offset (reduction) will apply to your survivor benefits. Your Social Security spousal or survivor benefit will be reduced by two-thirds of your government pension (Government Pension Offset).

#### EXAMPLE

If your non-covered government pension is \$1,000 and you are eligible for \$760 spouse's, widow's or widower's benefit from Social Security,

- $\$1,000 \times 2/3 = \$660$
- $\$760 - \$660 = \$100$
- Your survivor benefit would be \$100

If you take your government pension annuity in a lump sum, Social Security still will calculate the reduction as if you chose to get monthly benefit payments from your government work. Please see: [www.ssa.gov](http://www.ssa.gov) and search for Government Pension Offset for more information.

## Medicare Coverage

### 20 What are the differences between Medicare Parts A, B, C and D?

There are four parts to Medicare:

- Medicare Part A, Hospital Insurance;
- Medicare Part B, Medical Insurance;
- Medicare Part C (Medicare Advantage Plan), like an HMO or PPO;
- Medicare Part D, prescription drug coverage.

Generally, people who are over age 65 and getting Social Security automatically qualify for Medicare Parts A and B. So do people who have been getting disability benefits for two years, people who have amyotrophic lateral sclerosis (Lou Gehrig's disease)

and receive disability benefits, and people who have permanent kidney failure and receive maintenance dialysis or a kidney transplant.

#### **MEDICARE PART A**

Part A is paid for by a portion of Social Security tax. It helps pay for inpatient hospital care, skilled nursing care, hospice care and other services.

#### **MEDICARE PART B**

Part B is paid for by the monthly premiums of people enrolled and by general funds from the U.S. Treasury. It helps pay for doctors' fees, outpatient hospital visits, and other medical services and supplies that are not covered by Part A.

#### **MEDICARE PART C**

Private insurance companies approved by Medicare provide this coverage. It allows you to choose to receive all of your health care services through a provider organization. These plans may help lower your costs of receiving medical services, or you may get extra benefits for an additional monthly fee. You must have both Parts A and B to enroll in Part C.

#### **MEDICARE PART D - prescription drug coverage**

Part D - prescription drug coverage is voluntary and the costs are paid for by the monthly premiums of enrollees and Medicare. Unlike Part B in which you are automatically enrolled and must opt out if you do not want it, with Part D you have to opt into by filling out a form and enrolling in an approved plan.

*More information may be found in the SSA publication called Medicare, publication number 05-10043.*

*More information about all four parts of Medicare can be found at the Centers for Medicare and Medicaid Services website, [www.medicare.gov](http://www.medicare.gov).*

## **21 Why is it important to be covered by Medicare?**

It is important to be covered by Medicare because at age 65 most health coverage becomes a supplement to Medicare. Before reaching age 65, your health coverage can be very expensive. At age 65, when your health coverage may become a supplement to Medicare, those costs are reduced. If you do not qualify for Medicare, you have to purchase it.

#### **MEDICARE PART A**

- Most people do not pay a monthly Part A premium because they or a spouse has 40 or more quarters of Medicare-covered employment.
- The Part A premium is \$248.00 per month in 2011 for people having 30-39 quarters of Medicare-covered employment.
- The Part A premium is up to \$450.00 per month in 2011 for people who are not otherwise eligible for premium-free hospital insurance and have less than 30 quarters of Medicare-covered employment.

#### **MEDICARE PART B**

Most people will pay the standard monthly Part B premium of \$115.40 in 2011. Some people will pay a higher premium based on their modified adjusted gross income and date of eligibility.

Your monthly premium will be higher if you file an individual tax return and your annual income is more than \$85,000, or if you are married (file a joint tax return) and your annual income is more than \$170,000.

#### **MEDICARE PART D - prescription drug coverage**

Medicare offers prescription drug coverage (Part D) for everyone with Medicare. To get Medicare drug coverage, you must join a plan run by an insurance company or other private company approved by Medicare. Each plan can vary in cost and drugs covered. If you want Medicare drug coverage, you need to choose a plan that works with your health coverage. <sup>1)</sup>

Most drug plans charge a monthly fee that varies by plan. You pay this in addition to the Part B premium. If you belong to a Medicare Advantage Plan (like an HMO or PPO) or a Medicare Cost Plan that includes Medicare prescription drug coverage, the monthly premium may include an amount for prescription drug coverage.

*1) Source: "Medicare & You 2011" To read the full publication go to [www.medicare.gov](http://www.medicare.gov) and click on the "Medicare & You 2011 Handbook link".*

**22 What if I don't have 40 credits to qualify for Medicare coverage, can I continue to be covered under my current health insurance?**

It depends on the type of health insurance you have. It may turn into a Medicare Supplement at age 65. You should speak with your employer or your health plan representative.

**23 I am going to work after I retire. If I am working when I reach eligibility for Medicare (age 65), can I be penalized for not applying for Medicare at that time?**

It depends on how you are receiving insurance from your employer and the number of employees. If you were never eligible for Part A of Medicare insurance, you cannot be penalized until you are eligible. Part B is not an insured situation. It is in addition to Part A. You choose Part B of Medicare and pay monthly premiums.

If you don't have Part A of Medicare because you don't have your 40 credits, you will qualify for Part A as soon as you have your 40 credits. If you didn't apply for Part A of Medicare when you qualified and 2 years later you do apply, then there will be a penalty unless you had insurance coverage with an employer and you didn't need Medicare. If that is your circumstance, a special enrollment provision applies to you and you can file for Medicare Part A when your private insurance terminates with your employer.

The penalty equals a 10% increase in the premium per year for each year after age 65 that you were eligible to apply for Medicare and did not apply.

If your spouse is still working, has medical coverage and includes you, you may not have to worry about the penalty. You are covered under a group health plan. Check with the Social Security Administration at least 3 months before your 65<sup>th</sup> birthday to make sure you know if a penalty may apply.

**24 I started working for the police/fire department when I was 18 years old and do not have enough credits to qualify for Medicare. My spouse stayed home to take care of the children and does not have enough credits to**

**qualify for Medicare. What can we do?**

You can buy premium Part A Medicare or you can get reduced premium Part A if you have some credits but not enough. You can also purchase Part B of Medicare. Part B of Medicare is available to anybody at age 65 who lives in and is a resident of the U.S.

**25 If I was hired after 1986 and am paying into Social Security for FICA as a police officer or firefighter, do I get both a Social Security pension and Medicare?**

If you were hired after April 1, 1986 you are automatically paying into Medicare. The Medicare deduction is 1.45% of pay. As a firefighter or police officer in Colorado who is covered by FPPA, a local money purchase plan, or an old hire plan, you are not paying into Social Security for a pension. If you were, the Social Security (FICA) deduction would be 6.2% of pay. If you are not covered by a FICA employer, you are not receiving credits toward a Social Security benefit.

**26 If I have some credits under the Social Security system, but not 40, can I get partial benefits under Social Security? Under Medicare?**

For a Social Security pension, there are no partial benefits - you must have 40 credits.

For Medicare, please see the answer to Question 21.

**FULL RETIREMENT AGE**

If you were born before 1938, you were eligible for your full\* Social Security benefit on your 65th birthday. In 2003, the age at which full benefits are payable began to increase gradually. The chart on the next page will guide you in determining your full retirement age:

*\*Your Social Security benefits may be reduced because you are paying into a public pension plan.*

FULL RETIREMENT AGE	
Year of birth	Full retirement age
<b>1937 or earlier</b>	<b>65</b>
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
<b>1943-1954</b>	<b>66</b>
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
<b>1960 or later</b>	<b>67</b>

## 27 Will I get Medicare at age 65 if I'm not yet eligible for Social Security?

Although the retirement age is rising, 65 remains as the starting date of Medicare eligibility. You will be eligible to apply for Medicare if you have paid into Social Security for at least 10 years or you are eligible to receive Social Security benefits on your spouse's earnings. If you do not meet these requirements, you can still get Medicare hospital insurance (Part A) by paying a monthly premium if you are a citizen or a lawfully admitted alien who has lived in the U.S. for at least five years.

Also, anyone who is age 65 and a citizen or a lawfully admitted alien with five years of residency in the United States can sign up for Medicare Part B medical insurance and pay a monthly premium.

Be sure to sign up for Medicare about three months before you reach age 65. And remember, you do not have to be retired to enroll in Medicare.

## More Information

We hope this summary helps to answer some commonly asked questions. FPPA staff does not work for Social Security and does not consider themselves to be experts on Social Security benefits. Please do not rely on this summary for your individual specific retirement benefit issues. To learn more about your retirement or disability benefits please refer to the following resources.

- **Social Security Administration** on the web at [www.ssa.gov](http://www.ssa.gov) or toll free at **(800) 772-1213** (The best time to call is from 6 - 7pm weekdays.)

For specific, detailed information, please refer to the following fact sheets:

1. *How Work Affects Your Social Security Benefits*
2. *The Windfall Elimination Provision*
3. *Government Pension Offset*
4. *How You Earn Social Security Credits*
5. *How the Windfall Elimination Provision Can Affect Your Social Security Benefit*

- **Medicare & Medicaid Services** on the web at [www.medicare.gov](http://www.medicare.gov) or toll free at **(800) MEDICARE** (24 hours a day, 7 days a week)

