

# SOCIAL SECURITY BENEFITS



## Social Security and NYSTRS Benefits

Payments from Social Security will comprise a very important part of your overall retirement income. Your entitlement to and receipt of this benefit will not in any way affect what you receive from NYSTRS under Tiers 1, 2, 4, 5 and 6. Tier 3 members are eligible for either a Tier 3 or 4 benefit and automatically receive the higher benefit, which is virtually always Tier 4. However, for the very few Tier 3 members who opt for and subsequently retire with a Tier 3 benefit calculation, their NYSTRS pension will be offset by a portion of the Social Security benefit they become eligible for at age 62.

## Obtaining Information

There is probably as much misinformation about Social Security as there is on any other topic you will read or hear about in retirement. To get the facts, go to the source. You can visit your local Social Security Administration office — there are 1,300 across the country — or call toll-free at (800) 772-1213. If you call on business days between 7:00 a.m. and 7:00 p.m., you can speak with a representative who can answer your questions or make an appointment for you at the local office.

The Social Security Administration mails annual statements to workers age 60+ who have not signed up to view their statements online. The statements continue until workers begin to receive benefits. Beyond this, Social Security offers two online resources that workers can use to check their benefits and to do different retirement projections. They are

[ssa.gov/estimator](https://ssa.gov/estimator)

&

[ssa.gov/mystatement](https://ssa.gov/mystatement)

Here is an example of what an estimate from Social Security’s online estimator might look like.

Your Retirement Benefit Estimate		
The age that you start your benefits determines how much you receive each month.		
We created estimates for you at three common retirement ages using your earnings information. You can also add your own custom estimates by changing your stop work age and future earnings.		
If you start your benefits:	And you earn an average of:	Your benefit will be about:
At age 62	\$100,000 a year (from now until age 60)	<b>\$1,571 a month</b>
At <u>full retirement</u> (age 67)	\$77,500 a year (from now until full retirement)	<b>\$2,225 a month</b>
At age 70	\$77,500 a year (from now until age 70)	<b>\$2,800 a month</b>
At age 62	\$77,500 a year (from now until age 62)	<b>\$1,507 a month</b>

[Add a New Estimate](#)

## Benefit Eligibility and Calculation

As you work and pay taxes, you earn four Social Security “credits” a year. To qualify for benefits you need a minimum of 40 credits or 10 years of work. Beyond these 10 years, the main factor in determining your Social Security benefit is the amount of money on which you and your employer paid Social Security taxes each year.

Unlike your NYSTRS retirement benefit which is calculated on a three- or five-year final average salary (see page 16), your Social Security benefit is based on all or most of your reported earnings. These earnings are adjusted to reflect changes in average wage levels over the years. Your 35 highest years of earnings are used to find your average indexed monthly earnings (AIME), which is the first step in a complicated benefit formula.

## Age for Full Social Security Benefits

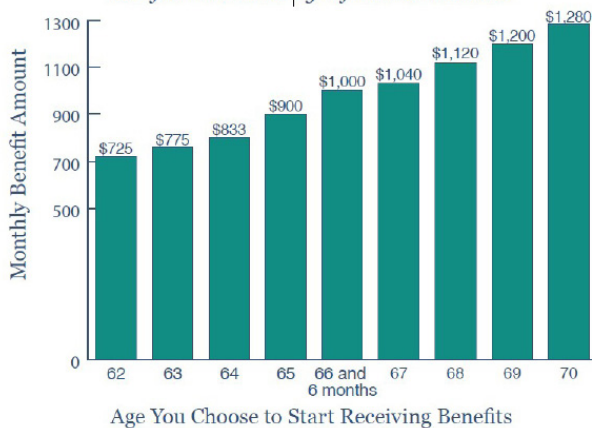
Your Full Retirement Age (FRA) for Social Security retirement benefits varies based on the year that you were born (see chart to the right). You may begin collecting at any point from age 62 up until age 70, and your benefit will be higher the longer you delay starting it. This adjustment is usually permanent: It sets the base for the benefits you will get for the rest of your life. You will get annual cost-of-living adjustments (COLAs) and, depending on your work history, may receive higher benefits if you continue to work.

The chart below shows an example of how your monthly benefit may increase if you delay when you begin receiving 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
1943-54	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 & later	67

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

*This example assumes a benefit of \$1,000 at a full retirement age of 66 and 6 months*



If you are eligible for a full benefit at age 65, you will receive 80% of this benefit if you collect at age 62. As the age for full benefits increases, the percentage of full benefits payable at age 62 decreases. Those born from 1943 to 1954 will receive 75% of full benefits at age 62. Someone eligible for a full benefit at age 67 will receive 70% of that benefit at age 62.

On the other hand, your benefit increases by a certain percentage (8% per year until age 70 for those born in 1943 or later) if you delay collecting beyond your FRA.

Because each situation is unique, you should consider discussing this issue with a Social Security representative, and may also want to consult a financial advisor.

## Family Benefits

Social Security benefits are paid to you for life. Your spouse and younger or disabled children can also collect benefits. You may collect a benefit based on your own work record, that of a spouse, or a combination of both. To collect on a spouse's record, that person must be receiving a Social Security benefit. The most you could receive this way is up to half of the spouse's full benefit, but only if you waited to collect Social Security at your own FRA (65-67). If you collect at age 62 based on a spouse's Social Security record, your benefit would be between 32% and 35% of your spouse's full amount, depending on when you would reach your FRA.

## Disability and Survivor Benefits

Social Security also pays disability and survivor benefits. You may qualify for Social Security disability benefits if:

- You have been (or are expected to be) disabled for more than a year; and
- You have 40 or more Social Security credits; and
- You have 20 or more Social Security credits in the 10 years just prior to your disability.

In the event that you pass away, survivor benefits may be paid to certain members of your family, and a lump sum payment of \$255 is paid to a surviving spouse or entitled child. A surviving spouse is eligible for 100% of the deceased spouse's benefit (if it is higher than her or his own benefit), and the surviving spouse is at or beyond her or his FRA at the time of the spouse's death.



# Social Security Benefits

## Benefits for Divorced People

If you are divorced (even if you have remarried), your ex-spouse is eligible to receive benefits based on your Social Security record, but only after you reach age 62. In order to qualify, your ex-spouse must meet all the following conditions:

- Have been married to you for at least 10 years.

- Be at least 62 years old.

- Be unmarried.

- Not be eligible for an equal or higher benefit on their own Social Security record, or on someone else's Social Security record.

If your ex-spouse receives benefits on your account, it does not affect the amount of any benefits payable to you or your other family members.

## Taxes on Benefits

Up to one-half of your Social Security benefit may be subject to federal income tax for any year in which the combination of your adjusted gross income (taxable pensions, wages, interest, dividends, etc.), your non-taxable interest income, and one-half of your Social Security benefits exceeds a base amount of \$25,000 for an individual, \$32,000 for a couple, or zero for a couple filing separately. Should the income described above exceed \$34,000 for an individual or \$44,000 for a couple, up to 85% of your Social Security benefits may be taxable. IRS publication 915 (available at [irs.gov](http://irs.gov)) has more information about federal tax on Social Security benefits. **There is no New York State tax on Social Security.**

## Cost-of-Living Adjustment

Each January, Social Security recipients may receive a cost-of-living adjustment (COLA) based on the annual percentage increase in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) through the previous September.

## Applying for Benefits

Social Security benefits are not paid automatically. You should talk to a representative in the year before you plan to collect. To receive benefits, you must apply at least three months in advance, either in person, over the Internet, by mail, or by telephone. Social Security will tell you what documents are needed to establish your claim for benefits. Contact Social Security whenever you have any questions or concerns about what you are entitled to.

## Earnings in Retirement and Social Security Limits

If you are collecting a Social Security benefit and are under your FRA, there is a limit on the amount of money you can earn during a calendar year. This limit applies to earnings from all employment, public and private. (Items such as pensions, annuities, investment income, interest, Social Security, veterans or other government benefits are not limited.) If you exceed the earnings limit, you will lose some of your Social Security benefit.

In the calendar year a recipient reaches FRA, the annual earnings limit increases for the months prior to attaining FRA. **Once you have reached the month that you attain your FRA, you no longer have an earnings limit under Social Security.**