What you need to know about Social Security and teacher retirement

Are Connecticut teachers covered by Social Security?
No, Connecticut teachers do not participate in the Social Security (FICA) system. As a result, they do not pay the required 6.2% of salary and do not receive Social Security credits. However, some school districts have an agreement with the state or the Social Security Administration to include in Social Security certain part-time positions. Teachers covered by the Connecticut Teachers’ Retirement System (CTRS) like coaching and extracurricular activities will be included in Social Security. If the school district that covers such positions, you must pay the FICA tax even if you do not need or want the Social Security credit.

Why aren’t we covered?
Simply stated, it’s better for teachers to be excluded. Year by year, the federal government allowed those employees who were not part of Social Security to elect whether or not to be included. Connecticut teachers chose not to because it was clear that the CTRS is a significantly better retirement plan that takes into account the specific retirement and disability needs of teachers.

An analysis performed by the Connecticut Teachers’ Retirement Board confirmed this fact. Teachers in fourteen states (e.g., California, Colorado, Massachusetts) similarly have not chosen to be included in Social Security. Moreover, because teachers are not covered, school districts are relieved of their obligation to pay the required employer contribution of 6.2% of salary for each teacher.

I hold various private-part-time jobs throughout my teaching career and have earned at least 40 credits of Social Security. Am I entitled to collect any Social Security benefits?
Yes. Public school teachers who have earned at least 40 credits of Social Security will be entitled to collect Social Security. A federal law, the Windfall Elimination Provision (WEP), may reduce the amount of your Social Security benefit.

Exactly how does the WEP' affect my Social Security benefits?
First, it is helpful to understand that Social Security benefits are intended to provide low-wage workers with a higher replacement income in retirement than high-wage earners. Because teachers’ salaries are not reflected on the Social Security system and most teachers’ earnings under Social Security are relatively low, they can be subtracted from low-wage earners. Under the WEP, a modified formula is utilized to recalculate benefits on the estimate provided in the Social Security Statement. In no event would the Modified formula result in benefits that are 50-60% of the estimate provided in the Social Security Statement. In no event should the teacher lose his or her current Social Security benefit. Moreover, if you were eligible for an early, proratable retirement benefit from the CTRS prior to January 1986, you are exempt from the WEP and will receive your full Social Security benefit without any reduction. In either case, the WEP does not affect your Medicare eligibility or the amount of your CTRS pension.

Finally, you should be aware that the Estimate of Benefits statement that Social Security sends to you periodically does not take into account the WEP and thus may overstate the future benefit to which you will be entitled. For a more accurate estimate of benefits, you should utilize the Online WEP Calculator contained in the Social Security Administration Web site (www.ssa.gov).

I am a second career teacher who retired from private industry. Does that affect the maximum amount of my Social Security benefits?
It depends on how long worked under Social Security and how long in previous employment. The WEP is not intended to affect those teachers who have had a significant first career under Social Security. However, this is defined as 30 years of ‘substantial earnings’ under Social Security. That is if you worked for 30 years or more and earned the “substantial earnings” amount each year (see chart to the right), you are totally exempt from the WEP and will receive the same benefit as under Social Security. If you had 21-29 years of substantial earnings under Social Security, your reduction will be scaled down to a normal reduction of approximately 40%.

Would it make sense for me to leave teaching, withdraw my retirement fund, and start collecting my teacher’s pension in order to avoid losing some of my Social Security under the WEP?
The rules provide that a pension withdrawal is not a “pension” for GO purposes if a teacher withdraws only his or her contributions plus interest and relinquishes all entitlements and benefits of the plan. For WEP purposes, such a withdrawal must occur before an early retirement age. Moreover, if you were eligible for an early, proratable retirement benefit from the CTRS prior to January 1986, you are exempt from the WEP and will receive your full Social Security benefit without any reduction. In other cases, the WEP does not affect your Medicare eligibility or the amount of your CTRS pension. Finally, you should be aware that the Estimate of Benefits statement that Social Security sends to you periodically does not take into account the WEP and thus may overstate the future benefit to which you will be entitled. For a more accurate estimate of benefits, you should utilize the Online WEP Calculator contained in the Social Security Administration Web site (www.ssa.gov).

I have no Social Security credits of my own, but my spouse will be collecting Social Security benefits. Am I entitled to a spousal benefit or a widow’s benefit if he dies?
Probably not. The Government Pension Offset (GPO) applies if you receive a pension from a job like teaching, where you did not pay Social Security taxes. Specifically, the GPO will reduce the amount of your Social Security spousal or widow’s benefit by two-thirds of the amount of your government pension. For example, if you receive $4,000 per month from the TRS, two-thirds of that amount, or $2,666, will be deducted from your anticipated Social Security spousal or widow’s benefit. In all likelihood, the Social Security benefit will be less than $2,666, so you will not receive anything from Social Security (but the GPO does not affect your Medicare eligibility). You will, however, be exempt from the GPO if you were eligible to receive an early, proratable or normal retirement benefit from the CTRS before December 1982.

Why are teachers the target of the GPO?
Actually, all working spouses, not just teachers, are similarly affected. Spousal benefits from Social Security always have been intended for the dependent, non-working spouse. In most cases, professionals in the private sector also do not collect a spousal benefit because their own earned benefit is equal to their spouse’s.

I think the GPO and WEP are unfair. What can I do to challenge this?
These provisions are based on federal (not state) law and can only be changed by Congress. For years, CEA and NEA have lobbied unsuccessfully for the repeal of the GPO and WEP. There has been more movement on the part of two Sections of Congress so you should contact your U.S. representative and senator and ask that they support a repeal.

Important note: A detailed update on the new TRB prescription drug plan (GWP) will be provided at all county meetings.

Partial Table of Social Security Earnings

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<thead>
<tr>
<th>Year</th>
<th>Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
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</tr>
<tr>
<td>1985</td>
<td>7,875</td>
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<td>1987</td>
<td>8,400</td>
</tr>
<tr>
<td>1988</td>
<td>8,525</td>
</tr>
</tbody>
</table>

*1 Except teachers at the Norwich Free Academy
*2 Because teachers at The Norwich Free Academy do not pay into Social Security, neither the WEP nor the GPO will apply to them.