# 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.[1] As a result, they do not pay the required contribution of 6.2% of salary and do not accrue social security credits. However, some school districts have an agreement with the Social Security Administration to include in social security certain part-time positions not covered by the Connecticut Teachers' Retirement System (CTRS) like coaching and extracurricular advisors. If you perform work in a 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. Years ago, the federal government allowed those employees who were not part of social security to elect whether or not to join. 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 other states (e.g., Ohio, California, Colorado, Massachusetts) similarly have chosen not to participate 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 held 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 Windfall Elimination Provision work?**

First, it is helpful to understand that social security benefits are intended to provide low-income 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 mistaken for low-wage earners. Under the WEP, a modified formula is utilized to rectify this. In general, the WEP results in teachers receiving approximately 50-60% of the estimate provided in their annual social security statement. In no event should the teacher lose his or her entire social security benefit. Moreover, if you were eligible for an early, proratable or normal 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).[2]

**I am a second career teacher who retired from private industry. Does that mean that I will lose 40-50% of my social security benefits?**

Probably not. 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" social security earnings. That is, if you worked for 30 years or more and earned the "substantial earnings" amount each year (see chart below), you are totally exempt from the WEP and will receive all of your estimated benefits. If you had 21-29 years of substantial earnings under social security, your reduction will be scaled down from the normal reduction of approximately 40%.

**Would it make sense for me to leave teaching, withdraw my retirement funds and forego 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 GPO 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 all factors of eligibility are met in order to avoid the modified formula. However, in most cases, from a financial standpoint, it is not worth forfeiting your right to a teacher's pension and to subsidized retiree health insurance for you and your spouse simply to collect your relatively low (albeit full) social security benefit. In fact, your accrued teacher's pension may amount to more than you think, perhaps even more than you were entitled to from social security in the first place. For example, the maximum social security benefit in 2009 for any individual retiring at full retirement age is $2,323 per month. Before making any critical decisions of this nature, please be sure to compare exactly what you would get from your teacher's pension versus what you would lose, if anything, under the WEP.

**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 should die?**

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 teaching 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 about it?**

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 momentum in the last two sessions of Congress so you should contact your U.S. Representative and Senator and ask that they support a repeal.

**Some of my teaching colleagues are paying a 1.45% tax and some are not. What is this for?**

All teachers hired after March 31, 1986, or who transferred from one district to another after that date are required to pay 1.45% of their salary as a Medicare tax. Their local school district also pays this tax. These teachers will then be entitled to Medicare coverage when they turn age 65.

**I was hired before March 31, 1986. Am I entitled to Medicare coverage?**

Pre-1986 hires qualify for Medicare in two ways. First, if you are married to someone who is eligible for (even if not collecting) social security benefits (and is at least age 62), you will be entitled to Medicare coverage at age 65. If you are divorced, you must have been married to your ex-spouse for ten years in order to qualify for Medicare on his or her record. Second, if you have earned the 40 credits through other jobs that you have held outside of teaching, you also will be eligible for Medicare beginning at age 65. If you retire with some social security credits but fall short of the required 40, you may earn more quarters through post-retirement employment. If you will never have the requisite 40 credits, you will never qualify for Medicare. In that case, when you turn age 65, you will remain in your local board of education's health care plan(s) for life. In no event will you be without any health care coverage in retirement.

**What exactly are social security credits (sometimes called "quarters") and how many do I need to qualify for a benefit?**

As you work and pay social security taxes (FICA), you earn social security credits. In 2009, you earn one credit for each $1,090 in earnings that you have — up to a maximum of four credits per year. In general, you need 40 credits or quarters (10 years of work) to qualify for a social security benefit.

**How do I find out how many credits I have earned or any other information about my social security coverage?**

You should contact your regional social security office or you can call the national social security information line at 1-800-772-1213.

[1] Except teachers at the Norwich Free Academy.

[2] Because teachers at The Norwich Free Academy do participate in social security, neither the WEP nor the GPO will apply to them.

**"Substantial earning" amounts for the purpose of the WEP exemption/reduction**

| Year | Substantial Earnings | Year | Substantial Earnings |
|---|---|---|---|
| 1955-58 | 1,050 | 1989 | 8,925 |
| 1959-65 | 1,200 | 1990 | 9,525 |
| 1966-67 | 1,650 | 1991 | 9,900 |
| 1968-71 | 1,950 | 1992 | 10,350 |
| 1972 | 2,250 | 1993 | 10,725 |
| 1973 | 2,700 | 1994 | 11,250 |
| 1974 | 3,300 | 1995 | 11,325 |
| 1975 | 3,525 | 1996 | 11,625 |
| 1976 | 3,825 | 1997 | 12,150 |
| 1977 | 4,125 | 1998 | 12,675 |
| 1978 | 4,425 | 1999 | 13,425 |
| 1979 | 4,725 | 2000 | 14,175 |
| 1980 | 5,100 | 2001 | 14,925 |
| 1981 | 5,550 | 2002 | 15,750 |
| 1982 | 6,075 | 2003 | 16,125 |
| 1983 | 6,675 | 2004 | 16,275 |
| 1984 | 7,050 | 2005 | 16,725 |
| 1985 | 7,425 | 2006 | 17,476 |
| 1986 | 7,875 | 2007 | 18,150 |
| 1987 | 8,175 | 2008 | 18,975 |
| 1988 | 8,400 | 2009 | 19,800 |

## CEA and retirement

CEA proposes retirement legislation, testifies at hearings on retirement matters, provides background information on retirement issues to legislators, and follows the progress of legislation through the Connecticut General Assembly.

During the last 15 years, CEA's lobbying efforts have resulted in a lowering of the retirement age and years-of-service requirements, a reduction in the early retirement penalties, liberalized opportunities for purchasing additional service credits (e.g., less than half-time service), improved survivor and disability benefits, as well as increased state contributions toward retired teachers' health insurance premiums, in addition to many other improvements.

CEA staff and many CEA Retirement Commission members attend every State Teachers' Retirement Board (STRB) meeting to monitor its activities and decisions.

CEA offers Regional Retirement Workshops during the year to acquaint members with the retirement system and ongoing changes.

CEA members may direct questions about the enclosed information to Robyn Kaplan-Cho, Retirement Specialist, Connecticut Education Association, 21 Oak Street, Suite 500, Hartford, CT 06106-8001, 1-800-842-4316, robynk@cea.org.