

To: Superintendent Addressed

From: Rodney Watson, PhD

Date: February 4, 2025

Re: Social Security Fairness Act

For more information about a significant federal legislation change, please review TCG's informational presentation enclosed. This change removed two restrictions that impact educators receiving Social Security with the result having a positive impact on retirement income. Please reach out to Chris Jamail at TCG with any questions chris.jamail@hubinternational.com.

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Attachments



Risk & Insurance | Employee Benefits | Retirement & Private Wealth

The Social Security Fairness Act

It's impact and how Social Security Benefit is earned

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Retirement Plans

10,000

Retirement plans under advisement

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*Source: <https://bit.ly/2IK26Zs>

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REMEMBER:
**Your TRS Annuity is never
reduced by Social Security**

THIS HAS NOT CHANGED

**Forget everything else you
have been told for YEARS.**

**We were the ones telling you
then, so listen to us now!**

Social Security – The Double Dip

CS488865



"I was thinking income when you mentioned double dipping."

Social Security Provision Changes

2 Regulations that NO LONGER APPLY

- **Government Pension Offset (GPO)**
 - Applied to member's SPOUSAL Social Security benefits (SSA Pub No. 05-1007)
 - "Marriage is expensive"
- **Windfall Elimination Provision (WEP)**
 - Applied to member's OWN Social Security benefits (SSA Pub No. 05-10045)
 - "If you earned it, you will get it...but maybe not 100%"



Social Security Fairness Act

Scenarios for Potential Impact on Social Security Benefit for Couples and Individuals

1. Life-Long Educator + Non-Educator = *Educator is now likely eligible for a Spousal Benefit*
2. Second Career Educator + Non-Educator = *Educator is likely to have a Higher Social Security Benefit (although a Spousal Benefit could still be larger)*
3. Life-Long Educator + Life-Long Educator = *Likely No Change; neither Educator May Qualify for a Benefit nor realize an Increase if they do qualify*
4. A Life-Long Educator who takes second career in private industry after retirement – *Individual situations will likely range from No Increase in Benefit to a Substantial Benefit depending on the person's Social Security credits and earnings in the second career.*

Earning a Social Security Benefit

This section is for you personally.



Remember your TRS Annuity is never reduced by Social Security

THIS HAS NOT CHANGED

Basic Social Security Information



You must be at least **62 years** old to take a benefit.



To earn your own benefit, you must have worked and paid Social Security taxes for at **least the equivalent of 10 years, earning 40** Social Security credits.



Highest 35 years of earnings are used to calculate the benefit amount

(if you don't have 35 years, SS uses \$0 for each of the missing years)

Eligibility for Social Security Benefits

○ Your Own Benefit

- Service Credits under Social Security (SS)
 - Eligible for four credits per year
 - For 2025, you receive four credits if you earned \$7,240
 - One credit per \$1,810 of earnings up to 4 credits
 - Total of 40 credits to qualify for a benefit

○ Spousal Benefit

- A spousal benefit is an amount equal to 50% of your spouse's SS benefit.
- A former spouse is eligible if married at least 10 years.

○ ***You receive the larger of the two; not both.***

When can I claim a benefit?

Many factors go in to selecting when to claim a Social Security benefit; such as if you are still working, current health, life expectancy, income needs, and other issues.

Before FRA

- The earliest you can claim a Social Security benefit is age 62 and that is the lowest \$\$\$ amount you can receive.
- If you claim at 62, the benefit will be reduced by 30%. This early retirement reduction is based on how many months you claim your benefit before FRA.
- If you take SS before FRA and work (have earned income) then an earnings test is applied that may reduce your benefit.

Full-Retirement Age (FRA)

- Full-Retirement Age is based on your birth year:
 - 1957 or earlier: 66
 - 1958: 66 and 8 months
 - 1959: 66 and 10 months
 - 1960 or later: 67
- At FRA, you receive 100% of your benefit.

Up to 70

- Every year you delay taking a benefit, you earn a “delayed retirement” credit of 8% until age 70.
- Waiting until age 70 means a benefit 24% above your FRA amount.
- There is no increase to your benefit after age 70.

Calculating your own Potential Benefit

- Go to www.SSA.gov
- Click *Sign In* (right side of blue tool bar)
 - Sign in if you have an account or
 - Create an account
- Follow the prompts and instructions and you will get to *my* Social Security
- Use the information and tools to learn about your own situation.

Your Social Security Statement

WANDA WORKER

October 2, 2021

Retirement Benefits

You have earned enough credits to qualify for retirement benefits. To qualify for benefits, you earn "credits" through your work — up to four each year. Your full retirement age is 67, based on your date of birth: April 10, 1960. As shown in the chart, you can start your benefits at any time between ages 62 and 70. For each month you wait to start your benefits, your monthly benefit will be higher—for the rest of your life.

These personalized estimates are based on your earnings to date and assume you continue to earn \$50,653 per year until you start your benefits. To learn more about retirement benefits, visit ssa.gov/benefits/retirement/benefits.

Disability Benefits

You have earned enough credits to qualify for disability benefits. If you become disabled right now, your monthly payment would be about \$1,656 a month.

Survivors Benefits

You have earned enough credits for your eligible family members to receive survivors benefits. If you die this year, members of your family who may qualify for monthly benefits include:

Minor child:	\$2,129
Spouse, if caring for a disabled child or child younger than age 18:	\$2,129
Spouse, if benefits start at full retirement age:	\$2,838
Total family benefits cannot be more than:	\$4,968
Your spouse or minor child may be eligible for an additional one-time death benefit of \$255.	

We base benefit estimates on current law, which Congress has revised before and may revise again to address needed changes. Learn more about Social Security's future at ssa.gov/ThereForMe.

Personalized Monthly Retirement Benefit Estimates (Depending on the Age You Start)

Age	Monthly Benefit Amount
62	\$1,090
63	\$1,135
64	\$1,180
65	\$1,200
66	\$1,400
67	\$1,500
68	\$1,620
69	\$1,740
70	\$1,860

Medicare

You have enough credits to qualify for Medicare at age 65. Medicare is the federal health insurance program for:

- people age 65 and older;
- under 65 with certain disabilities; and
- people of any age with End-Stage Renal Disease (ESRD) (permanent kidney failure requiring dialysis or a kidney transplant).

Even if you do not retire at age 65, you may need to sign up for Medicare within 3 months of your 65th birthday to avoid a lifetime late enrollment penalty. Special rules may apply if you are covered by certain group health plans through work.

For more information about Medicare, visit medicare.gov or ssa.gov/medicare or call 1-800-MEDICARE (1-800-433-4227) (TTY 1-877-486-2048).

Earnings Record

Your earnings history below will ensure it is accurate. This is important because we base future benefits on our record of your earnings. It is a limit to the amount of earnings you pay Social Security taxes on each year. Earnings above it do not appear on your earnings record. We combined your earlier years of earnings, but in view online with [my Social Security](https://ssa.gov/benefits), find an error view your full earnings record and call 1-800-772-1213.

Year	Earnings Taxed for Social Security	Earnings Taxed for Medicare (began 1966)
1960	\$ 13,989	\$
1965	46,462	
1970	18,236	18,236
1980	20,000	20,000
1990	41,250	41,250
2000	257,712	257,712
01	34,915	34,915
02	35,591	35,591
03	36,717	36,717
04	38,686	38,686
05	40,325	40,325
06	42,315	42,315
07	44,348	44,348
08	45,437	45,437
09	44,784	44,784
10	45,847	45,847
11	47,148	47,148
12	48,349	48,349
13	48,606	48,606
14	49,860	49,860
15	50,850	50,850
16	50,158	50,158
17	50,440	50,440
18	50,653	50,653
19	Not yet recorded	

Wanda Paid

Total estimated Social Security and Medicare taxes paid over your working career based on your Earnings Record:

Social Security taxes	Medicare taxes
You paid \$34,288	You paid \$18,086
Employer(s): \$36,003	Employer(s): \$19,398

Earnings Not Covered by Social Security

You may also have earnings from work not covered by Social Security. This work may have been for federal, state, or local government or in a foreign country.

If you participate in a retirement plan or receive a pension based on work for which you did not pay Social Security tax, it could lower your benefits. To find out more, visit ssa.gov/benefits.

Important Things to Know about Your Social Security Benefits

- Social Security benefits are not intended to be your only source of retirement income. You may need other savings, investments, pensions, or retirement accounts to make sure you have enough money when you retire.
- You need at least 10 years of work (40 credits) to qualify for retirement benefits. Your benefit amount is based on your highest 35 years of earnings. If you have fewer than 35 years of earnings, years without work count as 0 and may reduce your benefit amount.
- We use cost of living adjustments so your benefits will keep up with inflation.
- The age you claim benefits will affect the benefit amount for your surviving spouse.
- If you get retirement or disability benefits, your spouse and children also may qualify for benefits.
- If you are divorced and were married for 10 years, you may be able to claim benefits on your ex-spouse's record. If your divorced spouse receives benefits on your record, that does not affect your or your current spouse's benefit amounts.
- When you apply for either retirement or spousal benefits, you may be required to apply for the other benefits as well.
- For more information about benefits for you and your family, visit ssa.gov/benefits, benefits.kaplanresearchgroup.com.
- When you are ready to apply, visit us at ssa.gov/benefits/retirement/apply.html.
- The Statement is updated annually. It is available upon request, either online or by mail.

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Form SSA-7005-SM-OL (05/21)

The effect of the Fairness Act on your School District

This section is for you professionally.

If you are from one of the 15-20 districts in the state paying into Social Security for your employees; then these slides will not apply.

Educate Your Staff

- It will be the number one topic in teacher workrooms soon and that means rumors, misinformation, and lots of headaches for payroll and HR staff.
- **EDUCATING** employees is critical. It can help them and help you!
- TCG, a HUB International company, can assist you, contact any of us and we can discuss options.
- Everyone's situation will be unique, so referring staff to a trusted resource will be important.

Pressure to add Social Security

- Getting into Social Security for ALL employees would be very expensive.
 - It would add a NEW cost of 6.2% of TOTAL Payroll.
 - It may not even be legally possible.
- FICA Alternative Plans are discussed on the next slide but even paying Social Security on all substitutes and other part-time workers will increase districts' cost by 6.2% of the gross amount.
- The public, retired teachers, current teachers, and board members will likely not understand the impact on the District's budget or that this would take more dollars out of the employee's monthly paycheck.

FICA Alternative Plans

- FICA Alternative Plans will likely not be impacted.
- These Plans are typically set up in a manner that eliminates the District's Social Security expense. Funds that can then be used for other needs.
- FICA Alternative Plans still have their advantages for part-time employees and can help support their financial future.
- Superintendents and Board members will need you to explain this to them because individuals in your community, such as retired or retiring teachers, may pressure them to eliminate the FICA Alternative Plan and adopt Social Security to “help” them get eligible.

Other Items

QDROs

- Must be approved by TRS
- Should run by TRS before finalized
- TRS Rule that can change the QDRO
 - Texas Government Code Sec. 804.005
 - Designed to provide retirement income for spouse once member can retire
 - Can significantly reduce growth in member's future TRS benefit increases

Check Your TRS Statement!

- Unreported service credit can only be corrected if pointed out to TRS within 5 years
- Correction of Compensation and/or Service Records
 - No correcting information will be accepted by TRS after the member has retired and received the first annuity check



HUB



Thank you

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The Social Security Fairness Act, HR 82

SIGNED INTO LAW JANUARY 5, 2025

This law repeals the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) for everyone who has retired under Social Security (SS) beginning effective January 2024. These reductions in SS applied to those receiving annuity payments from the Teacher Retirement System of Texas (TRS) or any other state or local pension plan.

Key Changes Under the Act

1. Windfall Elimination Provision (WEP):

- **What Changed:** The WEP formula, which reduced SS benefits for individuals receiving a pension TRS has ended.
- **Impact:** TRS retirees will now receive their full SS payments if they have earned a SS benefit.
- **Example:** Previously, a retiree with a \$1,000 calculated SS benefit could see it reduced by about \$400 under WEP. With WEP repealed, the full \$1,000 benefit will be restored.

2. Government Pension Offset (GPO):

- **What Changed:** GPO, which reduced or eliminated SS spousal or survivor benefits by two-thirds of a TRS pension, has been repealed.
- **Impact:** Retirees are now eligible to receive their full spousal or survivor benefits without reductions.
- **Example:** A spousal benefit of \$1,000, previously reduced to \$0 due to a \$3,000 TRS pension, will now be paid in full.

Who Benefits?

1. Current Retirees:

- Retirees who previously lost SS income due to the WEP or GPO will see increased benefits due on or after January 2024.
- While retroactive payments are included, they apply only from January 2024 onward. Benefits will not be backdated to retirement years before the new law's effective date.

Example: If you retired in 2022 and your SS income was reduced under WEP or GPO, you will begin receiving full SS payments in 2024 but won't receive SS for reductions incurred during 2022-2023

2. Future Retirees:

- Individuals who retire after 2024 will not face WEP or GPO reductions, ensuring full payment of SS benefits due on or after January 2024.

3. Individuals with No Social Security-Covered Work History

- Those who never worked in Social Security-covered employment will not directly benefit from WEP's repeal.

The Social Security Administration currently says on its website that individuals do not need to take any action – that if they are affected then their SS benefits will be corrected.

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Important Notes

Additional Details on Formula Changes

1. WEP Formula Details:

Previously, the WEP formula reduced the percentage of earnings factored into Social Security benefit calculations. Most individuals with fewer than 20 years of paying SS/FICA tax on “substantial earnings” would receive approximately 40% of their normal SS income (subject to a floor amount). The percentage of their SS went up with each year of substantial earnings; many people who had 30 or more years had no offset. To be more exact, the reduction was 40% of the first tier of SS calculation, which could be 44.44% for someone whose income is only in that tier and the percentage could vary if they have income in second or third tiers that were not impacted by WEP. For those with 30 or more years paying into SS under substantial earnings, they would receive 90% of the first tier. To the extent they had income in tiers two and three, the money paid to them could be very close to 100% of the benefit on their SS statement.

2. GPO Offset Details:

Under GPO, spousal or survivor benefits were reduced by two-thirds of the recipient’s TRS pension. This offset no longer applies, allowing retirees to claim full benefits.

Footnotes

*Or other government worker covered by a state or local pension plan

**Using assumptions and calculators in the SS Quick Calculator online program. This includes discounting current salary by 2% back to the beginning of the number of years the individual is in SS. For TRS, example is of unreduced annuity with no spousal benefit or deductions, before taxes. SS example is before taxes.

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