



Retirement, Part VI— Social Security in retirement

This article will look at Social Security requirements and entitlements for employees covered under the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

To be eligible for Social Security, an employee must have paid into the Social Security fund for a minimum of 40 units. These units (previously called quarters) are now based upon total yearly earnings with credit for up to four units per calendar year.

For 2010, an employee earns one unit for each \$1,120 made during the year. While 40 units will entitle the employee to some Social Security benefits, the amount of the benefit is based upon the “high 35 years” of Social Security reported earnings.

Years with no earnings would be listed as \$0 and the “high 35” would be added to reach “average indexed monthly earnings” (AIME). Each former work year earnings is adjusted for inflation to equate them into current values. The AIME is then used to determine the monthly entitlement upon eligibility for Social Security benefits.

From there, AIME is broken down into three entitlement categories. This process allows the lower-earning workers to maintain a higher percentage of their earnings, since these workers normally have fewer resources upon retirement. Each category is referred to as a “tier.”

The breakdown of how tiers toward Social Security earnings are determined for 2010 applicants is: The first tier provides 90 percent of any amount up to \$761 of monthly earnings. The second tier provides 32 percent of earnings between \$761 and \$3,825. The third tier is 15 percent of any amount over \$3,825. A calculation of an employee whose monthly AIME is \$4,700 per month (\$56,400 per year average) would be calculated as follows:

AIME = \$4,700

Tier 1: 90% x \$ 761 = \$684.90

Tier 2: 32% x \$ 3,825 = 1,224.00

Tier 3: 15% x \$ 114 = 17.10

Primary Insurance Amount (PIA or monthly Social Security check) = \$1,926.00

The first two tier amounts would remain the same if an employee had a higher AIME, but anyone with a lower AIME might not reach the full second or third tier amount, thus having a lower PIA. The PIA shown above is for employees at the Social Security full retirement age of 65 to 67 years of age (depending on year of birth). An employee who takes “early” benefits at age 62 or later

would receive lesser amounts based upon age at time of application/receipt of Social Security.

CSRS retirees will have their Tier 1 Social Security entitlement reduced by 5 percent for each year less than 30 years of substantial earnings (see chart below). A maximum offset of 60 percent is possible for an employee with only 20 years of substantial earnings. This offset is called the Windfall Elimination Provision (WEP). In 2010, this offset would be \$38.10 for each unsubstantial earnings year, up to a maximum of \$380.50 offset per month. (See chart for substantial earnings amounts).

Employees covered under FERS will receive their full Social Security entitlement and are not subject to WEP.

Substantial Earnings

Year	Substantial Earnings	Year	Substantial Earnings
1937-1954	\$900	1989	\$8,925
1955-1958	\$1,050	1990	\$9,525
1959-1965	\$1,200	1991	\$9,900
1966-1967	\$1,650	1992	\$10,350
1968-1971	\$1,950	1993	\$10,725
1972	\$2,250	1994	\$11,250
1973	\$2,700	1995	\$11,325
1974	\$3,300	1996	\$11,625
1975	\$3,525	1997	\$12,150
1976	\$3,825	1998	\$12,675
1977	\$4,125	1999	\$13,425
1978	\$4,425	2000	\$14,175
1979	\$4,725	2001	\$14,925
1980	\$5,100	2002	\$15,750
1981	\$5,550	2003	\$16,125
1982	\$6,075	2004	\$16,275
1983	\$6,675	2005	\$16,725
1984	\$7,050	2006	\$17,475
1985	\$7,425	2007	\$18,150
1986	\$7,875	2008	\$18,975
1987	\$8,175	2009-2010	\$19,800
1988	\$8,400		

Often, the Retirement Department receives inquiries as to why a member has not received his/her membership gold card, pin or plaque. While the presentation of these awards is provided by the secretary-treasurer’s office, it is not automatic—your branch secretary must write to Jane E. Broendel, as set forth in the *NALC Constitution*.

Members should contact their branch secretary if they feel an award is due for continuous membership in the NALC of 25, 30, 35, 40, 45, 50, 60, 70 and/or 75 years.

During the Thanksgiving season, I want to take this opportunity to tell you that I am thankful and honored to have been elected by acclamation at the NALC 67th biennial convention to continue to serve as your director of retired members. Thank you for your continued support and happy Turkey Day!

