The below slides are an actual presentation given to the employee group that will be voting in a majority vote referendum.

- It explains the process, history, and impact of a referendum so the voters are informed.
- Note: that some amounts need updated each year to match SSAs formulas.
- This presentation has been given both in-person and via webinar.
- Advance documents are provided to the attendees (Sample Ballot, WEP, GPO)
AGENDA

- Why are we here?
- What is a referendum?
- Things you need to know about the vote.
- What does this mean to your Social Security benefits?
- How will the outcome of the referendum affect your Social Security benefits?
- Questions/Answers

WHY ARE WE HERE?

- History of Social Security Act
- Your entity began to offer a retirement plan to employees in 1985.
- Social Security contributions were made, but without legal authority
  - 218 Agreement through a passing majority vote of employed retirement plan members can validate those past payments

WHAT IS A REFERENDUM?

- A vote of the retirement system member employees
  - For or Against Social Security Coverage
- PASS—majority of eligible voters favoring coverage
- FAIL—majority of eligible voters do not favor coverage, or do not vote
VOTING DETAILS

- Secret Ballot
- "YES" means you favor Social Security Coverage
- "NO" means you do **not** favor Social Security Coverage
- Official Date of Referendum is July 6th
- Absentee Ballots—in advance
- Majority Vote—majority of eligible voters

HOW WILL THIS AFFECT YOU?

- Personal contribution records are as unique as each of you.
- Get your personal earnings records—set up a mySocialSecurity account.
- Benefits may be affected with a failed vote.
SOCIAL SECURITY BENEFITS - MORE THAN JUST RETIREMENT

HISTORY OF SOCIAL SECURITY

- 1935 – Retirement Insurance
- 1939 – Survivors Insurance
- 1956 – Disability Insurance

WHO GETS BENEFITS FROM SOCIAL SECURITY?

OVER 64 MILLION PEOPLE

SOCIAL SECURITY RETIREMENT BENEFITS

- 40 credits (10 years) to be insured
- Maximum of 4 credits per year
- If you stop working, or enter into non-Social Security position, the credits you have earned in the past remain on your record
- If you return to work in Social Security-covered position, you can earn more credits.
- Earning 40 credits throughout your working life will qualify you for a retirement benefit.
**EARNING CREDITS IN 2020**

- Each $1,410 in Social Security-covered earnings is 1 credit.
- $5,640 in earnings = All 4 credits for the year
- 40 credits throughout your working life gets you a retirement benefit.
- *SSA is the source to review earnings records

**SOCIAL SECURITY RETIREMENT BENEFITS**

It's not just for you

If you are insured for a Social Security Retirement (or Disability) benefit, your family members may be eligible for benefits from your record, such as:

- A Spouse
- An Ex-Spouse
- A dependent child
- A disabled adult child
- A dependent parent

**HOW SOCIAL SECURITY DETERMINES YOUR BENEFIT**

Social Security benefits are based on Social Security covered earnings

<table>
<thead>
<tr>
<th>Step 1</th>
<th>Your wages are adjusted for changes in wage levels</th>
</tr>
</thead>
<tbody>
<tr>
<td>Step 2</td>
<td>Find the monthly average of your 35 highest earnings</td>
</tr>
<tr>
<td>Step 3</td>
<td>Result is “average indexed monthly earnings” or AIME</td>
</tr>
</tbody>
</table>
BENEFIT FORMULA FOR 2020

90% of first $960 of AIME
+32% of $960.01 through $5,785 of AIME
+15% of remaining AIME over $5,785
Equals $$$ monthly Social Security benefit at full retirement age

BENEFIT CALCULATION EXAMPLE:

AIME = $5,000

90% X first $960 = $864.00
32% X next $4040 = $1292.80
(5,000 – 960 = 4,040)
15% X remainder ($0) = $0
S.S. $2156.80

TWINS—A COMPARISON

Jayne — AIME = $1500
90% of first $960 of AIME
+32% of $960.01 through $5,785 of AIME
+15% of remaining AIME over $5,785

90% x $960 = $864.00
32% x $540 = $172.80
15% x $0 = $0.00

Jayne’s $1038.80
Monthly Benefit

James — AIME = $6000
90% of first $960 of AIME
+32% of $960.01 through $5,785 of AIME
+15% of remaining AIME over $5,785

90% x $960 = $864.00
32% x $4825 = $1544.00
15% x $215 = $32.25

James’ $2440.25
Monthly Benefit
TYING THEM TOGETHER
- Keep the benefit formula in mind as we talk about the referendum
- The referendum’s outcome can affect—
  - Retirement benefits for you and your family
  - Disability benefits for you and your family
  - Survivor benefits for your family

HOW DISABILITY BENEFITS CAN BE AFFECTED
- Studies show a 1 in 4 20-year-olds will become disabled before full retirement age
- To be eligible for a disability benefit, you must have paid into Social Security five out of the last 10 years before becoming disabled
- If the referendum fails, you stop contributing to Social Security and then earnings for the last three years are removed from your earnings record through refunds
- Even if you have enough credits to be insured for retirement benefits, after two years you will not be insured for a SS Disability benefit.
- Your Social Security Statement gives only an estimate.

HOW SURVIVOR BENEFITS CAN BE AFFECTED
- Social Security pays survivor’s benefits to the spouses and children of workers who die.
- The value of the survivors benefits you have under Social Security is probably more than the value of your individual life insurance.
- How much your family can get from Social Security depends on your average lifetime covered earnings. The more you earned, the higher their benefits will be.
- If you stop paying into Social Security, over time, this will reduce the amount of benefits payable to your family.
- Your Social Security Statement gives an estimate.
WINDFALL ELIMINATION PROVISION (WEP)

- WEP can affect how your retirement or disability benefit is calculated.
- If you are insured (qualify with the 40 credits) for retirement or disability and receive a retirement or disability pension for work where you did not pay Social Security taxes, your Social Security benefit may be reduced.
- WEP is about fairness - Remember Jayne!
- Also know there are exceptions.

COMPUTATION 2020 COMPARISON

<table>
<thead>
<tr>
<th>Normal Computation</th>
<th>WEP Computation</th>
</tr>
</thead>
<tbody>
<tr>
<td>90% of the first $960</td>
<td>40% of the first $960</td>
</tr>
<tr>
<td>32% of the next $4,825</td>
<td>32% of the next $4,825</td>
</tr>
<tr>
<td>15% of the remainder</td>
<td>15% of the remainder</td>
</tr>
</tbody>
</table>

Maximum Monthly Reduction possible = $480
WEP cannot reduce benefit to $0

WEP EXAMPLE

AIME = $1,500

\[40\% \times \text{first } $960.00 = \$384.00\]
\[32\% \times \$540 = \$172.80\]
\[15\% \times \text{remainder} = \$0\]

\[= \$556.80\]
WEP EXCEPTION NO. 1—SUBSTANTIAL EARNINGS

<table>
<thead>
<tr>
<th>Years of substantial earnings covered by SS</th>
<th>First factor in benefit formula</th>
</tr>
</thead>
<tbody>
<tr>
<td>30 or more</td>
<td>90%</td>
</tr>
<tr>
<td>29</td>
<td>85%</td>
</tr>
<tr>
<td>28</td>
<td>80%</td>
</tr>
<tr>
<td>27</td>
<td>75%</td>
</tr>
<tr>
<td>26</td>
<td>70%</td>
</tr>
<tr>
<td>25</td>
<td>65%</td>
</tr>
<tr>
<td>24</td>
<td>60%</td>
</tr>
<tr>
<td>23</td>
<td>55%</td>
</tr>
<tr>
<td>22</td>
<td>50%</td>
</tr>
<tr>
<td>21</td>
<td>45%</td>
</tr>
<tr>
<td>20 or less</td>
<td>40%</td>
</tr>
</tbody>
</table>

WEP EXCEPTION NO. 2—WEP GUARANTEE

- The guarantee limits the WEP benefit reduction to no more $\frac{1}{2}$ of that part of the pension based on non-covered earnings.
- Sometimes a pension is based on both covered and non-covered earnings. In that case, we have a formula for prorating the pension. We would calculate $\frac{1}{2}$ of the prorated pension. The reduction under the WEP guarantee is compared to the reduction using the modified (40%) formula. The smaller reduction applies.
- Carl is eligible for a Social Security retirement benefit, but also receives a $400 non-Social-Security-covered pension. The WEP guarantee will reduce Carl's Social Security retirement benefit by $200 ($\frac{1}{2} \times 400$) at most.

DOES THE GUARANTEE APPLY TO JAYNE?

- Jayne—AIME = $1500
  - Modified formula method:
    - 40% x $960 = $384.00
    - 32% x $540 = $172.80
    - 15% x $0 = $0
    - Jayne’s $1036.80
  - Monthly Benefit: $518.40

- Jayne’s $3000.00 per month non-covered pension. $\frac{1}{2}$ of $3000 is $1500.
  - $1036.00 Regular Ret
  - $1500.00 (1/2 pension)
  - $0.00 Impact

The benefit reduction is not more than half of the pension based on non-SS covered earnings.
DOES THE GUARANTEE APPLY TO JAYNE?

- **Jayne — AIME = $1500**
- Modified formula method:
  - 40% x $960 = $384.00
  - 32% x $540 = $172.80
  - 15% x $0 = $0
- Jayne’s $1036.80 Monthly Benefit

- *Jayne’s $800.00 per month non-covered pension. 1/2 of $800 is $400.  
  - $1036.80 Regular Ret - $400.00 (1/2 pension)  
  - $636.00 Benefit*

  Because the WEP Guarantee gives Jayne a higher benefit, the guarantee applies.

TWINS — A COMPARISON

- **Jayne — AIME = $1500**
  - 40% of first $960 of AIME  
  - 32% of $960.01 through $5,785 of AIME  
  - 15% of remaining AIME over $5,785
  - $384.00
  - $172.80
  - $0
- Jayne’s $1036.80 Monthly Benefit

- **James — AIME = $6000**
  - 90% of first $960 of AIME  
  - 32% of $960.01 through $5,785 of AIME  
  - 15% of remaining AIME over $5,785
  - $864.00
  - $1544.00
  - $32.25
- James’ $2,440.25 Monthly Benefit

EXAMPLE #1

- Angela is 29 years old. She made $32,371 last year and has 11 years of “substantial” earnings. If the referendum passes, she will continue to pay into Social Security.

<table>
<thead>
<tr>
<th>Reference</th>
<th>Referendum passes</th>
<th>Referendum fails</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit formula amount</td>
<td>$1,290</td>
<td>$760</td>
</tr>
<tr>
<td>WEP reduction</td>
<td>$480 (full)</td>
<td></td>
</tr>
<tr>
<td>Benefit at full retirement age:</td>
<td>$1,290</td>
<td>$280</td>
</tr>
</tbody>
</table>
EXAMPLE #2

Billy is 44 years old. He made $39,354 last year, and has 23 years of substantial earnings. If the referendum passes, he will continue to pay into Social Security.

<table>
<thead>
<tr>
<th>Benefit formula amount</th>
<th>Referendum passes</th>
<th>Referendum fails</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEP reduction</td>
<td>$336 (partial)</td>
<td></td>
</tr>
<tr>
<td>Benefit at full retirement age:</td>
<td>$1,461</td>
<td>$728</td>
</tr>
</tbody>
</table>

EXAMPLE #3

Cindy is 56 years old and earned $106,500 last year. She has 33 years of substantial earnings. If the referendum passes, she will continue to pay into Social Security.

<table>
<thead>
<tr>
<th>Benefit formula amount</th>
<th>Referendum passes</th>
<th>Referendum fails</th>
</tr>
</thead>
<tbody>
<tr>
<td>WEP reduction</td>
<td>(No reduction)</td>
<td></td>
</tr>
<tr>
<td>Benefit at full retirement age:</td>
<td>$2,159</td>
<td>$1,885</td>
</tr>
</tbody>
</table>

GOVERNMENT PENSION OFFSET - GPO

- Reduces YOUR Social Security spouse’s or widow(er)’s benefit if YOU receive a government pension based on work not covered by Social Security
- Reduces the spousal Social Security benefit by two-thirds the amount of the non-Social-Security-covered pension
- Can reduce your benefit received on a spouse’s record to $0
GPO EXAMPLE – JAYNE AGAIN

- Jayne is eligible for a $2100 spousal benefit from Social Security on her spouse's record, but she receives that $3000 per month non-covered pension based on her own non-covered earnings. Jayne's potential spousal benefit from SSA is reduced by $2000.
- (2/3 x $3000), leaving Jayne with $100 Social Security benefit from her spouse's record.
- Because Jayne's own $556.80 Social Security benefit is more than the $100 she can receive from the spouse's record, she is not eligible for a spousal benefit and would get the $556.80 from her own record.

CONTACT INFORMATION

- Social Security Benefit Questions:
  - 800-772-1213 or www.socialsecurity.gov
- Referendum Voting Questions:
  - State Administrator at XXX-XXX-XXXX or email address

QUESTIONS???