



Technical Assistance MEMO

To: Project Directors

Date: February 12, 2016

Re: **Understanding Social Security Benefits**

Title II: Old-Age, Survivors, and Disability Insurance benefits

Title II of the Social Security Act pertains to Federal Old-Age, Survivors, and Disability Insurance benefits. The Title II program pays benefits to retired or disabled workers and their families, and to the families of deceased workers.

Title II Benefits are Entitlement Benefits. Entitlement status is earned by paying social security taxes on wages, or net earnings from self employment. These dedicated taxes, and accrued interest on them make up the Social Security Trust Fund. By law, the Trust Fund is treated separately from other government revenue and used exclusively to pay for Title II benefits and administrative costs. An individual becomes eligible or establishes "Insured Status" when they have sufficient and/or recent enough periods of work, known as "Quarters of Credit" (QCs). In most cases, insured status for Title II benefits is based on the individuals own record as worker/former worker. In certain cases, cash benefits can be paid to eligible family members of an entitled individual.

Retirement Insurance Benefits

- An individual is eligible for full retirement benefits when they reach Full Retirement Age (FRA). FRA used to be 65, but it is increasing. For individuals born between 1943 and 1954, FRA is 66.
- The monthly payment is based on the Social Security earnings record of the insured worker; and may be decreased depending on the workers age if they continue to work
- 25% of the Gross Retirement Insurance Benefits are excluded from family income for SCSEP eligibility determinations.

Reduced Retirement Insurance Benefits

- An individual with Insured status can be eligible for a reduced retirement benefit prior to reaching the Full Retirement Age. This is often referred to as Early Retirement.
- Individuals can apply for Reduced Retirement Insurance Benefits as early as 62
- Monthly payments are permanently reduced by a "reduction factor" based on the number of months the individual will receive benefits prior to their FRA
- 25% of the Gross Retirement Insurance Benefits are excluded from family income for SCSEP eligibility determinations.

Social Security Disability Insurance (SSDI)

- An individual with insured status can receive Social Security Disability Insurance (SSDI) benefits when they can no longer work due to a disability.
- An Individual is disabled if they are unable to engage in any substantial gainful work activity because of a medically determinable physical or mental impairment that is expected to last for 12 continuous months or result in death.
- The monthly payment is based on the Social Security earnings record of the insured worker. In some cases Work may impact an individual's eligibility for SSDI (Please see Impact of SCSEP Wages on Cash Benefits).
- SSDI cash benefits are excluded from family income for SCSEP eligibility determinations.

Title XVI: Supplemental Security Income for Aged, Blind and Disabled

Supplemental Security Income, often referred to simply as SSI, is another program managed by the Social Security Administration. SSI provides benefits to individuals who are disabled, blind, or age 65 or older who have few resources and low income, and who meet certain citizenship or residency requirements. SSI is very different from the benefits paid under Title II of the Social Security Act. The funds used to pay SSI benefits do not come from the Social Security Trust Fund, but are paid out of general federal tax dollars.

- The SSI program was created to provide a uniform minimum income level for elderly or disabled people who had little or no work history and who were not insured by Social Security Title II.
- SSI is intended to supplement a beneficiary's other income and exists for the purpose of meeting basic food and shelter needs.
- In most states, SSI beneficiaries will automatically become eligible for Medicaid.
- Since SSI is a "means-tested" program, SSA has to determine what income or resources people have available in order to know whether or not SSI payment is possible, and how much to pay in benefits. Even after initial eligibility for SSI is established, SSA continues to assess the countable income and resources of all SSI recipients on a monthly basis.
- The highest federal cash benefit for SSI is known as the Federal Benefit Rate (FBR). For 2016, the FBR is \$733. (Beneficiaries in California, Massachusetts, Pennsylvania, New York and several other states may receive a higher monthly benefit due to optional state supplements)
- SSI cash benefits are excluded from family income for SCSEP eligibility determinations.

Full Retirement Age and the Interaction of Retirement and Disability Benefits

For Individuals born after 1937, the full retirement age is not 65. An individual's FRA is determined by their Year of Birth.

<i>Year of birth</i>	<i>Full retirement age</i>
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 or later	67

When Title II disability beneficiaries reach FRA, their disability benefits automatically convert to Retirement Insurance Benefits (RIB.) In these cases, a disability beneficiary's first month of entitlement to Retirement benefits is the month before their FRA. Because Social Security Benefits are paid in the month following the month they are due, beneficiaries will receive their first Retirement payment in the month they reach FRA.

When conversion to the retirement system is in order, SSA makes this conversion automatically. The beneficiary does not need to apply or notify SSA. Many beneficiaries are not even aware that they have converted to RIB as their monthly payment remains the same and Medicare coverage continues uninterrupted

When a Title II disability beneficiary turns 62, it is possible to switch over to the retirement system. Unfortunately, making this change will cause the beneficiary to experience a reduced monthly payment, although Medicare coverage may be retained.

SSI benefits do not convert to Retirement Insurance Benefits. However, SSI beneficiaries who work, can earn QCs, and obtain Insured Status for Title II benefits. (In most cases, SSI beneficiaries who become entitled to Title II, will receive a Retirement or SSDI benefit, but will continue to receive a reduced SSI benefit.)

Verifying Social Security Benefits Information

SCSEP sponsors are required to determine that all participants are income eligible at initial enrollment, and recertify this eligibility once every twelve months. As stated previously different monthly cash benefits administered by the Social Security Administration are treated differently for SCSEP eligibility. It is also possible for the amount and type of benefits to change for reasons including transition to retirement benefits, and recalculation of benefits due to additional QCs. It is therefore necessary to obtain documentation for the amount of cash benefits, and the type of benefit received for each month of the appropriate look back period for any income eligibility determination.

Beneficiaries can request a Benefits Verification Letter through the SSA website: <http://www.ssa.gov/myaccount/> or by calling 1-800-772-1213 (TTY 1-800-325-0778). When requesting a Benefits Verification Letter, beneficiaries must request that the letter include their income, their retirement status and/or their disability status for the months in the appropriate look back period.

Effect of SCSEP Wages on Social Security Benefits

Retirement Insurance Benefits: For individuals who are below the Full retirement Age, Retirement Insurance Benefits are subject to the Annual Earnings Test. Beneficiaries who work, and have income above the income exclusion limit may have a \$1 reduction in cash benefits for every \$2 or \$3 dollars of annual earned income. Because of the income exclusions, SCSEP Participants are unlikely to have any impact on their monthly benefits. While some participants who exit into unsubsidized employment may eventually have earnings that are sufficient to reduce their benefits, because of the income exclusions, they will always have net gain from their earned income. There is no limit on earnings beginning in the month an individual reaches Full Retirement Age. More information on the Annual Earnings Test is available at <https://www.ssa.gov/oact/cola/rtea.html>

Beneficiaries of disability based benefits are required to report changes in their income and employment status to the Social Security Administration. This includes reporting their participation and earnings from SCSEP. It is possible that benefits may be reduced due to SCSEP participation, and Unsubsidized Employment. In order to help beneficiaries understand their benefits, assist in reporting, and take advantage of available Work Incentives, The Social Security Administration has agreements with a variety of community organizations called Work Incentive Planning and Assistance Projects (WIPA). These projects have staff who can offer assistance and guidance to beneficiaries. To find a service provider, log onto <http://www.socialsecurity.gov/work/WIPA.html> Follow the Link "To find the WIPA project nearest you please visit the [Service Provider Directory](#)," in the menu on the right side of the page, or visit <http://www.chooseworkttw.net/findhelp/>.

SSDI: Most SSDI beneficiaries will not have sufficient wages while in SCSEP for their work to be determined "Substantial Gainful Activity," and will remain eligible for SSDI cash benefits. However, SSDI Work Incentives are complex, and can vary significantly from beneficiary to beneficiary. SCSEP staff can not make determinations about how a beneficiary's work activity may affect their benefits, and should refer all SSDI beneficiaries to their local WIPA Provider.

SSI: All SSI beneficiaries with earned income in excess of \$65 dollars per month will likely see a reduction in their SSI cash benefits. After certain income exclusions, SSI benefits may be reduced by \$1 for every \$2 in earned income. Because of income exclusions and Work Incentives, SSI beneficiaries will always have a net gain due to their earned income. However, failure to report earned income can result in an overpayment. All SSI beneficiaries should be referred to their local WIPA provider.

Calculation of Monthly SSI Cash Benefits

To determine how much SSI is due for a month, the countable income is subtracted from the annually determined SSI Federal Benefit Rate (FBR) for either an individual or a couple. The more countable income an individual or couple has in a month, the less the SSI cash payment will be for that month. If an individual or couple has too much countable income, no SSI payment will be due at all.

Earned Income is any cash or in-kind item that a beneficiary receives in exchange for work performed or as remuneration for work effort, such as wages. SSA counts GROSS earnings from wage employment, which means before any taxes or other deductions are taken out.

Not all earned income counts when determining SSI eligibility and payment amount. SSA will exclude the first \$65 of earned income each month. A \$20 general income exclusion will also be applied to earned income, for beneficiaries with no sources of unearned income (such as SSDI or Social Security Retirement benefits). After any applicable exclusions, SSA will count one half of any remaining earned income each month.

Example SSI Payment Calculation

SSI Benefit calculation for a SCSEP Participant who earns \$580 per month in Gross SCSEP Wages:

Gross Earned Income	\$580
Minus Earned Income Exclusion	-65
General Income Exclusion	-20
Subtotal	\$495
 ½ Remainder	 495/2
Total Countable income	247.50
 Federal Benefit Rate	 \$733
Minus Countable income	-247.50
SSI Monthly Payment	\$485.50

Note, that although the SSI monthly payment has been reduced from \$733 to \$485.50, the beneficiary will have a net gain in total income. Including the Gross earned income and SSI payment, the beneficiary now has \$1065.50 per month, as opposed to \$733 per month with only SSI. Because of the Earned income exclusions, SSI beneficiaries will always have more income when working then when only receiving SSI.