

Chapter 1. Introduction

Social Security marked its 75th anniversary on Aug. 14, 2010. Before the Federal Employees Retirement System (FERS) started on Jan. 1, 1984, few federal employees had much to do with Social Security. This is because federal employees covered by the Civil Service Retirement System (CSRS) did not pay into the Social Security system and were therefore not eligible for most of its benefits.

With the establishment of FERS in 1984, Social Security retirement benefits became an important part of a FERS-covered employee's retirement. In fact, Social Security retirement benefits are one of the three components to a FERS employee's retirement - the other two being the FERS "basic" annuity and the Thrift Savings Plan. But Social Security was not intended to be the only source of income when earnings are lost due to retirement, disability or death. Social Security is designed to encourage individuals to build additional financial protection through pensions, savings, investments, life insurance and other sources.

During 2012, FERS and CSRS-Offset employees contributed 4.2 percent of their gross salaries, up to the maximum Social Security wage base of \$110,100 (the Social Security maximum wage base). The 4.2 percent tax - normally 6.2 percent - was reduced by Congress for 2011 and 2012 - is called the Federal Insurance Contributions Act, or FICA. The FICA tax is matched by the employer, in this case the Federal government, at a rate of 6.2 percent, up to the maximum wage base of \$110,100 during 2012.

But CSRS employees, even though they do not contribute to Social Security while employed as a CSRS employee, have much to gain by earning a minimum amount of Social Security credits in order to qualify for Social Security retirement benefits. Among the reasons: all federal employees will be eligible for Medicare Part B (medical insurance). Most Medicare Part B recipients pay their monthly premium via a reduction in their monthly Social Security retirement check.

This publication guide will explain how federal employees qualify for Social Security retirement benefits, how their families qualify for some and in some cases all of these benefits, Social Security survivor benefits, how some federal employees are affected by the two Social Security offsets, Social Security disability benefits, planning considerations and applying for Social Security benefits. It is hoped that this guide will assist federal employees in understanding and making the most of their Social Security benefits, both for themselves and for their family members.

Chapter 2. How Federal Employees Qualify for Social Security Retirement Benefits

In general, an individual qualifies for Social Security benefits based on credits earned while working. These credits are determined by the individual's amounts of earnings. The individual's eligibility for Social Security retirement, disability and survivor's benefits is based on the credits earned over the individual's work history.

How do federal employees qualify for Social Security benefits? Depending on which retirement system an employee is covered by - CSRS, CSRS-Offset or FERS - a federal employee will qualify for benefits by earning credits as follows:

- o FERS-covered employees. All employees are earning credits as their salaries are subject to the FICA tax each year, up to the maximum wage base.
- o CSRS-Offset covered employees. All employees are earning credits as their salaries are subject to the FICA tax.
- o CSRS employees. Some of these employees may have been employed in jobs before and after their years of CSRS-covered employment. For example, a CSRS employee may have served in the armed forces. During these years, these employees paid into Social Security, either as employees or they were self-employed.
- o All federal employees who serve in the Uniformed Services of the U.S. since Jan. 1, 1957. This includes a component of the Army, Navy, Air Force, Marine Corps, or Coast Guard. This includes any of the following reserve components: (1) Army; (2) Navy; (3) Marine Corps; (4) Air Force; (5) Coast Guard Reserve; (6) Reserve Corps of the Public Health Service; (7) U.S. National Guard; (8) Air National Guard of the U.S.; or (9) Air National Guard of a state or the District of Columbia. All of these employees have paid into Social Security.

Amount of Credit

During 2012, individuals receive one Social Security credit for each \$1,130 of Social Security-covered earnings, up to a maximum of four credits per year. The amount of earnings needed for credits increases annually and is based on the increase of the average national earnings level. The credits earned by individuals remain on their Social Security record even if they change jobs or cease to have earnings.

Between 1936 and 1978, one credit of coverage was earned for Social Security covered wages of \$50 or more, with a maximum of four credits per year. For years after 1977, the Social Security Act allowed the Commissioner of the Social Security Administration (SSA) to determine the amount of earnings required for the credit. The credit

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calculation reflects changes in national wage averages. The credit amount is published in the Federal Register on or before November 1 of the preceding year, Table 1 summarizes the credit amounts per year from 1978 through 2012. Note that the maximum number of credits that can be earned in any one of those years is 4 credits.

Table 1. Social Security Credits of Coverage and Maximum Taxable Earnings

Year	Credit of coverage	4 credits of coverage	Maximum Taxable Earnings
1978	\$250	\$1,000	\$17,700
1979	260	1,040	22,900
1980	290	1,160	25,900
1981	310	1,240	29,700
1982	340	1,360	32,400
1983	370	1,480	35,700
1984	390	1,560	37,800
1985	410	1,640	39,600
1986	440	1,760	42,000
1987	460	1,840	43,800
1988	470	1,880	45,000
1989	500	2,000	48,000
1990	520	2,080	51,300
1991	540	2,160	53,400
1992	570	2,280	55,500
1993	590	2,360	57,600
1994	620	2,480	60,600
1995	630	2,520	61,200
1996	640	2,560	62,700
1997	670	2,680	65,400
1998	700	2,800	68,400
1999	740	2,960	72,000
2000	780	3,120	76,200
2001	830	3,320	80,400
2002	870	3,480	84,400
2003	890	3,560	87,000
2004	900	3,600	87,900
2005	920	3,680	90,000
2006	970	3,880	94,200
2007	1,000	4,000	97,500
2008	1,050	4,200	102,000
2009	1,090	4,360	106,800
2010	1,120	4,480	106,800
2011	1,120	4,480	106,800
2012	1,130	4,520	110,100

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While a maximum of four credits can be earned in a year, the earnings for the year can be earned in any quarter of the year, as the following example illustrates.

Example. Jean, a FERS employee, earns \$66,000 during 2012. During January 2012 Jean earned \$5,500. Since Jean earned more than \$4,520 (4 times \$1,130) during 2012, Jean earned her four credits during 2012.

Number of Credits Needed

Any individual born in 1929 or later needs 10 years of Social Security covered employment to be eligible for retirement benefits. Individuals born before 1929 need fewer years of Social Security covered work to receive retirement benefits as Table 2 illustrates.

Table 2. Minimum number of credits required to qualify for Social Security retirement benefits.

Year Born	Credits Required
1929 or later	40
1928	39
1927	38
1926	37
1925	36
1924	35
1923	34
1922	33
1921	32
1920	31

As just discussed, individuals must achieve the minimum number of credits to qualify for retirement benefits. But there is a maximum amount of Social Security covered earnings each year that qualify in computing the amount of benefit.

For years after 1981 the maximum wage amount can be increased either by Congress or automatically, based on the cost of living. If Congress does not increase the maximum amount, it is automatically increased in multiples of \$300 if there is a cost-of-living increase in Social Security benefits. The increased amount is officially published in the Federal Register on or before November 1 of the year before it goes into effect. Table 1 presents by year the maximum amount of earnings subject to the FICA tax.

Federal employees can also earn Social Security credits by becoming self-employed and running a small business with a profit motive.