



State Social Security Administrator

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sfsd.mt.gov/SSSA

Why are we here?



- You are not currently paying Social Security taxes, or you are currently paying Social Security taxes without authorization. Either way, this is not a problem, but ...
- A referendum was or could be requested by your employer's governing body to address whether you want to participate in the Social Security program.
- It is the responsibility of the State Social Security Administrator to inform you of the consequences of your vote.



How does the referendum work?

- A referendum must be requested by the governing body.
- The Governor must approve the referendum.
- Eligible employees are given notice of the referendum at least 90 days in advance.
 - Eligible employees are those who are employed and participating in the applicable retirement system when the notice is given and who are still in the same status on the date of the referendum.



How does the referendum work?

- Referenda are generally held by mail-in ballot.
 - The State Social Security Administrator (SSSA) mails a ballot to each eligible employee at least two weeks before the referendum. If you don't receive your ballot by one week before, email mtsssa@mt.gov.
 - Ballots must be returned in the included SASE, postmarked no later than the referendum date.
- Referenda may be held in person for large groups.
- The SSSA tallies the results and informs you through your employer.



The ballot

- The vote will be by secret written ballot.
- If you don't vote, it counts as a "no" vote.
- Majority rules, and a tie counts as a "no".

OFFICIAL BALLOT

MEMBERS OF THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF MONTANA

Shall services of public employees in positions covered by the Public Employees' Retirement System of Montana under the provisions of Section 19-3-401 Montana Code Annotated, 2021 be included under the State-Federal Old Age and Survivors Insurance Agreement as provided for by Title 19, Chapter 1 of the MCA, 2021 of Montana and effective as of July 1, 1955?

(Mark with an X)

☐ YES. I favor the addition of Federal Social Security to my present membership in the Public Employees' Retirement System of Montana.

☐ NO. I do not favor the addition of Federal Social Security to my present membership in the Public Employees' Retirement System of Montana.



Consequences of a “Yes” result



- The State Social Security Administrator will prepare a modification to the State-Federal Agreement and work with the Federal Social Security Administration.
- You and your employer will pay Social Security taxes, and you will accumulate credits. (more about this later)
- All future employees must participate in Social Security.
- The modification cannot be terminated.



Consequences of a “No” result



- You and your employer will not pay Social Security taxes.
- If you are currently paying Social Security taxes, your employer will request a refund from the IRS of the prior 3 years' Social Security taxes. (more about this later)
- Your employer will refund your portion of those taxes.
- All current and former employees will lose the credits for the period that is refunded.
- A new referendum may be held if it is requested, but not for at least a year.



History

Federal laws

- **1935: The Social Security Act signed, but excludes state and local government employees**
- **1950: Section 218 provides voluntary coverage for state and local government employees not covered by a retirement system (became mandatory in 1990)**
- **1954: Coverage allowed for state and local government employees covered by a retirement system, but only if approved by a referendum**
- **1983: States may no longer terminate coverage**

State laws

- **1951: Montana's State-Federal Agreement became effective**
- **1955: Social Security coverage allowed for members of a retirement system**



How does Social Security work?

Costs

- Payroll tax: You and your employer each pay 6.2% of your taxable income.
- Medicare: You and your employer each pay 1.45% of your taxable income. The results of the referendum do not affect Medicare.



How does Social Security work?

Benefits

- Retirement insurance
 - To be eligible, you need 40 credits (generally 10 years of work)
 - Benefits may be paid to the retiree and their spouse, ex-spouse, and/or child
 - The retiree or spouse must be at least 62, but benefits will be reduced if they apply for benefits before reaching full retirement age
 - Benefits will depend on your age when you first apply for benefits and on your lifetime earnings
 - See SSA's Retirement Benefits publication at www.ssa.gov/pubs/EN-05-10035.pdf



How does Social Security work?

Benefits (continued)

- Disability insurance
 - To be eligible, you must be classified as disabled (your disability significantly limits work activities and is expected to last at least 1 year or result in death)
 - You also need enough credits (the amount needed depends on your age when you become disabled)
 - Benefits may also be paid to your spouse (at age 62+) or unmarried child
 - See SSA's Disability Benefits publication at www.ssa.gov/pubs/EN-05-10029.pdf



How does Social Security work?

Benefits (continued)

- Survivor insurance
 - To be eligible, you must be the widow(er), ex-spouse, child, or dependent parent of an insured and deceased worker
- Your benefits will depend on your specific conditions and circumstances



What might reduce my benefits?

Government Pension Offset (GPO)

- Reduces Social Security benefits for spouse/widow(er) by $\frac{2}{3}$ of their retirement/disability pension received for work not covered by Social Security
- Doesn't apply if spouse/widow(er) paid Social Security taxes on the last 60 months of government service
- See SSA's GPO publication at www.ssa.gov/pubs/EN-05-10007.pdf

Example 1

- You qualify for a \$750 spousal Social Security benefit and earn a \$600 pension for work not covered by Social Security
- You would lose \$400 of the Social Security benefit ($\$600 \times \frac{2}{3} = \400)
- You would get just \$350 from Social Security ($\$750 - \$400 = \$350$)



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Example 2 (more realistic)

- You qualify for a \$750 spousal Social Security benefit and earn a \$1,350 pension for work not covered by Social Security
- You would lose \$900 of the Social Security benefit ($\$1,350 \times \frac{2}{3} = \900)
- You would get nothing from Social Security ($\$750 - \$900 < \$0$)



What might reduce my benefits?

Windfall Elimination Provision (WEP)

- Reduces retiree's Social Security benefits based on a pension received for work not covered by Social Security
- Doesn't apply if the retiree has 30+ years of substantial earnings covered by Social Security
- Doesn't apply to survivor benefits
- See SSA's WEP publication at www.ssa.gov/pubs/EN-05-10045.pdf

Formula

- Basic Social Security: Your average monthly lifetime earnings are split into three tiers (depending on the year you become eligible; in 2023, the 'bend points' are \$1,115 and \$6,721)
- The lowest tier is multiplied by 90%
- The next tier is multiplied by 32%
- Everything else is multiplied by 15%
- The sum of the three is your Primary Insurance Amount (PIA), which may be reduced by other factors
- WEP reduces the first 90% based on your years of substantial earnings (work covered by Social Security)



What might reduce my benefits?

Windfall Elimination Provision (WEP)

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Example 1

- Your average monthly lifetime earnings are \$6,000, and you become eligible in 2023
- Your PIA without WEP would be \$2,566.70
 $\$1,115 \times 90\% = \$1,003.50$
 $(\$6,000 - \$1,115) \times 32\% = \$1,563.20$
- But if you only have 22 years of substantial earnings, your PIA would be \$2,120.70
 $\$1,115 \times 50\% = \557.50
 $(\$6,000 - \$1,115) \times 32\% = \$1,563.20$
- Reduced by \$446 (\$2,566.70 - \$2,120.70)

From www.ssa.gov/pubs/EN-05-10045.pdf



What might reduce my benefits?

Windfall Elimination Provision (WEP)

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27	75 percent
26	70 percent
25	65 percent
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20 or less	40 percent

Example 2 (more realistic)

- Your average monthly lifetime earnings are \$2,000, and you become eligible in 2023
- Your PIA without WEP would be \$1,286.70
 $\$1,115 \times 90\% = \$1,003.50$
 $(\$2,000 - \$1,115) \times 32\% = \$283.20$
- But if you only have 22 years of substantial earnings, your PIA would be \$840.70
 $\$1,115 \times 50\% = \557.50
 $(\$2,000 - \$1,115) \times 32\% = \$283.20$
- Still reduced by \$446 (\$1,286.70 - \$840.70)

From www.ssa.gov/pubs/EN-05-10045.pdf



What is the refund process?

(if you are paying Social Security and the referendum fails)

Employer actions

- Two ways to go:
 - Refund you, then claim from IRS; or
 - Get your signed consent, claim from IRS, then refund you.
- Either way, the claim must be filed by April 15 for a full refund.

Your actions

- Sign the consent form.
- If you refuse consent, your employer can still request a refund from the IRS for their portion. You would have to file the claim with the IRS to get your refund.



How much would be refunded?

(if you are paying Social Security and the referendum fails)

In general, you and your employer would each receive a refund of all Social Security taxes paid (6.2% of your taxable income) for the current calendar year and the prior three calendar years.

- For example, for a refund requested by April 15, 2023, you would receive a refund of taxes paid in calendar years 2019, 2020, 2021, and 2022.



So how should I vote in the referendum?

- It will depend on your specific circumstances
- Get more detailed information at www.SocialSecurity.gov
- The State Social Security Administrator does not do benefit determinations
 - Set up a *my Social Security* account at www.SocialSecurity.gov/myaccount
 - Call the Social Security Administration: 1-800-772-1213 (TTY 1-800-325-0778)
 - Or visit your local Social Security office





QUESTIONS?

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Security Administrator

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