

Public workers and Social Security

There's a lot of information out there regarding the New Hampshire Retirement System, some of it fact, some of it fiction. This document, along with others in the "NHRS ... Now You Know" series, is designed to provide you with straight talk about the retirement system.

New Hampshire has a deep history with Social Security – former Gov. John Winant was the first chair of the Social Security Board, and the lowest number possible (001-01-0001) was issued to Concord resident Grace Owen in 1936 – but thousands of public employees in NH do not participate in this federal retirement program. This includes all police officers and firefighters, and a small number of employees and teachers.

The Granite State is not alone in this regard. Approximately 40 percent of public school teachers, and more than two-thirds of firefighters, police officers, and other first responders, do not contribute to Social Security, according to the National Association of State Retirement System Administrators. Every state has groups of public employees who do not participate. In Maine and Massachusetts, most

public employees are not enrolled in Social Security.

Employers and employees who do not participate do not pay the Social Security portion of the FICA tax, (12.4 percent of payroll, split equally). Consequently, pension benefit formulas for non-Social Security-eligible employees are usually higher than those of other public employees to compensate for the absence of Social Security benefits.

When Social Security was created in 1935, coverage was limited to private sector workers due to constitutional questions concerning whether the federal government could impose taxes on states and political subdivisions. This changed with the Social Security Amendments of 1950, which allowed states to enter into voluntary agreements with the federal government to provide Social Security coverage to public employees.

New Hampshire initiated participation agreements for teachers and state employees in the 1950s, but never elected to participate for police and firefighters. Before federal law changed more than 30 years ago, individual political subdivisions could opt in or out of Social Security, so there is an extremely small number of employers in New Hampshire where the employees or teachers do not participate in Social Security. These employers are required to meet certain minimum retirement benefit standards over and above NHRS Group I (Employee and Teacher) benefits.

Even if public workers and their employers do not contribute to Social Security, they may earn credits toward a Social Security benefit through other employment

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before, during or after their non-Social Security employment. However, there is a federal benefit offset for public employees who do not participate in Social Security called the “Windfall Elimination Provision” (WEP). The WEP can reduce the amount of the Social Security benefit that non-Social Security eligible public workers earned through other employment. In addition, members who did not participate in Social Security could see a decrease in their Social Security spouses or widow's/widower's benefit under the Government Pension Offset (GPO).

There is a common misconception that the NHRS Group I (Employee and Teacher) pension re-calculation at age 65 is tied to Social Security. It is not. The NHRS pension amount is re-calculated at the time that the retiree attains age 65. It does not change when a retiree begins to collect Social Security; it occurs at age 65 regardless of Social Security status. *(For more information on the Group I pension re-calculation, see the link below.)*

NHRS cannot answer questions or give advice regarding Social Security benefits. Contact your local Social Security office or visit www.ssa.gov.

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Related topic: Now You Know ... When a Group I member turns 65:

www.nhrs.org/docs/default-source/now-you-know/now_you_know_age65.pdf