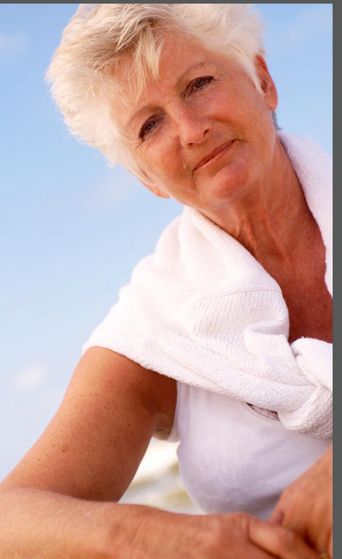
Teachers Retirement System of Georgia

TRS & Social Security



If your TRS covered employer does not withhold Social Security taxes from your salary, then your Social Security benefit may be affected.

It is important to note that regardless of whether or not Social Security taxes are withheld from your paycheck, it has no bearing on your TRS benefit. Your TRS benefit is calculated according to our retirement benefit formula, which takes into account your years of creditable service, your average monthly salary for your highest consecutive 24 months of membership service, and the 2% multiplier. Your TRS benefit will not be reduced for any Social Security benefit you may receive.

Your Retirement Income

In an effort to maintain your lifestyle in retirement, you will likely need to supplement your TRS retirement benefit by one or all of the following: your personal savings, income from another qualified retirement plan (such as a 403(b), 457 or IRA), and/or your Social Security benefit.

Social Security benefits are based on your average monthly earnings adjusted for inflation and are intended to replace a percentage of your pre-retirement income. If one or more of your employers did not withhold Social Security taxes during your career, the Social Security Administration (SSA) uses modified formulas to calculate your, and your spousal, benefit amount, possibly resulting in a lower, or eliminated, Social Security benefit.

If you are counting on receiving a Social Security benefit when you retire, but did not pay into Social Security at some point in your career, it is important that you study the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

We encourage you to request an estimate from SSA (www.socialsecurity.gov or 800-772-1213; or their TTY number, 800-325-0778) to find out if you are subject to receive a reduced Social Security benefit based on your earnings or your spouse's/widow(er)'s earnings. When you request your estimate, be sure to mention that you are, or will be, receiving a TRS retirement benefit.

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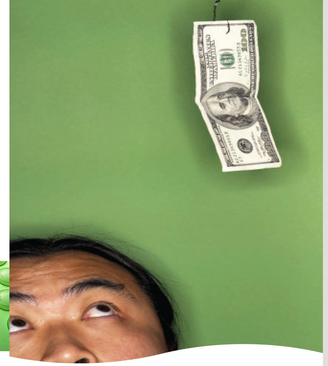

Why WEP and GPO Exist

When Social Security set up the formula to compute a person's benefit, they weighted it to provide low-wage earners a higher percentage of their working income. The rationale for having a weighted formula is that low wage earners need a higher percentage of their working income in order to meet their basic needs during retirement. When your benefit is calculated, Social Security looks at your highest 35 years of reported earnings, but if you worked for a TRS covered employer that did not deduct Social Security, then your reported earnings to the SSA are $0 for each year you worked for that employer. This makes it appear as if you were a low wage earner for those years, when, in fact, you were not. The WEP and GPO laws are designed to eliminate the added benefit the formula normally provides to low wage earners.

Windfall Elimination Provision (WEP)

Applies to Social Security benefits based on YOUR earnings.

You are subject to WEP if you:

1) Have paid Social Security taxes on substantial earnings[1] for at least 10 years (40 quarters = 40 Social Security credits[2]), and
2) Are receiving a TRS pension, where for any length of time under TRS, your employer did NOT withhold Social Security taxes.

Social Security benefits are calculated as a percent of your Average Indexed Monthly Earnings (AIME). AIME is based on the wages on which you paid Social Security taxes for 35 years of employment and is broken down into 3 increments: $0 - $761; $762 - $4,586; and $4,587+.

These increments are then multiplied by a percentage: 90% (on first $761), 32% (on amount between $762 and $4,586) and 15% (on remaining amount). However, under WEP, the first factor of 90% is reduced depending on the number of years you paid Social Security taxes on substantial earnings:

- 10-20 years: the first factor is 40%.
- 21-29 years: first factor increases incrementally anywhere from 45-85%.
- 30+ years: you qualify for the full 90% factor.

For example, let's say you paid Social Security taxes on substantial earnings for 15 years and your average indexed monthly earnings were $2,300. With WEP, the formula would be applied as follows:

$761 x 40% =	$304
$1,539 x 32% =	+ $492
Your Social Security benefit =	$796

Your benefit without WEP would have been an additional $380/month ($761 x 90% = $684 + 492 = $1,176).

The reduction in your Social Security benefit cannot be more than one-half (½) of the amount of your pension that is based on earnings after 1956 on which you did not pay Social Security taxes.

[1] The Social Security Administration's published substantial earnings for 2010 is $19,800.
[2] If you have not paid Social Security taxes on your substantial earnings for the 10-year minimum, then you do not qualify for Social Security benefits based on your own work record, but you might still qualify under different eligibility provisions.

Government Pension Offset (GPO)

Applies to Social Security benefits based on your spouse's or widow(er)'s earnings. You must be/have been married for at least 10 years to be eligible to receive a spousal benefit.

The GPO is based on your TRS benefit amount. Therefore, you must alert the SSA whenever your TRS benefit changes/increases if you receive a spousal or widow(er) benefit from Social Security.

If you are eligible for a spousal benefit from Social Security, and you worked for a TRS covered employer that did not withhold Social Security taxes, your spousal benefit will be reduced by two-thirds (for every $3 of pension you receive from TRS, your spousal benefit is reduced by $2) of your TRS pension, and could possibly be eliminated all together.

For example, let's assume your expected spousal Social Security benefit is $1,600 and your TRS pension is $2,300. The GPO formula would be applied as follows:

Spousal benefit =	_ $1,600
$2,300 x 2/3 (approx. .667) =	$1,535
Your Spousal Social Security benefit =	$ 65

Given the average monthly TRS pension of $2,700, it is very possible that your spousal benefit will be completely eliminated.

If your last 5 years of employment were as a TRS member with a TRS covered employer that withheld Social Security taxes, then you are exempt from the GPO.

Even if you do not receive a spousal Social Security benefit, you may still qualify for Medicare at age 65 on your spouse's record if you are not eligible for it on your own record.

If your spouse receives a Social Security benefit and dies before you, you need to contact the SSA and have your benefit recalculated, as the amount you are eligible to receive may increase.

Things to Consider

Invest & Consult

If you are not paying, or have not paid during some period of your career, into Social Security, consider investing or saving that 6.2%, or more, that would have been withheld from your earnings. You could invest in another qualified retirement plan such as a 403(b), a 457 account, or an IRA. Exploring different investment options could help replace your reduced or eliminated Social Security benefit.

Before making an investment decision, TRS recommends consulting with a professional financial planner to help you map out a plan to reach your goals and achieve your ideal financial situation.

Contact Social Security

TRS is not qualified to provide Social Security estimates or advice. We recommend you contact the SSA by visiting their website, www.socialsecurity.gov, or by calling 800-772-1213 (or their TTY number, 800-325-0778). The website has detailed information on the WEP and GPO, and allows you to obtain an estimate.

TRS 1-Day Workshop

TRS offers a full-day pre-retirement workshop that includes a presentation by an SSA Representative, along with presentations from the State and Board of Regents health care plans and an estate planning expert. Not only will you receive valuable information about Social Security, but you will have an opportunity to ask questions about your personal situation. Please check our website for dates and locations near you.

Teachers Retirement System of Georgia

Office
Two Northside 75, Suite 100
Atlanta, GA 30318

Phone
404.352.6500
800.352.0650

Fax
404.352.4885

Call Center Hours
8 am-5 pm, M-F

Office Visiting Hours
8 am-4:30 pm, M-F

Website
www.TRSGA.com