

APPENDIX T

SOCIAL SECURITY OFFSET

to

SURVIVOR BENEFIT PLAN

(Eligibility Year 1979 or Later)

Work sheet for calculating social security offset for members whose eligibility year is after 1978.

Definitions:

1. **Member** is the retired military person.
2. **Starting Year** is 1957 or the year the member joined the Military Service, whichever is later.
3. **Ending Year** is the year the member turned or would have turned age 65.
4. **Eligibility Year** is the year in which the member turned age 62 or the year the member died, whichever is earlier.
5. **Indexing Year** is equal to the eligibility year minus two.
6. **Elapsed Years** is equal to the number of years obtained by subtracting (the later of 1951 or the year the member turned age 22) from (the year the member turned or would have turned age 62). If the member was born in 1929 or later, this will equal 40.
7. **Offset Year** is the year the offset goes into effect.
8. **Free Wage Credits** are gratuitous wage credits that must be included in calculating the SBP offset. For years 1957 through 1977, credit \$300 for each calendar quarter in which he or she received **any basic** pay for active duty or active duty for training. For 1978 and later, credit increments of \$100 up to a maximum of \$1,200 per calendar year. The \$100 increments are granted for each \$300 of reported wages as follows:
 - a. No Credit for wages less than \$300.
 - b. One credit (\$100) if wages are between \$300 and \$600.
 - c. Two credits (\$200) if wages are between \$600 and \$900.
 - d. And so on up to a maximum of \$1,200 per calendar year.

9. **Indexing Factors** are derived by dividing the average wage of the indexing year by the average wage in the specific year. For all years greater than and including the indexing year, the indexing factors equal one.

10. **Bend Points** are the Social Security bend points associated with the eligibility year.

Step 1

Calculate: Eligibility Year =
Starting Year =
Ending Year =
Elapsed Years =
Offset Year =

(If Eligibility Year is 1978 or earlier, this worksheet should not be used.)

Step 2

List every year from the starting year to the ending year in Column (A).

NOTE: See definitions of 'starting' and 'ending.'

Step 3

Record member's active duty pay in column (B).

Record zero for all remaining years through the 'ending year.'

Step 4

Calculate and record free wage credits in column (C).

Step 5

Add columns (B) and (C) and record in column (D). Round to nearest dollar (round \$.50 up).

Step 6

List maximum FICA wages in column (E). See Appendix M for maximum FICA wages.

Step 7

Record in column (F) the lesser of column (D) or column (E).

Step 8

Calculate and record the indexing factors in column (G).

Step 9

Multiply column (F) by column (G) and record in column (H).

Step 10

- (a) Compute n = elapsed years minus five
- (b) Cross out all but highest n values in column (H)
- (c) Total remaining n values. If n is zero or less, the Social Security Offset is zero.

Step 11

- (a) Months = (n) X 12 = _____
- (b) Member's AIME = $\frac{\text{Step 10(c)}}{\text{Step 11(a)}}$ = _____
(round **down** to nearest dollar)

Step 12

Place bend point one in following formula where 'A' appears and bend point two in formula where 'B' appears.

$$\begin{aligned}
 .90 \text{ times } \underline{A} \text{ of } \underline{\text{AIME}} &= \$ \underline{\hspace{2cm}} \\
 .32 \text{ times AIME over } \underline{A} \text{ through } \underline{B} &= \$ \underline{\hspace{2cm}} \\
 .15 \text{ times AIME over } \underline{B} &= \$ \underline{\hspace{2cm}} \\
 \text{(round down to the nearest dime) Total} &= \$ \underline{\hspace{2cm}}
 \end{aligned}$$

Step 13

List Social Security CPI's from eligibility year up to and including offset year. (If CPI is 9.9% list it as 1.099.) If the eligibility year equals the offset year, only one CPI will be listed. If the time of offset is before the Social Security CPI release date then assume that the CPI in the offset year is zero. Multiply these values together to obtain one value. Round to 3 decimals.

Step 14

- (a) Member's AIME PIA = Step 12 times Step 13 = \$ _____
(round down to the nearest dime)

Step 15

If widow and one child:
Social Security offset = Step 14 times .75 = _____
(round down to nearest dollar)

Step 16

Social Security offset = Step 14 factor defined below = \$ _____
(round value down to nearest dollar)

FACTOR SELECTION

(1) If the widow **does not** provide evidence from the Social Security Administration (SSA) that the decedent was in receipt of **nondisability** Social Security benefits prior to age 65, select the spouse age-related reduction factor from the following chart and use in formula.

SPOUSE AGE-RELATED REDUCTION FACTOR

<u>Spouse Age</u>	<u>Factor for Offset</u>	<u>Spouse Age</u>	<u>Factor for Offset</u>	<u>Spouse Age</u>	<u>Factor for Offset</u>
65 & over	1.00000	64 yrs, 0 mo	.94300	63 yrs, 0 mo	.88600
64 yrs, 11 mos	.99525	63 yrs, 11 mos	.93825	62 yrs, 11 mos	.88125
64 yrs, 10 mos	.99050	63 yrs, 10 mos	.93350	62 yrs, 10 mos	.87650
64 yrs, 9 mos	.98575	63 yrs, 9 mos	.92875	62 yrs, 9 mos	.87175
64 yrs, 8 mos	.98100	63 yrs, 8 mos	.92400	62 yrs, 8 mos	.86700
64 yrs, 7 mos	.97625	63 yrs, 7 mos	.91925	62 yrs, 7 mos	.86225
64 yrs, 6 mos	.97150	63 yrs, 6 mos	.91450	62 yrs, 6 mos	.85750
64 yrs, 5 mos	.96675	63 yrs, 5 mos	.90975	62 yrs, 5 mos	.85275
64 yrs, 4 mos	.96200	63 yrs, 4 mos	.90500	62 yrs, 4 mos	.84800
64 yrs, 3 mos	.95725	63 yrs, 3 mos	.90025	62 yrs, 3 mos	.84325
64 yrs, 2 mos	.95250	63 yrs, 2 mos	.89550	62 yrs, 2 mos	.83850
64 yrs, 1 mo	.94775	63 yrs, 1 mos	.89075	62 yrs, 1 mo	.83375
				62 yrs, 0 mo	.82900

(2) If the widow **does** provide evidence from the SSA that the decedent was in receipt of **non-disability** Social Security benefits prior to age 65, calculate the decedent’s reduction factor using one of the following methods and information supplied by SSA:

(a) divide the actual benefit payable (DMBA) by the death PIA. If decedent lived to age 65 or older, this data must be for a month subsequent to the January following the date of death.

(b) if data is not available for (a), determine the number of months (M) for which the decedent received a reduced benefit prior to age 65. Calculate, to five digits, the factor using the following formula:

factor = (1.0) minus ($M/180$)
 example: 3 months early = (1.0) minus ($3/180$) = .98333

- (c) insert answer from (a) or (b) here.
- (d) insert the greater of .825 or (c) here.
- (e) insert factor obtained in Step 16(1) above here.
- (f) insert lesser of (d) or (e) here and use in formula.

Step 17

- (a) Net monthly SBP annuity before Social Security offset but after all other reductions = _____
- (b) .4 times Step 17(a) = _____
 (round **down** to nearest dime)
- (c) Total from either Step 15 or Step 16 = _____
- (d) Social Security offset equals lesser of Step 17(c) or Step 17 (b) = _____

SOCIAL SECURITY OFFSET CALCULATION SHEET

(A) Year (Starting to Ending)	(B) Member's Active Duty Pay	(C) Free Wage Credit	(D) Member's Total Pay Credit (B) + (C)	(E) Maximum FICA Wage	(F) FICA Wage – Lesser of (D) or (E)	(G) Indexing Factor	(H) Member's Indexed Annual Military Earnings
1.							
2.							
3.							
4.							
5.							
6.							
7.							
8.							
9.							
10.							
11.							
12.							
13.							
14.							
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33.							
34.							
35.							