

## Provisions of 1983 Law Kick In for Social Security and Railroad Retirement

The *IBEW Journal* has published several articles in the past few years on various proposals to reform Social Security. This article will focus on several changes to the system that became effective January 1, 2000, including some which were adopted in the 1983 Social Security Amendments. *In general*, these changes apply to Railroad Retirement also. However, Railroad Retirement's eligibility requirements include years of creditable railroad service. Contact the Railroad Retirement Board field office in your area, or visit the board's web site, <http://www.rrb.gov>, for specific information on these changes.

### Cost-of-Living Adjustment

The cost-of-living adjustment this year for Social Security and Supplemental Security Income benefits is 2.4 percent. The increase was included in benefits Social Security beneficiaries received in January. SSI recipients received their increase beginning December 30. As Social Security Commissioner Kenneth S. Apfel noted, "The cost-of-living adjustment is a centrally important feature of Social Security that insures that beneficiaries, no matter how long they live, will retain their purchasing power as costs rise."

The average monthly Social Security benefit amount for all retired workers rose from \$785 to \$804. The maximum federal SSI monthly payment to an individual increased from \$500 to \$512. The maximum federal SSI monthly payment to a couple increased from \$751 to \$769.

*The most significant change in Social Security is the phased-in increase in the age for collecting full Social Security retirement benefits. The primary reasons Congress mandated these changes in the 1983 Social Security Amendments are:*

- Improvements in the health of older people and increases in average life expectancy.
- Since the program first paid monthly benefits in 1940, the average life expectancy for men reaching age 65 has increased nearly four years, to age 81. For women reaching 65, average life expectancy has increased nearly six years, to 84.

Although 62 remains the earliest age at which individuals may retire and collect *reduced* benefits, the age for collecting *full* benefits will gradually increase



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from 65 to 67 over a 22-year period. People born in 1938 or later are subject to the new age increases. For example, if you were born in 1938 (age 62 in 2000), your new full retirement age is 65 years and two months. (See Table 1 for retirement ages for years 1939-1960 and later, and corresponding benefit reductions for retirement at 62.)

**Table 1.**  
**SOCIAL SECURITY FULL RETIREMENT AND REDUCTIONS\* BY AGE**  
(Effective January 1, 2000)

Year Of Birth	Full Retirement Age	% Reduction At Age 62
1937 or earlier	65	20.00
1938	65 & 2 months	20.83
1939	65 & 4 months	21.67
1940	65 & 6 months	22.50
1941	65 & 8 months	23.33
1942	65 & 10 months	24.17
1943-1954	66	25.00
1955	66 & 2 months	25.84
1956	66 & 4 months	26.66
1957	66 & 6 months	27.50
1958	66 & 8 months	28.33
1959	66 & 10 months	29.17
1960 and later	67	30.00

Source: Social Security Administration web site: <http://www.ssa.gov/pubs/retirechartred.htm>

\*Percentage and total reductions are approximate due to rounding. The actual reductions are .555 or 5/9 of 1% per month for the first 36 months and .416 or 5/12 of 1% for subsequent months.

Workers may retire at any time between age 62 and full retirement age. If you retire at one of these earlier ages, your benefits are reduced a fraction of a percent for each month before your full retirement age. In general, early retirement provides about the same total benefits over your lifetime, but in smaller amounts to allow for the longer period you will collect them.

### Delayed Retirement Credits

The 1983 amendments also provided workers with higher benefits if they continue working and delay collecting Social Security until after their full retirement age. This increase is called the delayed retirement credit and is determined by a set percentage and increases the longer retirement is delayed. The increase stops at age 70 even if a worker continues to delay collecting benefits. For example, workers born in 1938 who delay retirement receive a 6.5 percent credit for each year they do not collect benefits. The yearly credit increases to 8 percent for workers born in 1943 or later. For people who work a partial year, the yearly percentage is broken into monthly increments. (See Table 2 for a breakdown of yearly and monthly rates of increase.) If you choose to delay your retirement, be sure to sign up for Medicare at 65. In some instances medical insurance costs more if you delay applying for it.

### Miscellaneous Changes

Other changes to Social Security became effective on January 1:

- Maximum amount of earnings subject to the payroll tax is \$76,200, up from \$72,600.

**Table 2.**

**BENEFIT INCREASE FOR DELAYED RETIREMENT**  
(Effective January 1, 2000)

Year of Birth	Yearly Rate of Increase	Monthly Rate of Increase
1930	4.5%	3/8 of 1%
1931-1932	5%	5/12 of 1%
1933-1934	5.5%	11/24 of 1%
1935-1936	6%	1/2 of 1%
1937-1938	6.5%	13/24 of 1%
1939-1940	7%	7/12 of 1%
1941-1942	7.5%	5/8 of 1%
1943 or later	8%	2/3 of 1%

Source: Social Security Administration web site: <http://www.ssa.gov/pubs/retiredelayed.htm>

**Note: Persons born on January 1 of any year should refer to the rate of increase for the previous year.**

- Maximum amount of earnings a beneficiary under 65 may earn annually without loss of benefits increased from \$9,600 to \$10,080.
- Maximum amount of earnings a beneficiary age 65 to 69 may earn annually without losing any benefits increased from \$15,500 in 1999 to \$17,000 in 2000.
- The amount of earnings required to earn a quarter of coverage increased to \$780 from \$740 in 1999.

### New Social Security Statements

“Social Security benefits are the foundation of most Americans’ retirement,” Commissioner Apfel said. “It’s important that everyone know how the retirement choices they make can have an impact on their benefits. ...Deciding when to retire is probably one of the toughest

and most important decisions American workers have to make. Because it is so important, it is crucial for workers to have all the facts regarding the impact of their retirement decision on their current and future Social Security benefit.”

For example, collecting your benefit before your full retirement age entails disadvantages and advantages. An advantage is that you collect benefits for a longer time. A disadvantage is that the benefit is permanently reduced. Everyone’s situation is different, so the Social Security Administration recommends that you contact them before you decide to retire.

In October the Social Security Administration began mailing Social Security statements to all workers 25 and older who are not collecting benefits. “The Social Security statement is a valuable financial planning tool that will help Americans prepare for their long-term financial security,” Apfel said. The statement, which workers should receive annually three months before their birthdays, provides a personalized account of estimated government retirement benefits:

- Estimates monthly benefits if a worker retires early at 62.
- Estimates monthly benefits if a worker retires at full retirement age, depending on the year the worker was born.
- Estimates monthly benefits if a worker retires at 70.

The statement lists the years you have worked, the dollar amount of earnings credited for Social Security and Medicare benefits, and estimates the benefits you and your family would collect if you become disabled or die.

You may also request a statement be mailed to you at any time. Contact the agency at 1-800-772-1213, or visit the web site, [www.ssa.gov](http://www.ssa.gov).