



# Illinois Municipal Retirement Fund

Suite 500 2211 York Road Oak Brook IL 60523-2337

Service Representatives 1-800-ASK-IMRF

www.imrf.org

## SPECIAL MEMORANDUM

If you did not receive this memo, according to our records all of your IMRF members participate in Social Security.

**Number:** 288

**Date:** December 6, 2004

**To:** Authorized Agents of employers with IMRF members who do not participate in Social Security

**Subject:** Notification requirement for new employees who do not participate in Social Security

---

### Executive Summary

Beginning January 1, 2005, newly hired employees **who do not participate in Social Security** are required to sign a notice that explains the effect of not participating in Social Security. If the employee will participate in IMRF, the signed notice must be sent to IMRF.

---

While Social Security coverage for IMRF members is required by an agreement between the state of Illinois and the Social Security Administration under Section 218 of the Social Security Act, there are a limited number of exceptions. Our records indicate you have IMRF members who fall under one of these exceptions and do not participate in Social Security.

### New requirement for employees not covered by Social Security

The Social Security Protection Act (SSPA) of 2004 (Public Law 108-203) was signed into law on March 2, 2004. The provision of this Act applicable to local government employers takes effect on January 1, 2005, and applies only to employers with employees who do not participate in Social Security. Employees who work in positions that **are** covered by Social Security and who pay Social Security taxes through an employer are not affected.

If you hire an employee after January 1, 2005, into a position that does not participate in Social Security, you are now required to give that employee a notice that explains the effect of not participating in Social Security. The notice must explain the effect on any separate employment the employee currently holds that is covered by Social Security and any position the employee previously held which was covered by Social Security.

You can download a copy of the notice from the Social Security Administration website at [www.socialsecurity.gov/form1945/](http://www.socialsecurity.gov/form1945/) or from the employer forms area of the IMRF web site ([www.imrf.org](http://www.imrf.org)). You can also call an IMRF Member Service Representative at 1-800-ASK-IMRF (1-800-275-4673).

The employee is required to sign the notice before beginning work. You must then send the signed notice IMRF.

**Employee's Social Security benefits may be reduced**

The notice is intended to make the employee aware that working in a position that is not covered by Social Security may make him or her subject to the Government Pension Offset (GPO), the Windfall Elimination Provision (WEP), or both. These federal provisions reduce the amount of an individual's Social Security benefits unless the individual qualifies for an exemption.

- **Government Pension Offset (GPO)**

Under the GPO, if an individual receives a state or local government pension based on employment where he or she did not pay Social Security taxes, and the individual is entitled to Social Security retirement benefits based on his or her spouse's Social Security record, the Social Security benefits may be reduced by two-thirds of the individual's state or local government pension.

- **Windfall Elimination Provision (WEP)**

The WEP applies to the individual's own Social Security benefits. If an individual receives a state or local government pension based on work where he or she did not pay Social Security taxes, Social Security calculates its monthly benefit using a modified formula. Under the modified formula, the individual receives a lower Social Security benefit.

**Questions**

If you have any questions regarding the notice, call an IMRF Member Service Representative at 1-800-ASK-IMRF (1-800-275-4673) Monday through Friday, 7:30 a.m. to 5:30 p.m.

Visit the Social Security Website at [www.socialsecurity.gov/gpo-wep/](http://www.socialsecurity.gov/gpo-wep/) for more information on the Government Pension Offset and the Windfall Elimination Provision.

Sincerely,



Louis W. Kosiba  
Executive Director

## Statement Concerning Your Employment in a Job Not Covered by Social Security

Employee Name \_\_\_\_\_ Employee ID # \_\_\_\_\_

Employer Name \_\_\_\_\_ Employer ID# \_\_\_\_\_

Your earnings from this job are not covered under Social Security. When you retire, or if you become disabled, you may receive a pension based on earnings from this job. If you do, and you are also entitled to a benefit from Social Security based on either your own work or the work of your husband or wife, or former husband or wife, your pension may affect the amount of the Social Security benefit you receive. Your Medicare benefits, however, will not be affected. Under the Social Security law, there are two ways your Social Security benefit amount may be affected.

### **Windfall Elimination Provision**

Under the Windfall Elimination Provision, your Social Security retirement or disability benefit is figured using a modified formula when you are also entitled to a pension from a job where you did not pay Social Security tax. As a result, you will receive a lower Social Security benefit than if you were not entitled to a pension from this job. For example, if you are age 62 in 2005, the maximum monthly reduction in your Social Security benefit as a result of this provision is \$313.50. This amount is updated annually. This provision reduces, but does not totally eliminate, your Social Security benefit. For additional information, please refer to the Social Security publication, "Windfall Elimination Provision."

### **Government Pension Offset Provision**

Under the Government Pension Offset Provision, any Social Security spouse or widow(er) benefit to which you become entitled will be offset if you also receive a Federal, State or local government pension based on work where you did not pay Social Security tax. The offset reduces the amount of your Social Security spouse or widow(er) benefit by two-thirds of the amount of your pension.

For example, if you get a monthly pension of \$600 based on earnings that are not covered under Social Security, two-thirds of that amount, \$400, is used to offset your Social Security spouse or widow(er) benefit. If you are eligible for a \$500 widow(er) benefit, you will receive \$100 per month from Social Security,  $\$500 - \$400 = \$100$ . Even if your pension is high enough to totally offset your spouse or widow(er) Social Security benefit, you are still eligible for Medicare at age 65. For additional information, please refer to the Social Security publication, "Government Pension Offset."

### **For More Information**

Social Security publications and additional information, including information about exceptions to each provision, are available at [www.socialsecurity.gov](http://www.socialsecurity.gov). You may also call toll free 1-800-772-1213, or, for the deaf or hard of hearing, call the TTY number 1-800-325-0778, or contact your local Social Security office.

**I certify that I have received Form SSA-1945 that contains information about the possible effects of the Windfall Elimination Provision and the Government Pension Offset Provision on my potential future Social Security benefits.**

Signature of Employee \_\_\_\_\_ Date \_\_\_\_\_

**Information about Social Security Form SSA-1945,  
Statement Concerning Your Employment in a Job Not Covered by Social Security**

New legislation [Section 419(c) of Public Law 108-203, the Social Security Protection Act of 2004] requires State and local government employers to provide a statement to employees hired January 1, 2005 or later in a job not covered under Social Security. The statement explains how a pension from that job could affect future Social Security benefits to which they may become entitled.

Form SSA-1945, **Statement Concerning Your Employment in a Job Not Covered by Social Security**, is the document that employers should use to meet the requirements of the law. The SSA-1945 explains the potential effects of two provisions in the Social Security law for workers who also receive a pension based on their work in a job not covered by Social Security. The Windfall Elimination Provision can affect the amount of a worker's Social Security retirement or disability benefit. The Government Pension Offset Provision can affect any possible Social Security benefit entitlement as a spouse or an ex-spouse.

Employers must:

- Give the statement to the employee prior to the start of employment;
- Get the employee's signature on the form; and
- Submit a copy of the signed form to the pension paying agency.

Social Security will not be setting any additional guidelines for the use of this form.

Copies of the SSA-1945 are available online at the Social Security website, [www.socialsecurity.gov/form1945](http://www.socialsecurity.gov/form1945). Paper copies can be requested by email at [oplm.oswm.rqct.orders@ssa.gov](mailto:oplm.oswm.rqct.orders@ssa.gov) or by fax at 410-965-2037. The request must include the name, complete address and telephone number of the employer. Forms will not be sent to a post office box. Also, if appropriate, include the name of the person to whom the forms are to be delivered. The forms are available in packages of 25. Please refer to Inventory Control Number (ICN) 276950 when ordering.