

California State Social Security Administrator Program

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EARNING SOCIAL SECURITY (OR MEDICARE) CREDITS

Generally, anyone born in 1929¹ or later needs 40 credits² (typically earned over a period of 10 years, which do not need to be consecutive) to be eligible for Social Security retirement benefits³, or to be eligible for Medicare benefits at age 65⁴.

You earn credits when you pay Social Security taxes through your job. You can accrue **a maximum of four credits per year**, regardless of how much you earn.

Credits are based on earnings earned. In 2013, you receive one credit for every \$1,160 you earn, up to a maximum of \$4,640. The amount you must earn to get a credit usually increases each year, as average earnings levels raise. For example, the amount needed to earn one credit in 2012⁵ was \$1,130.

Once earned, your credits earned remain on your Social Security record, even if you change jobs, or have no earnings for a period.

NOTE: Special rules for earning credits apply for:

- Self-employed individuals
- Domestic work
- Farm work
- Work for a church/church-controlled organization that does not pay Social Security taxes

If you earn more credits than the minimum number needed to be eligible for benefits, the extra credits do not increase the value of your benefits. For example, you do not get “better” Medicare benefits by having more than 40 credits. However, Social Security **retirement** benefits are based on your 35 highest years of earnings adjusted for inflation⁶. As such, if you only have 10 years of earnings (just enough to reach the minimum 40 credits), you can anticipate your Social Security retirement benefits being proportionately lower than if you had 35 years of earnings.

¹ People born before 1929 need fewer than 40 credits (39 credits if born in 1928; 38 credits if born in 1927, etc.).

² Called “quarters” before 1978, when employers reported your earnings every 3 months. Credits are now based on your total wages and self-employment income during the year, no matter when you did the actual work. You might work all year to earn four credits, or you might earn enough for the maximum of four in a shorter period of time.

³ For qualifications for **Disability** benefits, see: <http://www.socialsecurity.gov/retire2/credits3.htm>

⁴ You may be eligible for Medicare at an earlier age in some special circumstances; see Publication No. 05-10043, available at: <http://www.socialsecurity.gov/pubs/10043.pdf>

⁵ For the amount of earnings needed to get one credit in prior years, see <http://www.socialsecurity.gov/OACT/COLA/QC.html#qcseries>

⁶ See “Your Retirement Benefit: How It Is Figured,” at: <http://socialsecurity.gov/pubs/EN-05-10070.pdf>

If you wish to check to see how many credits you have, you should go to Social Security's website and enroll in **my Social Security** at:
<http://www.socialsecurity.gov/myaccount/>

COMMON QUESTIONS AND ANSWERS

1. I do not have 40 credits and am no longer working. Can I individually pay into Medicare to receive the credits I lack⁷?

No. There are no provisions in federal law that would permit an individual to simply pay into the system to earn credits. You can only earn credits through your employment or through self-employment.

2. I work for an employer where I do not have Medicare coverage (because I was hired prior to April 1, 1986, and have remained continuously employed with the same employer⁸). Can I individually pay into Medicare, to receive the credits I lack?

No. There are no provisions in federal law that would permit an individual to simply pay into the system to earn credits. You can only earn credits through your employment or through self-employment.

3. I do not have 40 credits and am about to turn 65, but am still working and contributing to Medicare (or Medicare and Social Security). Will I remain ineligible for Medicare since I was not eligible upon reaching age 65, or can I apply for benefits (even after age 65) once I accrue the necessary 40 credits?

You can apply for Medicare once you reach the minimum 40 credits, even if you are older than 65. However, if you apply after age 65, you may be subject to a late enrollment penalty (i.e., an increase in your monthly premiums for Medicare Part B).

4. I do not have 40 credits, and I am presently working for an employer where I do not have Social Security/Medicare coverage. Is there any way I can earn these additional credits?

Perhaps. Your options include:

- Retiring from this employer (and either begin receiving your CalPERS pension—if you are eligible—or taking “deferred retirement,” and delaying

⁷ Of course, you should first see whether you might be eligible on a spouse's record, or as a divorced spouse; for more information, see: http://ssa-custhelp.ssa.gov/app/answers/detail/a_id/400/~how-to-qualify-for-medicare

⁸ This is known as the “Continuing Employment Exception”; for more information, see:
http://www.socialsecurity.gov/slge/mand_med_cov.htm#a0+0

your CalPERS retirement until sometime in the future), and going to work for an employer that has Social Security/Medicare coverage.

- Continuing to work for this employer, but taking part-time employment with an employer that has Social Security/Medicare coverage. Remember that it takes only \$4,640 in earnings to earn the maximum four credits in 2013. If you earned \$2,320, you would earn two credits, etc.
- Temporarily separating from this employer (e.g., using vacation/leave credits, or taking a brief leave of absence), and taking employment with an employer that has Social Security/Medicare coverage. This could be done on a recurring basis. For example, some teachers that do not have Medicare coverage take such employment during each summer break.

5. Is it possible to have different amounts of credits accrued for Medicare, than for Social Security?

Yes. For example, some employers have contracted with the Social Security Administration (through our unit, the State Social Security Administrator Program) for a “Section 218 Agreement” that provides “Medicare Only” coverage⁹. As part of this agreement, employees contribute to Medicare but **not** to Social Security.

- **Example:** A person earned 20 credits through employment they had in high school/college. In 1985, they accepted (pre-1986) employment with an employer that did not have Social Security/Medicare coverage. In this situation, the person lacks the minimum credits for either Social Security **or** Medicare benefits.

If the employer enters into a Section 218 Agreement for “Medicare Only” coverage, the employee will begin contributing toward Medicare again, and may reach the minimum 40 credits for Medicare benefits, while **not** qualifying for Social Security benefits.

6. Our agency is thinking of entering into a Section 218 Agreement for Social Security/Medicare, or for “Medicare Only” coverage. In choosing our Effective Date of coverage (which can be retroactive, up to five years), do we need to be covered for the entire calendar year, in order to earn the maximum four credits for that year?

No. In fact, some employers will deliberately choose an effective date in November or December, when their employees will have earned just enough to earn the maximum credits for that calendar year. (However, an employer

⁹ A majority of California public school districts have done this for their certificated school teachers, for example.

considering this should be cognizant of which calendar year earnings are reported to the IRS. Some employers—e.g., the State of California—report earnings for work performed in December in the **following** calendar year. For example, earnings for work rendered in December 2012, are included in the **2013** calendar year earnings reported to the IRS, rather than 2012 calendar year earnings.)

7. I have 40 credits, so I should be “o.k.” if I change jobs to a position that does not have Social Security/Medicare coverage, correct?

You will be “o.k.” in the sense that you are “vested” (i.e., eligible) for Social Security and Medicare benefits upon reaching the minimum age. However, if you ultimately receive a pension from employment that was not covered by Social Security, you may be subject to the **Windfall Elimination Provision**, which may reduce your Social Security benefits. For more information about this, see our SSSAP Bulletin No. 2.

8. In my situation, I will simply be unable to earn 40 credits to qualify for Medicare, and I am not eligible as a spouse or divorced spouse. Are there any other options for me?

Contact your local Social Security office for more information or call SSA’s 800# at 1-800-772-1213.