



410 South Commercial Street • Neenah, WI 54956 • Tel: (920)751-6800x10111 • (920)751-5066

January 10, 2018

Dear Retiree,

Re: The treatment of your Retirement Stipend by the Social Security Administration.

The combination of the following three earnings reporting requirements has created a situation that you should be aware of:

1. The required discontinued participation in the MidAmerica Special Pay Deferral Plan after five and one half (5.5) years of retirement payments.
2. The Internal Revenue Service (IRS) and State of Wisconsin requiring Income tax to be withheld from your Neenah Joint School District (NJSD) retirement benefit; therefore a W2 is sent to you at the end of the calendar year.
3. The earnings limitations of Social Security Administration (SSA) benefits at age sixty-two (62) to age sixty-five (65).

Example:

In 2017, a NJSD, 2009 retiree, chose to receive SSA benefits at age sixty-two (62). As of January 1, 2017 this retiree can no longer participate in the MidAmerica Special Pay Deferral Plan because of the five and one half (5.5) year participation limit. Because income tax is being withheld on NJSD retirement stipend, this retiree will be receiving a W2 from the NJSD. The IRS will report these earnings to the SSA as current earnings even though they are not. The amount of this retiree's annual stipend from the NJSD exceeds the current limit that can be earned while receiving Social Security benefit at age sixty-two (62).

If the NJSD earnings are recorded as current earnings, the retiree's SSA benefit will be reduced \$1.00 for every \$2.00 earned over the current limit. This tax would also be assessed on any additional wages the retiree may earn if they worked at all in 2017.

Solution:

To prevent the SSA from interpreting the NJSD retirement stipend as current earnings the attached letter must be given to the SSA along with the retiree's 2017 W2. The SSA will then categorize the NJSD retirement stipend as a "Special Wage Payment" earned prior to retirement and not as current earnings.

During 2017, I have been asked to complete an SSA form EMPLOYER REPORT OF SPECIAL WAGE PAYMENTS which has been given to retirees in this situation. I believe this is a new form that the SSA has designed to provide "special Wage Payment" information similar to the attached letter. (see attachment)

By recording the NJSD retirement stipend as a "Special Wage Payment" with the SSA, the stipend will not be included in the current limit calculation. (In other words, the retiree will not be penalized for receiving the stipend.)

Followup:

If you have signed up to receive SSA benefits before reaching age sixty-five (65), you will want to retain the attached letter until you file your income taxes and submit the letter with a copy of your NJSD W2 to the SSA for proper recording.

Be aware that the SSA may then give you the EMPLOYER REPORT OF SPECIAL WAGE PAYMENTS form for me to complete. If that is the case, please stop in or mail this form to me and I will complete it for you to return to the SSA.

Please contact the Benefits Department at (920)751-6800 ext. 10108 if you have questions.

Sincerely,

A handwritten signature in cursive script that reads "Jennifer J. Carstens".

Jennifer Carstens
Benefits Coordinator

Attachment : Employer Report of Special Wage Payments form from IRS
 Letter to Social Security Administration (SSA)