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## [Pension and Social Security Benefit Integration](#)

### **What is Pension Integration?**

Under the law, a pension plan can subtract all or part of your Social Security benefit from your pension benefit, sometimes leaving little or no pension benefit in the end. This is called pension integration.

Lower and moderately paid workers, a greater percentage of whom are women, tend to be most affected by integration rules which, as a result, provide disproportionately higher benefits at retirement to well-paid employees than to moderate or lower-paid employees.

Various rationales are used to explain pension integration. Employers pay half of an employee's Social Security, so the idea is they should be able to reclaim it from their pensions. However, employers receive a tax credit for the entire contribution they make. Another rationale for this practice is that Social Security benefits replace more of a lower-paid employee's income at retirement than a highly paid employee, and employers ought to be able to provide more pension benefits to higher-paid employees to "correct" this.

### **Pension Law Changes**

Changes in pension law went into effect in 1989 that limit pension integration and help workers retire with more adequate benefits.

### **If you earned your company pension and Social Security benefits BEFORE 1989:**

- The plan's formula can subtract up to 83 1/3% of your primary Social Security benefit from your pension benefit amount.
- As a result, the pension integration can be devastating for low-income workers. For example, a worker who had earned a \$300 a month pension and \$600 a month Social Security benefits before 1989, would likely receive no pension

benefits at all.

- There have been many situations in which employees participated in pensions where they worked, earned a right to a benefit, then discovered as they were getting ready to retire, that their benefits were very small or even that the pension was \$0.

### **If you earned benefits starting in 1989:**

- Protections were put into place that became effective in 1989 to help insure that pension participants get minimum benefits from their plans. So, even if you were working for the same employer and in the same plan, benefits could be calculated differently for the years before 1989 and years starting in 1989.
- Generally, the pension benefit cannot be less than half of the benefit you would get under the plan if there was no pension integration.

### **Pension Benefit Rules**

The pension plan administrator must follow certain rules when integrating a pension benefit. One basic rule is that the plan must use the actual Social Security benefit that you have earned and/or are receiving. It cannot use an estimate of your Social Security benefit.

If your plan integrates, it may be a good idea to ask the plan to explain how it calculated your benefit. Pension plan documents are often written in convoluted language and the benefit formulas are not easy to follow.

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The **Women's Institute for a Secure Retirement (WISER)** is dedicated to education and advocacy to improve the long-term financial quality of life for women.

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