

WHAT IS THE EARNINGS TEST?

Social Security benefits are meant to replace, in part, earnings lost to a person because of retirement, disability or death.

The earning test is a test to determine whether the person receiving the benefit is retired or otherwise dependent on the Social Security benefit and to determine the amount, if any, to be deducted from monthly benefits.

WHO IS AFFECTED?

Retirement beneficiaries under the age of 65, Surviving Spouse (SP) beneficiaries under the age of 60, Disability (DI) Insurance and Dependent Child (DC) beneficiaries earning over \$3,000 a quarter.

If you are a retirement insurance beneficiary under the age 65 or a surviving spouse under the age of 60 or a disability insurance or child insurance beneficiary and are currently employed, your benefits will be reduced by \$1.00 for every \$3.00 of wages in excess of \$3,000 earned during a quarter.

WHEN WILL THE REDUCTION TO MY BENEFITS BE APPLIED?

The reduction to the benefit will be applied in 2nd quarter immediately following the quarter in which the wages were earned.

For example:

A qualifying beneficiary earns \$4,600 for the quarter end June 30. Earning test will be calculated at quarter end Sept 30. Reduction to benefit will occur for payments made during quarter started Oct, 1.

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Applying the Earnings Test:

Sample calculation for retirement, disability and child insurance beneficiaries under the age of 65 and earning over \$3,000 a quarter:

A 63-year old retiree **receives \$1,646.01 every quarter** (or \$548.67 a month) in retirement benefits. But he/she returns to work and **earns \$4,500 a quarter.**

Below is a sample calculation to see how his benefits are affected by the earnings test:

1.	Calculate excess: $\$4,500 - \$3,000 = \$1,500.00$
2.	Calculate how much to reduce: $\$1,500.00 / \$3.00 = \$500.00$ (per qtr.)
3.	Calculate how much to reduce: $\$500.00 / 3 \text{ months} = \166.67 per month
4.	Apply reduction: Monthly Benefit amount (\$548.67) – (ET Deduction per month) \$166.67 = (Monthly Benefit Due) \$382.00

After applying the earnings test, the amount that this beneficiary will receive is \$1,146.00 per quarter, or \$382.00 per month.

Sample calculation for surviving spouse under the age of 60 and earning over \$3,000 a quarter:

A 57-year old beneficiary is **eligible to receive \$1,155 every quarter** (or \$385 a month) in spouse benefits. But he/she is still working and **earns \$4,500 a quarter.**

Below is a sample calculation to see how her benefits are affected by the earnings test:

1.	Calculate excess: $\$4,500 - \$3,000 = \$1,500.00$
2.	Calculate how much to reduce: $\$1,500.00 / \$3.00 = \$500.00$ (per qtr.)
3.	Calculate how much to reduce: $\$500.00 / 3 \text{ months} = \166.67 per month
4.	Apply reduction: Monthly Benefit amount (\$385.00) – (ET Deduction per month) \$166.67 = (Monthly Benefit Due) \$218.33

After applying the earnings test, the amount that this surviving spouse is eligible to receive is \$654.99 per quarter, or \$218.33 per month.

HOW LONG WILL THE EARNINGS TEST APPLY TO MY BENEFITS?

For retirement and disability insurance beneficiaries, the earnings test will no longer apply in the quarter in which the beneficiary turns 65 years old.

For a surviving spouse, the earnings test will no longer apply in the quarter in which the beneficiary turns 60 years old.

WHAT SHOULD I DO IF I AM A BENEFICIARY NO LONGER LIVING IN PALAU?

If you are a beneficiary residing outside of Palau and still working, you must submit a certified or notarized statement of your gross earnings. If you are not employed, then you must also submit a notarized sworn statement stating that fact.

YOUR RESPONSIBILITIES

It is important to immediately notify us in person whenever you change your name, address, bank account, benefit payee, or whether you are married or divorced, caring for a child who receives benefits, or if you adopt a child. You must also notify the Social Security Administration if you are residing overseas, whether or not you may be working.

Information you give to another government agency may be provided to the Social Security Administration by the other agency, but you also must report the changes to us.

Failure to notify us of any material changes to your status may affect your benefit payments and result in payments being suspended pending our review.

IF YOU DISAGREE WITH A DECISION WE MAKE

If you disagree with a decision we make, you have the right to request that your claim be reconsidered by the Board of Trustees. You must submit your request in writing to the Social Security Administration within 30 days after the date you were notified of our decision.

If you are still not satisfied, there are further steps you can take after reconsideration. You have the right to be represented by an attorney or other qualified person of your choice in any business with us. We do not require you to have an attorney or other representative, but we will be glad to work with one if you wish.

For other information, please see the brochure entitled "Frequently Asked Questions and Important Reminders for all Beneficiaries" available at the Social Security Administration office .

**Republic of Palau
Social Security Administration**

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Revised: July 2018