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Special:

**TO: CALIFORNIA PUBLIC AGENCIES WITH SOCIAL SECURITY  
COVERAGE**

**SUBJECT: SOCIAL SECURITY MAXIMUM WAGES AND  
CONTRIBUTION RATES**

The Social Security wage base for 2001 increased to \$80,400. There is no limitation on Medicare wages. The employer and employee tax rates have not changed. The rates for **each** (the employer and employee) are:

Social Security – 6.2 percent (12.4% total) Social Security up to \$80,400  
plus 1.45 percent (2.9% total) Medicare on all wages.

Medicare Only – 1.45 percent (2.9% total) Medicare on all wages.

The amount of earnings required for one Social Security credit increases from \$780 in 2000 to \$830 in 2001. An individual may earn a maximum of four credits each year.

The Retirement Earnings Test has been eliminated for individuals age 65-69. A modified test applies for the year an individual reaches age 65. The maximum amount a Social Security beneficiary may earn without reduction in benefits for the year the individual reaches age 65 is \$25,000/yr. (\$2,084/mo.). This applies only to earnings for months prior to attaining age 65. One dollar in benefits will be withheld for every \$3 in earnings above the limit. There is no limit on earnings beginning the month an individual attains age 65.

For those under age 62 through age 64, the maximum amount of earnings a Social Security beneficiary may earn without a reduction in benefits is \$10,680/yr. (\$890/mo.). One dollar will be withheld for every \$2 in earnings above the limit.

If you have questions regarding this Circular Letter, please contact your CalPERS Public Agency Contract Services Representative. For information about Social Security benefits or to schedule an appointment to discuss retirement plans, call 1-800-772-1213 any business day.

Kenneth W. Marzion, Chief

Actuarial & Employer Services Division