



SOCIAL SECURITY ADVISOR

Social Security Planning for Retirement

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Impact of Federal Pensions and Social Security

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The Windfall Elimination Provision and Teachers: *Is It Fair?*

There are very unique circumstances faced by *federal* employees and retirees who are entitled to a pension based upon earnings not subject to Social Security taxes. As this month's Guest Expert Carol Schmidlin notes, about 1 out of 25 federal employees are impacted by the Windfall Elimination Provision (WEP) and the related Government Pension Offset (GPO) — *either of which can reduce Social Security benefits.*

The number of federal workers and pensioners subject to these rules is winding down, because the newer Federal Employees Retirement System (FERS) pension replaced the old Civil Service Retirement System (CSRS) pension for employees hired in the mid 1980s. Meanwhile, teachers and other public sector workers in many states *still* may see their Social Security benefits reduced under one or both the WEP and the GPO.

Plural Pensions

As a refresher, the WEP may reduce the Social Security retirement benefit of an individual who had earnings subject to Social Security taxes (FICA) and also is entitled to a pension based upon earnings not subject to FICA. Such workers are sometimes referred to as split-coverage employees.

Employees with 30+ years of substantial covered earnings (i.e., earnings subject to Social Security taxes) are specifically excluded from the WEP. Visit ssa.gov/pubs/EN-05-10045.pdf to find the table of *substantial earnings by year.*

Similarly, as the WEP may trim a retiree's Social Security benefit, the GPO may reduce or even eliminate a non-covered pension-eligible individual's spousal, ex-spousal, or survivor Social Security benefit.

While the WEP calculation is more complex, arriving at the GPO result is straightforward. The individual's spousal or survivor Social Security benefit must be reduced by $\frac{2}{3}$ of the monthly, non-covered pension amount. The result for long-term, non-covered employees may be a complete elimination of an auxiliary benefit under Social Security. The WEP and the GPO reductions to benefits do not go into effect until the employee is collecting both the non-covered pension and Social Security.

Equally important, a retired employee who elects a lump sum in lieu of a monthly pension doesn't get off scot-free. The SSA will calculate the monthly pension equivalent to accurately determine any WEP and GPO reductions.

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