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# Social Security considerations for government employees

Social Security is complex, and there are certain rules you'll want to consider if you're a federal, state or local government employee. Two key provisions, the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), reduce benefits for some employees who qualify for a pension from work that did not pay into Social Security. Both of these provisions were designed to prevent a windfall from Social Security and public sector pensions.

**Windfall Elimination Provision (WEP)** affects some retirees whose work history includes both:

- Social Security-covered work (e.g., private sector)
- Non-Social Security-covered work (e.g., government job) for which they qualify for a pension

WEP may **reduce your Social Security benefit**  
by as much as **\$463.00\*** per month.

Reduction is based on number of years of Social Security-covered employment and income earned from Social Security-covered employment; reduction cannot be more than half of pension amount.

\*\$463.00 is the maximum WEP reduction in 2019.

### How it works

Social Security benefits are based on your work history and wages in jobs that paid into Social Security. The monthly amount you receive at your full retirement age is known as your Primary Insurance Amount (PIA). For those subject to WEP, the formula to calculate your PIA is adjusted and reduces monthly benefits by up to \$463.00 per month.

### Let's look at an example

Susan worked both in the public and private sector and qualifies for a government pension and Social Security. Based on her work history she is subject to the full WEP reduction. Her PIA without WEP reductions would have been \$1,700.



**Susan's monthly benefit after WEP:**  
**\$1,700.00 - \$463.00 = \$1,237.00**

**Government Pension Offset (GPO)** affects some retirees who qualify for a government pension and are collecting Social Security spousal or survivor benefits.

**GPO may reduce Social Security spousal and/or survivor benefits by  $\frac{2}{3}$  of your government pension amount.**

If  $\frac{2}{3}$  of your government pension is greater than your Social Security spousal and/or survivor benefits, the entire benefit may be eliminated.

### How it works

Spousal benefits pay up to 50% of a spouse's Social Security benefit and survivor benefits pay up to 100% of a deceased spouse's Social Security benefit, in most situations. But these benefits are reduced if you qualify for a government pension for work in which you did not pay into Social Security (through FICA taxes).

### Let's look at an example with a married couple, Jim and Linda:

- Jim worked in the private sector, paying into Social Security throughout his career. Jim's Social Security benefit at full retirement age is \$2,500 monthly.
- Linda worked for the government, a job that did not pay into Social Security, and qualifies for a government pension of \$3,000 monthly. GPO would reduce any spousal or survivor benefits she may qualify for by \$2,000 (two-thirds of her \$3,000 pension).

	LINDA'S BENEFIT BEFORE GPO	LINDA'S BENEFIT AFTER \$2,000 GPO
Spousal benefit	\$1,250	\$0
Survivors benefit	\$2,500	\$500

The WEP and GPO provisions can be complicated. You should consult a financial professional or refer to [ssa.gov](http://ssa.gov) for more detailed information.

This example is for illustrative purposes only and individual results will vary.



#### Clients

Talk to your financial advisor about how to consider these provisions as part of your overall Social Security planning strategy.



#### Financial professionals

For more resources, including a tool with WEP and GPO calculations, contact your wholesaler or the Retirement Institute Income Planning Team at 1-877-245-0763.



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