

Not knowing these five things could cost public workers

There are many misconceptions and gaps of knowledge about Social Security that can prove costly. This list will help clarify those misconceptions and fill in those gaps.

Your government job may not provide Social Security coverage.

Some state and local government employees are not eligible for Social Security benefits.¹ Government employers may exclude some employees from coverage if these employees are enrolled in a retirement plan that meets federal regulations.

Your private sector Social Security benefit may be reduced if you qualify for a public pension.

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. These provisions were designed to prevent a windfall from collecting both Social Security and public sector pensions.

The WEP may reduce your Social Security benefit by as much as \$512 per month.

The reduction cannot be more than half of your pension amount, and \$512 is the maximum reduction amount in 2022.

- ▶ 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 the WEP, the formula to calculate your PIA is adjusted and reduces monthly benefits by up to \$512 per month.

The GPO may reduce spousal and/or survivor benefits.

A dollar amount equal to 2/3 of your government pension may be subtracted from your spousal or survivor benefit. If that dollar amount exceeds the value of your spousal or survivor benefit, the entire benefit may be eliminated.

- ▶ 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.



Consider this

You should start preparing a Social Security strategy at age 55.

Your situation is unique. In addition to the factors discussed above, other factors that may impact your decision include, but are not limited to, whether you are married, divorced or widowed; your current health; your family history of longevity; and other sources of retirement income.

You might not qualify for full government pension benefits.

Studies by the Center for Retirement Research have found that many state and local government workers leave their jobs before they qualify for full pension benefits, suggesting that they should carefully consider how well they are preparing for retirement readiness.²



Start planning today.

Discuss with a financial professional how to uncover your optimal Social Security filing strategy.



¹ "Pensions for State and Local Government Workers Not Covered by Social Security: Do Benefits Meet Federal Standards?" Social Security Administration (January 2020).

² "How prepared are state and local workers for retirement?" Alicia H. Munnell, Jean-Pierre Aubry, Josh Hurwitz and Laura Quinby, Trustees of Boston College, Center for Retirement Research (October 2011).

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