Your Money

What Every Member Should Know

Want to Help Get the GPO/WEP Repealed?

FEA and NEA are among the most vocal opponents of the GPO and WEP because of the unfair elimination of Social Security benefits our members have earned.

As your representatives in Washington, we continue to lobby Congress constantly to eliminate these hurtful provisions and restore the full benefits our members have earned through their years of work.

In each of the last several sessions of Congress, bills have been introduced in both the House and Senate to repeal or limit the GPO and WEP. Although these bills routinely attract more than enough co-sponsors to pass, they have yet to come up for a vote. The reason for this is simple: co-sponsoring a bill does not commit a member of Congress to anything, as where voting does. The elimination of GPO/WEP would cost the government millions and, until your representatives hear from enough of you, they will not voluntarily vote to return that money to you.

What can you do? Go to www.nea.org/lac/socsec/offsets.html to learn more about this issue and write to your elected representatives.

The Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) affect anyone receiving a pension from work not covered by Social Security. This includes not only CSRS employees, but CSRS Offset employees, FERS employees who transferred from CSRS after at least five years of civilian service (making them eligible for a CSRS retirement benefit) and workers in any of the 27 states where public employees (including school staff) pay partial or no Social Security taxes on their wages.

The Windfall Elimination Provision (WEP)

Anyone who has earned a retirement benefit from a job not covered by Social Security (CSRS is the most common example) but has also earned a Social Security benefit from other employment (such as a second job, previous career, or switch to FERS retirement) will see his or her Social Security payout reduced by the WEP.

The **Windfall Elimination Provision (WEP)** does not apply to survivor's benefits. It also does not apply if:

- You are a federal worker first hired after December 31, 1983;
- You were employed on December 31, 1983, by a nonprofit organization that did not withhold Social Security taxes from your pay at first, but then began withholding Social Security taxes from your pay;
- Your only pension is based on railroad employment;
- The only work you did where you did not pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.

How WEP Reduces Social Security

Social Security benefits are based on an employee's average monthly earnings adjusted for inflation.

In calculating benefits, the Social Security Administration divides an employee's average earnings into three amounts and multiplies each amount by a different factor.

For a "normal" worker who turns 62 in 2008, the SSA multiplies the first $711 of average monthly earnings by 90 percent, the next $3,577 in earnings by 32 percent, and the remainder by 15 percent.

For a worker affected by the WEP, the SSA reduces the amount by which the first $711 is multiplied 5 percent for each year of Social Security earnings under 30.

For example, the $711 is multiplied by 85 percent for someone with 29 years of earnings, 80 percent for 28 years, etc., down to a minimum multiplier of 40 percent for anyone with 20 years or less.

The net effect, for a CSRS employee who also has 20 years or less of Social Security earnings, is a reduction in your monthly Social Security benefit of roughly $355, based on 2008 figures.

The reduction in benefits is based on a complex formula, (available at www.ssa.gov/pubs/10045.html, or see above) and begins to phase out after a worker has paid Social Security taxes on a minimum amount of earnings – known as "substantial earnings", see the above Web link for a definition – for 20 years. The WEP reduction is completely eliminated after a worker has paid Social Security taxes on "substantial earnings" for 30 years.

The amount of the WEP reduction is limited to no more than half the amount of your non-Social Security pension, up to a maximum WEP reduction of about $355 per month.

About the GPO/WEP Issue

The Government Pension Offset (GPO)

While the WEP reduces Social Security payouts you have earned yourself, the Government Pension Offset (GPO) reduces Social Security payments CSRS employees are entitled to due to another person's work. Such payments usually take the form of spousal or survivor benefits.

Such benefits are reduced by $2 for every $3 of your CSRS pension. Unless your CSRS pension is exceptionally small, or your spousal/survivor benefit from Social Security is very large, the GPO will likely wipe out the entire Social Security benefit due to you.

Like the WEP, the GPO affects anyone receiving a pension from a state, local or federal government job for which you did not pay Social Security taxes.

Those who transferred from CSRS to FERS are exempt from GPO once they've been in FERS for 5 years. They are not, however, totally exempt from WEP: their Social Security benefits will be reduced by the WEP in proportion to the amount CSRS contributes to their retirement.

For more information on the Government Pension Offset and Windfall Elimination Provision, as well as what you can do to urge repeal of these measures go to www.nea.org/lac/socsec/gpofact.html

Example: Suppose you are eligible for a $600 Social Security spousal benefit, and that you receive a CSRS annuity of $1,200 a month. The Government Pension Offset (GPO) would be two thirds of your monthly $1,200 CSRS benefit, or $800. Since the offset amount is larger than your $600 Social Security benefit, your Social Security benefit would be eliminated.

In What States Are Employees Affected by GPO/WEP?

Due to the mobility of the teaching profession, and especially of DoDEA staff, virtually every state is affected by GPO/WEP. The following states, however, either do not have public employees pay into Social Security or require only a percentage of wages to be taxed for Social Security, thereby subjecting employees in those states to the most direct effects of GPO/WEP.

If you have worked or will work in any of these states, you are especially urged to consult an accountant or other financial expert to be sure you understand the potential impact of GPO/WEP on your retirement:

Alaska	**Kentucky**	**New Hampshire**
California	**Louisiana**	**New Mexico**
Colorado	**Maine**	**New York**
Connecticut	**Massachusetts**	**Ohio**
Florida	**Michigan**	**Pennsylvania**
Georgia	**Minnesota**	**Texas,**
Hawaii	**Missouri**	**Tennessee**
Indiana	**Montana**	**Washington**
Illinois	**Nevada**	**Wisconsin**

What About My Annual Social Security Statement?

The Social Security Administration sends out annual statements to everyone who has paid into Social Security, purporting to show the amount of monthly Social Security benefit you can expect to receive upon retirement or disability.

Social Security statements sent to CSRS employees or others eligible for non-Social Security pensions, however, will not be accurate because they do not take GPO/WEP into consideration.

If you anticipate a pension from work not covered by Social Security, you can roughly estimate the effect of the **WEP** on your Social Security benefit with this formula:

- If the Social Security benefit your statement says you can expect to receive is less than $710 divide it in half
- If the benefit is more than $710 subtract $355.

***Note**: this formula is based on 2008 figures and would not be accurate if you are trying to project your benefits far in the future.*

Or, for a more accurate estimate, use the WEP calculator at www.socialsecurity.gov/retire2/anyPiaWepjs04.htm

To estimate the impact of the **GPO**, you will need to examine your spouse's Social Security statement to see the amount of the spousal/survivor's benefit you would receive, then subtract two-thirds of your anticipated CSRS monthly payment.

For more information, contact the Social Security Administration at 1-800-772-1213 or go to www.socialsecurity.gov