



# CARDINAL ADVISORS

## Social Security Fairness Act-December 2024

Hans and Tom use these Social Security documents and examples to break down the video entitled "Social Security Fairness Act-December 2024"

**SOCIAL SECURITY FAIRNESS ACT-DECEMBER 2024**

<p><b>S.S</b></p> <input type="checkbox"/>	<ul style="list-style-type: none"> <li>-EXTRA PAYMENTS RETROACTIVE TO JAN 1, 2024</li> <li>-REPEALS - "WINDFALL ELIMINATION PROVISION" WEP</li> <li>- "GOVERNMENT PENSION OFFSET" GPO</li> <li>-WEP + GPO REDUCE SS BENEFIT FOR RETIREES WHO RECEIVE PENSION PAYMENTS FROM NON SS COVERED EMPLOYER</li> <li>-WEP + GPO APPLIES TO YOUR <u>OWN BENEFIT</u> OR <u>SPOUSAL BENEFITS</u></li> </ul>	<p><b>INCOME</b></p> <input type="checkbox"/>
<p><b>MED</b></p> <input type="checkbox"/>		<p><b>ESTATE</b></p> <input type="checkbox"/>
<p><b>LTC</b></p> <input type="checkbox"/>	<p><u>EXAMPLE BILL</u></p> <ul style="list-style-type: none"> <li>- WIFE'S PENSION = <del>\$3,786</del></li> <li>- BILL'S SS = <del>\$3,331</del></li> <li>- WIFE SPOUSAL \$1,665 BEFORE GPO</li> <li>- WIFE SPOUSAL = <del>0</del> AFTER GPO</li> </ul>	
<p><b>401K/IRA</b></p> <input type="checkbox"/>	<p><u>EXAMPLE MARIA</u></p> <ul style="list-style-type: none"> <li>- 25 YEARS TEACHER-NO SS</li> <li>- \$2,000 MONTHLY PENSION</li> <li>- 10 YEARS PRIVATE SECTOR-PAID SS</li> <li>- SS CHECK WOULD BE \$1,500</li> <li>- AFTER WEP, \$544/MONTH</li> </ul>	<p><b>TAXES</b></p> <input type="checkbox"/>

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# Government Pension Offset

## A law that affects spouses and surviving spouses

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, your Social Security benefits may be reduced. You may not receive any payment at all. This fact sheet answers questions you may have about the reduction. For more information visit **[See how your pension may affect your benefits | SSA](#)**.

*\*Public Law 98-21, Social Security Amendments of 1983, approved April 20, 1983.*

## How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. For example, if you get a monthly civil service pension of \$3,000, two-thirds of that, or \$2,000, must be deducted from your Social Security benefits. So, if you're eligible for a \$2,100 spouse's or surviving spouse's benefit from Social Security, you'll get \$100 a month ( $\$2,100 - \$2,000 = \$100$ ). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

For an estimate of how GPO could reduce your Social Security benefit, refer to the GPO calculator.

If you take your government pension annuity in a lump sum, we will calculate the reduction as if you chose to get monthly benefit payments from your government work.

## Why will my Social Security benefits be reduced?

Benefits we pay to spouses and surviving spouses are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires

a spouse's or surviving spouse's benefit to be offset by the dollar amount of the recipient's own retirement benefit.

For example, let's say someone worked and earned their own \$800 monthly Social Security benefit, but was also due a \$500 spouse's benefit on their spouse's record. We couldn't pay that spouse's benefit because their own benefit offsets it. Before enactment of the Government Pension Offset (GPO) law, if that person was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay them a full spouse's benefit and their full government pension.

If their government work had been subject to Social Security taxes, we would have reduced any spouse's or surviving spouse's benefit because of their own Social Security retirement benefit. The GPO ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

## When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse or surviving spouse if you:

- Receive a government pension that's not based on your earnings.
- Are a federal (including Civil Service Offset), state, or local government employee and your pension is from a job for which you paid Social Security taxes. One of the following may apply:
  - Your last day of employment (that your pension is based on) is before July 1, 2004.
  - You filed for and were entitled to spouse's or surviving spouse's benefits before April 1, 2004. (Note: You may work your last day in Social Security covered employment at any time.)
  - You paid Social Security taxes on your earnings during the last 60 months of government service. (Note: Under certain conditions, we

require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009. We reduce the work covered by Social Security by the number of months the worker was in government service under the same retirement system on or before March 2, 2004. The months do not have to be consecutive. Any remaining months needed to fulfill the 60 months requirement must be worked after March 2, 2004.)

There are other situations for which we won't reduce your Social Security benefits as a spouse or surviving spouse. For example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987, and:
  - Your last day of service (that your pension is based on) is before July 1, 2004.
  - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits.
  - You filed for and were entitled to spouse's or surviving spouse's benefits before April 1, 2004. (Note: You may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and met all the requirements for Social Security spouse's benefits in effect in January 1977.
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and received one-half support from your spouse.

**Note:** A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with 5 years of prior CSRS coverage.

## What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

If the spouse's or surviving spouse's benefit you receive is not enough to cover the entire Medicare Part B premium, we will use your benefits to offset the cost of the premium. After all credits are applied, we will bill you for the remaining balance once a year. If your Social Security benefit is reduced to zero, you will receive a bill from Medicare quarterly.

## Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits for a spouse or surviving spouse. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

**Note:** Legislation (Section 419c of Public Law 108-20, the Social Security Protection Act of 2004) requires state and local government employers to provide a statement to employees hired after January 1, 2005, or later. This statement is the form SSA-1945, *Statement Concerning Your Employment in a Job Not Covered by Social Security*.

## Contacting Us

The most convenient way to do business with us is to visit [www.ssa.gov](http://www.ssa.gov) to get information and use our online services. There are several things you can do online: apply for benefits; start or complete your request for an original or replacement Social Security card; get useful information; find publications; and get answers to frequently asked questions.

Or, you can call us toll-free at **1-800-772-1213** or at **1-800-325-0778 (TTY)** if you're deaf or hard of hearing. We can answer your call from 8 a.m. to 7 p.m., weekdays. We provide free interpreter services upon request. For quicker access to a representative, try calling early in the day (between 8 a.m. and 10 a.m. local time) or later in the day. **We are less busy later in the week (Wednesday to Friday) and later in the month.** You can also use our automated services via phone, 24 hours a day, so you do not need to speak with a representative. If you need to visit an office, you must have an appointment.



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and tomorrow

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# Windfall Elimination Provision

## A law that affects your retirement or disability benefit\*

The Windfall Elimination Provision (WEP) can affect how Social Security calculates your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, any retirement or disability pension you get from that work can reduce your Social Security benefits. Such an employer may be a government agency or an employer in another country.

*\* Public Law 98-21, Social Security Amendments of 1983, enacted 20 April 1983.*

## When your benefits can be affected

The following provisions can affect you if both are true:

- You earn a retirement or disability pension from an employer who didn't withhold Social Security taxes.
- You may be eligible for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The WEP can apply if one of the following is true:

- You reached age 62 after 1985.
- You developed a qualifying disability after 1985.

If the latter applies, you must first have become eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal work under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amount if you only performed federal work under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

## How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into 3 amounts and multiply the amounts using 3 factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2025: the first \$1,226 of average monthly earnings is multiplied by 90%; earnings between \$1,226 and \$7,391 are multiplied by 32%; and the balance is multiplied by 15%. The sum of the 3 amounts

equals the PIA, which is then decreased or increased depending on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, consider workers age 62 in 2025, with average earnings of \$3,000 per month. They could receive a benefit at FRA of \$1,671 (approximately 55%) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$3,167.50 (approximately 39%) plus COLAs. However, if either of these workers starts benefits earlier than their FRA, we'll reduce their monthly benefit.

## Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit that represented a higher percentage of their earnings. They also had a pension from a job for which they didn't pay Social Security taxes. Congress passed the WEP to remove that advantage.

Under the provision, we reduce the 90% factor in our formula and phase it in for workers who reached age 62 or developed a disability between 1986 and 1989. For people who reach 62 or developed a disability in 1990 or later, we reduce the 90% factor to as little as 40%.

## Some exceptions

The WEP doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization which was exempt from Social Security coverage on December 31, 1983. This does not apply if the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.

The WEP doesn't apply to survivors benefits. We may reduce spouses or surviving spouses benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

## Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90% factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90% factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90% factor to between 45% and 85%. To see the maximum amount we could reduce your benefit, visit [www.ssa.gov/prepare/government-and-foreign-pensions](http://www.ssa.gov/prepare/government-and-foreign-pensions). The maximum reduction in 2025 is \$613 a month.

## A guarantee

If you receive a relatively low pension, and that pension is fully or partially based on earnings after 1956 where you did not pay Social Security taxes, there's a law that might help you. In most cases, we won't reduce your Social Security full retirement age benefit by more than half of your pension amount.

For a more detailed estimate of how the WEP Guarantee may affect your Social Security benefit, please visit [www.ssa.gov/prepare/government-and-foreign-pensions](http://www.ssa.gov/prepare/government-and-foreign-pensions) to access the WEP Online Calculator.

**Note:** Legislation (Section 419c of Public Law 108-20, the Social Security Act of 2004) requires state and local government employers to provide a statement to employees hired after January 1, 2005 or later a *Job Not Covered by Social Security*. This form is the SSA-1945 form.

## Medicare

If the retirement or disability benefit that you receive is not enough to cover the entire Medicare Part B premium, we will use your benefits to offset the cost of the premium. After all credits are applied, we will bill you for the remaining balance once a year.

## Contacting Us

The most convenient way to do business with us is to visit [www.ssa.gov](http://www.ssa.gov) to get information and use our online services.

Year	Substantial earnings
1937–1954	\$900
1955–1958	\$1,050
1959–1965	\$1,200
1966–1967	\$1,650
1968–1971	\$1,950
1972	\$2,250
1973	\$2,700
1974	\$3,300
1975	\$3,525
1976	\$3,825
1977	\$4,125
1978	\$4,425
1979	\$4,725
1980	\$5,100
1981	\$5,550
1982	\$6,075
1983	\$6,675
1984	\$7,050
1985	\$7,425
1986	\$7,875
1987	\$8,175
1988	\$8,400
1989	\$8,925

Year	Substantial earnings
1990	\$9,525
1991	\$9,900
1992	\$10,350
1993	\$10,725
1994	\$11,250
1995	\$11,325
1996	\$11,625
1997	\$12,150
1998	\$12,675
1999	\$13,425
2000	\$14,175
2001	\$14,925
2002	\$15,750
2003	\$16,125
2004	\$16,275
2005	\$16,725
2006	\$17,475
2007	\$18,150
2008	\$18,975
2009–2011	\$19,800
2012	\$20,475
2013	\$21,075
2014	\$21,750

Year	Substantial earnings
2015–2016	\$22,050
2017	\$23,625
2018	\$23,850
2019	\$24,675
2020	\$25,575
2021	\$26,550
2022	\$27,300
2023	\$29,700
2024	\$31,275
2025	\$32,700

Years of substantial earnings	Percentage
30 or more	90 %
29	85 %
28	80 %
27	75 %
26	70 %
25	65 %
24	60 %
23	55 %
22	50 %
21	45 %
20 or less	40 %



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## Social Security Fairness Act-2 Examples

If Bill had taken his Social Security benefit at age 67, his check would have been \$3,331. This would reduce his wife's spousal benefit, as spousal benefits are based on 50% of the worker's full retirement age (FRA) benefit—which is what Bill would have received at age 67.

Her Pension, \$3,786

New Spousal Benefit Calculation:

1. Spousal Benefit (50% of Bill's FRA benefit):

$$\$3,331 \times 50\% = \$1,665$$

2. GPO Reduction (2/3 of her pension):

$$\$3,786 \times 2/3 = \$2,524$$

3. Reduced Spousal Benefit:

$$\$1,665 - \$2,524 = \$0 \text{ (Negative values result in no spousal benefit.)}$$

Conclusion:

Even if Bill took his Social Security benefit at age 67, his wife would still not receive any spousal benefit because the GPO reduction of \$2,524 still exceeds the spousal benefit of \$1,665.

Here's the updated example incorporating Maria's PIA of \$1,500 and a state pension of \$2,000:

Example:

- Background:
- Maria worked for 25 years as a teacher in a state where public school teachers did not pay into Social Security but contributed to a state pension system. She earns a pension of \$2,000 per month from that job.
- Maria also worked for 10 years in the private sector, where she paid into Social Security, earning enough credits to qualify for Social Security benefits.
- Based on her private-sector work, her Social Security Primary Insurance Amount (PIA) is calculated as \$1,500.

Before WEP Reduction:

- Without WEP, Maria would receive her full \$1,500 in Social Security benefits in addition to her \$2,000 pension, giving her total monthly income of \$3,500.

After WEP Reduction:

1. Adjusted Formula for WEP:

- The Social Security benefit formula typically applies a 90% factor to the first \$1,360 of Maria's average indexed monthly earnings (AIME) to calculate the PIA.
- Under WEP, this factor is reduced to 40% due to Maria's pension from non-Social Security-covered work. The reduction depends on her years of "substantial earnings" in Social Security-covered work (in this case, 10 years).
- Maria's adjusted PIA is recalculated as follows:
- 40% of the first \$1,360 of AIME = \$544.
- The remainder of her PIA is calculated using the standard formula.

## 2. Final Benefit:

- Maria's recalculated Social Security benefit under WEP is \$544 instead of \$1,500. This results in a reduction of \$956 per month.

## Key Impact:

- After WEP:
- Maria's monthly Social Security benefit: \$544
- Her state pension: \$2,000
- Total monthly income: \$2,544
- Reduction from WEP: Maria loses \$956 per month in Social Security benefits compared to what she would have received without WEP.

The Social Security Fairness Act, if enacted, would eliminate WEP, allowing Maria to receive her full \$1,500 Social Security benefit in addition to her \$2,000 pension, resulting in a total income of \$3,500.