



^{OF} *SAN ANTONIO &
SOUTH TEXAS*

**FPA of San Antonio &
South Texas Presents:**

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Your Social Security Strategies

**"Social Security's WEP and GPO Rules:
What People Don't Know,
Really Can Hurt Them"**



SSA's WEP & GPO

"What people don't know, really can hurt them."

F.P.A. of San Antonio and South Texas
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Windfall Elimination Provision (WEP)

The WEP applies to certain retired or disabled workers who also receive a government pension based on their own work that was not covered by Social Security.

WEP impacts Social Security Retirement Benefits

Government Pension Offset (GPO)

The GPO can reduce the amount of Social Security spouse's or survivor's benefits if a person is also eligible to receive a government pension based on work not covered by Social Security.

GPO impacts Social Security Spousal Benefits

Non-Covered Employment

- ❖ Work that is not covered by Social Security
- ❖ Work for the federal, state, or local government
- ❖ Examples of non-covered employment
 - ❖ Federal: Civil Service Retirement System (CSRS)
 - ❖ State: most of Texas Teacher Retirement System (TRS)
 - ❖ Local: San Antonio Fire and Police Pension Fund

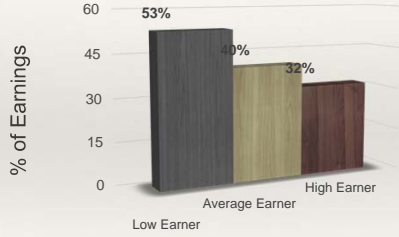
When WEP & GPO Can Be Applied

- ❖ **WEP** - the first month the worker becomes concurrently entitled to the monthly pension and Social Security
 - ❖ Regular PIA applies until concurrent benefits begin
 - ❖ Recomputations can include additional years of substantial earnings
- ❖ **GPO** - the first month the spouse becomes entitled to both the pension and spouse's benefits
 - ❖ Use the month the pension is due (payable) instead of the month it is actually received

Purpose of WEP & GPO

- ❖ The WEP removes the heavy weighting in the Social Security benefit formula from persons who have low average earnings, but who receive pensions from non-covered employment.
- ❖ The weighting is to ensure lower-paid workers get a higher return than highly paid workers.
- ❖ The GPO considers the government pension similar to the retirement benefit that the spouse would have earned had they contributed into covered employment.
- ❖ The GPO ensures that government workers who did not pay Social Security taxes are treated similar to those workers who did.

Social Security Replacement Rate



WEP & GPO : Mistakes People Make

- ❖ "I can't receive Social Security if I receive a government pension."
- ❖ "There is no reason for me to earn my Social Security credits?"
- ❖ "The WEP will reduce my Social Security by 40%."
- ❖ "If I pay into Social Security for 5 years after I retire, then I will qualify for Social Security."
- ❖ "I can avoid the WEP and GPO if I take a lump sum from my government employer rather than a monthly pension."
- ❖ "I will just file on my spouse's record and receive benefits that way."
- ❖ People base their decisions on the results of co-workers.

How Much Is The WEP Reduction?

- ❖ Primary Insurance Amount (PIA) is reduced by a modified benefit formula that uses lower bend points (result is the WEP PIA)
- ❖ WEP PIA can lower SSA retirement by \$413 for someone who is turning 62 in 2015
- ❖ WEP Guarantee protects workers who get a low pension (regular PIA reduced by half of pension)

Windfall Elimination Provision (WEP) - 2015

Normal Computation as Applied to the AIME*	WEP Computation as Applied to the AIME*
90% of first \$826	40% of first \$826
32% of the next \$4,154	32% of the next \$4,154
15% of the remainder	15% of the remainder
Normal PIA	WEP PIA

*AIME = Average Monthly Indexed Earnings

Retirement Benefit Computation Example

Normal Computation with an AIME of \$3,750	WEP Computation with an AIME of \$3,750
90% of first \$826 = \$743	40% of first \$826 = \$330
32% of the next \$4,154 = \$935	32% of the next \$4,154 = \$935
15% of the remainder = \$0	15% of the remainder = \$0
Normal PIA = \$1,678	WEP PIA = \$1,265

Difference between the two PIA's is \$413 which is the maximum WEP reduction in 2015

WEP Exceptions

- ❖ Federal workers first hired after December 31, 1983
- ❖ Person was employed by nonprofit organization on 12/31/83 that did not withhold Social Security taxes at first, but then began withholding taxes
- ❖ Your only pension is based on railroad employment
- ❖ The only non-covered work was before 1957
- ❖ Worker has 30 or more years of substantial earnings under Social Security (amount in 2015 is \$22,050)

The Most Common WEP Exception

Years of Substantial Earnings

- ❖ Full Exception: 30 years of Substantial Earnings
- ❖ Partial Exception: 21 to 29 years of Substantial Earnings
- ❖ A Different Percentage applies to the first bend point of the WEP Computation

WEP Exception: Substantial Earnings

Years of Substantial Earnings	% of First Bend Point
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

Minimizing The WEP Reduction

WEP Reduction for A Worker Attaining Age 62 in 2015



How Much Is The GPO Reduction?

Spouse's Benefits Only

2/3 of amount of Government pension will be used to reduce the Social Security spouse's benefit



Example:

\$1,500 Government pension 2/3 = \$1,000
Social Security Spouse Benefit = \$800
No cash benefit payable by Social Security

Exemption From GPO

GPO does not apply if you:

- ◊ Are receiving a government pension that is not based on your earnings
- ◊ Are a government employee who filed for Social Security benefits prior to April 1, 2004, or retired prior to July 1, 2004, and whose pension is based on a job that was paying Social Security taxes on the last day of work
- ◊ Are a government employee who was covered by Social Security, with the same pension system, throughout the last 60 months of employment
- ◊ Are a federal employee who switched from CSRS to FERS on or before December 31, 1987
- ◊ Received or were eligible to receive a government pension before July 1, 1983, and were receiving one-half support from your spouse

TRS and The 60 Month Exemption

A Possible Key To Securing Spousal Benefits

The exemption requires last 60 months of TRS service before retirement must be covered both by Social Security and the pension plan to avoid the GPO



TRS Covered Employment

Alamo Colleges
Education Service Center
XX
John Wood Charter School
Lackland ISD
Randolph Field ISD
San Antonio ISD
UTSA/UTHSCSA

GPO and No Spouse's Benefits

last 60 months



No GPO and Spouse's Benefits

Strategies If WEP or GPO Apply

- ❖ Earn 40 credits to secure Social Security retirement (WEP)
 - ❖ How many credits do you actually have?
 - ❖ How much time would it take to earn the credits?
- ❖ Increase the number of years of substantial earnings (WEP)
- ❖ Consider changing TRS employer for last 60 months (GPO)
- ❖ Revisit Benefits on ex-spouse or deceased spouse (GPO)
- ❖ File at Full Retirement Age if you haven't retired (WEP & GPO)
- ❖ **CAUTION:** If taking a lump sum instead of a monthly pension

Simplifying Social Security Benefit Options

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