

Louisiana Association of Public Employees' Retirement Systems

WEP/GPO

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I will discuss...

- **History of Section 218**
- **Mandatory Medicare**
- **Basics on how Social Security benefits are calculated**
- **WEP - Windfall Elimination Provision**
- **GPO - Government Pension Offset**

History of Section 218...

- 1935** Original Social Security Act provided **NO** coverage for state and local government
- 1951** Section 218 allowed **voluntary** coverage of Non-retirement system positions
- 1952** Louisiana entered into a Section 218 Agreement with SSA
- 1955** Coverage of retirement system positions by majority vote referendum
- 2004** Coverage of retirement system positions by divided vote referendum

History of Section 218...

- Each state has entered into a “Section 218 Agreement” with the Social Security Administration
(Including Puerto Rico and the Virgin Islands)
- State enabling legislation determined how each state wanted to apply the Social Security Act
(within Federal guidelines)

Mandatory Medicare...

➤ **1986**

Congress mandated Medicare coverage of all employees hired, re-hired or elected after **March 31, 1986**

(Medicare tax withholding)

Medicare eligibility...

- Generally individuals are eligible for premium free Medicare “Part A” if they, their spouse, divorced spouse or deceased spouse worked for at least **10 years** (40 or more credits) in Medicare-Only or Social Security covered employment and are age 65.

Medicare Premiums...

Individuals who **do not** qualify for premium free "PART A" can purchase Medicare.

2023 MONTHLY PREMIUMS (These figures apply to "timely" enrollments in 2017.)

	Individual has at least <u>40 credits</u>	Individual has <u>30-39 credits</u>	Individual has Less than <u>30 credits</u>
Part A	\$ -0-	\$ 278.00	\$ 506.00
Part B	<u>164.90</u>	<u>164.90</u>	<u>164.90</u>
TOTALS	\$ 164.90	\$ 442.90	\$ 670.90

EXCEPTION:

Those with earnings exceeding \$97,000 (individual) and \$194,000 (married couples) may pay a higher premium

2023 - SOCIAL SECURITY WORK CREDITS/QUARTERS

Earnings required (currently credits are defined as follows):

**One credit=\$1,640 Four credits = \$6,560 wages in a calendar year
(Four credits is the maximum per year)**

Standard Calculation of benefit...

- Social Security benefits are based on the worker's average monthly earnings adjusted for inflation.
- For a worker who turns 62 in 2023, the first \$1,115 of average monthly earnings is multiplied by 90 percent; earnings between \$1,115 and \$6,721 (\$5,606) is multiplied by 32 percent; and the remainder by 15 percent.
- The sum of the three amounts equals the total monthly benefit amount.

Example: Standard Calculation...

- Example, for a worker who turns 62 in 2023 and has a **PIA** (Primary Insurance Amount) of **\$7,400**

the **first \$1,115** X 90% = \$ 1,003.50

the **next \$5,606** X 32% = \$ 1,793.92

the **remainder, \$679** X 15% = \$ 101.85

The sum of the three factors equals the
Total monthly benefit amount \$2,899.27

WEP ...

➤ ***Windfall Elimination Provision:***

If you didn't pay Social Security taxes on your government earnings **and** you are eligible for Social Security benefits, the formula used to figure your benefit amount may be modified, giving you a reduced Social Security benefit.

Calculation of WEP reduction...

- The 90 percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989.
- For those who reach 62 or became disabled in 1990 or later, the 90 percent factor can be reduced to 40 percent.

Example of WEP reduction...

- Example, for a worker who turns 62 in 2023 and has an **PIA** (Primary Insurance Amount) of **\$7,400**

the **first \$1,115** X 40% = \$ 446.00
the **next \$5,606** X 32% = \$ 1,793.92
the **remainder, \$679** X 15% = \$ 101.85

The sum of the three factors equals the
Total monthly benefit amount \$2,341.77

A reduction of \$557.50

WEP reduction...

For workers who turn 62 in 2023

In addition, because the WEP reduces the initial benefit amount before it is reduced or increased due to early retirement, delayed retirement credits, COLAs, or other factors, the difference between the final benefit with the WEP and the final benefit without the WEP may be less than or greater than \$557.50.

However, the maximum WEP reduction is still limited to 50% of the non-covered pension.

Exception to WEP reduction...

- The 90 percent factor is not reduced if you have 30 or more years of “substantial” earnings in a job where you paid Social Security taxes.
- If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent.

GPO...

➤ ***Government Pension Offset:***

If you receive a pension from a federal, state or local government based on work where you did not pay Social Security taxes, your Social Security spouse's, widow's or widower's benefits may be reduced.

Standard Calculation of benefit...

- **Example:** a woman worked and earned her own \$1,200 monthly Social Security retirement benefit, but she is also due a \$1,000 spouse's benefit based on her husband's Social Security earnings record, Social Security will not pay that spouse's benefit because her own Social Security benefit offset it.
- When both spouses receive a Social Security benefit based on their own earnings, the offset is dollar for dollar.

Calculation of GPO offset...

- A Social Security spousal benefit will be reduced by two-thirds of your government pension.
- **Example:** if you get a monthly civil service pension of \$1,200, two-thirds of that, or \$800, must be deducted from the Social Security spousal benefit.
- If you are eligible for a \$1,000 spouse's, widow's or widower's benefit from Social Security, you would receive \$200 per month from Social Security. (**\$1,000 - \$800 = \$200**)

Exceptions to GPO offset...

Generally, your Social Security benefits as a spouse, widow or widower will not be reduced if you:

- Are receiving a government pension that is not based on your earnings
- Are a state or local employee whose government pension is based on a job where you were paying Social Security taxes

H.C.R. 67...

Louisiana Legislation to memorialize the United States Congress to support H.R. 82 and S. 597 of the 118th Congress, the Social Security Fairness Act, and all other similar legislation and to take such actions as are necessary to review and eliminate all provisions of federal law which reduce Social Security benefits for those receiving pension benefits from federal, state, or local government retirement or pension systems, plans, or funds.

H.R. 82...

US Representative Garrett Graves-LA (289 co-sponsors) Introduced in House (01/09/2023) Social Security Fairness Act of 2023

This bill repeals provisions that reduce Social Security benefits for individuals who receive other benefits, such as a pension from a state or local government.

The bill eliminates the *government pension offset*, which in various instances reduces Social Security benefits for spouses, widows, and widowers who also receive government pensions of their own.

The bill also eliminates the *windfall elimination provision*, which in some instances reduces Social Security benefits for individuals who also receive a pension or disability benefit from an employer that did not withhold Social Security taxes.

These changes are effective for benefits payable after December 2023.

S. 597...

US Senator Sherrod Brown-OH (44 co-sponsors) Introduced in Senate (03/01/2023) Social Security Fairness Act

This bill repeals provisions that reduce Social Security benefits for individuals who receive other benefits, such as a pension from a state or local government.

The bill eliminates the *government pension offset*, which in various instances reduces Social Security benefits for spouses, widows, and widowers who also receive government pensions of their own.

The bill also eliminates the *windfall elimination provision*, which in some instances reduces Social Security benefits for individuals who also receive a pension or disability benefit from an employer that did not withhold Social Security taxes.

These changes are effective for benefits payable after December 2023.

Information...

Information from CRS (Congressional Research Service)
Updated February 13, 2023

How Many People Are Affected by the WEP?

As of December 2022, about 2.0 million people (or about 3% of all Social Security beneficiaries) were affected by the WEP.

More than 1.9 million of those affected were retired worker beneficiaries, which was about 4% of the entire retired-worker beneficiary population.

The remaining affected individuals were disabled-worker beneficiaries and eligible family members of retired- or disabled-worker beneficiaries.

Information...

Information from CRS (Congressional Research Service)
Updated February 13, 2023

How Many People Are Affected by the GPO?

In December 2022, **734,601** Social Security beneficiaries, or about 1% of all beneficiaries, had their benefits reduced by the GPO.

Of those directly affected by the GPO, 52% were spouses and 48% were widow(er)s.

About 70% of all GPO-affected beneficiaries had their benefits fully offset, and about 30% had their benefits partially offset.

Resources...

Social Security Administration

(800) 772-1213

7am-7pm Eastern Standard Time

Baton Rouge Office – Bankers Ave (866) 613-3070

Baton Rouge Office – Harding Blvd (888) 487-0143

<http://www.socialsecurity.gov/>

Internal Revenue Service

IRS Publication 963

<http://www.irs.gov/pub/irs-pdf/p963.pdf>