



## Your Social Security retirement or disability benefits may be reduced

If you work for an employer who does not withhold Social Security taxes from your salary, such as a government agency or an employer in another country, the pension you get based on that work may reduce your Social Security benefits.

The Windfall Elimination Provision affects how the amount of your retirement or disability benefit is calculated if you receive a pension from work where Social Security taxes were not taken out of your pay. A modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit than you otherwise would receive.

## When your benefits may be affected

The Windfall Elimination Provision primarily affects you if you earned a pension in any job where you did not pay Social Security taxes and you also worked in other jobs long enough to qualify for a Social Security retirement or disability benefit.

For example, this provision affects Social Security benefits when any part of a person's federal service after 1956 is covered under the Civil Service Retirement System (CSRS). However, federal service where Social Security taxes are withheld (Federal Employees' Retirement System) will not reduce your Social Security benefit amounts.

The Windfall Elimination Provision may apply if:

- You reached 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you did not pay Social Security taxes after 1985, even if you are still working.

## Why a different formula is used

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

Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked mainly in a job not 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 representing a higher percentage of their earnings, plus a pension from a job where they did not pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

## How it works

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. We separate your average earnings into three amounts and multiply the amounts using three factors. For example, for a worker who turns 62 in 2012, the first \$767 of average monthly earnings is multiplied by 90 percent; the next \$3,857 by 32 percent; and the remainder by 15 percent. The sum of the three amounts equals the total monthly payment amount.

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 is reduced to 40 percent.

There are exceptions to this rule. For example, 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. See the first table that lists the amount of substantial earnings for each year.

The second table shows the percentage used depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent.

(over)

To see the maximum amount your benefit could be reduced, visit [www.socialsecurity.gov/retire2/wep-chart.htm](http://www.socialsecurity.gov/retire2/wep-chart.htm).

### Some exceptions...

The Windfall Elimination Provision 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.

The Windfall Elimination Provision does not apply to survivors benefits. However, benefits may be reduced for widows or widowers because of another provision of the law. Ask for *Government Pension Offset* (Publication No. 05-10007).

### ...and a guarantee

If you get a relatively low pension, you are protected. The reduction in your Social Security benefit cannot be more than one-half of the amount of your pension that is based on earnings after 1956 on which you did not pay Social Security taxes.

### Contacting Social Security

For more information and to find copies of our publications, visit our website at [www.socialsecurity.gov](http://www.socialsecurity.gov) or call toll-free, **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We treat all calls confidentially. We can answer specific questions from 7 a.m. to 7 p.m., Monday through Friday. We can provide information by automated phone service 24 hours a day.

We also want to make sure you receive accurate and courteous service. That is why we have a second Social Security representative monitor some telephone calls.

Year	Substantial earnings	Year	Substantial earnings
1937-1954	\$900	1989	\$8,925
1955-1958	\$1,050	1990	\$9,525
1959-1965	\$1,200	1991	\$9,900
1966-1967	\$1,650	1992	\$10,350
1968-1971	\$1,950	1993	\$10,725
1972	\$2,250	1994	\$11,250
1973	\$2,700	1995	\$11,325
1974	\$3,300	1996	\$11,625
1975	\$3,525	1997	\$12,150
1976	\$3,825	1998	\$12,675
1977	\$4,125	1999	\$13,425
1978	\$4,425	2000	\$14,175
1979	\$4,725	2001	\$14,925
1980	\$5,100	2002	\$15,750
1981	\$5,550	2003	\$16,125
1982	\$6,075	2004	\$16,275
1983	\$6,675	2005	\$16,725
1984	\$7,050	2006	\$17,475
1985	\$7,425	2007	\$18,150
1986	\$7,875	2008	\$18,975
1987	\$8,175	2009-2011	\$19,800
1988	\$8,400	2012	\$20,475

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

