

# Does my pension benefit affect my social security benefit?

While working for the City, Social Security taxes are not deducted from your pay. This is called “non-covered” work. If you earned a pension based on non-covered work, your Social Security benefit may be reduced by the Windfall Elimination Provision and/or the Government Pension Offset.

## Windfall Elimination Provision (WEP)

Social Security uses the WEP to compute benefits for retired and disabled workers who receive a pension from non-covered employment. Unless you had at least 30 years of full-time employment during which you were paying into Social Security, the WEP will reduce your Social Security benefit.

Social Security benefits are based on a worker’s average monthly earnings. Social Security separates a worker’s average earnings into three amounts and multiplies each amount by a different percent. For 2014, the first \$816 of earnings is multiplied by 90%, the next \$4,101 is multiplied by 32%, and the remainder is multiplied by 15%.

The WEP applies only to the percent you are entitled to receive of the first amount. See examples of a Social Security benefit with and without a pension on the right.

## Government Pension Offset (GPO)

Social Security benefits as a spouse or surviving spouse may be reduced or eliminated if you are receiving a pension from the City. The reduction is based on 2/3 of your ERF pension.

## Judy’s Monthly Retirement Benefit with Social Security & without a pension

Judy worked for AZ Plumbing for 10 years and TZ Auto Dealership for 22 years. The following is her Social Security (SS) benefit.

Judy is 62 years old and will retire in 2014. She worked and contributed wages to Social Security for 32 years. Judy’s average monthly salary computed for her Social Security benefit is \$4,975.

$$\begin{aligned} \text{Step 1. } & \$ 816 \times 90\% = \$ 734 \\ \text{Step 2. } & \$4,101 \times 32\% = \$1,312 \\ \text{Step 3. } & \$ \underline{59} \times 15\% = \$ \underline{9} \end{aligned}$$

Monthly salary \$4,700

Total monthly SS Benefit = \$2,055

Go to the Social Security Administration’s web site at <http://www.ssa.gov> to learn more about the Windfall Elimination Provision and the Government Pension Offset.



## Albert’s Monthly Retirement Benefit with Social Security and a Pension

Albert worked for AZ Plumbing for 10 years and the City of Dallas for 23 years. His Social Security benefit will be reduced by the Windfall Elimination Provision.

Albert is a 64 year old City retiree with a monthly pension of \$2,025. He worked outside the City for 10 years. His average monthly income computed for his Social Security benefit is \$1,000.

$$\begin{aligned} \text{*Step 1. } & \$ 816 \times 40\% = \$ 326 \\ \text{Step 2. } & \$ 184 \times 32\% = \$ 59 \\ \text{Step 3. } & \$ \underline{0} \times 15\% = \$ \underline{0} \end{aligned}$$

Monthly salary \$1,000

Total monthly SS Benefit	\$ 385
Total monthly Pension Benefit	<u>\$2,025</u>

Total monthly pension & SS Benefit \$2,410

\*Under the WEP, the 90 percent factor is reduced to between 85% and 40%. Benefits are reduced but not eliminated if you qualify for benefits. Social Security adjusts the amounts in the steps above for inflation.

## Your Social Security Benefit May not be Reduced

There are exceptions to the WEP. If a worker has 30 or more years of “substantial” earning in a job where Social Security taxes were paid the 90 percent factor is not reduced. If a worker has 21 to 29 years of substantial earnings the 90 percent factor is reduced between 45 and 85 percent.

## Social Security Statements Online

You can get a copy of your Social Security statement by creating a My Social Security online account at this web site <https://secure.ssa.gov/RIL/SiView.do> For security purposes the Social Security web site will ask you for some personal information to verify your identity.

