



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

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any pension you get from that work can reduce your Social Security benefits.

## When your benefits can be affected

This provision can affect you when you earn a pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can 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 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 service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you performed federal service 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 three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2016, the first \$856 of average monthly earnings is multiplied by 90 percent; earnings between \$856 and \$5,157 by 32 percent; and the balance by 15 percent. The

sum of the three 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, workers age 62 in 2016, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,456 (49 percent) 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 \$2,573 (32 percent) plus COLAs. However, if either of these workers start benefits earlier, 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 representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

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

## Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983;
- You were employed on December 31, 1983, by a nonprofit organization that didn't withhold Social Security taxes from your pay at first, but then began withholding Social Security taxes;
- Your only pension is for railroad employment;

- The only work you performed for which you didn't pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce widows or widowers 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 percent 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 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit [www.socialsecurity.gov/retire2/wep-chart.htm](http://www.socialsecurity.gov/retire2/wep-chart.htm).

## A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

## Contacting Social Security

Visit [www.socialsecurity.gov](http://www.socialsecurity.gov) anytime to apply for benefits, open a **my Social Security** account, find publications, and get answers to frequently asked questions. Or, call us toll-free at **1-800-772-1213** (for the deaf or hard of hearing, call our TTY number, **1-800-325-0778**). We can answer case-specific questions from 7 a.m. to 7 p.m., Monday through Friday. Generally, you'll have a shorter wait time if you call after Tuesday. We treat all calls confidentially. We also want to make sure you receive accurate and courteous service, so a second Social Security representative monitors some telephone calls. We can provide general information by automated phone service 24 hours a day. And, remember, our website, [www.socialsecurity.gov](http://www.socialsecurity.gov), is available to you anytime and anywhere!

| Year      | Substantial earnings | Year      | Substantial earnings |
|-----------|----------------------|-----------|----------------------|
| 1937-1954 | \$900                | 1991      | \$9,900              |
| 1955-1958 | \$1,050              | 1992      | \$10,350             |
| 1959-1965 | \$1,200              | 1993      | \$10,725             |
| 1966-1967 | \$1,650              | 1994      | \$11,250             |
| 1968-1971 | \$1,950              | 1995      | \$11,325             |
| 1972      | \$2,250              | 1996      | \$11,625             |
| 1973      | \$2,700              | 1997      | \$12,150             |
| 1974      | \$3,300              | 1998      | \$12,675             |
| 1975      | \$3,525              | 1999      | \$13,425             |
| 1976      | \$3,825              | 2000      | \$14,175             |
| 1977      | \$4,125              | 2001      | \$14,925             |
| 1978      | \$4,425              | 2002      | \$15,750             |
| 1979      | \$4,725              | 2003      | \$16,125             |
| 1980      | \$5,100              | 2004      | \$16,275             |
| 1981      | \$5,550              | 2005      | \$16,725             |
| 1982      | \$6,075              | 2006      | \$17,475             |
| 1983      | \$6,675              | 2007      | \$18,150             |
| 1984      | \$7,050              | 2008      | \$18,975             |
| 1985      | \$7,425              | 2009-2011 | \$19,800             |
| 1986      | \$7,875              | 2012      | \$20,475             |
| 1987      | \$8,175              | 2013      | \$21,075             |
| 1988      | \$8,400              | 2014      | \$21,750             |
| 1989      | \$8,925              | 2015-2016 | \$22,050             |
| 1990      | \$9,525              |           |                      |

| 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 |

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