



About the State Social Security Administrator Program Newsletter

The State Social Security Administrator Program Newsletter provides information about Social Security and Medicare coverage for state and local government employees.

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State Social Security Administrator Program Newsletter

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Windfall Elimination Provision & Government Pension Offset

Understanding your future benefits is critical to successfully navigating your finances into retirement. Did you know 96% of American workers are working in jobs covered by Social Security? While all private employees contribute to Social Security, not all public employees do.

You can see if your position is covered for Social Security by checking your W-2s or pay stubs, or by creating an account with the [Social Security Administration](#) and checking your earnings statement. You'll want to check, as your Social Security benefits may be reduced if you ever worked for a public employer where you earned a pension and did not contribute to Social Security.

There are two reductions that retirees may experience:

- Windfall Elimination Provision ([WEP](#))
- Government Pension Offset ([GPO](#))

The WEP reduction is applied to your own benefit based on your work history. The amount of the reduction is progressive and is based upon the number of years you have worked in a position covered by Social Security. If you have thirty or more years contributing to Social Security, you will not be affected by the WEP. If you have twenty or fewer years contributing to Social Security, your benefit will experience the maximum reduction.

The GPO is a reduction applied to your spousal benefit based upon the work history of your spouse. This is not a reduction to your spouse's benefit. The reduction for the GPO is very easy to calculate. The reduction will be two-thirds of your government pension. For example, if you are receiving a government pension of \$3,000 per month, any spousal benefits you may be eligible for will be reduced by two-thirds of

your pension, or \$2,000.

These reductions are to prevent people with relatively high-compensated government service and low-paying Social Security-covered employment from having their Social Security benefits determined under the more favorable formula used for retirees with low Social Security earnings. For example, a government employee not contributing to Social Security will have an earning record reflective of a low-income earner. Low-income earners receive a much higher benefit proportionally when compared to high-income earners.

You can determine if either of these reductions apply to you and estimate any potential reductions to your social security benefit by using the [WEP and GPO Calculators](#) on the Social Security website. All you will need is a copy of your earnings statement, which you can access through your [my Social Security](#) account.

Protecting Your Employees' Social Security Contributions

One of the common errors encountered when a county or city creates a new political subdivision, is withholding compliance. This error usually occurs when the newly formed agency continues the same withholding practices as the predecessor agency. This is a very logical and understandable approach to withholding. However, the Section 218 Agreement in place for the predecessor agency does not extend coverage to the newly formed subdivision. The lack of an agreement may change the ability of the newly formed agency to offer Social Security and Medicare benefits to employees.

Let's review an example to illustrate the error. The County of Lilliput (County) has an active Section 218 Agreement which allows for Social Security contributions in addition to a public retirement system for its employees. Several years later, the County created a new subdivision for the county water district and formed the Lilliput Water District (District). The District is going to be offering the same retirement and Social Security benefits as the County. The District will be withholding in the same manner as the County, so compliance should not be an issue, right? Not so fast! The County's Section 218 Agreement does not extend to newly formed political subdivisions, and the District is not covered. Each public entity requires their own Section 218 Agreement to provide both Social Security benefits and retirement system benefits. If the District offers Social Security benefits (as in this example), it would be considered erroneous withholding of Social Security contributions. Fortunately, there is some good news. Since the District intended to provide this benefit to the public employees, and is already collecting Social Security contributions, the correction of the withholding practices

is merely a matter of correcting paperwork.

We can assist with creating a Section 218 Agreement that will be effective retroactively to the date the error was made. Having this agreement in place will provide the necessary protections for the intended benefits for all contributing employees.

If your agency separated from a predecessor agency and you believe this scenario may be applicable, contact us at (916) 795-0810 , or email sssa@calpers.ca.gov for guidance.

Upcoming Webinars

Join us for an interactive presentation to learn more about the State Administrator, Social Security, and Medicare. Register for a [webinar](#).

2020 Webinar Schedule	
Date	Topics
April 29, 2020	Annual Information Request for Schools and Public Agencies
May 27, 2020	Common Errors in Social Security & Medicare Withholding
June 24, 2020	Windfall Elimination Provision (WEP) & Government Pension Offset (GPO)

View a complete list of webinars on our [webpage](#)