

The effect of the Windfall Elimination Provision on district employees

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The Windfall Elimination Provision (WEP), enacted in 1983, can affect how Social Security benefits are calculated for certain public school district employees. Employees who work in positions that are not covered by Social Security — like Ohio school district positions that contribute to the State Teachers Retirement System (STRS), the Ohio Public Retirement System (OPERS) or the School Employees Retirement System (SERS) — may have their Social Security retirement or disability benefits reduced because of the pensions that they receive.

According to the Social Security Administration (SSA), the WEP affects only about 3.5 percent of households, though it can have a substantial effect on benefits in those particular households.

Specifically, the WEP only affects employees who have earned a pension from their employment with their district and also qualify for Social Security retirement or disability benefits from other employment.

This means that lifetime district employees would not be affected by the WEP, as they never worked in Social Security-covered employment during their careers and, therefore, are not eligible to receive Social Security benefits. However, district employees who previously worked in different, Social Security-covered positions (or worked for school districts in other states where public employees are covered by Social Security, such as Indiana and Pennsylvania) may see their Social Security benefits reduced.

How it works

The WEP uses a modified benefit formula to calculate the amount of a worker's own benefit when the worker also draws from his or her pension. To calculate Social Security benefits, the SSA separates an individual's average monthly earnings into three amounts and multiplies each amount using three factors.

- For an individual who turns 62 in 2016 and does not receive a pension, the first \$856 of average monthly earnings is multiplied by 90 percent;
- Earnings between \$856 and \$5,517 are multiplied by 32 percent; and
- The balance is multiplied by 15 percent.
- The sum of these three amounts equals the Primary Insurance Amount (PIA) — or the monthly payment to which the individual is entitled.

The WEP reduces the 90 percent factor that is used in the standard SSA formula, reducing the overall amount of the PIA. The reduction is phased in for workers who reached age 62 or became disabled between 1986 and 1989. Workers who reach 62 or become disabled after 1990 can have that 90 percent factor reduced all the way down to 40 percent, depending upon their number of years of "substantial earnings." Employees who have spent most of their careers working at your district, with only a few years in a Social Security-covered position, would have the 90 percent factor reduced to 40 percent.

While Social Security benefits may be lowered under WEP, they can never be totally eliminated. In addition, the SSA guarantees that it won't reduce an individual's Social Security benefit by more than half of his or her pension for earnings after 1956 on

which that individual did not pay Social Security taxes.

Authors
