

Social Security & Your CalPERS Pension

Disclaimer: Social Security is governed by federal law. CalPERS is governed by the Public Employees' Retirement Law. The statements in this document are general. If there is a conflict between the law and this document, any decisions will be based on the law and not this document.

Agenda

This presentation covers information on:

- Social Security Basics
- Windfall Elimination Provision (WEP)
- Government Pension Offset (GPO)
- Resources

Social Security Basics

The [Social Security Administration](#) (SSA) is a federally mandated social insurance program funded through payroll taxes. It may provide a monthly benefit to those who pay into the system.

Eligibility

You may be eligible for Social Security benefits based on your personal work record or, if you're married, you may be eligible to receive a benefit based on your spouse's work record.

You're eligible for up to 50% of a benefit based on your spouse's work record. However, you can't receive both your personal benefit and a spousal benefit. You will receive the higher of the two.

Your Personal Work Record

When you work and pay Social Security taxes, you earn "credits" toward Social Security benefits.

You must earn a certain number of credits to qualify. The number of credits does not affect the amount you receive but just your eligibility status.

To qualify, you need 40 credits or approximately 10 years of work.

Your Spouse's Work Record

Even if you never worked under Social Security, you may be eligible to receive a 50% benefit based on your spouse's Social Security retirement benefits.

You must be at least 62 years of age, and your spouse must be collecting Social Security retirement, or disability benefits.

When You Can Receive Benefits

The earliest age you can collect Social Security benefits is 62. If you collect earlier than your full retirement age, you will receive a reduced benefit. This reduction is permanent and affects your spousal and survivor

benefits. However, you will receive benefits for a longer period. If you collect before your full retirement age, there are income limits if you decide to work. Social Security does not consider your pension when it comes to income limits.

You can decide to wait till your Full Retirement Age (FRA) to collect your Social Security. Once full retirement age, there are no income limits.

You can continue to receive retirement credits up to age 70 if you wait to start collecting. The amount of your benefit continues to increase for each year you postpone receiving benefits past full retirement age.

This chart provides your full retirement age based on the year you were born.

Year of Birth	FRA
1943 – 1954	66
1955	66 & 2 months
1956	66 & 4 months
1957	66 & 6 months
1958	66 & 8 months
1959	66 & 10 months
1960 or later	67

You can receive 100% of your benefit with no income limit at your full retirement age. You can increase your benefit 8% for every year you delay your benefit after your full retirement age, until you hit the maximum.

How Social Security Determines Your Benefit

Several formulas and calculations to determine your Social Security [benefit](#).

1. Social Security reviews your reported wages and indexes them at today's dollars. The earnings are indexed at today's dollars, so earnings you have from 20-30 years ago are increased to reflect today's value.
2. They use the highest 35 years to determine the first part of their calculation called the Average Indexed Monthly Earnings (AIME).

After determining the AIME, they apply a series of benefit factors to the AIME to calculate your benefit.

The benefit factors are percentages of specific dollar amounts or bend points in your AIME. For 2024, the "normal" benefit factor for the first formula is 90% of the first \$1,174 of the AIME.

Social Security never uses a 100% benefit factor in the first formula even for those who have always been covered and will receive a full benefit. The 90% first factor is the only benefit factor impacted by the offsets or reductions. The other two benefit factors are not impacted by the WEP or GPO.

For the second factor earnings between \$1,175 and \$7,078 are multiplied by 32 %. If there is still a dollar amount left in the AIME, any excess is calculated using the third benefit factor of 15%. Most never reach the third benefit factor as it usually only applies to high income earners.

For this example, the AIME is \$3000.00.

2024 AIME Bend Points	Multiplier	Result
\$0 - \$1,174	90%	\$1,057
\$1,175 - \$7,078	32%	\$548
> \$7,078	15%	\$0
Benefit Amount		\$1,641

2025 AIME Bend Points	Multiplier	Result
\$0 - \$1,226	90%	\$1,103
\$1,227 - \$7,391	32%	\$568
> \$7,391	15%	\$0
Benefit Amount		\$1,641

Understanding how the calculation of your benefit is structured helps you understand exactly where the Windfall Elimination Provision and Government Pension Offset may impact your benefit. These are two offsets that may affect your Social Security if you worked under a public pension where you **did not** contribute Social Security taxes.

Social Security was set up to pay a higher benefit to low-income earners. Congress passed the offsets to prevent workers who receive non-covered pensions from receiving higher Social Security benefits as if they were long-time, low-wage earners.

For example, the low-income earner benefit was designed for someone who has earnings for most or all of 35 years, but each year was low income resulting in a low average. A person with 35 years of earnings but only 10 years in Social Security-covered employment will have an average that reflects 25 years of zero earnings. The 25 years of zero's will result in their average appearing as though they are a low-income earner, and they would receive a higher benefit even though they weren't truly low income.

SSA is designed to provide low earners with a higher percentage of their lifetime earnings. These offsets were congresses way of removing the advantage of medium and high earning individuals appearing as lifetime low-income earners.

You may be affected if eligible to receive a Social Security benefit and you've worked in a government position where you didn't contribute to Social Security.

Windfall Elimination Provision (WEP)

The [Windfall Elimination Provision](#) can affect how SSA calculates 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, any pension you get from that work can reduce your Social Security benefits.

Not every public agency participates in Social Security, so coverage for employees is not automatic. WEP only applies to retirement and disability benefits. Survivor benefits are not affected by WEP.

The reduction is based on the number of years of substantial earnings. If you have 20 or fewer years, the percentage applied to the first factor is 40%. The first percentage factor gradually increases the more years of substantial earnings you have reported in a Social Security position. If you have 30 or more years of substantial earnings, you're exempt from WEP. You can review the chart on the [Windfall Elimination Provision](#) factsheet.

Example: AIME \$3,000 – no WEP applied

2024 AIME Bend Points	Multiplier	Result
\$0 - \$1,174	90%	\$1,057
\$1,175 - \$7,078	32%	\$584
> \$7,078	15%	\$0
Benefit Amount		\$1,641

Example: AIME \$3,000 - WEP applied:

2024 AIME Bend Points	Multiplier	Result
\$0 - \$1,174	40%	\$470
\$1,175 - \$7,078	32%	\$584
> \$7,078	15%	\$0
Benefit Amount		\$1,054

The difference in this example is \$587. Even if the AIME is a higher amount, the difference will still be the same.

Use the [WEP Online Calculator](#) or the [Detailed Calculator](#) to estimate your benefit.

Government Pension Offset

The Government Pension Offset (GPO) reduces benefits you may be eligible to receive based on your spouse's work record. This reduction **does not** affect your spouses' benefits. To clarify, it affects the benefit you are eligible to receive based on your spouse's work record.

Basically, the GPO is in place so that someone who is eligible for the 50% spousal benefit will still have that 50% spousal benefit offset or reduced just like their personal benefit would be offset or reduced by the WEP.

This offset is applied in a less complicated way than the WEP. There is no sliding scale. With the GPO, two-thirds of the amount of your government pension will be used to reduce the Social Security benefits you are entitled to receive on your spouse’s record.

As an example: A correctional officer does not contribute to the social security program. If their spouse worked in the private sector, or in a government job paying into social security then the correctional officer is eligible to receive 50% of a benefit based on their spouse’s work record. However, because the correctional officer did not pay into Social Security, their spousal benefit will be reduced and sometimes wiped out by the GPO.

To estimate your future benefits under GPO, use the [GPO calculator](#). You can read the [Government Pension Offset](#) factsheet. You can also read how your [Government Pension May Affect Social Security Benefits](#).

GPO Example #1

In this example, we have a married couple who both work for CalPERS employers, one Non-Covered Employee who did not earn 40 credits and is not eligible for a Social Security Benefit. We also have their spouse who is a covered and eligible for a \$2,500 Social Security Benefit. The Non-Covered Employee are not eligible for a benefit through their own work record, but they are eligible for 50% of their spouse’s benefit, which equates to \$1,250. They also have a CalPERS Pension of \$3,000. The GPO reduction is 2/3 of their CalPERS pension, which comes out to \$2,000. Since \$2,000 is greater than the \$1,250 spousal benefit, the GPO reduction has wiped out the spousal benefit.

	Non Covered Employee	Covered Employee
Social Security personal benefit	\$0	\$2,500
Social Security benefit based on spouse earnings	\$1,250	\$0
CalPERS pension	\$3,000	\$4,000
Less 2/3 of their CalPERS pension – GPO reduction	(\$2,000)	\$0
Social Security benefit payable based on spouse earning	\$0	\$2,500

GPO Example #2

In this example, we can see that the GPO doesn’t completely wipe the spousal benefit. Focus on the Non-Covered Employee. They are not eligible for a benefit through their own work record, but they are eligible for 50% of their spouse's benefit, which is \$1,250. They also have a CalPERS Pension of \$1,150. The GPO reduction is 2/3 the amount of the CalPERS pension, which comes out to \$767. After the reduction is applied, the Non-Covered Employee is left with a Social Security benefit of \$483.

	Covered Employee	Non Covered Employee
Social Security personal benefit	\$2,500	\$0
Social Security benefit based on spouse earnings	\$0	\$1,250
CalPERS pension	\$0	\$1,150
Less 2/3 of their CalPERS pension – GPO reduction	\$0	(\$767)
Social Security benefit payable based on spouse earning	\$2,500	\$483

Resources

The [Social Security](#) webpage provides resources on retirement, disability, the Supplemental Security Income program, and Medicare. With their online services, you can apply for benefits, change your address, or direct deposit and more.

[Social Security & Your CalPERS Pension](#) is a resource page on our website that provides basic WEP and GPO information and links.

[my Social Security](#) is convenient, secure and puts you in control of your personal Social Security information, as well as help you manage your benefits when you're ready. Your account gives you the information you need whenever you want.

You can only open an account for yourself. You cannot open an account for another person, even if you have their written consent.

The Social Security Administration has enhanced their security to access your social security account. To create an account or to log-in into your account, you would need to create a Login.gov or ID.me account. This additional step aligns with federal authentication standards while providing safe and secure access to your social security account.

Your online [my Social Security](#) account provides a variety of information to help you and your family.

Your [Social Security Statement](#) shows your future Social Security benefits and current earnings history. Your account provides useful information to help you plan for retirement and the ability to request a new card or a letter to show if you're receiving benefits.

You can also find a chart that provides an estimate of what you'll received depending on when you begin drawing benefits. Keep in mind, this chart does not include the WEP if it applies to you. You must use the WEP calculator to see how you'll be affected. You'll also find information on applying for Social Security disability benefits, survivor benefits and Medicare.

It's important to review your ongoing earnings record and contact Social Security if you find a discrepancy.