AMAC Foundation
Supporting & Educating America's Seniors

WINDFALL ELIMINATION PROVISION “WEP”

WHAT IS THIS SOCIAL SECURITY WEP REGULATION?

SSA calculates someone’s Social Security retirement or disability benefit using a provision called Windfall Elimination Provision (WEP) if there’s been work for an employer who *didn’t* withhold Social Security taxes from their salary *and* they will receive a pension from that employment. Therefore, any pension one receives from that “non-covered” work can reduce one’s Social Security benefit.

HOW DOES THIS AFFECT YOUR SOCIAL SECURITY?

When SSA applies the WEP formula, SSA considers one’s percentage of career average earnings paid to a lower-paid worker as greater than a higher-paid worker. For example, consider a worker at age 62 in 2024 with an average earning of $3,000 per month. They could receive a benefit at Full Retirement Age (FRA) of $1,640 (approximately 55%) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with an average earning of $8,000 per month, the benefit starting at FRA could be $3,084 (approximately 39%) plus COLAs. However, if either of these workers starts benefits earlier than their FRA, SSA reduces their monthly benefit.

HOW DOES IT WORK?

SSA will base the Social Security benefit on your average monthly earnings adjusted for average wage growth. They separate your average earnings into 3 amounts and multiply the amounts using 3 factors to compute your full Primary Insurance Amount (PIA).
As an example, a person who turns 62 in 2024: the first $1,174 of average monthly earnings is multiplied by 90%; earnings between $1,174 and $7,078 are multiplied by 32%; and then any balance is multiplied by 15%. The sum of the 3 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 thus produces your monthly payment amount.

TABLE 1 Year	Substantial earnings
1937-1954	$ 900
1955-1958	$ 1,050
1959-1965	$ 1,200
1966-1967	$ 1,650
1968-1971	$ 1,950
1972	$ 2,250
1973	$ 2,700
1974	$ 3,300
1975	$ 3,525
1976	$ 3,825
1977	$ 4,125
1978	$ 4,425
1979	$ 4,725
1980	$ 5,100
1981	$ 5,550
1982	$ 6,075
1983	$ 6,675
1984	$ 7,050
1985	$ 7,425
1986	$ 7,875
1987	$ 8,175
1988	$ 8,400
1989	$ 8,925
1990	$ 9,525
1991	$ 9,900
1992	$ 10,350
1993	$ 10,725
1994	$ 11,250
1995	$ 11,325
1996	$ 11,625
1997	$ 12,150
1998	$ 12,675
1999	$ 13,425
2000	$ 14,175
2001	$ 14,925
2002	$ 15,750
2003	$ 16,125
2004	$ 16,275
2005	$ 16,725
2006	$ 17,475
2007	$ 18,150
2008	$ 18,975
2009-2011	$ 19,800
2012	$ 20,475
2013	$ 21,075
2014	$ 21,750
2015-2016	$ 22,050
2017	$ 23,625
2018	$ 23,850
2019	$ 24,675
2020	$ 25,575
2021	$ 26,550
2022	$ 27,300
2023	$ 29,700
2024	$ 31,275

Data from Social Security Administration, Publication No. 05-10045

WHY DOES SSA USE A DIFFERENT FORMULA?

Prior to 1984, someone's primary job that wasn't covered by Social Security was still having their Social Security benefits calculated as if they were long-term and low-wage workers. They had the advantage of receiving a Social Security benefit that represented a higher percentage of their earnings. They also had a pension from a job for which they didn't pay Social Security taxes. In 1983, Congress passed the Windfall Elimination Provision (WEP) to remove that advantage. Under the provision, SSA reduced the 90% factor in the retirement formula and phased it in for workers reaching age 62 or developed a disability between 1986 and 1989. People who reached 62 or developed a disability in 1990 or later had the 90% factor continue dropping to as little as 40%.

SSA ESTABLISHED SOME EXCEPTIONS

- WEP doesn't apply if a federal worker was first hired after December 31, 1983. Since this date, all new federal hires are included in the Social Security system known as the Federal Employees Retirement System (FERS)
- If one was an employee of a non-profit organization which was exempt from Social Security coverage on December 31, 1983. This did not apply if the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983
- One's only pension was for railroad employment
- The only work someone performed which wasn't Social Security taxed was before 1957
- Someone has 30 or more years of "Substantial Earnings" under Social Security (discussed in next section)
- WEP doesn't apply to survivors' benefits

WHAT IS THE SUBSTANTIAL EARNINGS EXCEPTION?

If someone has 30 or more years of substantial earnings, SSA doesn't reduce the standard 90% factor in the PIA formula.

TABLE 2 Years of Substantial Earnings	Percentage
30 or more	90 %
29	85 %
28	80 %
27	75 %
26	70 %
25	65 %
24	60 %
23	55 %
22	50 %
21	45 %
20 or less	40 %

TABLE 1 lists substantial earnings for each year.

TABLE 2 shows the percentage used to reduce the 90% factor depending on the number of years of substantial earnings. If someone has 21 to 29 years of substantial earnings, SSA reduces the 90% factor to between 45% and 85%.