

How the 2025 Social Security Fairness Act Could Impact Retirees

The recent passing of the Social Security Fairness Act is expected to boost Social Security payments to nearly 3 million public sector retirees who previously faced benefit reductions. After passing in the House on November 21st, 2024, and the Senate on December 23rd, 2024, President Biden signed the bill into law on January 5th, 2025. This act amends Title II of the Social Security Act to repeal the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP), often negatively viewed for their adverse effects on retired federal, state, and local government employees, other public servants, and their spouses.

“The Social Security Fairness Act will repeal flawed policies that eat away at the benefits of those who’ve worked as teachers, firefighters, postal workers, or public sector workers.”

Senate Majority Leader Chuck Schumer¹

Repealing The Government Pension Offset (GPO)

Enacted in 1977, the GPO impacts nearly 800,000 retirees.² Initially, this provision intended to equalize the Social Security benefit formulas for workers, their dependents, and survivors with similar earnings histories, whether those earnings were inside or outside the Social Security System.

According to the National Active and Retired Federal Employees Association (NARFE), the GPO³:

- Reduces the entitlement to spousal or widow’s benefits by 2/3 of the government pension.
- Affects public employees in Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas.
- Assumes all CSRS retirees are not dependent financially on a spouse or former spouse.



“With President Biden’s signature, we will be righting an over 40-year-old wrong in repealing the Windfall Elimination Provision and Government Pension Offset”

NARFE National President William “Bill” Shackelford⁴

Repealing the Windfall Elimination Provisions (WEP)

Enacted in 1983, the WPO impacts about 2 million Social Security beneficiaries.⁵ The Windfall Elimination Provision reduces the Social Security benefits of retired federal workers and other public servants who spent a portion of their careers in the private sector in addition to a federal, state, or local government job where Social Security is not intended as an element of their retirement income, such as the Civil Service Retirement System.

According to the National Active and Retired Federal Employees Association (NARFE), the WEP⁶:

- Unfairly singles out public employees who earned benefits under Social Security and government careers.
- It is especially harsh for those who have spent 20 years in the federal service and 20 years in the private industry or those with 20 years in the military service (paid FICA since 1957) and 20 years in CSRS.

Perceptions of the Social Security Fairness Act⁷

Although the vote to advance the bill was an overwhelming 327-75 in the House and 73-23 in the Senate, debates from both sides reflect general sentiments around the Social Security Fairness Act. Those in favor of its passing consider it long overdue and are optimistic about empowering the retirements of those previously subject to benefit reductions. Senator Bill Cassidy advocated strongly, referencing a Louisiana high school teacher whose benefits were reduced to the point that she may have been better off had she never worked.

Meanwhile, opposing arguments are backed by concerns over incurring a nearly \$200 billion hit over the next 10 years to the already struggling Social Security trust fund. This increased federal deficit is expected to accelerate Social Security’s insolvency by six months without further intervention from Congress. Senate Steering Committee Chair Mike Lee agreed that inequalities should be addressed in this area but expressed concerns regarding the lack of an established recovery plan to restore those funds.



What's Next

The passing of the Social Security Fairness Act eliminates the reduction of Social Security benefits while entitled to public pensions from work not covered by Social Security. The Social Security Administration is evaluating how to implement the Act. For more information, visit the official website, www.ssa.gov.

If you are unsure about the direct impact of the Social Security Fairness Act on your unique financial situation, please reach out to your financial professional, who can help you navigate these changes to make the most of your entitled benefits.

FAQ

Who qualifies to receive new/additional Social Security benefits due to the Social Security Fairness Act?

Workers with at least 40 credits, or 10 years, at a Social Security-covered job who also worked outside of their non-Social Security-covered job where they contributed to Social Security. Additionally, spouses of someone with a Social Security benefit or a widow whose spouse had a Social Security benefit.⁸

How will these benefits be calculated?

If you have 40 credits and a Social Security Statement, your benefit should reflect your full retirement age benefit based on the earnings amount you paid into Social Security throughout your work history in Social Security-covered jobs.

Previously, the benefit was reduced according to earnings from a non-Social Security-covered job where the individual was contributing to a personal pension rather than Social Security. Moving

forward, the benefit amount will still be determined by the earnings amount you contributed to Social Security, however, pension from a non-Social Security-covered job will no longer result in benefit reductions.⁹

What must I do to ensure I receive retroactive and future Social Security benefits?

If you have previously filed for Social Security benefits, you do not need to take any action now except to make sure that the agency has your current mailing address and direct deposit information if your address has recently changed.¹⁰ You can update your email address any time, but you can only update your mailing address and phone number if you're already getting benefits. Depending on your benefit type, you can either do this online through your ssa.gov account or by calling (800) 772-1213.

To ensure due diligence in receiving your entitled benefits from the SSA, review your automatic corrections with a financial professional.

When will retroactive payments begin?

This has not yet been published; however, it is expected to take months to operationalize the new formulas and run calculations to return benefits to several million retirees.¹¹

How will retroactive payments be made?

The amendments made by this Act shall apply with respect to monthly insurance benefits for months after December 2023.¹² Retroactive payments are expected to be distributed in a lump sum.¹³

What should I do if I haven't received my benefit?

There may be a delay as the Social Security Administration (SSA) navigates implementing the legislature.¹⁴ However, the processing will likely be uniform because the SSA can access information on those who received WEP or GPO reductions. Ensure your information is correct on your account, and if you need clarity regarding your eligibility, you can call a Social Security supervisor to rectify a situation or get an explanation.

What should I do if I believe my benefit amount is incorrect?

A benefit should never be incorrect or different from the Social Security statement. Your Social Security statement is based on the top 35 years of earning history.

It is calculated by substantial earnings, or contributions to the Social Security fund while employed at a Social Security-covered job outside of a Non-Social Security-covered job. Review your Social Security statement as to your full retirement age benefit, noting this does not consider previous potential WEP or GPO reductions.

I am a widow(er) with a pension and have not been able to receive a survivor benefit based on my deceased spouse. Will this affect my benefit eligibility?

Yes. Terminating the GPO eliminates the previous 2/3rds benefit reduction, and you will now be eligible for the full survivor benefit at your full retirement age. *(If taken before full retirement age, benefits are subject to an earnings test and a potential reduction for early filing).*¹⁵

For example, if your deceased spouse had a monthly Social Security benefit of \$3,000, but you also received a \$4,500 a month non-covered government pension, the GPO would have eliminated your survivor benefit. With the Social Security Fairness Act repealing GPO, you are now eligible to receive a \$3,000 survivor Social Security benefit on top of your \$4,500 government pension.

I should have received a spousal benefit when my spouse filed, but I was deemed ineligible because of my pension. Will this now change?

Yes. Terminating the GPO eliminates the previous 2/3rds benefit reduction, and the eligible spouse of a living retired or disabled worker is entitled to a monthly Social Security benefit equaling up to 50 percent of the worker's monthly benefit once they've opened their record, assuming you are of full retirement age. *(If taken before full retirement age, benefits are subject to an earnings test and a potential reduction for early filing).*¹⁶

For those who haven't yet filed, you can either apply at your local Social Security office or online at <https://www.ssa.gov/benefits/retirement/social-security-fairness-act.html>.



For more information about how the Social Security Fairness Act could potentially affect your Social Security benefits, please contact:



Advisor Name
Street Address
City, State ZIP
Web Address

Disclosures and Disclaimers

This information is not endorsed or approved by the Social Security Administration or any other Government Agency.

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Pursuant to IRS Circular 230, it is not intended to provide specific legal or tax advice and cannot be used to avoid penalties or to promote, market, or recommend any tax plan or arrangement.

Any information provided may result in contact by an annuity/insurance agent. All Social Security information was derived from www.ssa.gov.

ADVISOR DISCLOSURE PLACEHOLDER

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