



Repeal of the Windfall Elimination Provision: Effect on Retirement Income for Assignees and Cross-Border Workers

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One of the many challenges that cross-border workers have historically faced is the prospect of diminished post-retirement income due to gaps in their home-country social security record. Bilateral social security (“totalization”) agreements aim to protect benefit rights of cross-border workers by allowing them and their families to retain home-country social security coverage in a number of situations.¹ However, where home-country coverage is not possible or a totalization agreement has not been concluded, this represents a continuing challenge for internationally mobile professionals.

For persons with adequate periods of work abroad, this disadvantageous effect could be theoretically overcome by receipt of social security benefits or pensions for host countries. However, as a part of the 1983 Social Security amendments,² the U.S. Congress introduced the Windfall Elimination Provision (WEP), which reduced benefits for workers in the first concurrent month of receipt of a U.S. Social Security benefit and any benefit or pension based on their work that was not covered by the U.S. Social Security program.³ The WEP applied until the enactment of the *Social Security Fairness Act of 2025*.⁴



How the WEP Affected Social Security Benefits

Pursuant to section 215(a)(7) of the *Social Security Act*,⁵ the WEP changed the calculation of a U.S. Social Security benefit if a beneficiary concurrently received a non-covered pension or benefit based on his or her own work. A Social Security benefit is calculated by applying percentages based on actuarially-determined thresholds (or “bend points”) to a worker’s average lifetime earnings.⁶ A beneficiary receives a benefit that equals 90 percent of his or her average monthly earnings up to a certain dollar figure, 32 percent above that amount and below a second income threshold, and 15 percent of any amount above the second income threshold.



The WEP changed this formula by replacing the 90-percent bend point with a 40-percent bend point, which represented a significant benefit reduction. To mitigate the potential effect on post-retirement income for persons receiving a modest non-covered benefit, this reduction was limited to no more than one half of the amount of that pension or benefit.⁷ In addition, Congress added a number of safe harbors that would prevent the application of the WEP. Among these was a benefit based on at least 30 years of substantial covered earnings under the U.S. Social Security program (with a phase out starting at 20 substantial years of covered earnings), benefits based on combined coverage pursuant to the provisions of a totalization agreement, benefits based on factors other than work (such as residency), and a number of other situations.⁸



The Social Security Fairness Act of 2025

On January 5, 2025, former U.S. President Biden signed into law *the Social Security Fairness Act of 2025*,⁹ which retroactively eliminated the WEP effective January 2024. Accordingly, any person who is in receipt of a U.S. Social Security benefit effective January 2024 or later will not face an offset of U.S. benefits for work performed in

other countries. While the enactment of this legislation represented a boon to the many workers who were affected by the provisions of the WEP, many experts consider it to be controversial because they believe it may exacerbate the current Social Security financing crisis.¹⁰



Effect of Repeal on Post-retirement Income

Figure 1—Effect of WEP on Retirement Income¹¹

Earnings Level	Worker Benefit (No WEP)	Worker Benefit (WEP)	Maximum Family Benefit (No WEP)	Maximum Family Benefit (WEP)
Low	\$1,078	\$512	\$1,617	\$768
Average	\$1,593	\$1,027	\$2,569	\$1,541
High	\$2,159	\$1,590	\$4,005	\$2,559
Maximum	\$2,858	\$2,291	\$5,000	\$4,187

Source: KPMG LLP (U.S.)

The above figures represent what a typical WEP offset might look like at various income thresholds. Due to the structure of the WEP benefit calculation, it offset a higher percentage of U.S. Social Security benefit income for low earners than high earners.

The WEP represented a significant offset of U.S. Social Security worker and family benefits. In turn, this could be a powerful disincentive for labor mobility in the absence of

a totalization benefit or similar arrangement to prevent loss of social security coverage. For example, in the average income assumption provided above, a worker would be subject to an offset of around \$500 per month, and nearly \$1,000 per month from the total maximum family benefit payable. Assuming an average life expectancy of around 78 years, this could represent over \$60,000 in unrealized benefits to the worker, and potentially over \$100,000 to the worker and any eligible dependents.

Due to the repeal of the WEP, the assumed worker could realize a 55 percent increase in monthly benefits, and an increase of 67 percent of potential maximum family benefits for the worker and his or her dependents or survivors. Thus, for longer assignments or permanent relocations to or from the United States, the threat of triggering the WEP is no longer present, removing a strong disincentive to assume an assignment or permanent relocation abroad.

Example

To illustrate the practical effect of how the repeal of the WEP might affect future retirement benefits, consider a hypothetical beneficiary, Ms. X, a citizen of the United Kingdom. Ms. X has lived and worked most of her life in the United Kingdom, paying National Insurance Contributions (NICs) to finance a future U.K. national pension. However, Ms. X marries a U.S. citizen, and the couple decide to permanently reside in the United States.

Upon resuming work in the U.S., Ms. X now pays FICA contributions to the U.S. Social Security system, earning the full 10 years of coverage generally needed to receive a U.S. retirement benefit.

In 2023, Ms. X turns age 66 and decides to retire, electing to file for both her U.K. national pension and her U.S. Social Security benefit. Based on her covered FICA wages, Ms. X would have been entitled to \$1,500 per month from U.S. Social Security. However, she concurrently receives a U.K. national pension equivalent to around \$600 per month. Her benefit is reduced in the first month of concurrent entitlement to both benefits, and she only receives \$1,200 per month, for a total combined benefit of around \$1,800 per month.

Upon enactment of the *Social Security Fairness Act*, the Social Security Administration removes the WEP offset for all months beginning January 2024, increasing her combined benefit to \$2,100 per month.



Conclusion

As with many other key decisions in undertaking work duties abroad, the effect of retirement income is a crucial factor in a decision to go on international assignment. The tangible effect of the WEP policy change is to enhance post-retirement income for globally mobile workers, thus potentially incentivizing workers to accept more and longer-term work arrangements abroad. Workers will still

need to have adequate coverage in the host country to receive a social security benefit based on local laws; so in addition to optimizing social security positions from a tax liability perspective, it is important to consider whether localizing under the host country's system for additional periods may also be beneficial in the long run from a benefits perspective.

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Footnotes:

- ¹ See “[US International Social Security Agreements](#)” on the website of the Social Security Administration.
- ² See “[Summary of P.L. 98-21](#)” on the website of the Social Security Administration.
- ³ The Amendments also created an offset for spouses and survivors called the Government Pension Offset (GPO). However, this offset only applied if a person was in receipt of a U.S. government pension and, thus, is of limited interest for cross-border workers.
- ⁴ See GMS Flash Alert 2025-004 “[United States—President Signs Legislation to Eliminate Windfall Elimination Provision](#),” a publication of KPMG.
- ⁵ 42 U.S.C. §415(a)(7).
- ⁶ See “[Primary Insurance Amount](#)” on the website of the Social Security Administration.
- ⁷ See [SSA POMS Section RS 00605.370](#).
- ⁸ A full list of WEP exclusions can be found at [SSA POMS RS 00605.362](#).
- ⁹ See GMS Flash Alert 2025-004 “[United States—President Signs Legislation to Eliminate Windfall Elimination Provision](#).”
- ¹⁰ See GMS Flash Alert 2025-123 “[United States – Solvency Issues Raised in Social Security Trustees Report](#).”
- ¹¹ Figure is based on 19 years of career earnings at income thresholds defined in the Social Security Trustee’s Report and retirement at full retirement age. WEP figures assume concurrent receipt of a noncovered pension equivalent to \$1,200 at full retirement age.

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