

Senate Finance Subcommittee on Social Security Pensions, and Family Policy
GPO and WEP: Policies Affecting Pensions
from Work Not Covered by Social Security
Opening Statement of Subcommittee Chairman John F. Kerry
November 6, 2007

Today, we will be hearing from a number of witnesses with deep concerns about workers not covered by the Social Security system. I know this is a priority for many of my constituents: I've heard from the SEIU, the IAFF, the Police, teachers, the Massachusetts chapter of AFSCME, and Mass Retirees. I share their concerns that, in certain situations, families of public servants are being unfairly penalized and do not receive the benefits due to them in return for a life of hard work and public service.

Windfall Elimination Provision and Government Pensions Offset may affect only a relatively small percentage of retired workers drawing benefits—but make no mistake, if you are among the millions of Americans living outside our Social Security system and covered by a public pension, there's nothing "small" about its impact.

First, let me give some background. Around 96% of all workers are covered by Social Security. Every state is home to some public employees not covered by Social Security—mostly government employees at the state, local, and federal levels. The details vary from state to state – but nationwide, 29% of state and local workers are not covered, as well as most federal workers hired before 1984.

Overall, there are around 6.8 million state and local workers participating in public pension plans not covered by Social Security. Massachusetts is home to more non-covered workers than most: 97% of state and local workers. However, these public employees aren't totally outside the system—there are provisions of Social Security that impact them—because they have a spouse contributing to Social Security or because they worked in a position covered by Social Security at some point in their careers.

The Government Offset Provision reduces benefits for the spouse of a person receiving a government pension. It was enacted to mirror the dual-entitlement rule of Social Security to reduce spousal benefits for those who, in theory, don't need it because they receive their own benefit.

The Windfall Elimination Provision was designed to remove an unintended advantage in the Social Security benefit formula for some people receiving a government pension – but it causes hard-working people to lose a significant portion of the benefits they earned in return for a lifetime of hard work and public service.

These provisions often leave individuals with less of a benefit than they had counted on for retirement. I agree with House Ways and Means Chairman Rangel that the Windfall Elimination Provision and the Government Pension Offsets provisions are “blunt instruments.” These provisions often treat public sector employers worse than private sector employees. And most troubling of all, at a time when we need their service the most, they discourage people like teachers and firemen from staying in public service.

I’m pleased that we have a compelling panel of witnesses to discuss these provisions and their impact. We begin with Margaret “Peggy” Kane. Peggy taught English for 35 years at Medford High School in Medford, Massachusetts. She will discuss how the Government Pension Offset has impacted her retirement. Her experience is similar to that of many other retired public servants in Massachusetts—not just teachers but also police, firefighters, and state and local government employees.

Another group heavily impacted by these provisions is postal workers. The former Postmaster of Framingham, Massachusetts can’t receive a Social Security survivor benefit because of the benefits she gets from the Postal Service. Ms. Jean Raposa, a retiree living in Cape Cod, Massachusetts, worked for the Postal Service and her husband is a Social Security beneficiary. Her husband is ill, she is his primary caretaker, and her spousal benefits are reduced by the Government Pension Offset provision. She is just one of the many 1.6 million federal retirees who are potentially impacted by these provisions.

We will also hear from Priya Mathur, an elected member of the Board of Administration of the California Public Employee’s Retirement System and a member of the American Federation of State, County and Municipal Employees (AFCME) which is the largest union for workers in public service. Unfortunately, we were not able to have all of the various constituencies impacted by these provisions at the witness table. I would encourage groups impacted by these provisions, like the SEIU, to submit testimony for the record.

We will start our hearing today with testimony from Senator Susan Collins who, with Senator Feinstein has developed legislation, to repeal these two provisions. I am a cosponsor of the Feinstein bill.

I hope we can use this hearing to explore the impact of these exceptions on our retirees and discuss whether they have served their original purpose. I look forward to hearing from today’s witnesses about the problems and also about the costs of possible solutions. Those affected by these exemptions are people that we, as a country, value enormously: they teach our kids, they keep our streets safe, they deliver our mail, and they protect our homes from fires. We owe them a fair shake and a secure retirement, and I hope we can use this hearing to explore how best to do that.