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GOVERNMENT PENSION OFFSET (GPO) AND WINDFALL ELIMINATION PROVISION (WEP): POLICIES AFFECTING PENSIONS FROM WORK NOT COVERED BY SOCIAL SECURITY

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY

OF THE

COMMITTEE ON FINANCE
UNITED STATES SENATE

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FIRST SESSION

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GOVERNMENT PENSION OFFSET (GPO) AND WINDFALL ELIMINATION PROVISION (WEP): POLICIES AFFECTING PENSIONS FROM WORK NOT COVERED BY SOCIAL SECURITY

TUESDAY, NOVEMBER 6, 2007

U.S. SENATE,
SUBCOMMITTEE ON SOCIAL SECURITY,
PENSIONS, AND FAMILY POLICY,
COMMITTEE ON FINANCE,
Washington, DC.

The hearing was convened, pursuant to notice, at 2:30 p.m., in room SD–215, Dirksen Senate Office Building, Hon. John F. Kerry (chairman of the subcommittee) presiding.

OPENING STATEMENT OF HON. JOHN F. KERRY, A U.S. SENATOR FROM MASSACHUSETTS, CHAIRMAN, SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY, COMMITTEE ON FINANCE

Senator KERRY. This hearing will come to order, though I have never seen such an orderly group without being asked to be orderly. So, thank you. You make my job useless.

[Laughter.]

Senator KERRY. Almost.

Senator Collins, thanks for being here. We really appreciate it. I am going to get to your testimony really quickly here. Let me just make a couple of opening comments, if I may.

This morning, earlier, Senator Collins and I joined together with a number of folks to underscore the importance of this hearing, and this issue, more importantly. Now we are formally, at this hearing, going to have an opportunity to hear from workers who are not covered by the Social Security system.

That probably comes as a surprise to some people in America. I think some of our colleagues even are not completely aware of the anomaly and how it works. But for many of my constituents, and those in at least 15 others States—and in every State. Every State has employees that are, in one way or another, affected, but not everybody is focused on it.

I have personally heard from SEIU workers, from the fire fighters, police officers, teachers, different chapters of AFSCME, Massachusetts Retirees, and others. We keep hearing the stories, very personal stories, of individuals and families of public servants who are being unfairly penalized and do not receive the benefits that they believe that they have earned, and that they know they have well earned over a lifetime of hard work and public service.

The Windfall Elimination Provision and the Government Pension Offset affect a small percentage of retired workers who are drawing benefits, but it is in the millions, and all you need to do is be one of those millions to have a situation that is, frankly, intolerable.

Let me give a little bit of background to this if I can so the record is clear here. And let me just say a word about the record. There were a lot of folks who wanted to testify, and we are limited, both by the rules as well as by the time frame, in how many people are able to do so. But I want to invite groups that have an interest in this one way or the other to make their comments and observations part of the record. We will leave the record open for 2 weeks in order that people may be able to submit that testimony in full.

Around 96 percent of all the workers in America are covered by Social Security. Every State in the Union is home to some public employees who are not covered by Social Security, mostly government employees at the State, local, and Federal levels.

The details of their relationships to the pension system and Social Security vary from State to State, but nationwide, 29 percent of State and local workers are not covered—that is a pretty hefty percentage of our State and local workers—and most Federal workers who were hired before 1984.

Overall, there are about 6.8 million State and local workers participating in public pension plans who are not covered by Social Security. In my home State of Massachusetts, for instance, we have more non-covered workers than most. Ninety-seven percent of State and local workers are not covered.

These public employees are totally outside of the system. However, there are provisions of Social Security that affect them because they have a spouse contributing to the Social Security system or because they have worked in a position covered by Social Security at some point in their careers. The Government Pension Offset provision reduces benefits for a spouse of a person receiving a government pension. It was enacted to mirror the dual entitlement rules of the Social Security system. In order to reduce a spousal benefit for those who, in theory—and I underscore, in theory—do not 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 the reality is, it causes hardworking people to lose a significant portion of the benefits that they earned in return for a lifetime of hard work and public service, and that is not fair. These provisions often leave individuals with less of a benefit than they have counted on for retirement.

Now, I agree with House Ways and Means Chairman Rangel that the Windfall Elimination Provision and the Government Pension Offsets are, what he termed "blunt instruments." These provisions often treat public sector employees worse than private sector employees. Most troubling at all, at a time when we need the service of people in the public sector the most, it frankly discourages teachers, firemen, and others who are staying in public service.

So I am pleased that we have a compelling panel of witnesses to discuss these provisions and their impact. We will hear, as we did earlier this morning, from my constituent, Peggy Kane, who taught English for 35 years at Medford High School, and she will discuss how the Government Pension Offset has affected and impacted her retirement, which is a very similar experience to many other retired public service employees, not just teachers, but also police, fire fighters, and State and local government employees.

Another group heavily impacted by these provisions are the postal employees. The former Postmaster of Framingham, MA is not allowed to receive a Social Security survivor benefit because of the benefits she gets from the Postal Service, but the result is, her ability to take care of her ill husband, who is the Social Security beneficiary, is impacted. She is the primary caretaker, and her spousal benefits are unfairly reduced by that government offset provision. That is one of many of 1.6 million Federal retirees who are impacted by those provisions.

We are also going to hear from Priya Mathur, an elected member of the Board of Administration of the California Public Employees Retirement System, and a member of AFSCME, which is the largest union for workers in public service.

As I mentioned earlier, I wish we could have all of those service industries represented here, but I think they will be well represented by the folks who are testifying.

We will start this afternoon with testimony from Senator Collins, who, together with Senator Feinstein, who could not be here but whose statement will be placed in the record as if delivered in full, has developed legislation which I am pleased to be a co-sponsor of to repeal these two provisions.

So I hope we can use this hearing to lay the groundwork of understanding for our colleagues and the record that is appropriate for the Congress to be able to understand why it is imperative for us to move forward with this. Those who are affected by these provisions that have unintended consequences are people that, frankly, we need to value the most in our society. None of our communities can work without them. We will not have community without them. The word "community" without teachers and police officers and fire fighters just does not work.

So it is important to guarantee that we attract people to a career that, from the moment you make the choice to enter it, you know you are not going to be hitting the jackpots that are hit on Wall Street, and a lot of other places, but you know you have chosen a different path to contribute. That needs to be valued and honored appropriately by the laws that we put in place, and that is what this hearing is really all about.

[The prepared statement of Senator Feinstein appears in the appendix.]

Senator KERRY. Senator Collins, thanks for being here.

STATEMENT OF HON. SUSAN COLLINS, A U.S. SENATOR FROM MAINE

Senator COLLINS. Thank you. Thank you, Mr. Chairman, for the opportunity to appear before your subcommittee to discuss the Social Security Fairness Act, which our colleague from California, Senator Feinstein, and I have introduced.

I do want to point out that this has been a completely bipartisan effort. I know that Senator Feinstein very much wanted to be here today. We have talked about this. We wrote together to you to ask you to hold this hearing. I commend you for seizing hold of this important issue, and for your leadership.

Our bill repeals both the Windfall Elimination Provision and the Government Pension Offset. I believe that these two provisions unfairly penalize individuals for holding jobs in public service when the time comes for them to retire. Indeed, as we discussed earlier today, it is a powerful disincentive for people to work for a while in the private sector and then come into the public sector.

These two provisions have enormous financial consequences for many of our teachers, police officers, fire fighters, postal workers, and other public employees. Given their important responsibilities, it is simply not right to penalize them when it comes to their earned Social Security benefits. I emphasize that word "earned," Mr. Chairman. These public servants or their spouses have all paid taxes into the Social Security system on their private sector wages. So have their employers. They have also worked long enough to earn their Social Security benefits.

So in a normal situation, since they paid in their taxes, their employers paid in their share of the tax, and they have worked long enough to qualify, one would think that they would be able to collect the benefit for which they are eligible. Yet, because of the way the provisions of these offsets work, they are unable to receive all of the Social Security benefits to which they otherwise would be entitled. What a disincentive to come into critical professions, like teaching, like police work, like being a fire fighter or a Federal employee!

As you mentioned, Mr. Chairman, the impact of these two provisions is most acute in 15 States, including yours and my home State of Maine, which have State retirement plans that lack a Social Security component. But I think it is important for our colleagues to realize that these two provisions affect public employees and retirees in every State. The effect is more profound in our States, but there are individuals in every single State who are adversely affected.

In particular, many of our emergency responders, our postal workers, and other Federal employees, people whom we count upon each and every day, are harmed by these provisions. Nationwide, more than one-third of teachers and education employees and more than one-fifth of other public employees are affected by these offsets. Almost 1 million retired public employees across the country have already been harmed by these provisions, and many more stand to be harmed in the future.

At a time when we should be doing all that we can to attract qualified individuals to public service, this reduction in retirement benefits makes it even more difficult for our Federal, State, and local governments to recruit and retain the public servants who are so critical to the safety, well-being, and education of our families.

What is most troubling to me, Mr. Chairman, and I know that it is to you as well, is that this offset is most harsh for those who can least afford the loss, and that is lower-income women. In fact, of those affected by the GPO, more than 70 percent are women. According to the Congressional Budget Office, the GPO reduces benefits by more than $3,600 a year. That is an amount that can make the difference between a comfortable retirement and being on the edge of poverty for far too many retirees.

Many Maine teachers, in particular, have talked to me about the impact of these provisions on their retirement security. They love their jobs. They are so devoted to the children whose lives they have such an impact on, but they cannot help but be worried about their future and their financial security.

Mr. Chairman, in September of 2003, 4 years ago, I chaired what I believe was the first oversight hearing in the Senate to examine the effect of these offsets on our public employees and retirees. I have shared with you this morning the compelling testimony that we heard from a teacher in Maine. For the record, I hope you will allow me to repeat it one more time because I think it is important that we put a human face on exactly the people who are affected by these unjust provisions.

Julia Worcester of Columbia, ME was 73 at the time when she testified before me. She had worked for more than 20 years, first as a waitress, in a variety of factory jobs. Then at age 49—49—she decided to go to college to pursue her dream, her lifelong dream of becoming a teacher. She began teaching at age 52. She taught full-time for 15 years before retiring at the age of 68. But because she had only taught for 15 years she does not receive a full State pension, yet she is still subject to the full penalties under the GPO and the WEP. That is despite having worked for 20 years in low-paying jobs in the private sector.

As a consequence, she receives just $156 a month in Social Security benefits, even though she paid into the system and worked so hard for 20 years. As a consequence, Mr. Chairman, her monthly pension income is under $800. That is just not fair for someone who has worked an entire lifetime.

After a lifetime of hard work, Mrs. Worcester is still substitute teaching just to make ends meet. At age 77, she simply cannot afford to fully retire. That is the impact of these two provisions, and that is simply not right.

Mr. Chairman, I so appreciate your holding this hearing and moving this bill along. I urge the subcommittee to take action. I am so willing to help in any way that I can. I know that fixing this problem will cost some substantial sums over time, but surely we can start right now by taking the incremental steps toward full repeal to modify the effect of these two unfair provisions.

Finally, Mr. Chairman, I hope we can structure this bill so that it is helping people who are retired now. I do not think anyone is seeking a retroactive payment, but if we could help those like Mrs. Worcester, who simply are being so unfairly penalized by these provisions on a prospective basis, as well as those who retire later, I think we will be performing a great service.

Again, thank you, Mr. Chairman, for your leadership on this issue. I hope you will count on me as your partner as we continue to work together to correct this terrible inequity. Thank you.

Senator KERRY. Well, thank you very much, Senator Collins. I think you obviously not only care about the issue enormously, but you understand it. You have a lot of folks in your State who are living it. So, I think your testimony today is really important. Your leadership has been terrific on this. You are the folks who got the ball rolling, together with Senator Feinstein, and I am happy to be your partner.

We are going to do what we can in this committee. I agree with you completely in the judgment you just made, that at least we can sort of start to move down the road and cope with this and prove to people that we are really trying to tackle it in a serious way. So we are all most appreciative for your testimony here today, and I look forward to working with you as we go forward.

Senator COLLINS. Thank you, Mr. Chairman.

Senator KERRY. Thanks for taking time to be with us.

Senator COLLINS. Thank you.

Senator KERRY. Thank you.

If I could ask the second panel to come up at this point in time, Margaret Kane, Barbara Bovbjerg, and Priya Mathur, then Larry Thompson.

Priya, am I pronouncing that correctly? Mathur?

Ms. MATHUR. Mathur.

Senator KERRY. Mathur. Mathur. You got it.

Ms. MATHUR. Thank you.

Senator KERRY. And Margaret, why don't you lead off? We are delighted to have you here. Just share with everybody. If you can all try to summarize your testimonies. Your full testimony will be put in the record in its entirety. If you can try to summarize in about 5 minutes, that would be terrific. It will give us a little time to chat about it.

STATEMENT OF MARGARET KANE, RETIRED TEACHER, MEDFORD, MA

Mrs. KANE. Thank you, Senator Kerry, Senator Ensign, and members of the subcommittee. On behalf of the Massachusetts Teachers Association's more than 107,000 members and the 3.2 million members of the National Education Association, I would like to thank you for the opportunity to speak to you today about the Government Pension Offset and the Windfall Elimination Provision, policies affecting pensions from work not covered by Social Security, which unfairly penalize educators and other public employees.

My name is Margaret Kane. I am retired after teaching English for 35 years at Medford High School in Medford, MA.

As you know, the Government Pension Offset reduces the Social Security benefits paid to a spouse or a survivor by two-thirds of the individual's public pension. Thus, a teacher in Massachusetts who receives a public pension for a job not covered by Social Security will lose much, or all, of any spousal survivor benefits she would expect to collect based on her husband's private sector earnings.

I know all too well what the impact of the Government Pension Offset means to a surviving spouse. My husband, Dennis, joined the Navy at a young age and served for 4 years before we were married. After leaving the Navy, Dennis got a job at General Electric as a machinist. He worked there for 26 years.

I began my job as a public school teacher immediately after graduating from college. My husband and I worked very hard to raise our son and two daughters. Like other young couples, we thought we would watch our children grow into adulthood and perhaps start families of their own. We could never have imagined what a serious illness would do to our family.

In 1996, Den was diagnosed with terminal cancer. While this disease progressed, he continued to gather all of his strength to try to work for as long as he could. Dennis died on December 23, 1998 at age 53. Two days prior to his death, Dennis asked me how long I thought he would live. I knew that he did not have much time left.

One of the last things Dennis told me was that he would be able to rest in peace knowing that I would have his Social Security benefits to supplement my pension when I retired. Dennis contributed to Social Security for more than 30 years. These contributions were taken from our family income and Dennis and I both thought that full Social Security benefits would be available to us.

Fortunately, Den never knew that I would not be able to collect one penny of his Social Security benefits as his spouse. I am one of many women whose retirement years have been affected negatively by the Government Pension Offset. My colleague at Medford High School, Josephine Parella, tragically lost her husband, Carmine. Carmine had been an officer in the Air Force for 16 years, when he died in 1970 while returning to Vietnam. He had spent his career serving his country. Josephine was left to raise their four children, ranging in age from 3 months to 10 years old.

When the youngest entered school, Josephine returned to work as an adjustment counselor. In 2002, after 26 years in public education, she retired and was unable to receive any survivor benefits from her Vietnam veteran husband.

My colleagues in Massachusetts are also affected by the Windfall Elimination Provision, which reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security. Joan Piacquadio, a registered nurse, worked for more than 50 years in western Massachusetts. Twenty-five of those years were spent treating students in the Lee Public Schools. Today, both the Government Pension Offset and the Windfall Elimination Provision are making Joan's retirement years less secure than they should be.

Joan retired in 1998 at 64 to care for her seriously ill husband. Because of her public pension, Joan was able to receive only about half of her own Social Security benefits. After her Medicare payment and the Windfall Elimination Provision, Joan's Social Security benefit was $167 a month. Joan's husband died in 2000, and Joan was notified that she would be unable to collect an estimated $869 per month in survivor benefits from her husband's Social Security because of the Government Pension Offset.

Joan returned to work for over 6 years, but recently had to stop working because of a tripe-bypass operation. At 73 years of age, Joan is able to remain in her home only because her children have taken over the responsibility of maintaining her house.

On behalf of all Massachusetts Teachers Association members, I urge the committee and the Congress to enact S. 206. Please do not continue to penalize those of us who have dedicated our lives to public service and to educating public school students.

Thank you, Senator Kerry, for allowing me to speak today.

Senator KERRY. Well, thank you very much, Mrs. Kane. We really appreciate the testimony, very important testimony. I appreciate your giving the breadth of those other experiences. It is very, very helpful. Thank you.

Mrs. KANE. Thank you.

[The prepared statement of Mrs. Kane appears in the appendix.]

Senator KERRY. Ms. Bovbjerg?

STATEMENT OF BARBARA D. BOVBJERG, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE, WASHINGTON, DC

Ms. BOVBJERG. Thank you, Mr. Chairman.

I am pleased to be here today to discuss the Government Pension Offset and the Windfall Elimination Provision of Social Security. Social Security is designed to be a universal social insurance system and, indeed, covers about 96 percent of American workers.

The non-covered status of the other 4 percent, who are nearly all public employees, poses issues of fairness in the program which the GPO and the WEP are designed to address.

My testimony is in three parts: first, a discussion of Social Security's coverage of public employees; second, a description of the GPO and the WEP; and, third, the potential implications of actions to alter those provisions. My statement is based on a body of work GAO has published on these topics in recent years.

First, public employee coverage. Approximately one-fourth of the Nation's public employees are not covered by Social Security, which means they do not pay Social Security taxes on their earnings from government employment.

At its inception, Social Security did not cover government employees because they had their own retirement systems and there was concern over Federal authority to impose a tax on State governments.

Since then, many State and local governments have elected Social Security coverage, and Congress has covered all Federal Government workers hired after 1983. However, nearly 7 million State and local government workers today and about half a million Federal workers remain outside the Social Security system.

Even though non-covered employees may have many years of earnings on which they did not pay Social Security taxes, they can still become eligible for Social Security benefits. But because their earnings records would show low, or no, covered earnings, these workers would be treated like low earners and would gain from the Social Security program's progressive benefit structure. To avoid paying what would be windfall benefits to such workers, Congress enacted provisions designed to recognize non-covered workers' special circumstances.

So, let me turn to those provisions. The GPO, enacted in 1977, reduces Social Security spousal benefits for those receiving non-covered government pensions. The reduction is equal to two-thirds of the non-covered pension. The WEP, enacted in 1983, employs a modified benefit calculation formula for those with careers in non-covered employment. Both provisions are designed to prevent awarding windfall benefits.

But, unfortunately, the provisions are confusing to many and their administration has been problematic. The provisions are complex and many individuals in non-covered employment had not understood that the GPO and WEP may affect them. The Social Security Protection Act requires better notification to such individuals, and that may help reduce confusion.

Also, SSA needs to know whether beneficiaries received non-covered pensions in order to administer the provisions, yet the agency is often unable to obtain this information. To address the problem, we suggested that Congress direct the IRS to collect and report this information. We still believe this approach would be beneficial, as long as the GPO and the WEP remain in effect.

Let me speak now about proposals that would alter the GPO and WEP. Some specifically seek to reduce or repeal the provisions, and according to SSA, eliminating them would cost about $80 billion over 10 years and would increase the long-range trust fund deficit by about 6 percent. Further, repeal would, in fact, redistribute income from those who have contributed to Social Security for a working lifetime to those who have not, which creates other issues of fairness.

Other proposals would make Social Security coverage mandatory for all. Mandating coverage for public employees would reduce the long-term trust fund deficit by 11 percent. It could also enhance benefits for many employees who would otherwise remain outside the Social Security system.

Although Social Security coverage for all could improve benefits for currently uncovered employees, such a mandate could also increase costs for the affected State and local governments, or, if the affected governments decided to keep their costs level, employees could suffer benefits lower than those promised today.

Finally, mandatory coverage would not immediately address the issues and concerns regarding the GPO and WEP, although ultimately those provisions would become obsolete.

In conclusion, there are no easy answers to the difficulties of equalizing Social Security's treatment of covered and non-covered workers. Any reductions in the GPO or WEP would ultimately come at the expense of other Social Security beneficiaries and of taxpayers. Mandating universal coverage would promise eventual elimination of the GPO and WEP, but at a potentially significant cost to affected State and local governments. Whatever the decision, it is important to administer all elements of the program effectively and equitably.

On the administrative side, I once again urge you to give the IRS the authority it needs to identify recipients of non-covered pensions and help SSA maintain the integrity of its programs.

That concludes my statement, Mr. Chairman. I am happy to answer any questions.

Senator KERRY. Thank you very much. I am just writing a note down. I apologize. Thank you.

[The prepared statement of Ms. Bovbjerg appears in the appendix.]

Senator KERRY. Ms. Mathur? Thank you very much.

STATEMENT OF PRIYA MATHUR, BOARD OF ADMINISTRATION, CalPERS, AND MEMBER, AFSCME LOCAL 3993, SACRAMENTO, CALIFORNIA

Ms. MATHUR. Thank you. Good afternoon, Mr. Chairman. I am Priya Mathur, an elected member of the Board of Administration of the California Public Employees Retirement System, CalPERS, and a member of the American Federation of State, County, and Municipal Employees, AFSCME, Local 3993 in Oakland, CA.

I appreciate the opportunity to be here today to testify on behalf of CalPERS, the largest public pension system in the Nation, and AFSCME, the largest public employee union, on the Government Pension Offset, GPO, and the Windfall Elimination Provision, WEP.

CalPERS and AFSCME are strong supporters of the Social Security system and are troubled that the benefits of many of our members are unfairly reduced through the arbitrary application of these two laws.

Nationally, about 25 percent of public employees are not covered by Social Security and are subject to the offsets, but 36 percent of CalPERS are in this category. We often hear panicked concerns about the GPO from our retirees, particularly low-wage workers with modest pensions.

We often hear from women pensioners who started their careers expecting to retire with both a public pension and a Social Security spousal benefit. Many of them worked in relatively low-paying occupations, such as school custodians, nurse's aides, and clerical workers. It is a frightful shock when they realize that they will not receive a much-needed portion of their expected retirement income.

Over 400,000 retired Federal, State, and local government employees have already had their spouse or widow's benefits cut, or completely eliminated, by the GPO. Thousands more will be affected in the future. The GPO assumes that two-thirds of a public pension from work not covered by Social Security is equal to a Social Security earned benefit.

Social Security's dual entitlement rule is then applied to this amount. The rule says no beneficiary can receive a Social Security benefit based on their own work record and also receive a full spouse or widow's benefit. Rather, they can collect only the larger of the two.

We believe the two-thirds offset is capricious, and the reasoning behind it faulty, because it ignores the generally large contributions made to public pensions by both employers and their employees. In jurisdictions that do not participate in Social Security, the average total contribution to a public pension can amount to 21 percent of pay or more, compared to a much lower total of only 12.4 percent under Social Security.

Most private pensioners contribute only to Social Security and not to their private pension plans, which are usually financed entirely by their employer. Like public employees, they contribute only to one system, yet they can receive a full pension and a full Social Security benefit with no offset of any kind.

Additionally, a public retiree's entire pension is subject to Federal income tax, including the part that is deemed equivalent to Social Security. Most Social Security benefits, however, are tax-free.

To illustrate the devastating effects of the GPO, I would like to share some typical examples with you. Annette Williams is an AFSCME retiree member and a pensioner in the Los Angeles City Employees Retirement System, and Mary Ferreira, a retired city of Fremont employee who receives a CalPERS pension.

Annette retired in 2003 from her job as a clerical worker employed by the city of Los Angeles. She had never heard of the GPO and thought she would be able to collect a Social Security widow's benefit based on the work record of her deceased husband. But she had a rude awakening. She found out that applying the GPO's two-thirds offset to her $1,300 a month pension would completely eliminate her Social Security widow's benefit of $812 a month.

Mary Ferreira has an almost identical story. When her husband died last year, her CalPERS of $1,378 a month was offset against her Social Security's widow's benefit, which was completely eliminated. The Windfall Elimination Provision is an added penalty for the same public employees to come under the GPO. Instead of spousal benefits, the WEP applies an offset to the Social Security benefits these workers earned through their jobs in the private sector. This year, the WEP can reduce the earned Social Security benefit by as much as $340 a month. Both Annette Williams and Mary Ferreira are affected by the WEP, as well as the GPO.

The WEP was created as a way to distinguish between career low-wage workers and those who only appear to have had low-wage careers. Instead of using Social Security's normal benefit formula, Social Security calculates the benefits for WEP retirees using a modified formula. It is faulty to assume, however, that public employees would get an unfair advantage from the normal weighted Social Security benefit formula that helps low earners.

The Social Security Administration, SSA, never determines what a public employee has earned in total wages, so SSA does not know whether these workers are actually high earners or low earners, but treats them all as high earners. The WEP creates a totally arbitrary penalty that is especially unfair, because these workers pay the same percentage in payroll contributions on their Social Security-covered earnings as everyone else. Why should they be penalized by this unfair statutory provision?

Before I close, I would like to make one more important point. In our opinion, the problems with the GPO and WEP in no way justify consideration of mandatory Social Security coverage in the public sector. Reforming the GPO and WEP makes far more sense because we think the GPO and WEP unfairly penalize average public sector retirees. Both AFSCME and CalPERS strongly support S. 206, the bill sponsored by Senators Feinstein and Collins, to repeal both offsets.

We look forward to working with the committee to finally rectify these arbitrary and unwarranted penalties to retired public employees.

Thank you again for the opportunity to be here today.

Senator KERRY. Thank you, Ms. Mathur. That was very helpful. I appreciate it. There are a few questions I will follow up with afterwards.

[The prepared statement of Ms. Mathur appears in the appendix.]

Senator KERRY. Mr. Thompson?

STATEMENT OF LAWRENCE THOMPSON, SENIOR FELLOW, URBAN INSTITUTE, WASHINGTON, DC

Mr. THOMPSON. Thank you, Mr. Chairman. I am a senior fellow, as the roster says, at the Urban Institute, but I think I am here because I am also a retired Federal civil servant with a long background in working at Social Security at the Government Accountability Office.

In my written statement, I begin by pointing out that we are dealing with three problems that arise as the result of the existence of parallel systems which are uncoordinated.

The first problem is gaps in coverage. In my statement, I note that if someone works in non-covered employment and then shifts to Social Security-covered employment, they can discover that for the first one and a half years there is no protection for their survivors, should they die; for 5 years, they are not covered for disability by either system.

When they move from Social Security to a municipal employment, they can have a similar gap. When they reach the end of their working career, if they have not worked a full 10 years under Social Security but they have worked some time under Social Security, they will lose all of their Social Security credits and end up with a lower pension than they would have gotten had everything been covered. So, there are gaps. That is the set of problems that exists that has not been discussed yet.

The second problem is that these benefit payments would become larger than intended if you repealed the two provisions we are discussing today, larger than intended because Social Security was explicitly set up to redistribute from high-wage workers to low-wage workers, from singles to families, particularly one-earner families. People who are not low-wage workers or from one-earner families can look like low-wage workers or one-earner families if their earnings came from non-covered employment.

So the result is the creation of these two instruments, which are, I think everyone admits, at best, rough justice: they take too much away from some people and they do not take enough away from other people. That was the only thing the Congress could think of to do at the time.

There is a third problem that arises because of the lack of coordination. It is that, in fact, the non-covered State and local workers escape paying their fair share of the cost of redistribution under Social Security. Social Security is a pot: the high-wage workers get back less than an actuarial equivalent of what they paid in, low-wage workers get back more.

The average earner under Social Security makes about $36,000 this year, and State and local workers, on average, will make more than that. So, were they participants—the people who are not now covered—in the Social Security system, we would probably be redistributing from them to low-wage workers elsewhere.

I explain in my written statement that there are really two ways to address this problem. One of them involves extending coverage, which has been discussed here. The other involves simply exchanging credits, coordinating the benefits and the financing without extending coverage.

This strategy of exchanging credits is, in fact, the way that the Congress decided to deal with the parallel set of problems between Social Security and the Railroad Retirement System, and it is also the way we deal with people who have earnings credits under Social Security systems in different countries and reach the end of their career and we want to coordinate their benefits. We have agreements with 21 different countries that follow this approach.

The approach would basically be that when someone reached retirement, died, or became disabled, you would take their credits under Social Security and under a non-covered system and you would combine them, and you would look at the combined total to see whether they were eligible for a benefit, and if they were eligible, you would use the combined total to calculate that benefit.

Then you would divvy up the cost of financing it between Social Security and the non-covered employer on some basis, probably based on the ratio of the earnings under each system. By doing this, you could then get rid of these windfalls and GPOs that we are talking about. You would close the gaps and you would even the playing field in terms of participating in the cost of redistribution.

Now, the numbers that are quoted as to the cost to State and local governments of being included, which I am not advocating, actually, I think, overstate the cost by, as near as I can tell, a factor of two. That is because what is quoted is usually the contributions that would be diverted to the Social Security system and are being diverted from these State and local governments' own pension systems.

But we have to recognize that if those people come under Social Security, the government will probably reduce the pension that they would get from the State government so that that would offset a part of the liability. It looks like it only offsets about half the liability, so that, in fact, bringing State and local workers, all of them, under Social Security will increase the costs in the end probably because there are certain ways in which Social Security is a better package than what the State and local government workers now have, and that costs money. Because of this impact, they will be asked to be contributors to the redistribution inside the program.

So my advice, if you want it, is that the best way to proceed is to see if some sort of exchange of credits cannot be worked out so we can put this problem to bed once and for all, and do it in a way that calibrates it correctly and makes sense. Thank you.

[The prepared statement of Mr. Thompson appears in the appendix.]

Senator KERRY. Well, thank you, Mr. Thompson. That is a helpful way to lead into the question period here.

Ms. Mathur, I saw you writing some notes down while he was talking, so I think you want to comment.

Ms. MATHUR. I was seriously writing down notes. I think there are a couple of things that Mr. Thompson mentioned that I would like to respond to. One, is that benefits end up being larger than intended for public employees if there is not an adjustment. I think that again assumes that public employees are high-wage workers. We have a lot of workers who are actually low-wage workers. People who work in school districts often are very low-wage workers, and so I think that is one issue.

Senator KERRY. But do you not think that the way he framed it, in terms of either the credits or accountability, you would look at the overall package and then measure the redistribution issue?

Ms. MATHUR. The other point I wanted to bring up actually, it is not just about the benefits, it is also about what the employees are contributing. Public sector workers contribute much more into their public pensions than private sector workers. In fact, private sector workers generally do not contribute anything at all to their private defined benefit pensions. You have to account for the contributions as well.

Senator KERRY. Yes.

Mr. Thompson, what about this question—well, let me come back. You talked about the redistribution issue, which is an important component of Social Security. I mean, we have attempted to try to make it progressive. How do you, Ms. Mathur or Ms. Bovbjerg, gain that in melding these two without actually requiring people—let us say you leave out the choice of going into the Social Security system, but you want to try to get credit and have a fair balance here. How do you deal with the redistribution issue? Any ideas? Ms. Bovbjerg, do you want to tackle that or not?

Ms. BOVBJERG. Well, I think that——

Senator KERRY. In other words, Mr. Thompson is saying, look, here we have 30 percent of our employees around the country who are not paying into the Social Security system. But the Social Security system is attempting to adjust for levels of income, and if they are not taken into account they are not part of that redistribution at all.

So I think what he is trying to get at is, if you are going to have part of the balance, you have to have the whole balance. Am I correct, Mr. Thompson?

Mr. THOMPSON. Yes.

Senator KERRY. So how do you do that, in your judgment? What do you think about this idea of the credits or measuring the whole thing as a first step towards moving towards an integration, if you will?

Ms. BOVBJERG. I think it is an interesting idea. I mean, I think that the GPO and the WEP, as Larry says, are really rough justice. As a recent report from the Congressional Research Service points out, sometimes the WEP disadvantages higher-income workers and advantages lower-income, and it is not exactly accurate. There are ways to think about that——

Senator KERRY. Is there a way to make it accurate? Could we get a better reflection of what the reality of income levels and contributions are?

Ms. BOVBJERG. Hypothetically, yes. Could you administer it? That is the question. I think that is the question I would ask about the credits. I think it is a really interesting idea that bears examination.

Senator KERRY. Mr. Thompson, I assume that, if somebody is working in a family job for a lifetime and they are paying X amount of dollars into the Social Security system and their partner—husband, wife, spouse—is a local employee who then is retiring, they die ahead of them, there ought to be some way of having a fair expectation about the transfer of the fruits of that labor over that period of time. It should not be this rough justice of sort of an automatic two-thirds arbitrary cut-off, and boom, off you go, which has no relationship to what their need may be or their real-life situation, as we have heard from Mrs. Kane and others.

Mr. THOMPSON. Yes. We have to be careful when we use the word "fair" in this conversation. What these provisions are trying to do is reproduce the result that would occur if they were covered by Social Security. That means they are trying to reproduce the rules about dual entitlement, which a lot of people do not think are fair in and of themselves. In the example you gave, the worker would not get any benefit from the record of his deceased spouse if her earnings were not higher than his and they were both covered by Social Security.

Senator KERRY. Under the dual entitlement rule.

Mr. THOMPSON. Yes. Which is an injustice that many want to deal with, which would also then affect how these offsets work. But you are absolutely right. The two-thirds is totally arbitrary. It was 100 percent when we first enacted it. We realized then that that was too much. Now it is two-thirds. What is the right number? There is no right number. There is no single right number because the right number would depend upon knowing the generosity of the particular pension and the actual workings of the particular worker.

Senator KERRY. Do you accept the idea that this provision could actually discourage individuals from taking a public service position? If they are covered by Social Security, it would discourage them from taking a position that is not covered by it?

Ms. MATHUR. I think it could. If I could, I would like to share an example that actually compares a public sector worker with a private sector worker to really illustrate this point. Sarah is a public sector retiree with a pension from work non-covered by Social Security. Her pension is $1,200 a month, based on an average income of $35,000 to $40,000 a year. Her husband John's Social Security benefit is $1,055 a month, the average benefit in 2007.

The GPO requires Sarah to offset two-thirds of her monthly pension, $900, against her Social Security spouse benefit of $528. That completely eliminates the spouse benefit for Sarah, leaving her with a total retirement benefit of $1,200 a month, which is just her pension. Sarah pays Federal income tax on the full amount of her income, which reduces it by 15 percent——

Senator KERRY. Which she would not do under Social Security.

Ms. MATHUR [continuing]. Which she would not do under Social Security, or $180, leaving her with a net income of $1,020.

Now, Ruth is a private sector retiree with an average income similar to Sarah's. She, too, receives a pension of $1,200 a month, a private pension. Based on her own work record, Ruth receives a monthly Social Security benefit of $1,055, and Ruth's husband Dave also receives Social Security. His benefit is the same as Ruth's: $1,055 a month.

Under Social Security's dual entitlement rule, Ruth can receive her benefit, or 50 percent of Dave's, whichever is higher, so of course she chooses her benefit, which is higher than half of his. So Ruth's total benefit is a combination of her $1,200 a month pension and her $1,055 a month Social Security benefit, for total retirement income of $2,255 a month.

Ruth pays taxes on her pension benefit, but not on her Social Security benefit because her income, including 50 percent of her Social Security benefit, is less than $25,000 a year. So her Federal taxes reduce her total monthly income by $180, leaving Ruth with $2,075 a month. Now, that is twice of what Sarah gets as a public sector retiree.

Senator KERRY. What was the income differential?

Ms. MATHUR. The income was the same for both women.

Senator KERRY. Same income.

Ms. MATHUR. Their retirement pension was the same.

Senator KERRY. Understood. It is just the private/public component that is different.

Ms. MATHUR. Exactly.

Senator KERRY. Well, let me ask you this. What do you say to people—and some people throw this out there—when they say, well, why do they not all join Social Security? You hear that. Then you have an even playing field and even treatment. Because what is happening now is, you are trying to take separate approaches and create equal treatment, which means you have to somehow mesh rules in a more complicated way. What is the response to that when people do say that? Anybody?

Ms. MATHUR. I know the subject of this hearing is not really mandatory Social Security, but I can answer that question. If mandatory Social Security were implemented——

Senator KERRY. It is what some people who sort of look at the $80 billion and they balk and say, how are we going to do this? You hear this, so it is important to try to just——

Ms. MATHUR. Sure. So then public employers would either have to reduce their contribution to their employees' public pension or they would have to pay whatever that additional increment is, which otherwise would also be lost at the bargaining table for wages for those employees as well.

But let us just say that they offset the public pension. What happens then, at least in CalPERS, for every dollar of benefit that we pay out, about 12, 13 cents comes from the employer, about 13 cents comes from the employee, and a full 75 cents comes from investment earnings. So, if you reduce the contributions on the front end that employer is making, that leverage of the investments is lost, so that significantly reduces the benefit that can be paid on the back end when the individual retires.

Senator KERRY. Ms. Bovbjerg, what was the original rationale for the enactment of the GPO provision in 1977?

Ms. BOVBJERG. It was a reaction to a Supreme Court decision.

Senator KERRY. And that was *Califano v. Goldfarb?*

Ms. BOVBJERG. Yes.

Senator KERRY. And what role did the decision of the Supreme Court have in the enactment of the provision, in your judgment?

Ms. BOVBJERG. Well, that provision eliminated this thing called the dependency test. We, the government, were treating women and men differently for spousal benefits, and the Supreme Court decision said that you cannot do this anymore, so suddenly men who were in non-covered employment were going to receive spousal benefits. This created a financial issue and an equity issue, and resulted, in 1977, in the GPO. At that time, as Mr. Thompson says, it was a one-to-one offset, as with spousal benefits and covered employment.

Senator KERRY. And why was the provision modified in 1983?

Ms. BOVBJERG. Honestly, I think it was a compromise. I think there was a concern that it was too much, and there had been a proposal to make it one-third instead of one-for-one, so they went for two-thirds.

Senator KERRY. Just a compromise settlement, in other words. No fundamental equity or rationale as to the measurements that Mr. Thompson is talking about?

Ms. BOVBJERG. I do not want to say that no one knew what might happen. I am sure there was some analysis behind it. But I think it is a relatively arbitrary amount.

Senator KERRY. And the legislative history and rationale for the WEP?

Ms. BOVBJERG. Well, the WEP was in 1983, the same time that GPO came down to two-thirds. It too was an issue of equity and an issue of finances. That was a time when they were looking to strengthen Social Security finances overall.

Senator KERRY. How difficult is it to administer these? Mr. Thompson? Or Ms. Bovbjerg, go ahead.

Ms. BOVBJERG. Oh, please let me talk about this. We did a report on this in 1998. We found that it was not going very well, that SSA gets much better information on Federal employees than it does on State and local retirees as to who is offsettable.

Senator KERRY. If that information, which in the age of the virtual world we live in ought to be more achievable, if that were more accessible, could it be administered with greater simplicity and fairness just the way it is?

Ms. BOVBJERG. I think the current law could be administered better. I do not think that the people sitting here would think it was more fair. It would be the same law.

Senator KERRY. But would there not be a better way to get the measurements that then could apply to some of what Mr. Thompson was talking about so that you are getting a better balance of somebody's overall situation and, therefore, creating equity in the income distributed to somebody rather than having the disparity of taxation between Social Security versus the public and so forth, so that the income differential on $40,000 of income is, in retirement, two to one?

Ms. BOVBJERG. Well, better information always improves administration. But really, I think that one of the things that is the most important to do if the GPO and WEP are to continue, is for people to know that these provisions apply, because so many of the stories we have heard today are from people who had no idea that these things would apply to them.

Senator KERRY. Well, even if they knew it was going to apply to them, would it be right?

Ms. BOVBJERG. It depends on who you are thinking about. Everyone here is thinking about the non-covered spouse and how they compare to the non-working spouse. But what about the covered working spouse?

Ms. MATHUR. These were working. My examples, anyway, were working women.

Ms. BOVBJERG. But when you compare to how the covered spouse is addressed, the covered spouse is offset one to one. So as when Larry talks about, there are sort of different forms of equity, if you were to repeal the GPO/WEP, it would be important to think about how we treat spousal benefits generally.

Now, GAO has called for a reexamination of spousal benefits, because, when Social Security was created in 1935, we were a Nation of stay-at-home moms and single-earner households. It is different today, and perhaps there are other ways to approach the spousal benefit issue.

Senator KERRY. What do you think about that, Mr. Thompson?

Mr. THOMPSON. I want to throw something out which my friends at Social Security will not be happy with me for saying. There is one thing that is different today than in 1977 and 1983. Since 1978, if I am not mistaken, Social Security has been collecting information on wages and uncovered employment because they process all of the W–2s for the income tax. They save that data.

So there actually is a potential to think of constructing these offsets in a way that was more tailored to the individual worker, but it might be complicated. I mean, I have not thought through how you might do that. But there is information which exists today that did not exist when they constructed these things, so there are potential options that could be constructed today that could not have been examined in years past.

Ms. MATHUR. But again, there would only be information about the benefits paid out, not the contributions paid in by the individual employee.

Mr. THOMPSON. Well, you would know the earnings of the individual employee and you could then construct a more accurate representation of what the situation would be had those earnings been under Social Security. Then you can work with that principle to say, we know how much of this pension that they are getting actually is replacing Social Security and how much of it is in addition to Social Security, and we can calibrate our offset accordingly.

Senator KERRY. Well, do you, both of you, Ms. Bovbjerg and Mr. Thompson, believe that the Government Pension Offset actually replicates the dual entitlement rule?

Mr. THOMPSON. Well, it replicates the principle but mathematically it does not produce the same result because it is this sort of arbitrary number.

Senator KERRY. Right. So, therefore, it begs to be adjusted, does it not?

Mr. THOMPSON. If possible and practical.

Senator KERRY. Ms. Bovbjerg?

Ms. BOVBJERG. We have suggested that both the GPO and the WEP, and particularly the WEP, be examined for greater accuracy. But it will be hard for SSA to do those things if they do not have the right information. So we are concerned about administrability.

Senator KERRY. Why should we not be able to make that administration adjustment? I do not understand that. Why is not administrable?

Mr. THOMPSON. Well, I think you need to look at that. As I say, it may be possible today to do things that could not have been done in 1977 when Social Security had no records of the earnings in non-covered employment.

Senator KERRY. Yes. It would seem to me more than, it may be possible, that it is sort of staring us in the face that it ought to be pretty feasible to be able to work those kinds of adjustments.

Mr. THOMPSON. We need to talk to the agency. I mean, it may be that they have doubts about how accurate those are. I know they collect the information because they process it for the Internal Revenue Service for the income tax, but beyond that, exactly what they do with it and how well they store it, I do not know.

Senator KERRY. Ms. Mathur, in your testimony you talk about the difference between Social Security and the government pension that you have worked under. Do you believe that the higher contributions that you have referred to and talk about, that that, in effect, eliminates the need for a pension offset?

Ms. MATHUR. I cannot speak to every single case, but I do think, in general, that public employees contribute much more significantly to their own public pension than private sector employees. I think that is borne out by the evidence. As a result, they are contributing to their ultimate retirement, and yet they are also getting penalized on the other end by this offset.

Senator KERRY. Right. So they put in more, but in effect they are being penalized for putting in more, and they take it away at the back end. I understand.

Ms. MATHUR. They pay more, and they get a smaller benefit.

Senator KERRY. Right.

Ms. MATHUR. It just seems arbitrary and unfair.

Ms. BOVBJERG. But if I can jump in here. I know I risk being booed again.

Senator KERRY. That is all right. It is bouncing off your back. It is all right.

Ms. BOVBJERG. Public pensions were designed in particular governments to replace Social Security, to be more than Social Security. That is why they do not participate in Social Security. So as a general rule, they are more——

Senator KERRY. Right. But they are designed to be better than, which is a right that some people ought to have. But if one spouse or the other paid into Social Security, they should not be penalized because they are making a choice to be better off.

Ms. MATHUR. They should not be worse off.

Ms. BOVBJERG. But, Senator, I do not want to leave this group with the impression that people with private pensions are not——

Senator KERRY. Well, that is what is happening. The current system is taking you backwards for all of your effort to go forwards. It is, in effect, penalizing good savings and good investment policy. I mean, we save precious little in America. We have one of the lowest savings rates of anywhere in the world.

We should be encouraging people to be able to save and put away and not be penalizing them so they turn around and they pay a higher price for having done so—twice, incidentally: once in the system they chose to be part of and the other in the one they are automatically part of because of somewhere they work. I sort of find that this type of action by the Government gives it a bad reputation.

Ms. BOVBJERG. Well, we absolutely agree that people should be saving more and that people should be able to keep more money for retirement.

Senator KERRY. But the system currently penalizes people for doing that, which does not make a whole lot of sense.

So the big issue is, where do you find the money? How do you fix this? Is that part of this? Is there a sliding scale adjustment or do you just eliminate it in one fell swoop?

Ms. MATHUR. I would advocate for eliminating it. Right now it is just not rational law. So there might be some other solution. I do not know. But I think these particular laws, GPO and WEP, need to be repealed.

Senator KERRY. Mr. Thompson, is a public employee who is not covered by Social Security, but receives a government pension, disadvantaged compared to a worker who does receive Social Security?

Mr. THOMPSON. Is a government employee who receives a non-covered pension disadvantaged?

Senator KERRY. Are they disadvantaged? If you are not covered by Social Security and you get a government pension, are you disadvantaged compared to the person who retires on Social Security?

Mr. THOMPSON. In what sense? I do not——

Senator KERRY. In terms of the rules that would be applied to them, *i.e.,* taxation. That is one.

Mr. THOMPSON. Oh, taxation is one.

Senator KERRY. So they are disadvantaged in that sense.

Mr. THOMPSON. In that respect they are, yes.

Senator KERRY. And they are also done for whatever that other pension is.

Mr. THOMPSON. Well, they are not.

Senator KERRY. In other words, the two-thirds rule applies to them to try to work the equity of the whole entitlement, but in a very arbitrary way.

Mr. THOMPSON. If their spouse is covered.

Senator KERRY. So there is an arbitrariness that disadvantages, correct?

Mr. THOMPSON. We all have to agree it is arbitrary. Whether zero is the right offset, I would question, but I would not defend two-thirds as the right amount.

Senator KERRY. Yes. Are you arguing, sir, that you believe—in your testimony you talk about how people who support national coverage do so to improve the condition of Social Security itself.

Mr. THOMPSON. I said that I feared that was their primary motive.

Senator KERRY. You fear that is their primary motive?

Mr. THOMPSON. It appears that way from the way they described it. It is all part of a financing package, so the attraction seems to be that there is money in it for Social Security, at least over a 50-year period.

Senator KERRY. Help me to understand this duality that you think might work, the better coordination between the two. Would that be easier to administer than the GPO and the WEP?

Mr. THOMPSON. Probably. It would not be any more difficult. You could probably do it more effectively. I mean, let us face it. What Barbara is trying to tell you is that the GPO is, in effect, zero for a lot of people for whom it should not be zero because Social Security does not know they have a non-covered pension.

So we are getting cases here of people who are unjustly, or feel unjustly, affected by this. But there is another set of cases of people who are benefiting that should not be, and probably through a little fault of their own, because probably they were really under an obligation to inform Social Security that they were getting this pension.

Senator KERRY. Peggy, I think you had your hand up, am I right?

Mrs. KANE. I did.

Senator KERRY. I am sorry. Yes.

Mrs. KANE. I am getting the impression here that some people at our table in our panel feel that that old adage that they talk about, double dipping, that some of us are double dipping. I am getting that impression. I just think, as part of the educational part of this, is we are not asking for anything that we have not earned. We have put the money in.

[Applause.]

Senator KERRY. Let me say, I have to enforce the rules of the Senate, which are not to have public demonstrations at the hearings of one kind or another, so I hope everybody would just respect that.

Mrs. KANE. Thank you. We have put the money in. My husband put money in to Social Security for 30 years. My friend Lola, whose husband put money into Social Security—this is another little twist of the Social Security which we cannot understand. While she was still teaching—she stayed teaching until she was 65, so from 62 to 65—she did get her husband's Social Security. She received that. The day she stopped teaching, she was not supposed to receive it, however, they kept sending it to her.

So she knew enough to put that money into a side account and sent letters to them, to the Social Security people, telling them, I am not supposed to be getting this money, and they sent letters back telling her, yes, you are. Then one Friday she receives a bill from Social Security saying that, by Monday, we need a check for $8,000 because you were overpaid your Social Security.

So I do agree with you, there are problems there with the administration. But why is it that she is allowed to have her Social Security when she is still working, but when she is not working and needs it, she is not allowed to have it any more? Her husband paid into the Social Security system.

Then when I work an outside job and I am paying Social Security, every time I pay Social Security now for work that I do teaching or consulting, I know that I am never, ever going to see a penny of that money, so I am contributing to a system that is not allowing me to get back what I put in, which is all right, because the rule is your 40 quarters, and I am never going to have that, but also it is not allowing me to have the money that my husband put into it. It is totally unfair.

I think that educational component still needs to be gotten out. We still need to work in getting that message out there. We are not double dipping. We paid that money in and we earned it, and we deserve to have it. Thank you.

Senator KERRY. Anybody want to add anything to that?

[No response.]

Senator KERRY. It is probably a very good note on which to bring this to a conclusion. I want to emphasize, as I said earlier, that there were a number of folks here who had testimony, and I particularly want to thank Ralph White of the Retired State, County, and Municipal Employees Association of Massachusetts. He is the president of that. His testimony, and the testimony of Terri Bierdeman, Director of the Coalition to Preserve Retirement Security, will be submitted into the record.

[The prepared statements of Mr. White and Ms. Bierdeman appear in the appendix on pp. 178 and 95, respectively.]

Senator KERRY. As I said earlier, statements for the record can be submitted to the Finance Committee within 2 weeks from today. The instructions for doing so are on the Finance Committee's website. We invite you to look at that.

One thing I might say is, you heard the questions and many of you know the arguments that are raised, so, if you do want to submit some of that testimony, you certainly are free to try to address some of those kinds of questions as you do so, or, if you have been sitting there, burning up, saying, boy, I would like to let them know this or that, this is your opportunity to let them know this or that.

I think, clearly, the system is not fair, what is happening today. It does not make sense. It is penalizing, as I said, people who are making a good choice about how to retire decently in this country. That is getting harder and harder to do, folks, with the costs of everything, from energy, to health care, tuitions. Trying to live the so-called "golden years" has become a tougher task than it was, and a lot of people are opting not to retire.

I think the benefit, the presumption of the Congress and those of us in public life, particularly in a Congress that seems to be pretty good at taking care of our own health care and pensions and matching funds and other kinds of things, ought to be pretty much bending over backwards to find a way to empower people, not to punish them or create hurdles and stand in their way.

So we need to find a way to rectify these two diverging systems. It just seems to me it should not be that difficult to have a kind of income-based capacity, with all the redistribution elements we try to do in a fair-minded way that does not penalize people, which is what is happening in the arbitrariness of the system as applied today. So we have to work to find that.

I think Senator Collins and Senator Feinstein are helping to set us on the right track, and I hope this committee can do further diligence to pull together the ability of the committee itself to try to move as we grapple with some very big tax issues in the next months. There is a lot on the table, but this ought to be part of it, no question about it.

So I thank you for coming today. As I say, the record remains open.

We stand adjourned for this hearing. Thank you.

[Whereupon, at 3:43 p.m., the hearing was concluded.]

APPENDIX

ADDITIONAL MATERIAL SUBMITTED FOR THE RECORD

United States Government Accountability Office

GAO

Testimony
Before the Subcommittee on Social Security, Pensions, and Family Policy, Committee on Finance, U.S. Senate

For Release on Delivery
Expected at 2:30 EST
Tuesday, November 6, 2007

SOCIAL SECURITY

Issues Regarding the Coverage of Public Employees

Statement of Barbara D. Bovbjerg, Director
Education, Workforce, and Income Security

GAO
Accountability * Integrity * Reliability

GAO-08-248T

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the issues regarding Social Security coverage of public employees and the possible effects of reform. Social Security covers about 96 percent of all U.S. workers; the vast majority of the remaining 4 percent who are not covered are public employees. Moreover, 9 in 10 of the public employees not covered by Social Security are state and local government workers. Although these noncovered workers do not pay Social Security taxes on their government earnings, they may still be eligible for Social Security benefits through their spouses' or their own earnings from other covered employment. To address concerns with how noncovered workers are treated compared with covered workers, Social Security has provisions in place to take noncovered employment into account when calculating Social Security benefits for public employees, but the provisions have been difficult to administer. This situation poses difficult issues of fairness. It has also been a source of confusion and frustration for the workers these provisions affect. Thus, some have proposed eliminating these provisions. Alternatively, as part of Social Security reform, others have proposed extending mandatory coverage to all state and local government employees who are not currently covered; under mandatory coverage, the need for these provisions would be phased out over time.

I hope I can help clarify and provide some perspective on the complex relationship between Social Security and public employees. Today, I will discuss Social Security's coverage of public employees, Social Security's current provisions affecting noncovered public employees, and proposals to modify those provisions or make coverage mandatory for all public employees. My testimony is based on a body of work we have published over the past several years.[1]

In summary, about one-fourth of public employees are not covered by Social Security for various historical reasons. As a result, these employees do not pay Social Security taxes on earnings from their noncovered jobs. Nevertheless, these employees can still be eligible for Social Security benefits based on their spouses' or their own earnings from covered employment. Currently, Social Security has two provisions in place that attempt to ensure these workers' noncovered employment is taken into consideration when calculating their Social Security benefits: (1) the

[1] See the list of related GAO products at the end of this statement.

Government Pension Offset (GPO), which affects spouse and survivor benefits, and (2) the Windfall Elimination Provision (WEP), which affects retired worker benefits. Both provisions reduce Social Security benefits for those who receive noncovered pension benefits. However, the Social Security Administration (SSA) cannot effectively and fairly apply these provisions because it does not have access to complete and accurate information on noncovered earnings and receipt of noncovered pensions. Implementation of some of our recommendations has improved the availability and tracking of key information for federal retirees, and we have estimated that this tracking will save hundreds of millions of dollars. However, congressional action is still needed to improve access to information on state and local government pensions.

In recent years, various Social Security reforms that would affect public employees have been proposed. Some proposals specifically address the GPO and the WEP and would either revise or eliminate them. While we have not analyzed these proposals, we believe it is important to consider both the costs and the fairness issues they raise. Other proposals would make Social Security coverage mandatory for all state and local government employees. In 2005, Social Security actuaries estimated that mandating coverage for all newly hired state and local government employees would reduce the 75-year actuarial deficit by about 11 percent. It could also enhance inflation protection, pension portability, and dependent benefits for the affected beneficiaries, in many cases. Also, the GPO and the WEP would no longer apply to newly hired public employees and so could be phased out over time. However, mandatory coverage could increase retirement costs for state and local governments.

Background

Social Security provides retirement, disability, and survivor benefits to insured workers and their dependents. Insured workers are eligible for reduced benefits at age 62, and full retirement benefits between age 65 and 67, depending on the worker's year of birth.[2] Social Security retirement benefits are based on the worker's age and career earnings, are fully indexed for price inflation after retirement, and replace a relatively higher proportion of wages for career low-wage earners. Social Security's primary source of revenue is the Old Age, Survivors, and Disability Insurance (OASDI) portion of the payroll tax paid by employers and

[2]Beginning with those born in 1938, the age at which full benefits are payable will increase in gradual steps from age 65 to age 67.

employees. This Social Security tax is 6.2 percent of earnings up to an established maximum, paid by both employers and employees.

One of Social Security's most fundamental principles is that benefits reflect the earnings on which workers have paid Social Security taxes. Thus, Social Security provides benefits that workers have earned, in part, due to their contributions and those of their employers. At the same time, Social Security helps ensure that its beneficiaries have adequate incomes and do not have to depend on welfare. Toward this end, Social Security's benefit provisions redistribute income in a variety of ways—from those with higher lifetime earnings to those with lower ones, from those without dependents to those with dependents, from single earners and two-earner couples to one-earner couples, and from those who live shorter lives to those who live longer. These effects result from the program's focus on helping ensure adequate incomes. Such effects depend, to a great extent, on the universal and compulsory nature of the program.

According to the Social Security trustees' 2007 intermediate (or best estimate) assumptions, Social Security's cash flow is expected to turn negative in 2017. In addition, all of the accumulated Treasury obligations held by the trust funds are expected to be exhausted by 2041. Social Security's long-term financing shortfall stems primarily from the fact that people are living longer and having fewer children. As a result, the number of workers paying into the system for each beneficiary has been falling and is projected to decline from 3.3 today to 2.2 by 2030. Reductions in promised benefits and/or increases in program revenues will be needed to restore the long-term solvency and sustainability of the program.

About One-Fourth of Public Employees Are Not Covered by Social Security

About one-fourth of public employees do not pay Social Security taxes on the earnings from their government jobs. Historically, Social Security did not require coverage of government employment because some government employers had their own retirement systems. In addition, there was concern over the question of the federal government's right to impose a tax on state governments. However, the remaining three-fourths of public employees are now covered by Social Security, as well as virtually all private sector workers.

The 1935 Social Security Act mandated coverage for most workers in commerce and industry; at that time, such workers comprised about 60 percent of the workforce. Subsequently, the Congress extended Social Security coverage to most of the excluded groups, including many state and local employees, military personnel, members of Congress, and federal civilian employees hired after January 1, 1984.

In 1950, Congress enacted legislation allowing voluntary coverage to state and local government employees not covered by public pension plans, and in 1955, extended voluntary coverage to those already covered by plans as well. Initially, public employers could opt in and out of the Social Security program under these provisions. Since 1983, however, public employers have not been permitted to withdraw from the program once they have opted in and their employees are covered. Also, in 1990, Congress made coverage mandatory for most state and local employees not covered by public pension plans. Nevertheless, the most recent data from SSA indicates that in 2005, about 6.8 million state and local government employees were still not covered by Social Security. Coverage varies widely across states. In some states, such as New York and Vermont, virtually all government employees are covered; in other states, such as Massachusetts and Ohio, less than 5 percent of government employees are covered. Seven states—California, Colorado, Illinois, Louisiana, Massachusetts, Ohio, and Texas—account for nearly 70 percent of the noncovered state and local government payroll.

In addition, SSA estimates that about half a million federal government employees are not covered. These are civilian employees hired before January 1, 1984, who continue to be covered under the Civil Service Retirement System.

Most full-time public employees participate in defined benefit pension plans. Minimum retirement ages for full benefits vary, but many state and local employees can retire with full benefits at age 55 with 30 years of service. Retirement benefits also vary, but they are generally based on a specified benefit rate for each year of service and the member's final average salary over a specified time period, usually 3 years. For example, plans with a 2 percent rate replace 60 percent of a member's final average salary after 30 years of service. State and local government workers also generally have a survivor annuity option and disability benefits, and many receive cost-of-living increases after retirement. In addition, in recent years, the number of defined contribution plans—such as 401(k) plans and the Thrift Savings Plan for federal employees—has been growing. There has been little movement toward adopting defined contribution plans as the primary pension plans for state and local workers, but such plans have become fairly universally available as supplemental voluntary tax-deferred savings plans.[3]

Current Provisions Seek Fairness but Pose Administrative Challenges

Even though noncovered employees may have many years of earnings on which they do not pay Social Security taxes, they can still be eligible for Social Security benefits based on their spouses' or their own earnings in covered employment. According to SSA, nearly all noncovered state and local employees become entitled to Social Security as spouses, dependents, or workers. However, their noncovered status for the bulk of their earnings complicates the program's ability to target benefits in the ways it is intended to do.

To address the fairness issues that arise with noncovered public employees, the Congress has enacted two provisions: (1) the Government Pension Offset (GPO) regarding spouse and survivor benefits, and (2) the Windfall Elimination Provision (WEP) regarding retired worker benefits. Both provisions apply only to those beneficiaries who receive pensions from noncovered employment. However, the provisions have been difficult to administer because they depend on having complete and accurate information on noncovered earnings and pensions—information that has proven difficult to get. Also, the provisions are a source of confusion and frustration for public employees and retirees.

Under the GPO provision, enacted in 1977, SSA must reduce Social Security benefits for those receiving noncovered government pensions when their entitlement to Social Security is based on another person's (usually a spouse's) Social Security coverage. Their Social Security benefits are to be reduced by two-thirds of the amount of their government pension. Spouse and survivor benefits were intended to provide some Social Security protection to spouses with limited working careers. The GPO provision reduces spouse and survivor benefits to persons who do not meet this limited working career criterion because they worked long enough in noncovered employment to earn their own pension.

[3] See GAO, *State and Local Government Retiree Benefits: Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs*, GAO-07-1156 (Washington, D.C.: Sept. 24, 2007).

Under the WEP, enacted in 1983, SSA must use a modified formula to reduce the Social Security benefits people receive when they have had a lengthy career in noncovered employment. The Congress was concerned that the design of the Social Security benefit formula provided unintended windfall benefits to workers who had spent most of their careers in noncovered employment, as the formula replaces a relatively higher proportion of wages for low earners than for high earners, and those with lengthy careers in noncovered employment appear on SSA's records as low earners.

Provisions Are Difficult to Administer

To administer the GPO and WEP, SSA needs to know whether beneficiaries receive pensions from noncovered employment. However, SSA cannot apply these provisions effectively and fairly because it lacks this information. In a report we issued in 1998, we recommended that SSA perform additional computer matches with the Office of Personnel Management to get noncovered pension data for federal retirees.[4] In response to our recommendation, SSA performed the first such match in 1999 and planned to continue to conduct the matches on a recurring basis. We estimated that correcting the errors identified through such matches will generate hundreds of millions of dollars in savings.[5] However, SSA still lacks the information it needs for state and local governments, and therefore, it cannot apply the GPO and the WEP for state and local government employees to the same extent it can for federal employees. The resulting disparity in the application of these two provisions is yet another source of unfairness in the calculation of Social Security benefits for public employees.

In our testimony before the Subcommittee on Social Security, House Committee on Ways and Means, in May 2003 and again in June 2005,[6] we recommended that the Congress consider giving the Internal Revenue

[4]See GAO, *Social Security: Better Payment Controls for Benefit Reduction Provisions Could Save Millions*, GAO/HEHS-98-76 (Washington, D.C.: Apr. 30, 1998).

[5] In its first match, SSA identified about 14,600 people whose benefits should have been calculated using WEP's modified formula. We estimate that detecting these payment errors will generate $207.9 million in lifetime benefit reduction for this cohort. We further estimate each year's match will generate about $57 million in lifetime benefit reductions for each new cohort.

[6] GAO, *Social Security: Issues Relating to Noncoverage of Public Employees*, GAO-03-710T (Washington, D.C.: May 1, 2003); and GAO, *Social Security: Coverage of Public Employees and Implications for Reform*, GAO-05-786T (Washington, D.C.: June 9, 2005).

Service (IRS) the authority to collect the information that SSA needs on government pension income, a task that could perhaps be accomplished through a simple modification to a single form. Earlier versions of the Social Security Protection Act of 2004 contained such a provision, but this provision was not included when the final version of the bill was approved and signed into law.[7] As long as the GPO and WEP remain in effect, we continue to believe that the IRS should be given the authority to collect the information that SSA needs on government pension income to administer these provisions accurately and fairly.

Provisions Cause Confusion and Frustration

The GPO and the WEP have been a continuing source of confusion and frustration for the more than 7.3 million government workers affected. Critics of the measures contend that the provisions are basically inaccurate and often unfair. For example, critics of the GPO contend that the two-thirds reduction is imprecise and could be based on a more rigorous formula. According to a recent analysis conducted by the Congressional Research Service, the GPO formula slightly overestimates the reduction that some individuals (particularly higher earners) would otherwise receive if they worked in Social Security-covered employment, and greatly underestimates the reduction that others (particularly lower earners) would receive.[8] In the case of the WEP, opponents argue that the formula adjustment is an arbitrary and inaccurate way to estimate the value of the windfall and causes a relatively larger benefit reduction for lower-paid workers.

Some Social Security Proposals Would Affect Public Employees

In recent years, various proposals to change Social Security have been offered that would affect public employees. Some proposals specifically address the GPO and the WEP and would either revise or eliminate them. Other proposals would make Social Security coverage mandatory for all state and local government employees.

[7] Pub. L. No. 108-203, Section 419(c), provides for disclosure to workers of the effect of GPO and WEP provisions.

[8] Laura Haltzel, *Analysis of How Well the Government Pension Offset (GPO) Replicates the Social Security Dual-Entitlement Rule* (Congressional Research Service, Washington, D.C.: July 5, 2007). See also Laura Haltzel, *Social Security: The Government Pension Offset (GPO)* (Congressional Research Service, Washington, D.C.: Updated March 9, 2007).

Some Proposals Focus on the GPO or the WEP

A variety of proposals have been offered to either revise or eliminate the GPO or the WEP. While we have not studied these proposals in detail, I would like to offer a few observations to keep in mind as you consider them.

First, repealing these provisions would be costly in an environment where the Social Security trust funds already face long-term solvency issues. According to current SSA estimates, eliminating the GPO entirely would cost $41.7 billion over 10 years and increase the long-range deficit by about 3 percent. Similarly, SSA estimates that eliminating the WEP would cost $40.1 billion, also increasing Social Security's long-range deficit by 3 percent.

Second, in thinking about the fairness of the provisions and whether or not to repeal them, it is important to consider both the affected public employees and all other workers and beneficiaries who pay Social Security taxes. For example, SSA has described the GPO as a way to treat spouses with noncovered pensions in a manner similar to how it treats dually entitled spouses, who qualify for Social Security benefits on both their own and their spouses' work records. In such cases, spouses may not receive both the benefits earned as a worker and the full spousal benefit; rather, they receive the higher amount of the two. If the GPO were eliminated or reduced for spouses who had paid little or no Social Security taxes on their lifetime earnings, it might be reasonable to ask whether the same should be done for dually entitled spouses who have paid Social Security on all their earnings. Otherwise, such couples would be worse off than couples who were no longer subject to the GPO. And far more spouses are subject to the dual entitlement offset than to the GPO; as a result, the costs of eliminating the dual entitlement offset would be commensurately greater.

Mandatory Coverage Has Been Proposed

Making coverage mandatory for all state and local government employees has been proposed to help address the program's financing problems. According to Social Security actuaries' 2005 estimate, requiring all newly hired state and local government employees to begin paying into the system would reduce the 75-year actuarial deficit by about 11 percent.[9]

[9] SSA uses a period of 75 years for evaluating the program's long-term actuarial status to obtain the full range of financial commitments that will be incurred on behalf of current program participants.

Expanding coverage to currently noncovered workers increases revenues relatively quickly and improves solvency for some time, since most of the newly covered workers would not receive benefits for many years. In the long run, benefit payments would increase as the newly covered workers started to collect benefits; however, overall, this change would represent a small net gain for solvency.

In addition to considering solvency effects, the inclusion of mandatory coverage in a comprehensive reform package would need to be grounded in other considerations. In recommending that mandatory coverage be included in reform proposals, the 1994-1996 Social Security Advisory Council stated that mandatory coverage is basically "an issue of fairness." Its report noted that "an effective Social Security program helps to reduce public costs for relief and assistance, which, in turn, means lower general taxes. There is an element of unfairness in a situation where practically all contribute to Social Security, while a few benefit both directly and indirectly but are excused from contributing to the program."

Another advantage of mandatory Social Security coverage is that it could improve benefits for the affected workers, but it could also increase pension costs for state and local governments. The effects on public employees and employers would depend on how states and localities changed their noncovered pension plans in response to mandatory coverage.

For example, by gaining coverage, workers would benefit from Social Security's automatic inflation protection, full benefit portability, and dependent benefits, which are not available in many public pension plans. Also, the GPO and the WEP would no longer apply and so could be phased out over time.

With mandatory coverage, the costs for state and local governments would likely increase, adding to the fiscal challenges that already lie ahead for many.[10] If states and localities provided pension benefits that are similar to the benefits provided employees already covered by Social Security, studies indicate that their retirement costs could increase by as much as 11 percent of payroll. Alternatively, states and localities that wanted to maintain level spending for retirement under mandatory coverage would

[10] See GAO, *State and Local Governments: Persistent Fiscal Challenges Will Likely Emerge within the Next Decade*, GAO-07-1080SP (Washington, D.C.: July 18, 2007).

likely need to reduce some pension benefits. Thus, while workers' benefits may be enhanced in some ways by gaining Social Security, their total contribution rate may increase, and the benefits they receive under their previously noncovered pension plans may be reduced.

Additionally, states and localities could require several years to design, legislate, and implement changes to current pension plans, and mandating Social Security coverage for state and local employees could elicit constitutional challenges. Also, mandatory coverage would not immediately address the issues and concerns regarding the GPO and the WEP, as these provisions would continue to apply to existing employees and beneficiaries for many years to come before eventually becoming obsolete. Finally, state and local governments would have to administer two different systems–one for existing noncovered employees and another for newly covered employees—until the provisions no longer applied to anyone or were repealed.

Conclusions

In conclusion, there are no easy answers to the difficulties of equalizing Social Security's treatment of covered and noncovered workers. Any reductions in the GPO or the WEP would ultimately come at the expense of other Social Security beneficiaries and taxpayers. Mandating universal coverage would promise eventual elimination of the GPO and the WEP, but at potentially significant cost to affected state and local governments, and even so, the GPO and the WEP would continue to apply for many years to come unless they were repealed.

As long as the GPO and the WEP remain in effect, it will be important to administer the provisions as effectively and equitably as possible. SSA has found it difficult to administer these provisions because they depend on complete and accurate reporting of government pension income, which is not currently available. The resulting disparity in the application of these two provisions is a continuing source of unfairness for Social Security beneficiaries, both covered and noncovered.

Matter for Congressional Consideration

GAO has previously recommended that the Congress consider giving IRS the authority to collect the information that SSA needs on government pension income to administer the GPO and WEP provisions accurately and fairly. GAO continues to believe that this important issue warrants further consideration by the Congress.

Mr. Chairman, this concludes my statement, I would be happy to respond to any questions you or other members of the subcommittee may have.

Contacts and Acknowledgments

For further information regarding this testimony, please contact Barbara D. Bovbjerg, Director, Education, Workforce, and Income Security Issues at (202) 512-7215 or bovbjergb@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Michael Collins and Margie Shields.

Related GAO Products

State and Local Government Retiree Benefits: Current Status of Benefit Structures, Protections, and Fiscal Outlook for Funding Future Costs. GAO-07-1156. Washington, D.C.: September 24, 2007.

State and Local Governments: Persistent Fiscal Challenges Will Likely Emerge within the Next Decade. GAO-07-1080SP. Washington, D.C.: July 18, 2007.

Social Security: Coverage of Public Employees and Implications for Reform. GAO-05-786T. Washington, D.C.: June 9, 2005.

Social Security Reform: Answers to Key Questions. GAO-05-193SP. Washington, D.C.: May 2005.

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Senator Olympia J. Snowe
Witness Questions for Barbara Bovbjerg
Finance Subcommittee on Social Security, Pensions, and Family Policy
GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security
November 6, 2007

Question 1 – General Question on Mitigating GPO and WEP

While I believe the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) should be repealed, I recognize that doing so would be extremely expensive. The Social Security Administration estimates that elimination of the GPO would increase benefit payments by $41.7 billion over 10 years. Meanwhile, full repeal of the WEP would increase benefit payments by $40.1 billion over 10 years.

Given that repealing the GPO and WEP provisions would increase benefit payments by upwards of $80 billion, how else could the pernicious impact of these provisions be mitigated in a way that stops short of full repeal but, at the same time, protects lower- and moderate-income retirees?

Question 2 – Expanding Social Security Coverage to Mitigate the GPO and WEP Problem

My understanding is that Social Security covers about 96 percent of all workers, leaving the remainder potentially subject to the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). Generally, speaking those working in non-Social Security-covered provisions are held by federal, state, and local government workers, such as teachers, police, and fire fighters. Many state employees are not covered by Social Security since the states for which they work have not entered into a so-called Section 218 agreement with the Federal government. Instead, they receive pensions from state programs.

One way to mitigate the GPO and WEP problem for future workers would be to simply require that all workers nationwide hired after a certain date work in Social Security-covered positions. Would it be realistic to help solve the GPO and WEP problem by simply mandating that all future employees be covered by Social Security, while repealing the GPO and WEP for current workers and retirees? Or would states and localities resist in part because they would suddenly have to pay payroll taxes on their employees' wages?

Question 3 – Magnitude of the GPO-WEP Problem

According to statistics given to me by the Social Security Administration's Office of Research, Evaluation, and Statistics, in December 2005, the Government Pension Offset (GPO) affected 431,373 individuals nationwide. At that time, the Windfall Elimination Provision (WEP) also acted to reduce benefits paid to 902,794. Meanwhile, according to the Congressional Research Service (CRS), in December 2003, the GPO impacted 390,431 retirees. CRS also reports that the WEP affected 635,000 Social Security recipients in December 2002.

The data seem to suggest that the GPO and WEP have grown to impact an increasing number of retirees. Do you have any sense as to whether we can expect that these two provisions will continue to ensnare more and more retirees in coming years, especially as the Baby Boom generation begins to draw benefits?

Question 4 – Calculation of Government Pension Offset (GPO)

As we are well aware, the Government Pension Offset (GPO) attempts to replicate Social Security's "dual-entitlement" rule, by removing a perceived advantage government workers' spouses would otherwise receive if one spouse could receive a full government pension and the other spouse could receive full Social Security spousal benefits. The intent of the dual-entitlement rule and the GPO is the same. Significantly, the GPO reduction in Social Security spousal benefits is equal to two-thirds of the government pension.

While I believe the GPO should be repealed, one provision I have never understood is why it reduces Social Security spousal benefits by two-thirds of a government pension. It seems to me that if one accepts the need for a GPO in the first place, the two-thirds formula should somehow reflect what a spousal benefit would have been had a government job been covered by Social Security.

My question, then, is does the two-thirds formula empirically reflect what a spousal benefit would have been had the government benefit been covered by Social Security? The reason I ask is that my understanding is that when Congress last amended the GPO provision in 1983, the House included a provision to offset only one-third of a government pension. Meanwhile, the Senate bill did not propose to change the then-applicable GPO formula that offset 100 percent of a government pension. Conferees settled on the present-day formula as compromise. It is, therefore, unclear to me if the current formula is based on reality.

Responses to questions from Senator Snowe

Both the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) were enacted to address concerns about inequitable treatment between covered and noncovered workers in calculating Social Security benefits. In recent years, there have been a number of proposals to modify the GPO and the WEP (see table). Nearly all of these proposals would increase Social Security's long-range deficit and raise questions of fairness.

Table: Recent Legislative Proposals to Modify the GPO or WEP

Bill (110th Congress, 1st session)	Proposal	Estimated cost over 10 years	Estimated impact on Social Security's long-range deficit
S. 206 and H.R. 82	To eliminate the GPO and WEP entirely.	About $81.8 billion.	Increase deficit by about 6 percent.
H.R. 1090	To reduce the GPO offset from 2/3 to 1/3 of the noncovered pension.	About $11.0 billion.	Increase deficit by about 1 percent.
S. 1254 and H.R. 2988	To reduce the GPO by making it equal to the amount by which 2/3 of the total amount of the combined monthly noncovered pension and Social Security benefits exceeds $1,200, adjusted for inflation.	About $6.1 billion.	Negligible.
H.R. 726	To restrict application of the WEP to those with combined monthly noncovered pension and Social Security benefits that exceed $2,500 (with cost-of-living adjustments), and graduated implementation for those with combined monthly amounts over this minimum.	About $19.0 billion	Increase deficit by about 1 percent.
S. 1647 and H.R. 2772	To replace the current WEP formula with a formula that considers wages from both covered and noncovered employment.	About $4.6 billion.	Increase deficit by about 0.5 percent.

Source: GAO analysis of data from SSA's Office of the Chief Actuary, memos dated October 26, 2007.

However, it is important to realize that the GPO and WEP are actually quite different from each other in terms of what they are trying to achieve and how they are calculated. Therefore, when considering proposals to change these provisions, it would be most useful to look at them separately.

Modifying the GPO, which was intended to replicate the dual-entitlement offset provision that reduces spousal benefits in households with two coverered workers, would have implications not only for cost, but also for fairness. Under the current GPO provision, many noncovered workers have their Social Security benefits reduced less than covered workers in dually entitled households who have similar earnings histories and pensions, and who have contributed more to the system.[1] Thus, if the GPO were to be modified to reduce the offset for noncovered workers even slightly, there could be increased pressure to reduce the offset for dually entitled households as well, which would add substantial costs because of the large number of such households. Also, there is some evidence that the way the GPO is currently structured, it provides greater protection for certain low- to moderate-income households than the dual-entitlement provision.[2] Thus, with any modification, care would need to be given so that the GPO's progressive impact would be retained.

As for the WEP, careful consideration will be particularly important for any modifications, as the provision is based on a complicated formula that considers years in noncovered employment in order to reflect the progressive impact of the standard formula for workers with both covered and noncovered earnings.[3] Many different options are possible and modification of the formula is certainly something that bears more scrutiny. However, if the modification includes some form of post-entitlement means test, such as that proposed in H.R. 726, this would make it even more complicated for SSA to administer than under current law.

Regardless of whether or how the GPO and WEP may be modified, we believe that as long as these provisions remain in effect, SSA needs to have better information on earnings and pensions from noncovered employment in order to administer the provisions fairly and accurately, and to better target benefits to assure income security for low- to moderate-income retirees.

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[1] Under the GPO, spousal benefits are reduced by 2/3 of the noncovered pension. Under the offset for dually entitled households, spousal benefits are reduced dollar-for-dollar so that such households receive the equivalent of the worker's benefit or the spouse's benefit, whichever is higher.

[2] Laura Haltzel, *Analysis of How Well the Government Pension Offset (GPO) Replicates the Social Security Dual-Entitlement Rule* (Congressional Research Service, Washington, D.C.: July 5, 2007).

[3] Under the standard formula, Social Security benefits are based on the worker's average monthly earnings divided into three parts, with each part multiplied by a different factor. The first part (up to a set dollar amount, adjusted for wage growth each year) is multiplied by 90 percent. Under the WEP, the multiplication factor for the first part is reduced to 40 percent for those receiving a noncovered pension and who have 20 years or less of covered employment.

Statement of Senator Dianne Feinstein
Senate Finance Subcommittee on Social Security, Pensions, and Family Policy
"Government Pension Offset and Windfall Elimination Provision:
Policies Affecting Pensions From Work Not Covered by Social Security"

Mr. Chairman, I first would like to thank the members of the Finance Committee for scheduling this afternoon's hearing on protecting retirement benefits for our nation's public service workers. It is critical that we attract and retain the most qualified individuals for careers in public service.

But today, nearly one million federal, state, and municipal public employees are unfairly held to a different standard when it comes to their retirement benefits. In California alone, the problem affects about 200,000 workers.

The cause: two provisions of the Social Security Act—called the Government Pension Offset and Windfall Elimination Provision—which unfairly reduce the retirement benefits earned by public employees such as teachers, police officers, and firefighters.

These two provisions were originally designed—the Government Pension Offset in 1977 and the Windfall Elimination Provision in 1983—to prevent public employees from being unduly enriched. But today, the practical effect is that those providing critical public services are unjustly penalized. The time has come to put an end to this unfair reduction in retirement benefits.

In January, I introduced legislation with Senator Collins to protect the retirement benefits earned by public employees and eliminate barriers which discourage many Americans from pursuing careers in public service. Specifically, the legislation we have introduced, called the "Social Security Fairness Act" (S. 206) would repeal the Government Pension Offset and Windfall Elimination Provision.

The Government Pension Offset

The Government Pension Offset reduces a public employee's Social Security spousal or survivor benefits by an amount equal to roughly two-thirds of his or her public pension. According to the Congressional Budget Office, the Government Pension Offset provision alone reduces the benefits earned by more than 300,000 Americans each year, by upwards of $3,600. In some cases, for those living on fixed incomes, this represents the difference between a comfortable retirement and poverty.

Take the case of a widowed, retired police officer who receives a public pension of $1,000 per month. His job in the local police department was not covered by Social Security, yet his wife's private-sector employment was. An amount equal to two-thirds of his public pension, or about $700 each month, would be cut from his Social Security survivor benefits. If this individual is eligible for $800 in survivor benefits, the Government Pension Offset provision would reduce his monthly benefits to $100.

In most cases, the Government Pension Offset eliminates the spousal benefit for which an individual qualifies. In fact, 9 out of 10 public employees affected by the Government Pension Offset lose their *entire* spousal benefit, even though their spouse paid Social Security taxes for many years.

The Windfall Elimination Provision

The Windfall Elimination Provision reduces Social Security benefits by up to 50 percent for retirees who have paid into Social Security and also receive a public pension, such as from a teacher retirement fund.

Private-sector retirees typically receive monthly Social Security checks equal to 90 percent of their first $656 in average monthly career earnings. However, under the Windfall Elimination Provision, retired public employees are only allowed to receive 40 percent of the first $656 in career monthly earnings, a penalty of over $300 per month.

Repealing the windfall provision under the Social Security Fairness Act will allow government pensioners the chance to receive the same 90 percent of their benefits to which non-government pension recipients are entitled.

Recruiting Shortfalls

The Government Pension Offset and Windfall Elimination Provision make it more difficult to recruit teachers, police officers, and fire fighters—and, they do so at a time when we should be doing everything we can to recruit the best and brightest to these careers.

Law Enforcement: California's police force needs to add more than 10,000 new officers by 2014—a growth of nearly 15 percent—while hiring more than 15,000 additional officers to replace those who leave the force.

Teachers: It is estimated that public schools will need to hire between 2.2 million and 2.7 million new teachers nationwide by 2009 because of record enrollments. The projected retirements of thousands of veteran teachers and critical efforts to reduce class sizes also necessitate hiring additional teachers. California currently has more than 300,000 teachers but will need to double this number by 2010, to 600,000 teachers, in order to keep up with student enrollment levels.

Most importantly, the Government Pension Offset and Windfall Elimination Provision hinder efforts to recruit new math and science teachers from the private sector.

So, it is counterintuitive that, on the one-hand, we seek to encourage people to change careers and enter the teaching profession, while on the other hand, those wishing to do so are discouraged because they are clearly told that their Social Security retirement benefits will be significantly reduced.

I certainly recognize that today's tough budget times make repealing the Government Pension Offset and Windfall Elimination Provision difficult. With this in mind, I remain open to considering any alternatives that will allow hard-working public employees to keep the Social Security benefits to which they are entitled.

Bottom line: we should respect, not penalize, our public service employees.

So, I hope that my colleagues will join me in protecting the retirement benefits of our Nation's hard-working public servants. We value their contributions and must ensure that all Americans receive the retirement benefits they have earned and deserve.

Thank you, Mr. Chairman.

Statement of Senator Charles E. Grassley
Senate Committee on Finance
Hearing on
GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security
November 6, 2007

The purpose of today's hearing is to review two provisions of the Social Security program that affect workers who receive pensions from jobs that are not covered by Social Security. These two provisions – the Government Pension Offset (GPO) enacted in 1977, and the Windfall Elimination Provision (WEP) enacted in 1983 – have been the subject of ongoing controversy for nearly three decades.

Most workers in the United States are covered by Social Security. Those who are not covered are primarily state and local government employees. Although these workers are not covered by Social Security, many of them collect benefits as a result of other employment obtained before, during, or after their government career. Or, they collect Social Security as the spouse or survivor of a covered worker.

Prior to the enactment of the GPO and WEP, workers receiving a pension from non-covered employment were able to collect Social Security without any offset. The lack of an offset created a significant disparity between covered and non-covered workers.

Workers who are covered by Social Security are subject to the dual-entitlement rule which reduces spouse and survivor benefits $1-for-$1 by the amount of their own worker benefit. In addition, the Social Security benefit formula provides proportionally larger benefits to workers with lower wages and fewer years of covered employment.

The GPO and WEP were enacted to provide more equitable treatment between covered and non-covered workers. The GPO reduces spouse and survivor benefits by $0.67 for each $1 of non-covered pension. The WEP reduces the progressive formula based on the number of years in covered employment.

Critics contend these provisions unfairly reduce Social Security benefits for workers with pensions from non-covered employment. But, without these provisions, non-covered workers would receive more favorable treatment than covered workers. Moreover, repealing these provisions would cost $80 billion over the next ten years.

Total repeal of the GPO and WEP is highly unlikely given the resulting disparities and the prohibitive cost. To the extent these provisions could be modified to more fully equalize the treatment of covered and non-covered workers such modifications should be done in a deficit neutral manner. Hopefully, today's hearing will move us in that direction.

Massachusetts Teachers Association

STATEMENT OF

THE MASSACHUSETTS TEACHERS ASSOCIATION

SUBMITTED TO THE

FINANCE COMMITTEE
SUBCOMMITTEE ON SOCIAL SECURITY,
PENSIONS AND FAMILY POLICY

U.S. SENATE

ON

GPO AND WEP: POLICIES AFFECTING PENSIONS
FROM WORK NOT COVERED BY
SOCIAL SECURITY

NOVEMBER 6, 2007

Mr. Chairman and Members of the Subcommittee:

On behalf of the more than 107,000 educators of the Massachusetts Teachers Association, we would like to thank you for the opportunity to offer our comments on the Social Security Fairness Act of 2007 (S. 206). We appreciate your time and your attention to this issue. We also would like to express our gratitude to Senator Kerry for his lengthy history of strong advocacy on behalf of Massachusetts educators.

The MTA and the National Education Association stand in strong opposition to the Government Pension Offset and the Windfall Elimination Provision, both of which have a highly negative impact on the retirement security of people who have dedicated their lives to public service. The MTA and the NEA support the complete repeal of these two unfair and counterproductive provisions, which take away benefits that public employees and their spouses have earned.

Individually and in combination, the GPO and the WEP heavily penalize teachers, higher education faculty and staff and other education professionals, as well as other public employees, in Massachusetts and 14 other states in which public employees are not part of the Social Security system. In fact, they have left many retirees near or in poverty.

The GPO reduces public employees' Social Security spousal or survivor benefits by an amount equal to two-thirds of their public pensions. Estimates indicate that nine out of 10 public employees affected by the GPO lose their entire spousal benefit, even though their deceased spouses paid Social Security taxes for many years.

The WEP affects people who have worked in jobs not covered by Social Security and in jobs in which they earned Social Security benefits. Educators are commonly hurt by this provision because many work in the public schools, where they pay toward a public pension but not toward Social Security, and then work part time or during summers in jobs that are covered by Social Security. The result is that public employee retirees often receive a much smaller benefit.

The WEP also affects people who move from jobs in which they earn Social Security to jobs in which they do not. This has an impact on the recruitment and retention of teachers at a time when both are crucial for public education.

Background of the Problem

The Social Security system was established in 1935 as a retirement program in response to the Great Depression and the shift from a primarily agrarian-based work force to a more industrial one. Congress created this social insurance program to pay workers 65 or older a continuing income after retirement. The system excluded state and local government employees from coverage.

Four years later, in 1939, Social Security was expanded to provide payments to the spouses and minor children of retired workers and survivor benefits to family members in the event of a worker's premature death. This change transformed Social Security into a family-based economic security program.

In the 1960s, state and local government employees were given the opportunity to elect to participate in the Social Security system. Massachusetts and a number of other states chose not to enroll their public-sector employees in Social Security. Instead, these states decided to maintain their existing retirement systems.

During the next decade, Congress amended the Social Security Act to treat state and local public pensions as Social Security benefits. Recipients of such pensions were now covered by the "dual entitlement" rule, prohibiting receipt of earned Social Security benefits and full survivor benefits at the same time. Spousal benefits for those earning state or local public pensions were, therefore, reduced dollar-for-dollar.

In the early 1980s, criticism of the Government Pension Offset's dollar-for-dollar reduction was strong. In response, Congress amended the law in 1983, changing the reduction to a two-thirds offset. The remedial step, however, fell short, and the continuing impact of the GPO is devastating for many retired educators and other public employees.

Congress also enacted the WEP at that time, intending to remove a perceived advantage to people who received pensions both from Social Security employment and from government pension plans, and to protect low-wage earners. Yet instead of protecting low-earning retirees, the WEP has unfairly affected retirees with only slightly higher earnings.

That brings us to 2007 and the current efforts to repeal these offset provisions, a step we consider vital for the retirement security of our members and many thousands of other public employees.

Stories from the Front Lines

The MTA regularly hears from Massachusetts educators who have given their entire careers to teaching, only to learn later that they will suffer financially as a result. The following are a few examples.

Margaret "Peggy" Kane
Retired English Teacher
Medford High School

Peggy Kane taught English at Medford High School for 35 years. Her husband, Dennis, worked as a machinist for General Electric for 26 years – until he lost his battle with cancer at the age of 53.

During his last days of life, Mr. Kane told his wife that he "could rest in peace," knowing that she would be able to supplement her pension by collecting survivor benefits from Social Security. Mr. Kane worked for a total of over 30 years, contributing to Social Security during each pay period. Had Mrs. Kane not been a public employee and limited by the GPO, she would have collected an estimated $1,000 each month after her husband's death. She says it is a relief that her husband never knew that she would be unable to collect a dime of his Social Security benefits.

The benefits would have made a huge difference for Mrs. Kane, who was now forced to pay the same bills – covering the mortgage, utilities, a car loan, clothing, food and tuition for two college-age children – that she previously had shared with her late husband, who was earning an annual salary of $72,000 at the time of his death.

"The more I get involved in this issue, the more I learn just how many women are hurt by these two provisions," Mrs. Kane said of the GPO and the WEP. "People are shocked when they discover at retirement age, when it is too late, that Social Security is not going to be available to them.

"This is an issue of fairness," she added. "My husband worked hard and paid into the Social Security system for many years, yet my family never saw a dollar."

Mark Levine
English Teacher
Littleton Middle School

Mark Levine spent the first 15 years of his adult working life as a waiter and chef. When he was about to become a father, he recalled, he decided that he "needed to do more for society than just feed people." He went to college full time while working 60-hour weeks as a chef and earned a degree with honors. "Now, I do more than feed people. I get to teach Shakespeare and poetry to kids," he said.

Mr. Levine, a teacher now in his 13th year in the classroom, was shocked to learn that because of the GPO and the WEP, he is unlikely to get any of the money he paid into Social Security at past jobs in the service sector. It turns out that if he had chosen to continue working as a cook, he would have qualified for these benefits.

"Since I decided to change careers, I'll get nothing," Mr. Levine said. "The bottom line for me, personally, is that I've paid into the fund. I've done what I was supposed to do. So why am I getting penalized for choosing to teach?"

Paul McLaughlin
Retired Social Studies Teacher
Greater Lowell Technical High School

Had Paul McLaughlin chosen a career other than teaching, he would be receiving $421 a month in Social Security benefits. Instead, the retired social studies teacher is 71 years old and still working part time.

Mr. McLaughlin has always been a hard worker. He drove a cab in high school and worked as a furniture mover to earn money for college. He taught for 31 years and worked part-time jobs throughout to supplement his teaching salary.

Mr. McLaughlin must continue to work to make up for the partial loss of his Social Security benefits. After his retirement in 2001, he was shocked to learn that his monthly Social Security payment would not be the $421 that he had expected. After a deduction for Medicare, his benefit was reduced to $160 because of the Windfall Elimination Provision.

"The WEP has certainly impacted my life," Mr. McLaughlin said. "I'm still driving a car that has over 160,000 miles because my wife and I can't afford to replace it, and I can't think about giving up my part-time job."

Joan Piacquadio
Retired School Nurse
Lee Public Schools

Joan Piacquadio is a 73-year-old widow who worked as a registered nurse in and around her hometown of Lee for a total of over 50 years. For 25 of those years, Mrs. Piacquadio was a public school nurse. She has been hurt financially by both the Government Pension Offset and the Windfall Elimination Provision.

After working at Lee's elementary school, middle school and high school, Mrs. Piacquadio retired at age 64 to care for her seriously ill husband. For two years, they lived on her monthly pension check and about $1,500 a month in Social Security benefits that her husband received after retiring from a 30-year career as a truck driver.

As it turned out, however, Mrs. Piacquadio's retirement from the school nurse's job was not the end of her working life.

When her husband died in 2000, his Social Security checks stopped coming, and Mrs. Piacquadio could not collect survivor benefits, which would have been an estimated $869 per month.

She did receive a much smaller Social Security check each month; after a Medicare deduction, it amounted to $167. Without the WEP, her monthly check would have been about $400. She does not receive the full amount she deserves because years ago, she made the decision to work in public education.

At the age of 66, Mrs. Piacquadio went back to work part time as a nurse. She continued to hold a job for over six years so she wouldn't have to struggle to make it and would have a little extra money. She stopped working earlier this year only because of a health scare that required triple-bypass surgery.

"Ordinary people who don't work in the public sector don't have any idea how public employees are treated," Mrs. Piacquadio said. "We are treated like second-class citizens."

These Provisions Undermine Teacher Recruitment Efforts

The GPO and the WEP have an effect far beyond taking benefits away from individuals. Indeed, their impact ripples through the education profession.

Massachusetts is currently facing the biggest teacher shortage in its history. At the end of this school year, approximately 5,000 teachers are expected to retire. At the same time, there is already a huge demand for people who want to join the education profession and make it a career.

The problems associated with recruitment and retention are showing in a variety of ways. One involves the hiring of teachers who are not yet licensed, a phenomenon that has major implications for the quality of the education received by children in our public schools. Between 2003 and 2006, the number of newly hired Massachusetts teachers without certification grew by 31 percent. The struggle to keep new teachers in the field can be seen in another statistic: Over a three-year period ending in 2006, 29 percent of the new teachers in the state left public education.

Efforts to recruit and retain talented educators in Massachusetts and across the nation, from pre-kindergarten through graduate school, must be a top priority, and it is vital to eliminate barriers such as the GPO and the WEP to make the profession more attractive. Many people with valuable experience give thought to making career changes to enter education. Yet individuals who have worked in other fields are far less likely to want to join the field if doing so will mean the loss of the Social Security benefits they have earned.

Loss of Income Can Mean the Difference Between Poverty and Self-Sufficiency

The repeal of the GPO and the WEP would mean the difference between poverty and self-sufficiency for retired educators, as well as other public employees. Some 300,000 individuals lose an average of $3,600 a year due to the GPO alone – an amount that can make a huge difference for an individual straddling the line between being financially solvent and destitute.

Karen Beauchemin, president of the Dennis-Yarmouth Regional Secretary and Assistants Association, sees the harm inflicted by the GPO and the WEP on a regular basis. She represents 177 secretaries and education support professionals, most of whom earn less than $20,000 a year at their jobs in the public schools.

Many of her members, most of whom are women, work two or three jobs to make ends meet. They are hit from both sides. The GPO prevents many of them from collecting survivor benefits after a spouse dies, and the WEP keeps them from collecting Social Security benefits once they retire from their jobs in the public schools.

"Women are hit the hardest by the Government Pension Offset because they are the ones usually left behind," Mrs. Beauchemin said. "I hear stories of retired teachers, who make more money than my members who are in lesser-paying jobs, going on welfare after their husbands die because they cannot make it on their pension and they cannot collect survivor benefits." Mrs. Beauchemin knows one support staff member who must regularly visit a food bank.

The repeal of the GPO and the WEP would mean the difference between poverty and making ends meet for many public employees who have worked or are working in low-paying jobs.

Conclusion

Across the country, hundreds of thousands of public-sector retirees are not collecting all or part of the Social Security benefits they deserve as a result of the Government Pension Offset and the Windfall Elimination Provision. Clearly, these people -- all of whom have dedicated their lives to public service – are not rejecting Social Security. Rather, they cannot collect benefits because of an imbalance in the system. Now is the time to make changes and protect the retirement security of future generations of teachers, faculty members and other education professionals.

This is essential not only for these individuals but for the sake of our public education system, because the two offsets have an impact far beyond the people whose retirement security they affect. By undermining teacher recruitment and retention, they do significant harm to public education as a whole.

In addition, the offsets' broad geographic implications must be taken into account. Although the GPO and the WEP directly affect educators in a minority of states, they have a nationwide economic and social impact. As people move from state to state, the problems associated with their lack of retirement security travel with them.

The repeal of the offsets would right a significant wrong. People who have dedicated their lives to public service and to our nation's students deserve fairness and a secure retirement.

We thank you for your time, and we urge the committee to mark up the Social Security Protection Act of 2007 and move it swiftly to final passage and enactment.

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 panel of witnesses to discuss issues related to workers not covered by the Social Security system. Approximately, 96 percent of all workers are covered by Social Security. Every state has some public employees not covered by Social Security. The majority of non-covered positions are held by government workers, including federal workers and state and local government employees. Most federal workers hired before 1984 are not covered by Social Security and 29 percent of state and local workers are not covered. Coverage varies greatly from state to state.

There are approximately 6.8 million state and local workers participating in public pension plans not covered by Social Security. Massachusetts has more non-covered workers than most states with 97 percent of state and local workers not covered by Social Security. There are specific provisions of Social Security that impact these non-covered public employees because many of these employees often have a spouse who contributes to Social Security or work in a position covered by Social Security at some point in their career.

The Government Offset Provision and the Windfall Elimination Provision were enacted to reduce the Social Security benefits of those who also receive a government pension from work not covered by Social Security. The Government Offset Provision reduces spousal benefits of those who receive a government pension. This provision was enacted to mirror the dual-entitlement rule of Social Security which was designed to reduce the Social Security spousal benefit of those who are not financially dependent on their spouse because they receive their own benefit. The Windfall Elimination Provision was enacted to remove an unintended advantage of the Social Security benefit formula for those who also receive a government pension.

We will start our hearing today with testimony from Senator Susan Collins who with Senator Feinstein has taken the lead on legislation to repeal these two provisions. I am a cosponsor of this legislation, S. 206, the Social Security Fairness Act of 2007.

We will then proceed to a panel of witness that will discuss these provisions. The panel will start with Margaret "Peggy" Kane. Peggy is a retired teacher from Medford, Massachusetts. She taught English for thirty-five years at Medford High School. She will tell us how the Government Pension Offset has impacted her retirement. Peggy's experience is similar to the experience of many other public retirees in Massachusetts. These provisions not only affect teachers, they also affect police, firefighters, and officials and employees of state and local governments.

In addition, they impact postal workers. The former Postmaster of Framingham, Massachusetts is not able to receive a Social Security survivor benefit because she receives a retirement benefit 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 and she is his primary caretaker and her spousal benefits are reduced by the Government Pension Offset provision. She is just one of the many 1.6million 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. There are many groups such as the Service Employees International Union which have members impacted by these provisions. I encourage those that have views on this issue to submit testimony for the hearing record.

Today's hearing will provide us with the opportunity to learn if these provisions have served their purpose or are they as Ways and Chairman Charlie Rangel referred to them "blunt instruments" which impact hard working public servants. I happen to agree with Chairman Rangel that these provisions often leave individuals with less of a benefit that they counted on for their retirement and created inequities.

I look forward to hearing from the witnesses to learn how these provisions impact the retirement of our public employees who are not covered by the Social Security and the solutions to address these inequities of these provisions, including the costs of possible solutions.

TESTIMONY

of

Priya Sara Mathur

Elected Member, Board of Administration
California Public Employees' Retirement System (CalPERS)

and

Member of Local 3993 of the
American Federation of State, County and Municipal Employees
(AFSCME)

before the

Subcommittee on Social Security, Pensions and Family Policy

Committee on Finance

U.S. Senate

on

GPO and WEP: Policies Affecting Pensions

from Work Not Covered by Social Security

November 6, 2007

Statement of Priya Sara Mathur
Elected Member, Board of Administration
California Public Employees' Retirement System (CalPERS) and
Member of Local 3993 of the
American Federation of State, County and Municipal Employees (AFSCME)
Before the Subcommittee on Social Security, Pensions and Family Policy
Committee on Finance, U.S. Senate on
GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security
November 6, 2007

Good afternoon, Mr. Chairman, Senator Ensign and members of the Subcommittee. I am Priya Mathur, an elected member of the Board of Administration of the California Public Employees' Retirement System (CalPERS) and a member of the American Federation of State, County and Municipal Employees (AFSCME), Local 3993 in Oakland, California. I appreciate the opportunity to be here today to testify on behalf of CalPERS and AFSCME on the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP): two policies affecting pensions from work not covered by Social Security.

As background, CalPERS is the largest public pension system in the nation, managing pension and health benefits for approximately 1.5 million California public employees, retirees, and their families. As of June 30, 2007, we provided benefits to 1,086,900 active and inactive workers and 455,208 retirees. CalPERS membership is divided approximately in thirds among current and retired employees of the state, schools, and participating California public agencies, including cities, counties and special districts.

AFSCME is the largest union for workers in the public service with 1.6 million working and retiree members nationwide. AFSCME represents a diverse group of employees who work for federal, state, and local governments, health care institutions and non-profit agencies.

Since the subject of today's hearing is relevant to those CalPERS members who are not covered by Social Security, it is important to note that approximately 36 percent of CalPERS active members are not covered by Social Security. Coverage levels for miscellaneous members vary among the state, schools and public agency member groups. Approximately two-thirds of state miscellaneous employees are covered by Social Security, as are nearly all school miscellaneous employees. However, less than half of public agency miscellaneous employees are covered. Perhaps more notable is the fact that very few safety members – predominately our police officers, firefighters and correctional officers – are currently covered by Social Security. No state and school safety members are covered and only 8.5 percent of public agency safety members are covered. Attached to my testimony is a chart showing the exact breakdown of the number of covered and non-covered active CalPERS members.

CalPERS and AFSCME are strong supporters of the Social Security system and are troubled that the benefits of many of our members are unfairly reduced through the arbitrary application of two laws, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

Government Pension Offset

Let me start by sharing our views and experiences with the GPO, a federal law that has had a devastating effect on many Americans. The GPO applies to nearly everyone receiving a public pension from work not covered by Social Security. If the public pensioner is also eligible for a Social Security spouse or widow's benefit, this law requires that the benefit be offset – or reduced – by an amount equal to two-thirds of the public pension.

Over 400,000 retired federal, state and local government employees have already been affected by the GPO. For the great majority, the GPO completely eliminates the Social Security spousal benefit. The remainder experience a dramatic benefit reduction. Thousands more will be affected in the future.

The GPO disproportionately impacts low-wage workers, particularly women. AFSCME and CalPERS often hear panicked concerns about the GPO from our retirees. Most come from retirees with modest pensions, particularly those retired from relatively low paying occupations, such as school custodians, nurses' aides and clerical workers. Many of these employees retire after a full-length career, but may have worked only a 30-hour week. Others may have had less than a full career – say 15 or 20 years following child rearing or divorce. Most of those adversely affected are women who began their careers expecting to retire with both a public pension and a Social Security spousal benefit. It's a frightful shock when they realize that they will not receive a much needed portion of their expected retirement income.

According to current law, retirees cannot receive a Social Security benefit based on their own work record and also receive a full spouse or widow's benefit. Rather, they can only collect the larger of the two. This is commonly referred to as the "dual entitlement" rule. For the purpose of the GPO, Congress made a determination in 1983 to arbitrarily equate two-thirds of a public pension (earned from work not covered by Social Security) with a Social Security earned benefit. The GPO essentially applies the dual entitlement rule to this portion of the pension and equates the remaining one-third portion of the public pension to a private pension benefit.

Our experience shows that this formula is capricious and the reasoning behind it faulty because it ignores the generally large contributions made to public pensions by both employers and their employees. In jurisdictions that don't participate in Social Security, the average total contribution to a public pension can amount to 21 percent of pay or more, compared to a much lower total of only 12.4 percent under Social Security. This disparity is important because, unlike *private* pensioners whose pension plans are generally financed solely by employers, public pensioners typically put in more than half of the total pension contribution. Most private pensioners only pay into Social Security, yet they can receive a full pension AND a full Social Security benefit, with no offset of any kind. In effect, public pensioners are penalized for their contribution to their own retirement.

But this is only one example of unfair and unequal treatment under the GPO. Consider taxes. A public retiree's entire pension is subject to federal income tax – including the part that is deemed equivalent to Social Security. Most Social Security benefits, however, are tax-free. So, the public retiree is effectively hit twice – once with taxes and again with the GPO. It's simply not right.

When the GPO was first enacted, Congress thought many public retirees were getting multiple government pensions, leading to higher incomes in retirement than they had while working. The truth is – very few AFSCME or CalPERS retirees fit this description. I'd like to share some typical examples with you -- Annette Williams, an AFSCME retiree member and a pensioner in the Los Angeles City Employees Retirement System and Mary Ferreira, a retired City of Fremont employee who receives a CalPERS pension. I doubt you would confuse them with the legendary "double and triple dippers."

Annette retired in 2003 from her job as a clerical worker employed by the City of Los Angeles. She'd never heard of the GPO and thought she'd be able to collect a Social Security widow's benefit based on the work record of her deceased husband. But she had a rude awakening. She found out that applying the GPO's two-thirds offset to her $1,300 pension would completely eliminate her Social Security widow's benefit of $812 a month.

The reduction was hard for her to understand. She knew that, as a city employee, she'd contributed the same percent of earnings into her pension as a private-sector worker contributes to Social Security. She knew that most private sector workers contribute nothing to their pension funds, which are financed by employers. And she knew that her own employer had made a substantial contribution to her pension – putting in as much as 16 and a half percent of payroll in any given year. She also knew that if she'd never worked a day, she'd be entitled to a full widow's benefit from Social Security. It seemed so unfair.

Mary Ferreira is another example of someone who feels she has been treated unfairly under the GPO. When her husband died she expected to receive half of his $805 monthly Social Security benefit. Instead, her CalPERS pension of $1,378.00 a month completely eliminated her Social Security widow's benefit.

But the financial situation worsened for both women. They learned that they would not only lose their widows' benefits under GPO, but would also come under a second Social Security offset known as the Windfall Elimination Provision.

Windfall Elimination Provision

Like the GPO, the WEP also affects individuals receiving public pensions from work not covered by Social Security. When the public pensioner also worked in a Social Security-covered job for at least a decade, the WEP creates a public pension offset that can greatly reduce that person's earned Social Security benefit. The maximum reduction in 2007 is $340.00 a month. Over 700,000 retired federal, state and local government employees are currently affected by the WEP. That number grows by about 60,000 retirees each year.

Under the WEP, part of a retiree's public pension (from non-covered employment) is considered equivalent to a Social Security benefit. And, Social Security won't let retirees collect two full benefits. So, instead of Social Security's normal benefit formula, WEP retirees' benefits are calculated using a modified formula.

Theoretically, the WEP was created by Congress as a way to distinguish between low-wage workers and those who only *appear* to have had low-wage careers. The second category comprises workers who qualify for good pensions from *primary jobs* in the public sector that pay them well but do not cover them under Social Security; these workers also have *secondary jobs* in the private sector, at low-wages or short hours, but with Social Security coverage. The problem comes when the Social Security benefit formula is applied to their covered earnings, which makes them appear to be low-wage earners. That matters in figuring benefits because Social Security's benefit formula is weighted in favor of those who had low earnings throughout their work lives.

Congressional supporters of WEP believe that public employees with secondary jobs are getting an unfair advantage from the weighted Social Security benefit formula, which was designed to give low-wage workers a decent income upon retirement. But this is a faulty assumption. In reality, the Social Security Administration (SSA) does not determine what a public employee has earned in *total* wages. So, SSA does not know whether these workers are actually high earners or low earners, but treats them all as high earners. Nevertheless, SSA indiscriminately treats all workers receiving both a public pension and Social Security benefits as high earners. The WEP creates a totally arbitrary penalty that's especially unfair because these workers pay the same percentage in payroll contributions on their Social Security-covered earnings as all others. Why should they be penalized by this unfair statutory provision?

Annette Williams worked in a grocery store for several years before she joined the City of L.A. She paid into Social Security all those years, but lost much of her earned benefit due to the WEP. So she experienced a double whammy. Her own Social Security benefit was reduced by the WEP and her survivor benefit was eliminated by the GPO.

Before I close, I'd like to make one more important point. In the opinion of AFSCME and CalPERS, the problems with the GPO and WEP in no way justify consideration of mandatory Social Security coverage in the public sector.

When Social Security was established in 1935, states, cities, counties and other public entities were excluded from participation, and today, approximately 6.6 million state and local government employees do not participate in the Social Security system. These workers are currently covered under public pension plans that were designed to replace Social Security's basic retirement and disability protections as well as provide a basic pension benefit. And, a recent report by the U. S. Government Accountability Office to your full Committee documents that the vast majority of these plans are well funded and actuarially sound.

Furthermore, the Omnibus Budget Reconciliation Act (OBRA) of 1990 has already ensured that any temporary, part-time or seasonal employee not covered by one of these public plans be included in Social Security. As a result, basic pension protections are in place for all American workers – in both the private *and* public sectors. So, there is no need to mandate Social Security coverage in an effort to protect workers' interests.

On the contrary, mandated Social Security coverage would have serious negative implications for public employees, their employers, and their pension plans, and this is true even if the coverage applies only to future hires. Among the adverse consequences are the huge expenses that would be involved for workers and employers whose combined current pension plan contributions total, in many cases, 21 to 23 percent of payroll.

Also attached to my testimony is another table which provides estimated additional costs for non-covered CalPERS members. The table shows the overwhelming cost of mandating Social Security coverage and that approximately 30 percent of the CalPERS cost impact would accrue to the State members and employer; 67 percent would accrue to the local government agency members and employers, and approximately two and a half percent to school members and employers.

We are also concerned about the possible establishment of new tiers of pension benefits, with lower benefits for the newly hired. This would destabilize pension plan finances for current participants and could lead to new taxes or cuts in public services in order to maintain plan solvency. Raising taxes or cutting services would, of course, also negatively impact the general public in a major way. While mandatory coverage creates much hardship, it would do little to help shore up the Social Security Trust Fund for the long-term. Mandated coverage adds only two years to the solvency of the trust fund, and in the long run, it could actually cost the system more, as new participants become eligible for Social Security benefits.

Any short-term financial gains for Social Security must be weighed against the effect it would have on the retirement security of others. AFSCME, in conjunction with the Coalition to Preserve Retirement Security (CPRS) – a national coalition of which CalPERS is a founding member – has studied this issue very carefully. We even commissioned a report by the Segal Company, an actuarial consulting firm, which outlines the costs and other problems associated with mandatory Social Security coverage for *all* public employees. The Segal Company report is attached to my testimony.

Conclusion

Simply stated, mandatory coverage would negatively affect the financing of many state and local government pension plans and would adversely affect the retirement security of hundreds of thousands of public sector workers.

Reforming the GPO and WEP makes far more sense. Because we think the GPO and WEP unfairly penalize average public sector retirees, both AFSCME and CalPERS strongly support S. 206, the bill sponsored by Senators Feinstein and Collins, to repeal both the GPO and WEP. We look forward to working with the Committee to finally rectify the arbitrary and unwarranted penalties to retired public sector workers.

Thank you again for the opportunity to appear here today.

CalPERS Active Employee Social Security Coverage
June 30, 2007

	Miscellaneous		Safety		Total	
Total Actives						
State	174,432	24.93%	72,855	59.32%	247,287	30.06%
Schools	311,189	44.47%	546	0.44%	311,735	37.90%
Public Agency	214,185	30.61%	49,417	40.24%	263,602	32.04%
Total	699,806	100.00%	122,818	100.00%	822,624	100.00%
Covered						
State	117,655	67.45%	0	0.00%	117,655	47.58%
Schools	300,401	96.53%	0	0.00%	300,401	96.36%
Public Agency	100,990	47.15%	4,205	8.51%	105,195	39.91%
Total	519,046	74.17%	4,205	3.42%	523,251	63.61%
Non-Covered						
State	56,777	32.55%	72,855	100.00%	129,632	52.42%
Schools	10,788	3.47%	546	100.00%	11,334	3.64%
Public Agency	113,195	52.85%	45,212	91.49%	158,407	60.09%
Total	180,760	25.83%	118,613	96.58%	299,373	36.39%

Estimated Additional Cost of Mandatory Social Security

	Employer Share	Employee Share	Total Cost
State			
Miscellaneous	$1,253,650	$1,253,650	$2,507,299
Safety	$286,009,926	$286,009,926	$572,019,853
Total	$287,263,576	$287,263,576	$574,527,153
Schools	$23,332,621	$23,332,621	$46,665,242
Public Agency			
Miscellaneous	$400,373,727	$400,373,727	$800,747,454
Safety	$236,450,765	$236,450,765	$472,901,530
Total	$636,824,492	$636,824,492	$1,273,648,984
Grand Total	$947,420,689	$947,420,689	**$1,894,841,378**

Senator Olympia J. Snowe
Finance Subcommittee on Social Security, Pensions, and Family Policy
GPO and WEP: Policies Affecting Pensions
From Work Not Covered by Social Security
November 6, 2007

I would like to applaud Chairman Kerry for holding this hearing today to examine Social Security's government pension offset (GPO) and windfall elimination provision (WEP) that seek to unfairly reduce benefits of too many of America's dedicated public servants – federal, state, and local government workers; teachers; police; and fire fighters. In addition, I want to thank our distinguished panel of witnesses for testifying, and in particular, my colleague, Senator Collins for her leadership in trying to repeal the GPO and WEP. I look forward to hearing the views of all the witnesses here today as to how we can reform these two provisions.

Because too many retirees do not focus on the impact of the GPO and WEP until it is too late for them to adjust their retirement plans, I want to take just a moment to explain how they operate and why they are so pernicious.

The GPO applies to individuals who qualify for both a government pension based on non-Social Security work and a Social Security spousal benefit. It reduces a Social Security spousal benefit by two-thirds of an individual's government pension in an attempt to replicate the so-called "dual-entitlement" rule that reduces a Social Security spousal benefit in the case in which both a husband and a wife had qualified for their own Social Security benefits.

Despite the intent of the GPO rule, it remains decidedly unfair. For one thing, nobody has ever been able to explain why the GPO reduces spousal benefits by two thirds. This rule is truly an imprecise way to estimate what a spousal benefit would have been had a government job been covered by Social Security. Moreover, as I mentioned, most people do not even understand how this provision works or how it will impact their retirement. I cannot tell you how many teachers, firefighters, and other state and local government workers have told me they retired counting on receiving a full Social Security spousal benefit only to find it would be sharply reduced. Unfortunately, in too many cases the GPO has reduced spousal Social Security benefits by hundreds of dollars, leaving many retired couples either in, or at the brink of, poverty. Indeed, according to the Social Security Administration, in my home state of Maine, this provision in December 2005 acted to dim the retirements of 4,209 hard-working retirees. Nationwide, 431,373 individuals were affected. The GPO provision truly harms low-income retirees, and Congress must see that it is repealed.

Meanwhile, the WEP reduces Social Security benefits of workers who have earned both Social Security benefits, as well as a pension from employment not covered by Social Security. Its purpose is to remove a perceived advantage these workers would otherwise receive because of Social Security's benefit formula that favors workers with smaller amounts of Social Security-covered career earnings.

Like the GPO, the WEP can cut benefits so substantially that lower-income workers, in particular those who had careers evenly spilt between a Social Security-covered job and a non-Social Security-covered position, receive substantially reduced benefits. Many of these retirees, unfortunately, have no idea that they will be whipsawed until they submit their retirement paperwork. As of December 2005, there were 7,962 beneficiaries in Maine affected by the WEP provision. Nationwide, 971,300 were impacted by the WEP as of December 2006. Clearly, these individuals deserve better.

As regrettable as the GPO and WEP provisions are, Congress can act to ensure that they no longer unfairly reduce retirees' pension and Social Security benefits, which they have legitimately earned and should rightfully be allowed to collect. In order to address this matter, I, as I did in the 108th and 109th Congresses, signed on as an original cosponsor to S. 206, the *Social Security Fairness Act of 2007,* introduced by Senator Feinstein, to repeal both the GPO and WEP provisions. Significantly, since S. 206 was introduced in January, 33 of our colleagues have cosponsored this legislation. So, I sense that momentum is building to help increase the retirement security of retirees and their spouses, and I sincerely hope that we can move this legislation forward in the near future.

In closing, the federal government made a solemn commitment to the American people when it established the Social Security system, and Congress has a time-honored duty to honor and uphold that obligation. To that end, protecting retirees and preserving the strength and integrity of the Social Security system have long been one of my top priorities. I strongly believe that Congress must repeal the GPO and WEP provisions to maintain our obligation to retirees in both Maine and the nation.

Thank you, Mr. Chairman.

Statement of Lawrence H. Thompson
Senior Fellow, The Urban Institute

Before the Senate Committee on Finance,
Subcommittee on Social Security, Pensions and Family Policy

At a Hearing on "GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security"
November 6, 2007

Mr. Chairman and members of the subcommittee:

I am pleased to have the opportunity to discuss with you the public policy problems arising because certain employers do not currently participate in the Social Security program.[1] I will discuss the nature and scope of these problems, the approaches Congress has taken previously to deal with similar problems arising in other contexts and the suggestions that have been made to deal with the current issues.

Social Security covers some 96 percent of the American workforce. By far, the largest block of workers not covered are certain employees of state and local governments whose employers have decided to not participate in the program. There are some five million of these workers and they constitute some 30 percent of all of the employees of state and local governments. The other 70 percent of state and local employees participate in social security on the same basis as do all other workers covered by the program. All state and local employees participate in the Medicare program.[2]

The 30 percent that are not covered by Social Security are not a random set of all state and local employees. Three-quarters of them are from one of seven states -- California, Colorado, Illinois, Louisiana, Massachusetts, Ohio and Texas. In addition, they are more likely to be police, firefighters or teachers.

All of the state and local employees not covered by Social Security are instead covered by a pension plan operated by their state or local government. These pension plans tend to be more generous than Social security in some respects and less generous than Social Security in other respects. One way in which they are more generous is that they tend to offer higher benefits than Social Security would pay, at least at the time the

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[1] The views expressed are my own and not necessarily those of the Urban Institute or its officers or funders. I follow the common practice of using "Social Security" to refer to the Old-Age, Survivors' and Disability Insurance program.

2 Coverage figures are from a 1998 GAO report entitled **Social Security**: Implications of Extending Mandatory Coverage to State and Local Employees HEHS-98-196 August 18, 1998.

individual retires. In part, these more generous benefits reflect the fact that the single pension plan operating by a non-covered employer must take the place of two pension plans that are available to similar employees who are covered by Social Security, namely Social Security itself and a supplemental pension plan that most covered state and local governments provide their employees.

A second way in which non-covered pensions are typically more generous involves the age at which benefits are first payable. Plans covering police and fire inevitably allow retirement prior to 62, Social Security's earliest retirement age, frequently after only 20 or 25 years of service. Other state and local plans commonly allow retirement as early as age 55 for employees with long service.

One area in which Social Security is more generous involves adjustments for inflation after retirement. State and local plans (whether or not the employer participates in Social Security) are far more likely to have some form of inflation adjustment than are private sector defined benefit pensions, but it is common for them to cap annual adjustments at two or three percentage points. Social Security adjustments are not capped. As a result of this difference, the gap between the actual retirement benefit from the non-covered employer and the social security benefit that its employees would otherwise have received can grow narrower the longer the individual is retired.

A second area where Social Security is often more generous involves benefits to workers (and/or their families) who die or become totally disabled before reaching retirement age and as a result of factors unrelated to their employment. The gap is likely to be particularly large for relatively young workers. One calculation prepared at the time that social security coverage for federal civilian employees was being debated found that monthly Social Security survivor and disability benefits for a 31 year old worker would be about twice as high as the survivor and disability benefits paid under the Civil Service Retirement System.[3]

The fact that several million state and local employees remain outside of the Social Security program produces several kinds of public policy problems. They arise, in part, because the Social Security program has been designed to redistribute from those with higher lifetime average earnings to those with lower lifetime average earnings and from single individuals to families. Higher wage employees in non-covered employment do not share in the burden of financing the redistribution to lower wage earners. It's as if we decided to exempt 5 percent of the population from paying the progressive income tax and subjected them, instead, to a flat tax with one marginal rate. Of those who found themselves under the flat tax, higher wage workers would win while lower wage workers may well lose.

Another set of policy problems arises because many people who work in non-covered employment for a large part of their careers also have spells where they work in employment this is covered by Social Security and/or have spouses that work under Social Security. In the late 1990s, the Social Security Administration (SSA) estimated

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[3] Report of the 1979 Advisory Council on Social Security, p . 148.

that between 50 and 60 percent of those working in non-covered employment would have enough coverage from other jobs (held before, after or simultaneously) to qualify for Social Security retired worker benefits by the time they reach age 62 and most of the rest would become eligible to receive Social Security survivor or dependent benefits on the basis of a spouse's earnings record.[4]

The Government Pension Offset and Windfall Elimination Provision are designed to prevent persons receiving pensions from non-covered employment from being treated as if they had lower pension income or lower pre-retirement earnings than was actually the case. They attempt to prevent these persons from benefiting from Social Security's redistributive features to a degree that similar colleagues whose work was covered by Social Security would not benefit. Each, however, is an imperfect instrument and the result is, at best, rough justice.

A third set of policy problems involves gaps in benefit protection for workers that move into and out of non-covered employment. Workers who either die or become disabled before reaching retirement age are particularly vulnerable to coverage gaps produced by such job changes. Job changers can also experience benefit loss if their work under one of the two systems turns out to be of insufficient tenure to qualify them for a benefit.

Under Social Security, the family of a worker dying before reaching retirement age is not eligible for survivor benefits unless the worker was either "fully" or "currently" insured. The former requires a quarter of coverage for each year elapsing since the worker turned 21 and the latter requires at least 6 quarters in the last three years. People who work for 20 years in non-covered employment and decide to change to jobs covered under Social Security would likely lose any pre-retirement survivor protection from their former employer as soon as they left that job but would not qualify for protection under Social Security until they had worked at least a year-and-a-half for their new employer. Even then, their Social Security benefits would be quite low because their lifetime Social Security average earnings would be so low. The impact of job changes on disability protection is even more significant, since disability benefits are available only to people who are both "fully" insured and (except to the blind) "disability" insured. The latter generally requires Social Security earnings credits in five of the previous ten years. Mid-career job changers are likely to loose their disability insurance protection for five or more years after their job change.

These various policy problems can only be addressed adequately by either bringing those employees that are not now under Social Security into the program or by creating a system for exchanging credits between Social Security and the non-covered employers that allows two separate plans to provide coordinated benefit protection. History provides an example of the use of each approach in resolving similar problems with respect to employees in other sectors.

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[4] GAO, 1998.

Congress used the former strategy to eliminate coordination problems arising with respect to federal civilian employees. Prior to 1983, most federal civilian employees were not covered by Social Security, giving rise to all of the same sort of problems as have been noted here with respect to non-covered state and local employees. In 1983, the Congress decided that civilian employees hired after that year would be covered by Social Security and that they would also participate in a redesigned supplemental pension program. The new pension program, a combination of the Federal Employees Retirement System (FERS) and the Federal Thrift Savings Plan (TSP), provided generally lower benefits than had been provided under the previous regime, largely to reflect the fact that they were to be a supplement to -- rather than a replacement for -- Social Security. By 2015 or 2020, virtually the entire federal workforce will be covered by Social Security.

Congress used the other strategy to eliminate similar coordination problems arising with respect to railroad employees. As with the Civil Service Retirement System, the Railroad Retirement System was established before Social Security was created and, as a consequence, railroad employees have never been covered by Social Security. Coordination problems of the type described here were eliminated in 1973, however, when the Congress restructured the railroad retirement package and improved the coordination between the railroad system and Social Security. The Railroad Retirement benefit is now divided into two tiers. Tier I essentially duplicates the Social Security benefit, while Tier II is a supplemental pension that plays the same role for railroad workers as employer-provided pension plans play for private sector workers and FERS/TSP plays for federal employees. Tier I is financed in exactly the same way as Social Security is financed and Tier II is financed entirely from employer contributions. At the time of their retirement (or death or disability), those who have worked under both Social Security and Railroad Retirement have their credits under the two programs combined. The combined credits are used to determine whether workers are eligible for benefits and, if eligible, for calculating the amount to which they are entitled. The cost of paying the benefits is split between the two systems roughly in proportion to the amount of the earnings credits coming from each of the two systems.

Recent discussions of changing the coverage rules under Social Security seem always to assume the use of the first of these two strategies. Specifically, a number of people who have offered specific plans for closing Social Security's long run financing gap include as one part of their plan the extension of coverage to all newly hired employees of those state and local employers that do not now participate in Social Security. Such a provision has a positive impact on Social Security finances since the newly covered workers (and their employers) pay Social Security contributions as soon as they start working but do not begin to draw benefits until (for the most part) many years later. Averaged over the next 75 years, the SSA has estimated that this change would reduce the long-run deficit by 0.22 percent of payroll, or about 11 percent of the total projected deficit. The positive impact is, however, temporary. By the end of the projection period, there is very little net benefit to Social Security as the additional annual benefit payments have risen to almost the same level as the additional annual contribution income.[5]

From the explanation given by most of those advocating such a change, one gets the impression that these proposals are motivated more by the desire to improve the financial condition of Social Security than to improve the coordination of benefits between Social Security and the currently non-covered employers. I believe that this is unfortunate. Opponents can criticize such proposals as simply a blatant attempt to improve the financial status of Social Security at the expense of the financial well being of affected state and local governments, obscuring the very real issues that non-covered employment raises for both covered and non-covered workers.

Opponents of extending coverage often note the size of the additional Social Security contributions that would have to be paid and imply that this is a new net cost that would have to be borne by the governmental unit's taxpayers. More thorough analyses of the probable impact on those units not now covered suggest that this is, almost literally, a half-truth. If the governmental units impacted by the change adjusted their benefit package so that new hires would get as much from the combination of Social Security and a supplemental pension as they would have received from the non-covered pension alone (including similar benefits for those retiring before age 62), the new package would increase total pension costs by some 6 to 7 percent of payroll, essentially half of the amount that the entities would be paying in newly imposed Social Security contributions.[6]

The fiscal impact on the newly covered governmental units is the net of several offsetting factors. Although these employers must start making payments to Social Security, they can also reduce their contributions to their own pension plans, since their plans' future benefit liabilities can be reduced by the amount that Social Security will be paying to the newly covered workers. In a simple world, a world in which Social Security's benefits were structured in the same way that the non-covered pensions were structured and in which the non-covered employer's pension plan was fully funded, the transactions would wash. The reduction in future pension liabilities would exactly offset the increased payments to Social Security leaving the financial position of the governmental entity unchanged.

You'll not be surprised to learn, however, that we don't live in a simple world. At least three factors have the effect of increasing the total cost borne by newly covered governmental units. First, many of them have unfunded liabilities in their current pension plans, so that the reduction is future liabilities is not quite enough to offset the revenue being diverted to the Social Security program. In effect, they needed a portion of those current contributions to help cover the cost of prior benefit promises.

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[5] These estimates are based on the 2005 Trustees' Report assumptions and are available on the Social Security web site (on November 1, 2007: http://www.ssa.gov/OACT/solvency/provisions/index.html)

[6] GAO, 1998

Second, apparently state and local government earnings are, on average, higher than the earnings in the rest of the economy.[7] This means that, if they are required to participate with the rest of the country in the redistribution built into the Social Security program, they will be net losers. (Shifting them from their flat tax to the progressive tax paid by everybody else will cause their tax liability to rise, at least on average.)

Finally, remember that the Social Security package is superior in some respects to the packages now offered these state and local governmental employees. If the combination of their new, supplemental pension plan and their Social Security coverage matches all of the benefits that they would have received previously, the additional features from Social Security will result in a package that is both more valuable to the employees and more expensive to their employers. Apparently, taken together these three factors offset about half of the amount saved from the reduced future pension payments.

My own view is that the better approach to improving coordination between Social Security and those governmental units not now covered by the program is through an exchange of credits approach. Under this approach, those state and local employees not now covered by social security would, in the future, be entitled to a social security benefit. As is currently the case with railroad workers, that benefit would be based on all earnings, both those from their currently uncovered employer and those from other employers that do participate in Social Security. The benefit could be paid either through the Social Security Administration or through their employer's pension organization. Its cost would be shared by their employer and SSA in proportion to the indexed earnings recorded under the respective programs.

Those employers not currently participating in Social Security could decide how they wanted to adjust to this new regime. They may want to take the opportunity to restructure their pension and convert it to a purely supplemental pension. Or, they may decide simply to deduct the amount being paid as a Social Security benefit (or, alternatively, that portion attributable to earnings from employment with them) from what they would otherwise have paid, guaranteeing that their employees would be no worse off. The change could be applied only to new hires, or (depending on how the current pension plan is adjusted) it could be applied to those currently working for the affected state and local government units, to the extent that sufficient earnings records exist to implement the plan.

A reform such as this would allow us eventually to get rid of both the Government Pension Offset and the Windfall Elimination Provision and of the errors introduced by the roughness of the justice each introduces. At the same time, it must be

[7] The average worker covered by Social Security earned about $38,600 in 2006. Although few people will get rich working for state and local governments, a majority will earn more than that amount. The SSA estimate of the impact of extending coverage was that in 2080 new contribution income would be ever-so-slightly above additional benefit payments. At the same time, the 2007 Trustees' Report estimates that the contribution income from the rest of the population will cover only about 70 percent of the cost of benefit payments in 2080.

acknowledged that the reform would not be costless to affected state and local governments (and/or their employees).

The reform I suggest has the advantage of assuring that additional costs imposed on state and local governments are not merely – or do not appear to be merely – changes motivated by a desire to improve the finances of the Social Security program. In fact, they will do very little to improve that program's finances. Rather, the additional costs would be, in part, the cost of improving the benefit protection afforded their own employees in those areas where Social Security is now superior. They would also be the costs associated with participating fully in the system for assuring a more adequate retirement income to those who labored most of their lives at low wages.

I think that this last factor is a fair burden for us to ask all of the currently non-covered employers to bear. In the end, we're all in this together.

Responses to Questions for the Record From Lawrence Thompson
Finance Subcommittee on Social Security, Pensions, and Family Policy
GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security
November 6, 2007

From Senator Snowe:

Question 1 – General Question on Mitigating GPO and WEP

While I believe the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) should be repealed, I recognize that doing so would be extremely expensive. The Social Security Administration estimates that elimination of the GPO would increase benefit payments by $41.7 billion over 10 years. Meanwhile, full repeal of the WEP would increase benefit payments by $40.1 billion over 10 years.

Given that repealing the GPO and WEP provisions would increase benefit payments by upwards of $80 billion, how else could the pernicious impact of these provisions be mitigated in a way that stops short of full repeal but, at the same time, protects lower- and moderate-income retirees?

Question 2 – Expanding Social Security Coverage to Mitigate the GPO and WEP Problem

My understanding is that Social Security covers about 96 percent of all workers, leaving the remainder potentially subject to the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). Generally, speaking those working in non-Social Security-covered provisions are held by federal, state, and local government workers, such as teachers, police, and fire fighters. Many state employees are not covered by Social Security since the states for which they work have not entered into a so-called Section 218 agreement with the Federal government. Instead, they receive pensions from state programs.

One way to mitigate the GPO and WEP problem for future workers would be to simply require that all workers nationwide hired after a certain date work in Social Security-covered positions. Would it be realistic to help solve the GPO and WEP problem by simply mandating that all future employees be covered by Social Security, while repealing the GPO and WEP for current workers and retirees? Or would states and localities resist in part because they would suddenly have to pay payroll taxes on their employees' wages?

Question 3 – Magnitude of the GPO-WEP Problem

According to statistics given to me by the Social Security Administration's Office of Research, Evaluation, and Statistics, in December 2005, the Government Pension Offset

(GPO) affected 431,373 individuals nationwide. At that time, the Windfall Elimination Provision (WEP) also acted to reduce benefits paid to 902,794. Meanwhile, according to the Congressional Research Service (CRS), in December 2003, the GPO impacted 390,431 retirees. CRS also reports that the WEP affected 635,000 Social Security recipients in December 2002.

The data seem to suggest that the GPO and WEP have grown to impact an increasing number of retirees. Do you have any sense as to whether we can expect that these two provisions will continue to ensnare more and more retirees in coming years, especially as the Baby Boom generation begins to draw benefits?

Question 4 – Impact of the GPO Provision on Lower-Income Workers

In recent years, many state and local government employees have come to my office to tell me stories about how the Government Pension Offset (GPO) have left them with a smaller Social Security benefit than the one they were anticipating. Often the reduction is so large that couples who had thought they were entering into a comfortable retirement found themselves struggling to make ends meet. While the original impetus behind the GPO provision was to prevent higher-paid workers from receiving windfall benefits, the law has not worked as intended judging by constituents who have asked that it be repealed or reformed. Indeed, in my home state of Maine, this provision impacted 4,209 retirees in December 2005 according to the Social Security Administration.

Do you have any data that shows the types of retirees who are impacted by the GPO? Put another way, is there any information about how many of the retirees who are impacted by the GPO are lower- and middle-class? Moreover, I would be interested in any data about the average benefit cut such retirees see as a result of the GPO.

Question 5 – Impact of the WEP Provision on Lower-Income Workers

Many supporters of the present-law Windfall Elimination Provision (WEP) contend that it is a reasonable means to prevent payment of overgenerous and unintended benefits to certain workers. Moreover, these analysts claim that the provision rarely causes hardship, as affected individuals also collect a government pension. Unfortunately, I have trouble accepting these arguments. I have had one too many retirees come into my office to tell me that the WEP has significantly curtailed their overall retirement benefits. Teachers, firefighters, postal workers, and others, who at one point had a Social Security-covered position, have all told me that they had been counting on a higher Social Security benefit only to see the WEP unfairly take it away. According to the Social Security Administration, as of December 2005, the WEP provision impacted 7,962 individuals in my home state of Maine.

Are you aware of any data regarding who the WEP targets? I am particularly concerned that by reducing the first portion of the Social Security benefit formula to 40 percent, from 90 percent, the WEP is regressive and disproportionately impacts lower-paid workers. Accordingly, I am wondering if there is any information as to whether the current-law WEP has a greater impact on lower-paid workers than other workers?

Responses – The current offset/windfall calculations are an imperfect attempt to reproduce for those with non-covered pensions the same result that the dual entitlement rules and progressive benefit formula produce for covered workers. The best way to improve these calculations is to make them a more accurate reflection of what would have happened had all of the individual's earnings been covered by Social Security.

In my view, the ideal way to coordinate Social Security benefits with those from non-covered employment is to calculate the hypothetical Social Security benefit that the worker would have been awarded had all earnings been covered by Social Security. For workers with pensions from non-covered employment, the actual Social Security retirement benefit would be then be computed by multiplying this hypothetical retirement benefit by the fraction of the worker's total earnings that came from covered employment. For example, if half of the worker's earnings were from covered employment, the actual Social Security retirement benefit would be one-half of the hypothetical benefit (that is, one-half of what the worker would have received if all his or her all earnings had been covered). This would eliminate the need for the windfall benefit adjustment.

Similarly, in determining entitlement for spouse and survivor benefits, the potential spouse and survivor benefit would be compared to this hypothetical benefit in exactly the same way as potential spouse and survivor benefits are now compared to actual Social Security benefits under the dual entitlement rules. This would allow the complete elimination of the government pension offset.

The calculation I propose requires that the Social Security Administration has records of both the covered and non-covered earnings of each retiree. At present, SSA's records of non-covered earnings only extend back to 1983, the year in which the Medicare tax was extended to all earnings from all employment. It will be another 15 years or so before the calculation I propose could be performed with perfect accuracy. I am sure, however, that the policy experts at the Social Security Administration could develop a technique the uses the information already in their files along with information on the total number of years a person worked in non-covered employment to produce a very close approximation of the missing information. Once that is done, the calculation I propose could replace both the pension offset and windfall elimination provisions. And, over time, as more years of non-covered earnings are reported to SSA, this approximation will become increasingly accurate.

COMMUNICATIONS

ASSOCIATION OF RETIRED TEACHERS OF CONNECTICUT, INC.

240 Pomeroy Avenue
Suite 201
Meriden, Connecticut 06450

Tel. No.: (203) 639-9628
Fax: (203) 639-9628
Email: artc@artcinc.org

ARTC

Al Cipriani, President
Sandra Bove, Co-Chair Legislative Committee
Cathy D'Agostino, Co-Chair Legislative Committee

GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security November 6, 2007

Dear Senator Kerry and Members of the Committee,

On behalf of the Association of Retired Teachers of Connecticut and our 9,000 members, we are writing to urge you to endorse the repeal of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).

The WEP discriminates against our teachers who worked outside of teaching and paid into social security. Many worked outside the profession because of financial need to supplement their teachers' pay, while others entered the teaching profession later in life. Unlike those in the private sector, our retired teachers are penalized simply because they worked for the state of Connecticut. In fact, the WEP causes our teachers to **lose up to sixty percent** of the benefits they earned themselves!

Even more detrimental to many of our widowed members is the fact that they receive little or no benefits of their spouses' social security because of the GPO. Most affected are women. Sadly, nine out of ten of our widowed teachers lose their **entire** spousal benefits even though their spouse paid into social security throughout their working years.

This problem does not just affect retired teachers in Connecticut. This unfair law discourages people from going into the teaching profession in many states. Many other municipal workers are affected by this law as well, not only in Connecticut but in at least fourteen other states. It is a national problem. The loss of income from WEP and GPO can make the difference between self sufficiency and poverty for these retired workers. Moreover all of these retirees have less money to spend and thus cannot sustain the local, state and national economies.

Finally, the WEP and GPO is an affront to our democracy because it is discriminatory and unfair. After all why can teachers and other workers who paid into social security in 36 other states receive their full benefits while we who have also paid into social security cannot?

We urge you and the committee to take favorable action in restoring equality in the social security system. Repealing the WEP and the GPO would greatly benefit thousands of public servants for their life's work. In turn, it would benefit our national economy as well.

On behalf of all our 9,000 members, we thank you for hearing our concerns and accepting our written submission for the record.

Respectfully,

Alfred E. Cipriani
Sandra P. Bove
Cathy D'Agostino

ATPE
ASSOCIATION OF TEXAS PROFESSIONAL EDUCATORS

Testimony to the U.S. Senate Finance Committee – Subcommittee on Social Security, Pensions and Family Policy

GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security" November 6, 2007

Sue Melton, President, Association of Texas Professional Educators
305 East Huntland Drive Austin, Texas 78752

The Association of Texas Professional Educators (ATPE) is the largest professional educators' association in Texas. With more than 108,000 members, we are also the largest non-union educators' association in the nation. ATPE is committed to advocating for better benefits for all educators; promoting a collaborative work environment; the right of educators' to choose membership in the association they feel best represents their interests; and providing the best education possible for Texas children. We thank you for the opportunity to provide input to the Subcommittee on reforming the Social Security system.

RECOMMENDATIONS

- ATPE recommends that Texas public school employees not be mandated into Social Security coverage because of the damage doing so could cause to the Teacher Retirement System (TRS). (See attached correspondence from former TRS Executive Director Charles Dunlap.) Furthermore, mandating Social Security coverage would not solve the problems caused for some Texas educators by the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

- ATPE recommends passage of S. 206, the Social Security Fairness Act 0f 2007, which would repeal both the WEP and the GPO.

- ATPE recommends passage of HR 2772, the Public Servant Retirement Protection Act (PSRPA), which would reduce the negative effects of the Windfall Elimination Provision (WEP) on Texas public school employees.

ATPE opposes mandatory Social Security coverage for all public school employees

ATPE opposes mandatory Social Security coverage because it would require significant financial contributions from both employees and employers. The additional payroll taxes needed to support mandated Social Security coverage would inevitably reduce the state's ability to contribute to TRS. ATPE believes the additional fiscal demands would ultimately be reconciled through larger TRS contributions from active and retired educators. This would produce additional strain on those who are already overworked in an under-appreciated profession and could have a devastating effect on the actuarial soundness of the TRS fund. Attached to this testimony is a letter from former TRS Executive Director Charles Dunlap outlining the effect mandatory Social Security coverage would have on the TRS. The letter was written in 1998 but ATPE believes the conclusions are still relevant today.

TRS is a far superior system to Social Security. Its monthly benefits are, on the whole, substantially greater than those distributed by Social Security. Plus, TRS offers retirees health insurance, return-to-work benefits and life insurance. ATPE believes mandating Social Security would only serve to compromise TRS and reduce benefits for retired educators.

Some believe that mandatory Social Security coverage would solve the problems some educators experience due to the GPO. The GPO is an offset provision in Social Security law that reduces spousal Social Security benefits for public employees (such as public educators) who are eligible for government pensions (such as those provided by the Teacher Retirement System [TRS]).

In reality, mandating that educators pay into Social Security would not lessen the effects of the GPO. And, in the long run, mandatory coverage would compromise TRS—a system that provides far better retirement benefits than does Social Security. Educators currently can gain GPO exemption by working their last five years before retirement in positions covered by both Social Security and TRS. Because very few Texas school districts participate in Social Security, most educators must transfer to other districts to become exempt from the GPO. Some believe mandatory Social Security coverage would allow educators to gain GPO exemption without having to relocate.

However, in the history of Social Security, changes to the system have applied only to employees hired after the enactment date. Most likely, a switch to mandated coverage would follow the same rule, so mandated coverage would apply only to educators hired after the date of passage. Current employees would not be covered by Social Security and would still have to relocate to new positions for the last five years before retirement in order to gain GPO exemption.

Even if mandated coverage applied immediately to all employees, it would not alleviate the effects of the GPO. The GPO exists to mirror the effects of "dual entitlement rules" that apply to employees who pay into Social Security. These rules state that a person may not collect both a spousal Social Security benefit and his own benefit. If Social Security coverage were mandated and public school employees paid into Social Security, they would simply be subject to dual entitlement rules instead of the GPO. Both exist to limit the collection of spousal benefits by individuals eligible for their own retirement benefits, a practice known as double dipping.

The other offset provision that concerns educators is the WEP, which reduces Social Security payouts to government employees who are eligible for both Social Security and government pensions such as those provided by TRS. The WEP applies to those employees who have worked for less than 30 years in positions that pay into Social Security.

It's true that mandated coverage would cause educators to pay into Social Security longer and therefore could potentially lessen the WEP's effects on some people's benefits. However, this benefit would be insignificant compared to the great damage mandatory coverage would do to TRS.

ATPE supports repealing the WEP and GPO for Texas educators

By reducing the spousal or widow Social Security benefits of persons eligible for government pensions by two-thirds of the amount of the pension, the GPO eliminates spousal or widow benefits for most retired Texas public educators. The GPO has caused an enormous strain on the morale of public educators in Texas; TRS reports that it resulted in a doubling of the teacher retirement rate in 2004. Many experienced educators recently retired to meet the July 1, 2004, deadline in HR 743 from the 108th Congress. HR 743 ended the provision that allowed Texas educators to avoid the GPO by working their last day before retirement in a position covered by both TRS and Social Security. By retiring by that date and working their last days in districts that pay into both TRS and Social Security, they avoided the GPO. Many other educators are leaving the profession early and cashing in their TRS accounts to avoid the GPO.

S. 206, the Social Security Fairness Act, is legislation that would repeal both the WEP and the GPO. That bill now has 34 bipartisan cosponsors, but the bill has yet to be marked up by this Committee and debated on the House floor. ATPE is hopeful that legislation to address the GPO and WEP will pass the 110th Congress and become law. This will bolster teacher morale and encourage qualified public educators to remain in the classroom.

ATPE supports the PSRPA

The WEP reduces the Social Security benefits of persons who have worked in jobs that pay into the Social Security system and in jobs that do not. The WEP was meant to account for a windfall in the formula used to figure Social Security benefits that is designed to provide low-income workers with a larger percentage of their pre-retirement earnings than that provided to high-income workers. The WEP modifies the formula to prevent providing employees (such as Texas educators) who haven't paid into Social Security with higher percentages of their pre-retirement earnings than that given to employees who have paid into Social Security for their entire careers. However, the WEP imposes an arbitrary formula on these individuals that is based partially on the number of years they paid into Social Security rather than the amount they will receive from their government pensions. That means that a person who worked in a Social Security-covered job for 20 years but who is also eligible for a government pension benefit of $500 per month will have his Social Security benefit reduced by the same amount as a person who paid into Social Security for 20 years but receives a government pension benefit of $1,200 per month.

ATPE believes the WEP in its current form acts as a deterrent to talented, private-sector employees who are vested in Social Security and are interested in teaching as a second career, as well as to professional educators who are thinking about moving to Texas to teach from states that pay into Social Security. Texas is facing a teacher shortage approaching 50,000; the state recently cut benefits for active and retired educators due to state budget cuts and retirements are at an all-time high. ATPE believes we must take steps to recruit and retain the brightest individuals in the teaching profession in order to ensure that every Texas student receives an exemplary education. ATPE believes the PSRPA to be such a step.

The PSRPA would repeal the WEP's arbitrary formula and replace it with a formula that uses the complete earnings history of a worker in both Social Security covered employment and non-covered employment when determining average monthly earnings over a worker's lifetime. This would eliminate the windfall in the current formula used for figuring Social Security benefits and would mean greater benefits for most public educators qualified for Social Security benefits.

The new formula under the PSRPA is a fair compromise between the arbitrary WEP and total repeal and will help the state of Texas recruit and retain qualified public educators from other professions and from other states.

ATPE thanks the members of this Subcommittee for the opportunity to participate in this hearing and for your willingness to receive our input on this critical issue that affects so many public educators. Educators are the most important resource in providing children with the knowledge they will need to succeed in life, and your efforts to protect their retirement benefits will have a lasting impact on the quality of the education received by students in the public school system.

Statement of the California Retired Teachers Association
Written Statement for Record
November 6, 2007
WEP/GPO Social Security Offset Hearing

Senate Committee on Finance
Attn: Editorial and Document Section
Room SD- 203
Dirksen Senate Office Building
Washington, D.C. 20510-6200b

Thank you for conducting the November 6, 2007 hearing regarding the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

The California Retired Teachers Association (CRTA) appreciates this opportunity to submit written testimony regarding the WEP and GPO. CRTA has 53,000 members and represents retired educators in California. The membership consists of retirees from the California State Teachers' Retirement System (STRS). This system is not merged with Social Security. Currently, there are almost 200,000 retirees and beneficiaries who are receiving benefits from STRS.

In the late 1950s, California educators voted not to participate in the Social Security system because at that time they were paying a higher portion of their salaries into STRS in order to receive a better disability and survivor benefit compared to what would be provided through Social Security. In essence, they voted to pay more for a higher benefit, rather than have a lower contribution for a lesser benefit. Since that election there have been many changes in Social Security. The most significant being in 1964 with the inclusion of Medicare based upon Social Security quarters. It is our understanding that, after Medicare was included in Social Security, the federal government changed the Social Security system to be one that did not seek additional members and instead had an incentive for employing public agencies to leave Social Security while essentially prohibiting public agencies from entering Social Security. In 1986 this changed when more agencies were encouraged to participate in Social Security and newly hired public employees were mandated into Medicare. Most public employers chose not to join Social Security at that time because of cost and the offsets. Any public agency joining Social Security then would have had their employees pay to Social Security while the Social Security benefit would be cut by the WEP.

David L. Walrath – Legislative Advocate
California Retired Teachers Association
1130 K Street, Suite 210 – Sacramento, CA 95814
Email: dwalrath@m-w-h.com – Phone: 916.441.3300

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Attached is 2005 testimony that was presented to the House of Representatives by George Avak, then president of CRTA, with regard to the issues of the WEP and GPO. This testimony includes examples of how these two offsets have affected California teachers. Consequently, this written testimony will not include those examples and instead will rely upon the attachment.

CRTA concurs with the testimony presented during the hearing that concluded that the current WEP and GPO are arbitrary on the offset calculations and are not equitably implemented because of data constraints. The result of the implementation situation is retirees being notified of significant payments required by the Internal Revenue Service. CRTA believes that if the federal government discovers that retirees have been overpaid because the offsets had not been applied, any repayment should not be a lump sum and instead be a scheduled payment. Attached is the California Education Code provision (Section 24617) that reflects a scheduled repayment process for California retirees who are found to have been unintentionally overpaid from STRS. We believe a similar process should be instituted by the Internal Revenue Service if they find that an individual has been overpaid.

CRTA recognizes that there are a series of equity issues related to the repeal of the WEP and GPO. We also recognize that the repeal of these offsets will have a significant fiscal effect. CRTA believes, however, that the current Social Security surplus has sufficient revenues to correct the inequities caused by the WEP and GPO. While the issues of long-term Social Security funding should be addressed, using the current surplus to fund the cost for repealing or modifying the WEP and GPO will not materially effect those long-term funding decisions.

CRTA has not supported including all public employees in Social Security. There are many reasons for this position; however, let me list three.

The first is that we have actuarially funded or close to actuarially full funded retirement systems. This allows STRS to earn investment earnings that can be used to maintain and support current benefits or benefit improvements. Social Security does not have this advantage.

David L. Walrath – Legislative Advocate
California Retired Teachers Association
1130 K Street, Suite 210 – Sacramento, CA 95814
Email: dwalrath@m-w-h.com – Phone: 916.441.3300

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Secondly, our retirement systems provide vested benefits that are contracts and guaranteed, unlike Social Security that can be changed at any time by an act of Congress. If Social Security had been vested, the effects of the WEP and GPO would only apply to new non-vested Social Security members– those who did not have 40 quarters by 1983. The GPO and WEP, however, were applied even to those individuals who already had their full 40 quarters within Social Security. Such a benefit cut could not be made in a vested retirement system.

Thirdly, we can tailor our public pension system to better address specific issues affecting local and state public employees rather than having a broad brush one size fits all system, which effectively is the Social Security system.

We believe these attributes of the current public system that is not blended with Social Security are very important attributes that should be continued for our employees and future retirees. This does not mean CRTA would oppose a requirement that all public employee systems not merged with Social Security include an optional plan that could be elected by individuals who wanted to be part of Social Security. We do not oppose having options; we do oppose a blanket mandate for inclusion.

Finally, we look forward to working with you and your staff to accomplish repeal or significant modification to the current WEP and GPO affecting California retired educators.

Thank you for your consideration.

David L. Walrath
Legislative Advocate

David L. Walrath – Legislative Advocate
California Retired Teachers Association
1130 K Street, Suite 210 – Sacramento, CA 95814
Email: dwalrath@m-w-h.com – Phone: 916.441.3300

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California Education Code Section 24617

24617. (a) To recover an amount overpaid under this part, the corrected monthly allowance payable under the Defined Benefit Program or benefit payable under the Defined Benefit Supplement Program or the Cash Balance Benefit Program may be reduced by no more than 5 percent if the overpayment was due to error by the system, the county superintendent of schools, a school district, or a community college district, and by no more than 15 percent if the error was due to inaccurate information or nonsubmission of information by the recipient of the allowance or benefit.

(b) This section does not apply to the collection of overpayments due to fraud or intentional misrepresentation of facts by the recipient of the allowance or benefit.

David L. Walrath – Legislative Advocate
California Retired Teachers Association
1130 K Street, Suite 210 – Sacramento, CA 95814
Email: dwalrath@m-w-h.com – Phone: 916.441.3300

Statement of George Avak, President
California Retired Teachers Association
To the House of Representatives Subcommittee on Social Security
Regarding Alternatives to Strengthen Social Security
May 27, 2005

Chairman Thomas and members of the Committee, my name is George Avak and I am president of the California Retired Teachers Association. We are a non-profit organization with 53,000 members, and we represent the interests of the 170,000 retirees who receive a pension from the California State Teachers Retirement System (CalSTRS). I want to thank you for convening these hearings on alternatives to strengthening Social Security, America's fundamental safety net for retirees.

We believe that a basic premise of strengthening Social Security is to keep faith with its promise of ensuring that older Americans do not fall into poverty at the end of their working lives.

The CalSTRS system is not integrated with Social Security, so many of our members are victims of the Windfall Elimination Provision and the Government Pension Offset. These two penalties remove that financial safety net and we find our members suffering from unexpected income losses late in life. Many women are plunged into poverty when their husbands die and they are denied any survivor's benefits from Social Security due to the Government Pension Offset. Other teachers find their summer work, when they typically paid into Social Security in order to support their families during the school-year break, is discounted in retirement when they receive thousands of dollars less than they would have if they had not been teachers.

The underlying assumption seems to be that teachers have their own pension and that should protect them from poverty. The sad truth is otherwise. CalSTRS conducted analyses in 1998 and 2005 on the adequacy of the pension benefit they provide, and in both instances found many lagging behind the amount of income they need to maintain an adequate lifestyle in retirement. Even with long years of teaching service, California educators who retired before 1998 were only able to replace about 58 percent of their income—far below what experts consider to be adequate. The typical female retiree receives less than $2,000 a month from her teacher's pension, hardly sufficient in a high-cost state like California. Unlike Social Security, which provides full cost-of-living increases annually, teachers' pensions in California are only protected at 80 percent of their original purchasing power.

In addition, many of our members only found out about the WEP and GPO when they filed for their benefits. By then, it was too late to make alternative financial plans to ensure a secure retirement. Worse, many others mistakenly receive benefits for years and then are forced to pay back all money received—in one instance more than $40,000. In most instances, these people relied in good faith on estimates of benefits provided by the Social Security Administration itself. The Social Security Administration itself has admitted that it overpays upwards of $335 million a year in mistaken benefits. If Social Security doesn't know who is affected by these penalties, how can we expect that those subject to them will understand them?

Beyond the policy itself, you have to understand the personal financial suffering many people have endured because of these penalties. We have collected many, many such stories from our members and I want to share some of those with you today.

Ruth Benjamin of San Diego had planned on Social Security payments of approximately $800 per month when she retired, because that is what the Social Security Administration told her to expect. Instead, due to the GPO, she receives only $216 per month plus a teacher's pension of about $700 per month. Her husband is a retired New York City Police Department officer, who receives a police pension of approximately $1,500 per month plus a Social Security benefit of $1,000 per month. In their retirement planning, they opted to take a higher police pension without survivor's benefits because they believed Ruth would be adequately provided for with her teacher's pension and Social Security. Now, if she becomes a widow, she will have to survive on income of less than $1,000 per month due to these penalties.

Wanda Moore of Fresno was married for 38 years to her husband, a barber. He paid into Social Security for 40 years and died before collecting any benefit. She was initially told she would receive a survivor's benefit of $496 per month from Social Security before that payment was eliminated under the GPO because of her teacher's pension.

Carol Huntsman of San Diego began her teaching career at age 36 and was only able to teach for 20 years before retiring in 1996 with a monthly pension of $700. The twenty previous years she had worked in Social Security-covered employment was reduced in value by 60 percent, or $223 per month under the WEP. Fortunately in 2000 her teachers' pension was increased under a law that provided minimum pensions to teachers with 20 years or more of service.

Georgia Beno of Santa Ana taught for 32 years before she retired in 1989. She receives a pension of about $2,100 a month now. But she lost $900 a month income from Social Security when her husband died in 1999 and she was told she was ineligible for a survivor's benefit. Since then, her health insurance and rent and other expenses continue to increase. She hasn't taken a vacation in four years, digs into her savings each month to meet expenses and still has to rely on her family to help pay her bills.

Claire M. Koronkiewicz of Palm Springs taught for 30 years in California before retiring in 1986. Today she receives a teacher's pension of about $1,800 per month, after taxes. Her husband, a Purple Heart veteran of General Patton's 3rd Army, had a modest income as a worker in the floral industry in Los Angeles for 30 years. He died at age 65 after receiving three years of Social Security benefits. Claire was told she was eligible for $374 per month in survivor's benefits—before that was eliminated under the GPO. Since then, she has had to sell her home because it was too expensive to maintain and has dipped into her savings earlier than planned to meet her living expenses.

Marylyn McInnes of Visalia taught for 31 years before retiring in 1998. Her husband owned his own carpet cleaning business for 15 years and, as a self-employed individual, paid both the employee and employer shares of the Social Security tax. He received Social Security for 2 years before he died. When Marylyn applied for her widow's benefit, she was told she did not qualify because of her teacher's pension and she lost $400 a month in income.

Elbert Bade of San Diego had a 20-year career in the U.S. Air Force. When he retired from the Air Force, he had a choice of a second career as a teacher or in the aerospace industry. Unaware of the GPO and WEP, he figured his future retirement income—assuming money from a teacher's pension and Social Security—and determined that he could afford to become a teacher. He taught for 23 years and retired in 1997. When he applied for Social Security, he was informed of the penalties and saw his retirement income reduced by $8,400 a year. "Teaching's a great career and very satisfying but no one tells you they're going to jerk your Social Security because you were a teacher," he told us.

What all of these people have in common is that they worked hard at public service jobs all of their lives. They raised families and took care of themselves. They recognized they wouldn't receive a full Social Security benefit, but they believed they would receive what they had earned and been promised.

There is yet another unintended consequence of these penalties. California, like many states, faces severe teacher shortages in the years ahead—an estimated 100,000 new teachers will be needed in the next 10 years just to replace retirees; more will be needed to accommodate our growing population. Many of our best teachers come from other professions. Typically they are unaware that they are giving up significant Social Security benefits in retirement to make a switch to public service, often at a lower salary than they were receiving from their first career. An estimated 50,000 current teachers fit this profile, and will retire with 20 years of less teaching service. That means a substantially smaller teachers' pension and a significant loss of Social Security income. They willingly make the sacrifice in salary during their working life; they are forced to sacrifice in retirement.

We recognize that there are financial challenges facing Social Security, if not a crisis. We appreciate, however, that growing numbers of Congressional Representatives understand that these penalties have not had the intended effect, that they penalize hard-working people of modest means. I would note that 251 Congressional Representatives have already signed on to HR 147, which would repeal these penalties. Any reform of the Social Security system must restore its foundation in fairness. On behalf of the California Retired Teachers Association, I would say that you can do no less.

Thank you.

Supplemental Submission Sheet

George Avak
President
California Retired Teachers Association
800 Howe Avenue, Suite 370
Sacramento, CA 95825
Phone: (916) 923-2200
Fax: (916) 923-1910

The California Retired Teachers Association, founded in 1929, is the state's largest organization dedicated to protecting the interests of retired educators who receive pensions from the California State Teachers Retirement System.

CALSTRS

HOW WILL YOU SPEND YOUR FUTURE?

DANA DILLON
CHAIR OF THE TEACHERS' RETIREMENT BOARD

OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

HEARING ON

GPO AND WEP: POLICIES AFFECTING PENSIONS
FROM WORK NOT COVERED BY SOCIAL SECURITY

BEFORE
THE SUBCOMMITTEE ON
SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY
OF THE COMMITTEE ON FINANCE
U.S. SENATE

November 6, 2007

SUBMITTED FOR THE HEARING RECORD

California State Teachers' Retirement System, P.O. Box 15275, Sacramento, CA 95851-0275

Introduction

Thank you for providing this opportunity to express our concern about the Social Security Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) on behalf of the 1,100 local school districts of the California public school system that educate California's children.

The California State Teachers' Retirement System (CalSTRS) provides retirement benefits to almost 800,000 active and retired public school teachers and their beneficiaries. California public school teachers are the largest single group of State and local government employees in the country who do not participate in the Social Security system.

Established by State law in 1913, CalSTRS began operation 22 years before Social Security was created. At the time Social Security was established, California's teachers and all other State and local government workers were barred by Federal law from participating in Social Security. Through sound management over nine decades, CalSTRS has developed into the second largest pension system in the United States with over $171 billion in assets. CalSTRS pays more than $6 billion a year in benefits to more than 200,000 retired and disabled public school teachers and their beneficiaries.

The California Teachers' Retirement Board, which governs CalSTRS, has previously expressed its strong concerns about the significant impact the WEP and the GPO have on public education in California. Many California educators have complained that the WEP and GPO create an unfair reduction of the Social Security benefits that they have earned. In addition, the WEP and GPO adversely affect California's ability to recruit teachers into second careers from other professions as well as teachers from other states. Accordingly, in April 2007, the Board supported California Assembly Joint Resolution 5 requesting the President and U.S. Congress enact legislation that removes the burdensome effects of the WEP and GPO of the Social Security Act.

Absent full repeal of the WEP and GPO, CalSTRS supports efforts to eliminate the inequities, arbitrary effects, and particularly the harsh impact on lower and moderate income retirees that result from the application of the WEP and GPO. Benefits should not be determined by provisions that are arbitrary and unrelated to the very government pensions which subject those individuals to the offsets. There are discrepancies between the theoretical policy of the offset provisions and the actual consequences of the offsets. The offset formulas are arbitrary as there is little or no correlation between the offset formula and the public pension that triggers application of the offset.

WEP and GPO Hinders Efforts to Attract Qualified Teachers

CalSTRS members do not pay the Social Security payroll tax on their earnings from CalSTRS-covered service, and therefore are not entitled to Social Security benefits for such service. Nonetheless, many CalSTRS members have earned and become eligible for Social Security benefits either because they were employed in Social Security covered positions for some period of time or are the spouse, widow, or widower of individuals who were employed in such positions. When they receive their CalSTRS pensions, these teachers' Social Security benefits are reduced by the WEP formula or their spouse, widow, or widower's Social Security benefit is reduced or eliminated by the GPO.

The offsets create an impediment to people who might otherwise want to change careers to become public school teachers in California and hinder efforts by school districts to attract new people to the California classroom. The California Department of Education estimates that approximately one third of the current teachers will retire in the next ten years. All these teachers must be replaced. Although many enter the teaching profession at the beginning of their career, a significant number become teachers as a second career, often after lengthy work in the private sector covered by Social Security. Others work as educators in a state in which their earnings are covered by Social Security and later desire to teach in California. CalSTRS is very concerned that the WEP and GPO cause persons who otherwise would receive a full Social Security benefit to decide not to become public school teachers in California, because their Social Security benefits will be substantially adversely affected by their California service. California would be better able to recruit and retain future California educators if these professionals did not face reductions in their future Social Security benefits.

Impact of WEP

While the intent of the WEP was to eliminate "windfall" benefits, often the actual effect is to reduce even modest Social Security benefits, which threatens the financial security of many State and local retirees. For example, many teachers earn Social Security coverage because of part-time jobs they had during their high school and college years or by working in private employment during the summer months after they became teachers. Such jobs will result in modest Social Security benefits, but these workers will be subject to the WEP just the same as workers who receive much higher Social Security benefits. The reverse is also true. Workers who receive very modest public pensions see their Social Security benefits reduced under the WEP the same as workers who receive more substantial public pensions.

Accordingly, a review of the manner in which the WEP operates in actual practice is justified. To accomplish this, we look at typical case examples and compare the benefits that are payable under various circumstances, including application of the WEP. Workers' retirement benefits change based on the years they worked in covered and non-covered employment rather than their total number of years worked or their salaries. To ensure that it is the impact of the covered/non-covered employment pattern that is being gauged, not years of service or salary, assume each of the four individuals has a total of 25 years of employment, some in the private sector and some in the public sector, and $4,000 final average salary.

Impact of WEP Depending on Employment Pattern

Employment	Diane	John	Mary	Jane
Years of Employment Covered Under Social Security	25	10	15	25
Years of Employment Covered Under Public System	0	15	10	5
Monthly Public Pension	$ 0	$1,360	$ 907	$ 453
Monthly Social Security Benefit without WEP	$1,668	$1,668	$1,668	$1,668
Monthly Social Security Benefit after WEP Applied	$1,668	$1,334	$1,334	$1,504
Monthly Combined Benefits	$1,668	$2,694	$2,241	$1,957
WEP Impact	$ 0	$ 334	$ 334	$ 164

From the table above the following analysis can be made:

- When the WEP is applied, the worker's Social Security benefit is reduced by the same dollar amount regardless of the number of years of covered employment unless the worker has 21 or more years that were covered. (With covered years between 21 and 29, benefits are reduced on a sliding scale when the WEP is applied.) Both Mary and John's monthly Social Security benefits are reduced by $334 with the application of the WEP. Even though Mary has 15 years of covered employment as compared to John's 10 years, her combined benefits under Social Security and the public system is $453 lower than John's combined benefits. This occurred because under the WEP no allowance is made for additional years of covered employment until the worker has 21 or more years that are covered under Social Security. At the same time, Mary's public pension is significantly lower than John's because Mary had fewer years of public employment and thus fewer years of service credit that could be used in the formula for determining benefits. Thus, two teachers with substantially different CalSTRS pensions could face the same reduction in Social Security benefits under the flat adjustment of the WEP offset.

- For two workers with identical work histories in Social Security covered jobs, the mere fact of additional public school teaching service by one of the workers in a non-covered job will trigger the WEP reduction in the Social Security benefits he or she has earned from the covered employment. The only difference between the employment careers for Diane and Jane is that Jane supplemented her earnings by working part-time in public employment. In both instances the worker had 25 years of Social Security-covered employment, but the WEP is applied to Jane's Social Security benefits because she will receive a public pension based on very minimal public service that was performed concurrently with the Social Security-covered employment.

Absent full repeal of the WEP, CalSTRS supports efforts to eliminate the inequities, arbitrary efforts, and particularly harsh impact on lower income retirees. Short of full repeal, the following options could constitute first steps to ameliorate the harmful impact of the WEP.

Alternatives to WEP

1. Adjust the reduction of the 90 percent factor in the first tier of the benefit formula when determining the Primary Insurance Amount to reflect the number of years the individual had actual employment on which the Social Security payroll tax was not paid rather than adjusting the reduction based on the years of employment covered under Social Security. In other words, reduce the income replacement factor used in the Social Security benefit formula based on the worker's actual years of non-covered employment. Because the maximum factor is used now for 30 or more years of covered employment and the minimum number of years needed to qualify for a benefit is 10 years, a sliding scale based on non-covered employment could be as follows:

Number of Non-Covered Years	Factor Used in Benefit Formula
5 out of 35 years	90% (same as current %)
10 out of 35 years	80% (increased from 65%)
15 out of 35 years	70% (increased from 40%)
20 out of 35 years	60% (increased from 40%)
25 out of 35 years	40% (same as current %)

The current WEP implicitly assumes that in any year in which the worker had no Social Security covered earnings he or she had earnings from non-covered employment. This is not necessarily the case for CalSTRS members and many other government employees. For example, employees may take time off from work to raise a family and have no employment income during that time off. If the WEP were based on the number of years of actual employment that was not covered by Social Security rather than on the total number of years during which the Social Security payroll tax was not paid, it would more accurately reflect the worker's true employment history.

2. Establish a de minimis threshold for the benefit based on non-covered employment at which the offset would not be applied. Currently, the WEP is applied regardless of the benefit amount that is payable based on non-covered employment. By establishing a threshold for application of the WEP, workers who have significant Social Security-covered employment would receive a Social Security benefit that more closely reflects their employment career.

Impact of GPO

Social Security spousal benefits were intended to provide some protection to spouses or surviving spouses who had limited working careers. A spouse or surviving spouse can receive the equivalent of a Social Security benefit based on his or her own earnings record or the earnings record of a husband or wife, whichever provides a higher benefit, but cannot receive full benefits based on both earnings records.

The GPO was enacted to ensure that spousal and widow(er) benefits under Social Security would be paid only to individuals who are (or were) financially dependent on their husbands or wives. Those who work long enough in non-covered employment to earn a pension of their own do not meet Social Security's limited career criterion. For these individuals, the modified benefit formula used under the GPO reduces the amount of Social Security benefits payable by two thirds of the pension not covered by Social Security. It is not clear why the GPO reduction is set at two-thirds and seems to arbitrarily assume that the pension from non-covered employment is equal to two-thirds of the Social Security benefit payable without application of the GPO. Further, there is an inequity in some situations with application of the GPO. The comparison below shows the impact of the GPO will differ for two people with identical public pensions. Monthly benefits are used.

Impact of GPO

	Barbara	**Roberto**
Public Pension	$300	$300
Social Security before GPO Applied	$600	$900
Combined Benefit before GPO Applied	***$900***	***$1,200***
Government Pension Offset (2/3 of $300)	$200	$200
Social Security After GPO Applied	$400	$700
Combined Benefit After GPO Applied	***$700***	***$1,000***

Barbara's Social Security benefit is $300 less than Roberto's benefit. However, both Barbara and Roberto's Social Security spousal benefit is reduced by $200 when the GPO is applied. The reduction is not consistent with financial dependence previously discussed because Barbara, who has a combined benefit of $900 before the offset, is subject to the same dollar reduction as Roberto whose combined benefit is $1,200 before the offset.

The Social Security spousal benefits was designed to provide Social Security benefits to surviving spouses based on economic need. Yet the effect of application of the GPO clouds that design. As in our example, such an effect is very common and most often it is women who suffer financially. Women, in general, tend to live longer than men which means they spend more years with declining financial resources than do men. A provision of the Social Security Act that was intended to be an equalizer has quite the opposite effect.

Given the demographics of CalSTRS' membership, which is 70 percent female, and the fact that the amount of the GPO is directly tied to the amount of the public pension benefit, it appears that the GPO currently has a greater impact on CalSTRS' membership than does the WEP. To the extent that more of CalSTRS' members embark on teaching as a second career, however, the impact of the WEP could increase.

Absent full repeal of the GPO, CalSTRS supports efforts to eliminate the inequities, arbitrary efforts, and particularly hard impact on lower income retirees. Short of full repeal, the following options could constitute first steps to ameliorate the harmful impact of the GPO.

Alternatives to GPO

1. Establish a de minimis threshold on the combined government pension and Social Security benefits at which the offset would not be applied.

2. Require the reduction in Social Security benefits under the GPO to be equal to the amount by which two-thirds of the combined Social Security benefits (before reduction) and monthly government pension exceeds $1,200, adjusted for inflation.

Conclusion

If full repeal of the WEP and GPO offsets proves too costly, CalSTRS believes that modifications of the offset provisions of the type we have described above would be appropriate first steps to ameliorate the harsh adverse effects on retirees with relatively modest benefits that arise from the current arbitrary formulas of the WEP and GPO offsets. We want to acknowledge our appreciation for the leadership of Senator Dianne Feinstein and members of the California delegation in the House in taking steps to address the problems raised by the WEP and GPO. CalSTRS is ready to work with the appropriate parties to further define a workable alternative to the existing criteria and to determine the best alternative to address the current inequities of WEP and GPO.

CALIFORNIA TEACHERS ASSOCIATION

Statement of
David A. Sanchez, President
California Teachers Association

Submitted to the
Senate Finance Committee
Subcommittee on Social Security, Pensions,
and Family Policy
"GPO and WEP: Policies Affecting Pensions from
Work Not Covered by Social Security"

Senator John F. Kerry, Chairman
Tuesday, November 6, 2007

1705 MURCHISON DRIVE, BURLINGAME, CA 94010 • P.O. BOX 921, BURLINGAME, CA 94011-0921
650-697.1400 • FAX: 650.552.5007 • WWW.CTA.ORG
nea

Statement of David A. Sanchez, President
California Teachers Association
November 6, 2007

Hello, my name is David Sanchez and I am President of the California Teachers Association. On behalf of the 340,000 members of the California Teachers Association, we strongly urge you to repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) of the Social Security Act. S. 206 by Senator Feinstein is the vehicle to make that happen.

As you know, the GPO reduces public employees' Social Security spousal or survivor benefits by two-thirds of their public pension. The WEP reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security.

According to the recent figures from the Congressional Research Service, "57, 878 Californians are impacted by the GPO (June 2004) and 120,458 are impacted by the WEP." (December 2006)

However, to put a face on these numbers and statistics, GPO should be regarded as a gender discrimination issue because it disproportionately impacts women. It is no secret that women outlive their spouses. Because GPO reduces, and for many of our retired teachers completely eliminates their spousal benefit, our most vulnerable retired teachers are hurt even more.

Let me share with you a story about Judy from Rancho Cordova, California. Judy is 62 years old and receives a survivor spousal benefit of $1,400. Judy cannot afford to retire on her current CalSTRS benefit because she will lose her husband's survivor benefit. Therefore, Judy has to work that much longer in order make up the difference in income. At 62 years old, Judy cannot afford to retire. Her deceased spouse paid into social security, yet Judy is unable to collect the benefit.

The WEP severely hurts our ability to recruit and retain second career teachers. These are teachers we need to hire to make up for the loss in retirements as well as keep pace with the shortage of science and math teachers. According to the Center for the Future of Teaching and Learning, "As baby boom teachers age and retire in the next several years, California will have to replace about 100,000 of its 308,000 teachers." (California Teaching Force Key Issues and Trends 2006). Although these second career teachers pay into Social Security through other employment (non-teaching), they are penalized and do not realize their full social security benefit. Teachers are not asking for anything more than what they have earned. We are asking for fairness.

The offsets penalize people who have dedicated their lives to public service by taking away benefits they have earned. Please help us repeal the GPO/WEP and support S. 206 and H.R. 82.

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U. S. SENATE – COMMITTEE ON FINANCE

Subcommittee on Social Security, Pensions and Family Policy

Statement of
Terri Bierdeman on behalf of the
Coalition to Preserve Retirement Security
112 South Pitt Street, Alexandria, Virginia 22314

GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security

November 6, 2007

Chairman Kerry, Senator Ensign and distinguished members of the subcommittee, my name is Terri Bierdeman and I am the director of government relations for the State Teachers Retirement System of Ohio. I am submitting this statement today in my capacity as president of the Coalition to Preserve Retirement Security.

The Coalition to Preserve Retirement Security (CPRS) is a non-profit organization composed of members representing state and local governments, public employee unions, and public pension systems throughout the United States. The purpose of our organization is to assure the continued financial integrity of our members' public retirement systems. By successfully opposing efforts to mandate Social Security coverage for all newly hired public employees we achieve the principle goal of our coalition.

Our 51 members are found in Alaska, California, Colorado, Connecticut, Florida, Illinois, Kentucky, Louisiana, Massachusetts, Missouri, Nevada, Ohio, and Texas and represent more than 4 million public employees and retirees. They administer retirement benefits for about 12,000 public employers in these states.

In addition, our national associations and public pension unions represent more than 15 million public workers, about one-third of whom are outside of Social Security.

Government Pension Offset (GPO)/Windfall Elimination Provision (WEP)

On behalf of our members, I would like to commend you for holding this hearing regarding how the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) affect the pensions of those American workers that are not covered by Social Security.

CPRS shares the view that the Social Security benefits of non-covered public employees and their survivors are unfairly reduced by the application of GPO and WEP. Further, our members are hopeful that this hearing is the beginning of a process that will lead to a meaningful reform of these arbitrary formulas that have already adversely affected the retirement security of more than 400,000 retired federal, state and local government employees. Thousand more will be affected each year that you delay.

The Problem

Some have recommended solving the current GPO and WEP inequities by bringing all public workers into the Social Security program. However, mandating that all newly hired public workers must participate in the Social Security system would create significant new cost pressures for the affected state and local government jurisdictions while providing only minimal benefit to the program.

These jurisdictions, with their own long-standing defined benefit retirement plans, would have to make difficult choices. Adding an additional 6.2 percent payroll tax per worker to the benefit costs of public employers could result in cutbacks to their existing defined benefit plans, cuts in government services, or even increases in taxes or fees to absorb the added costs. The disruption that would likely occur for these public jurisdictions and their workers seems a high price to pay for adding an estimated two years of solvency to the Social Security program. A study, conducted by The Segal Company in 2005 on behalf of the American Federation of State, County and Municipal Employees (AFSCME) and our coalition, estimated that mandatory Social Security coverage would cost the affected states and localities $44 billion over 5 years. This additional financial burden on affected states could be an insurmountable budgetary hurdle.

Background

When the Social Security system was created in 1935, state and local government employees were not allowed to participate in the system. Beginning in the 1950s, state and local government employers could elect to have their employees covered by the Social Security program and were allowed to opt-in or -out of the system.

In 1983, there was a major revision of the Social Security and Medicare laws, triggered primarily by a concern about the long-term solvency of these two trust funds. Congress decided not to require state and local employees who were outside the system to be covered, but did end the opt-out for public employees who had chosen to be covered.

In 1986, as part of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), Congress required universal participation in the Medicare system on a "new hires" basis, but chose to leave public employee retirement plans in place, and did not change the law with respect to Social Security.

In 1990, Congress enacted a law requiring that all public employees, not covered by a state or local retirement plan meeting specified standards, must be covered by Social Security. That law, adopted as part of the Omnibus Budget Reconciliation Act of 1990 (the "1990 Act"), ensures that all public employees will be covered either under Social Security or under a public retirement plan that provides comparable benefits. Today, about one-third of all state and local government employees, 6.6 million public servants, are outside the Social Security system because they are covered by their employer's public retirement plan. In addition, millions of current retirees from non-Social Security public pension plans depend on those plans for a significant share of their retirement income.

From 1994 to 1996, the Advisory Council on Social Security examined the mid-term and long-term solvency of Social Security and the Social Security Trust Fund. The panel submitted its report in January 1997 but there was no majority on the council for any single set of recommendations. Three proposals were put forth by different groups of members. However, a majority of the Advisory Council recommended mandatory Social Security coverage of public employees, although the three labor members of the council opposed this proposal "because of the financial burden that would be placed on workers and employers who are already contributing to other public pension systems."

In 2001, the President's Commission to Strengthen Social Security made history by being the first commission to not recommend mandatory Social Security coverage in its proposals for Social Security reform. This is particularly remarkable, since the late New York Senator Daniel Patrick Moynihan, a vociferous proponent of forced coverage, co-chaired the Commission.

Based upon the assumptions in the 2007 Social Security trustees' annual report, if left unchanged, the program will be insolvent – that is unable to pay all benefits owed – beginning in 2041. However, some experts warn that Social Security reform is needed soon. As so-called baby boomers begin retiring over the next decade, there will be increased pressure on the solvency of the program and by 2017 costs will exceed revenues, according to the trustees' report.

Accordingly, forcing newly hired state and local public workers outside of the Social Security program to participate is seen by some as an attractive way of generating additional revenues for the program in the short term. This position is flawed and, for the reasons discussed below, mandatory coverage should not be included in any Social Security reform package; including one designed to reform the GPO and/or WEP provisions of the law.

The Myth of Covering Just New-Hires: Covering Only New-Hires is Still Harmful

Proponents of mandatory coverage contend that applying the mandate only to newly-hired workers would make it less onerous for public employers – nothing could be further from the truth. Public sector defined benefit plans rely on a constant and reliable revenue stream in order to meet actuarial goals and provide a retirement benefit for plan participants at affordable contribution levels.

Proponents of this solution fail to understand that the normal cost of the existing retirement plan will increase as a percentage of payroll as younger members are eliminated from the plan. Thus, employers and new workers will not only have to add an additional 6.2 percent for the new payroll tax, but employers may also have to increase contributions to the existing plan or cut benefits. This added expense will create enormous burdens with negligible, if any, positive outcomes.

Mandatory Social Security Coverage Will Only Extend Social Security's Solvency by Two Years, But Could Destabilize Public Pension Systems Nationwide

The Government Accountability Office acknowledged in a May 6, 2005, letter to then House Ways and Means Committee Chairman Bill Thomas that mandatory coverage would produce a "small reduction in [the] actuarial deficit" and would "increase long-term benefit levels," since the new workers paying into the system would eventually become retirees drawing on it. (The GAO had projected in a 1999 report, "Social Security: Implications of Extending Mandatory

Coverage to State and Local Employees," that bringing newly hired non-federal public workers in the program would only "reduce the program's long-term actuarial deficit by about 10 percent and would extend the trust funds' solvency by about 2 years.")

According to the 2005 study by The Segal Company, mandatory Social Security coverage could cause a reduction in employee and employer contributions to existing defined benefit plans, "which are an essential part of their actuarial funding. This could destabilize the existing plans on which current workers and retirees depend." The report continued, "Lower funding would not only have an impact on retirement benefits, but could affect disability and survivor benefits as well," which are often more generous than those offered by Social Security.

The Costs of Mandatory Coverage Greatly Outweigh the Benefits

As noted above, mandatory coverage would only add two years of solvency to the 75-year projection for the Social Security program. But, it would cost public employees, their employers and ultimately taxpayers nationwide more than $44 billion over the first five years, according to the Segal report. Mandatory Social Security would be felt in all 50 states and over time would add new beneficiaries to the program who would draw down benefits like other Social Security recipients, increasing financial pressures on the system.

The chart below illustrates how mandatory coverage would affect the home state of each member of the Senate Committee on Finance:

Senator	Home State	Employees Affected	5-Year Cost to Employees, Employers and Taxpayers
Baucus (Chair)	MT	13,000	$86,215,732
Rockefeller	WV	15,000	$86,281,938
Conrad	ND	10,000	$65,396,921
Bingaman	NM	22,000	$135,104,595
Kerry	MA	442,000	$3,644,093,337
Lincoln	AR	23,000	$127,141,137
Wyden	OR	27,000	$209,608,534
Schumer	NY	68,000	$649,275,486
Stabenow	MI	94,000	$852,099,342
Cantwell	WA	63,000	$565,386,107
Salazar	CO	263,000	$2,016,591,418
Grassley (Ranking Member)	IA	35,000	$239,351,794
Hatch	UT	23,000	$161,379,946
Lott	MS	26,000	$140,751,508
Snowe	ME	67,000	$445,746,545
Kyl	AZ	41,000	$301,696,992
Smith	OR	27,000	$209,608,534
Bunning	KY	89,000	$614,271,849
Crapo	ID	13,000	$87,490,813
Roberts	KS	29,000	$186,813,125
Ensign	NV	100,000	$831,165,283
Committee Total		1,463,000	$11,444862,402
National Total		6,617,000	$44,242,699,672

- Source: "State-by-State Cost Analysis of Mandatory Social Security," The Segal Company, 2005.
- The total for Oregon (listed above for both Senators Wyden and Smith) is only reflected once in the Committee Total.

Mandatory Coverage: Tough Choices for States and Localities

If all newly hired state and local employees are forced to participate in the Social Security program, their employers – state and local government entities – and policy makers will have to make difficult decisions on how to offset these new taxes.

According to the Segal report, these taxes would likely be absorbed through "tax increases, cuts in existing benefits and/or reductions in workforce and services," none of which are particularly popular and all of which would be met with strong resistance by the affected constituencies. Many states and localities are already facing large financial challenges. Mandating Social Security coverage would only exacerbate already troubled financial landscapes for jurisdictions across the country.

Hidden Impacts

Mandatory coverage could also undermine other benefits of public pension plans. These plans, in addition to offering sound and secure retirement benefits for public workers also provide valuable benefits that reduce pressure on federal government programs. These benefits are overlooked by mandatory coverage proponents.

For instance, certain classes of public sector workers have special needs that would not be met by the Social Security program. Safety workers, like police and fire, because of working conditions and job qualifications, retire earlier than other workers, often before age 62, the earliest age at which one can collect Social Security. Consequently, if these workers no longer had their traditional defined benefit public retirement, they could be forced to retire from their public safety jobs but have little or no retirement benefits until reaching 62.

Public retirement plans also offer partial disability benefits, unlike Social Security. These disability benefits go a long way toward providing an income stream so partially disabled workers do not have to depend on public assistance programs.

Most plans provide pre-retirement survivor benefits. For children, Social Security's survivor benefits end at age 18. Many public plans provide benefits after that age has been reached if the child is a full-time student.

Early retirement, partial disability and survivor benefits are among the benefits specifically tailored to meet the needs of public workers that would be threatened by mandatory coverage.

Conclusion

Mandating Social Security coverage for all public sector workers would only create huge costs and burdens for public employers without contributing significantly to the solvency of the Social Security program. The least disruptive and most cost-effective solution would be to allow the well-established public sector retirement system to continue in its current form. It has proved to be a stable and financially sound system that ensures the retirement security of millions of public sector workers.

www.few.org

1666 K Street NW, Suite 440
Washington, DC 20006
202/898-0994
fax 202/898-1535

WRITTEN TESTIMONY OF THE

FEDERALLY EMPLOYED WOMEN (FEW)

SENATE SUBCOMMITTEE ON SOCIAL SECURITY

HEARING on the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP)

November 6, 2007

Federally Employed Women (FEW)
1666 K Street, NW
Suite 440
Washington, DC 20006
(202-898-0994)
www.few.org

FEW is a private, not-for-profit organization founded in 1968 after Executive Order 11375 that added sex discrimination to the list of prohibited discrimination in the federal government was issued. FEW has grown into an international organization serving over one million federally employed women (both civilian and military). FEW is the only organization dedicated solely to eliminating sex discrimination in the federal workplace, and the only organization that monitors legislation particularly of concern to women employed in the federal government.

INTRODUCTION

Federally Employed Women (FEW) appreciates the opportunity to submit this written testimony to the Subcommittee about the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions and their adverse and unfair impact on federally employed women.

On behalf of the more than one million women employed in the federal government (civilian and military), we thank Chairman John Kerry and the other Senators serving on this Subcommittee for conducting this important hearing. We continue to call on Congress to repeal these provisions and allow federal workers to receive their rightful and well-deserved Social Security benefits.

BACKGROUND

As a private organization, FEW is the only national organization that works as an advocacy group to furthering the advancement of women employed by the Federal government. Accordingly, FEW advocates promoting women's equality, eliminating sex discrimination in the federal service, and providing quality training opportunities to enhance skills and abilities. This includes contact with Congress to encourage progressive legislation. FEW national officers also meet with officials at all levels of agencies to demonstrate support of the Federal Women's Program (FWP), ask for their support and assistance with these efforts and to obtain insight into the effectiveness of programs to improve the personal and professional development of women in their agencies.

Every day, nationwide, FEW members work together to bring about an awareness of the issues facing women throughout the federal government and achieve positive reforms and equality for women in the federal workplace.

In addition, FEW members support all efforts within the government to improve operations and efficiencies in the federal workforce.

WINDFALL ELIMINATION PROVISION (WEP)

As the Subcommittee members are already aware, the Windfall Elimination Provision (WEP) greatly reduces the Social Security benefits of a retired federal worker who has paid into Social Security and is eligible for a federal government pension under the Civil Service Retirement System (CSRS).

Private sector retirees receive monthly Social Security checks equal to 90% of their first $680 in average monthly career earnings, 32% of monthly earnings between $680 and $4,100, and 15% of earnings above $4,100. However, federal retirees are allowed only to receive 40% of the first $680 (or $272) in career monthly earnings, a penalty of $408 per month simply for working for the federal government.

According to a new report from the Government Accountability Office (GAO), over 971,000 are affected by the WEP and receiving fewer benefits than they deserve because of the WEP.

GOVERNMENT PENSION OFFSET (GPO)

Of equal importance to FEW members is the Government Pension Offset (GPO). This provision was enacted in 1977 to prevent government retirees from collecting both a government annuity based on their own work and Social Security benefits based on their spouse's contributions. This law decreases by two-thirds whatever Social Security spousal benefits for which a retired government worker might be eligible.

The GPO, in effect, prohibits federal retirees from collecting both a full Civil Service Retirement System (CSRS) annuity based upon his or her own government employment and full Social Security benefits based upon a spouse's employment. The victims of GPO are largely elderly women who are both CSRS annuitants and widows of private sector employees. Many of these women worked in lower grade/salaried positions and the loss of the Social Security benefit causes a major financial hardship. Had these women spent their careers anywhere but the federal government, they would be entitled to full, unreduced Social Security spousal or survivor benefits. However, because they earned their pensions through federal service under CSRS, their Social Security benefit is "offset" by their own earned retirement benefits.

The GPO penalizes over 401,000 beneficiaries. Of those affected by the GPO, 75% are women. According to the same GAO report, the average offset was $409 per month ($444 for women; $306 for men). About 85% of those affected lost their entire spousal Social Security benefits.

It is simply not fair to treat government retirees differently than government contractors or other employers.

OUR VIEWS ON GPO/WEP

FEW supports the repeal of both of these unfair provisions. Both the GPO and WEP lower the retirement income of federal employees by altering the Social Security benefit formula for certain groups. What is particularly egregious is that spousal and retirement benefits are reduced for Americans simply because they worked for the federal government. The end result is to penalize workers who trusted in good faith that they would be treated fairly, not penalized, for public service.

During these times of an aging workforce, we need to do what is right for our public servants. Americans who chose to serve their country by working for the federal government should not then be penalized during their retirement years. These provisions need to be repealed as soon as possible.

Additionally cutting Social Security benefits, in most cases, affect women much more harshly than men. Consider the following:

• Women are more likely to spend time out of the workforce (about 12 years) to tend to family caregiving responsibilities. That is time she is not earning a pension, vesting in a pension, or contributing to Social Security. This absence from the paid workforce translates into inadequate retirement income and an increased financial dependency on their spouses.

• Eighty percent of male beneficiaries receive Social Security benefits solely as retired workers. Only 33% of women receive benefits solely as retired workers, but 55% of women receive benefits, at least in part, as a spouse or former spouse of a retired, disabled or deceased worker.

• Four in ten elderly widows rely on Social Security for 90% of their income.

• Women make up 60% of all Social Security beneficiaries and 70% of beneficiaries aged 85 and older. The system is the only source of income for one-fourth of elderly women living alone.

• Even though Social Security is gender neutral, often times a woman's benefit ends up being less than 50% of her spouse's because women's salaries are still often lower than the salaries of men and certainly were lower when many women entered the workforce. The majority of women's Social Security benefits are based on their husband's earnings, while less than 5% of male Social Security beneficiaries depend on their wife's earnings.

• Women, on the average, live longer than men and are more likely to run out of personal savings before men.

• Over the course of a career, the wage disparity (76 cents to every dollar earned by a man) between men and women adds up. For example, women between the ages of 25 and 34 earning $30,000 a year will lose over $815,000 over the course of their careers because of this wage disparity. Lower earnings throughout their careers mean women rely more heavily on Social Security in their retirement, and their retirement incomes are lower.

FEW has testified before several House subcommittees in support of repeal of both of these provisions. We are also collecting anecdotes of how federal workers in every congressional district in every state have been impacted by these unfair provisions.

OUR VIEWS ON SPECIFIC GPO/WEP LEGISLATION

Several pieces of legislation have been introduced during this Congress upon which FEW would like to comment.

Social Security Fairness Act (S 206/HR 82):

Sen. Dianne Feinstein (D-CA) and Howard Berman (D-CA-28) introduced these bills in their respective chambers. The FEW members firmly support full repeal of both the GPO and WEP, which these bills would accomplish. Our members have been sending letters to their legislators urging them to co-sponsor these bills and help ensure that they move through the legislative process. We have supported these bills each time they were introduced.

Public Servant Retirement Protection Act of 2007 (S 1647/HR 2772):

However, FEW appreciates that full repeal does have a large price tag. As a result, we closely review and consider other bills that help mostly lower-income retired women – the federal retirees most egregiously impacted by these provisions. In that vein, FEW's leaders have made the decision to support these bills which would replace the current WEP formulate with a new WEP formula that provides a benefit in rough proportion to the percentage of earnings worked in Social Security-covered employment.

We believe that these bills improve the way Social Security benefits are calculated by allowing federal retirees to receive actual benefits for the actual contributions they made to Social Security – a much more fair way to calculate their earned benefits.

However, these bills do nothing to address the Government Pension Offset provision which makes it imperative that FEW support the full repeal bills also.

Windfall Elimination Provision Relief Act (HR 726):
This bill – introduced by Rep. Barney Frank (D-MA-4) - would exempt individuals whose monthly combined income (pension and Social Security) is less than $2,500 from the WEP. A graduated WEP would apply for individuals whose monthly combined income ranges between $2,500 and $3,334. Because FEW puts lower-income women as the top priority to help, we support this approach and agree that this is a livable floor for these retirees.

However, this bill (as with the Public Servant Protection Act) does not address that GPO that also impacts lower-income widows.

Government Pension Offset Reform Act (S 1254/HR 2988):
Sen. Barbara Mikulski (D-MD) and Rep. Al Wynn (D-MD-4) introduced these bills which would change, but not eliminate the offsets. While we do support some bills that do not fully repeal GPO and/or WEP (as cited above), we do **not** support these bills. Our members assert that the $1,200 floor is simply too low for retirees to live on, and would require some to continue working in order to pay all their expenses throughout the year.

These bills also do nothing to address the WEP – either through repeal or revamping of the Social Security formula or Primary Insurance Amount (PIA).

Social Security Guarantee Plus Act of 2007 (HR 1090):

This bill – introduced by Rep. Ron Lewis (R-KY-2) - would replace the current two-thirds formula with a one-third offset. FEW members do not support this approach as we firmly believe that lower-income widows and federal retirees should not be penalized at all in their spousal benefits – not even a one-third reduction. Many of these women can not afford to retire, even those well into their 70's, and are being penalized in their spousal benefits simply because they worked for the federal government. While we can support a floor to ensure that lower-income women would receive their full benefits, we cannot accept a straight, across-the-board one-third cut.

FEW MEMBERS

Many FEW members have told us that they can never afford to retire because of the impact of these provisions on their benefits. Here is a sampling of stories collected from some of them.

A member from Massachusetts writes that her husband retired from the US Postal Service and because of the fact that he received a pension from the Postal Service, he was eligible to receive only a portion of his Social Security benefit (about $200 a month). Upon his death, she was informed that because of her work as a teacher, she could not receive any of his benefits, except burial insurance. She has had to return to work, after raising their seven children, and will likely have to continue working past the age of 70 before she can even consider retiring.

Another 71-year old woman from North Dakota is still waking up before 5:00 am, driving on icy roads in snow storms to go to her job at Minot Air Force Base. As a young wife, this woman worked to help her husband go through and pay for medical school. Her spouse paid the maximum into the Social Security system, but died unexpectedly at a young age. However, this woman's spousal benefit is now being cut by two-thirds because she worked, and has to continue to work, for the federal government.

Despite the fact that it was because she worked to fund her husband's education that then allowed him to make subsequent contributions to the Social Security system, she is not receiving these full spousal benefits and cannot afford to retire. This is simply not right.

Finally, one member from Washington state wrote that she had worked for the federal government for 25 years, but also had to work a part-time job to make ends meet during which time she was a single Mom. Now that she is 65 years old, she has learned that while she is eligible for about $500 in Social Security monthly benefits, she will only be receiving $200.

Unfortunately her retirement from the government (about $1,300 monthly) is simply not enough to live on. Her condo rent payments alone are approximately $2,000 a month. This federal employee cannot afford to retire, and will have to continue working as long as health will allow, and then will likely have to live with her children.

IN CONCLUSION

Quite frankly, public servants who have dedicated their entire careers to serving the American people through federal government work should not be punished in their retirement benefits simply for working for the federal government. After a lengthy career with the government, they should be enjoying their retirement years, their families, and their free time as economically healthy retirees.

Again, we very much appreciate the Subcommittee and Chairman's interest in this issue and all the support you have given federal workers in the past. The thousands of FEW members are proud of the work they do for the federal government and our country. They simply want to receive those retirement benefits to which they are entitled.

We look forward to working with the Subcommittee members and their staffs to repeal these unfair provisions.

Sincerely,

Rhonda M. Trent

Rhonda Trent, President

GRAND LODGE
FRATERNAL ORDER OF POLICE®

309 Massachusetts Ave., N. E.
Washington, DC 20002
Phone 202-547-8189 • Fax 202-547-8190

CHUCK CANTERBURY
NATIONAL PRESIDENT

JAMES O. PASCO, JR.
EXECUTIVE DIRECTOR

TESTIMONY

of

Chuck Canterbury

National President,

Grand Lodge, Fraternal Order of Police

on

GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security

before the
Senate Subcommittee on Social Security, Pensions and Family Policy
Committee on Finance

6 NOVEMBER 2007

—BUILDING ON A PROUD TRADITION—

Good afternoon, Mr. Chairman, Ranking Member Ensign, and distinguished Members of the Senate Subcommittee on Social Security, Pensions, and Family Policy. My name is Chuck Canterbury, National President of the Fraternal Order of Police. I am the elected spokesperson of more than 325,000 rank-and-file police officers--the largest law enforcement labor organization in the United States.

I am very pleased to have this opportunity to come before you and share with you the views of the members of the FOP on the effect that the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) have on public employees, specifically on law enforcement officers.

I want to begin by urging this Subcommittee to consider and pass S. 206, the "Social Security Fairness Act." This bill, which was jointly introduced in this and previous sessions of Congress, by Senators Dianne Feinstein (D-CA) and Susan M. Collins (R-ME), the latter of whom testified on the first panel today. The Senate bill currently has thirty-four (34) cosponsors, including you, Mr. Chairman. The House companion bill has more than three hundred and twenty (320) cosponsors and can claim a majority of both caucuses.

While we are grateful that the Subcommittee is holding this hearing today, the FOP is frustrated that this legislation, which has been the subject of five hearings in the past four years, has not yet received legislative action. At a time when there seems to be very little that Members of both parties can agree on, this legislation has demonstrated broad bipartisan support in great numbers. It deserves consideration and a vote.

Ultimately, S. 206 is about fairness to the State and local employees who paid for and ought to receive their Social Security benefits.

Let me begin by explaining the impact the WEP has on retired police officers. Simply put, law enforcement officers who served communities which are not included in the Social Security system may lose up to sixty percent (60%) of the Social Security benefit to which they are entitled by virtue of secondary or post-retirement employment which required them to pay into the Social Security system. This sixty percent (60%) is a lot of money, especially when you consider that the officer and his family were likely counting on that benefit when they planned for retirement.

The FOP contends that this provision has a disparate impact on law enforcement officers for several reasons. First of all, law enforcement officers retire earlier than employees in many other professions. Owing to the physical demands of the job, a law enforcement officer is likely to retire between the ages of 45 and 60. Secondly, after 20 or 25 years on the job, many law enforcement officers are likely to begin second careers and hold jobs that do pay into the Social Security system. Even more officers are likely to "moonlight," that is, hold second or even third jobs throughout their law enforcement career in order to augment their income. This creates an unjust situation that too many of our members find themselves in: they are entitled to a State or local retirement benefit because they worked 20 or more years keeping their streets and neighborhoods safe, and also worked at a job or jobs in which they paid into Social Security, entitling them to that benefit as well. However, because of the WEP, if their second career resulted in less than twenty (20) years of substantial earnings, upon reaching the age they are eligible to collect Social Security, they will discover that they lose sixty percent (60%) of the benefit for which they were taxed! Actuarially speaking, I doubt many officers will live long enough to "break even"--that is collect the money they paid into the system, let alone receive any "windfall." These men and women earned their State or local retirement benefit as public employees and they paid Social Security taxes while employed in the private sector. How is this a windfall?

I think it is clear that Congress did not intend to reduce the benefits of hard-working Americans who chose to serve their States and communities as public employees and then went on to have second careers or worked second jobs to make ends meet. After all, when Social Security was established in 1935, it intentionally excluded State and local employees. And though most public employees are now in the Social Security system, all States have "pockets" of State and local employees that are not covered by Social Security. In fifteen (15) States--Alaska, California, Colorado, Connecticut, Georgia (certain local governments), Illinois, Louisiana, Kentucky (certain local governments), Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas--significant percentages of State and local employees are outside the Social Security system. It is these public employees that need the help of Congress.

When the WEP was enacted in 1983, it was part of a large reform package designed to shore up the financing of the Social Security system. Its ostensible purpose was to remove a "windfall" for persons who spent some time in jobs not covered by Social Security (like public employees) and also worked other jobs where they paid Social Security taxes long enough to qualify for retirement benefits. However, we can now clearly see that the WEP was a benefit cut designed to squeeze a few more dollars out of a system facing fiscal crisis. The fallout of this effort has had a profoundly negative impact on low-paid public employees outside the Social Security system, like law enforcement officers.

To the FOP, which represents these rank-and-file officers, this is a matter of fairness. The WEP substantially reduces a benefit that employees had included and counted on when planning their retirement. The arbitrary formula in current law, when applied, does not eliminate "windfalls" because of its regressive nature--the reduction is only applied to the first bracket of the benefit formula and causes a relatively larger reduction in benefits to low-paid workers. It also overpenalizes lower paid workers with short careers or, like many retired law enforcement officers, those whose careers are split inside and outside the Social Security system. Bluntly put, this provision has not eliminated a windfall for individuals who did not earn it, but it has resulted in a windfall for the Federal government at the expense of public employees.

Let me now discuss the other aspect of S. 206, which would repeal the Government Pension Offset. In 1977, Federal legislation was enacted that required a dollar-for-dollar reduction of Social Security spousal benefits to public employees and retired public employees who received earned benefits from a Federal, State, or local retirement system. Following a major campaign to repeal the provisions in 1983, Congress, which was looking for ways to reduce the fiscal pressure on the Social Security system, adopted instead the Government Pension Offset, which limits the spousal benefits reduction to two-thirds of a public employee's retirement system benefits. This remedial step falls far short of addressing the inequity of Social Security benefits between public and private employees. This "offset" provision should have been repealed in 1983 and might have been were it not for the fiscal condition of the Social Security system at that time.

The new GPO formula reduces the spouse's or widow(er)'s benefit from Social Security by two-thirds of the monthly amount received by the government pension. For example, the spouse of a retired law enforcement officer who, at the time of his or her death, was collecting a government pension of $1,200, would be ineligible to collect the surviving spousal benefit of $600 from Social Security. Two-thirds of $1,200 is $800, which is greater than the spousal benefit of $600 and thus, under this law, the spouse is unable to collect it. If the spouse's benefit were $900, only $100 could be collected, because $800 would be "offset" by the officer's government pension. In nine out of ten cases, this completely eliminates the spousal benefit even though the covered spouse paid Social Security taxes for many years, thereby earning the right to this benefit and the right to bequeath the benefits to their surviving spouse. It is estimated that approximately 349,000 spouses and widow(er)s of State and local employees have been unfairly affected by the Government Pension Offset. It should also be noted that these estimates do not capture those public employees or retirees who never applied for spousal benefits because they wrongly believed themselves ineligible. According to the Congressional Budget Office, the GPO reduces benefits for some 200,000 individuals by more than $3,600 a year. Ironically, the loss of these benefits may cause these men and women to become eligible for more costly Federal assistance, such as food stamps.

The WEP and GPO create a tremendous inequity in the distribution of Social Security benefits. The standard for this narrow class of individuals--retired public employees who are surviving spouses of retirees covered by Social Security--is inconsistent with the overall provisions of the Social Security Act and does not apply to persons receiving private pension benefits. This imbalance exists even though Congress, through ERISA standards and tax code provisions, has more direct influence over private employers than public employers. Clearly, this is an issue that Congress must address.

I also want to mention the FOP's support for S. 1647, the "Public Servant Retirement Protection Act." This legislation, introduced by Senator Kay Bailey Hutchison (R-TX), would repeal the Windfall Elimination Provision (WEP) and replace it with an individualized calculation of Social Security worker benefits based on an individual's entire work history.

While the passage of this bill is not a top priority of the FOP, we do regard it as an excellent first step in correcting the inequity of current law. The repeal of the Windfall Elimination Provision has triggered no organized opposition, allowing us to conclude that the overwhelming majority of Members of Congress agree with the position of the Fraternal Order of Police, which is that the current law is unfair to public employees. Yet despite this agreement, the estimated costs for a full repeal of the WEP are considerable, which leads me to I believe that this is the primary reason that such proposals garner a great deal of support, but little attention. The bill introduced by Senator Hutchinson, while it does not fully address the problem in the estimation of the FOP, does represent a commendable compromise between those who justly believe that public employees are being treated unfairly and those who are concerned about the potential fiscal consequences of repealing the WEP in its entirety.

I now want to address an issue that the FOP and many other public employee organizations thought was wholly discredited, but is occasionally discussed when considering the inequities of the WEP and GPO--mandatory participation in Social Security. This scheme was considered and rejected in 2001 by the President's Commission to Strengthen Social Security (CSSS), and for good reason. According to the U.S. Government Accountability Office, there are 6.8 million governmental employees not covered by Social Security, and the Public Pension Coordinating Council (PPCC) previously estimated that seventy-six percent (76%) of this total are public safety personnel, far more than any other category of public employee. State and local government employers carefully designed pension plans and retirement systems to fit the unique needs of law enforcement officers, public safety officials and other public employees. These pension plans, which exist in every State in the union, better serve State and local government employees and deliver a greater benefit than participation in Social Security. As just one example, State and local plans take into consideration the significantly earlier retirement age of law enforcement officers and other public safety officers as compared to other, more typical government employees. Social Security does not.

Additionally, the cost to States, localities, and the individual employees would be immense. The employee would be required to pay 6.2% of his or her salary into the Social Security trust fund. This amount would be in addition to the contribution already paid by the employee into the State or local retirement system. The employer would have to match the employees contribution--another 6.2% cost to the employing agency *for each employee.* And that, too, would be in addition to whatever matching contribution must be made by the employer into the existing State or local retirement system, which would severely compromise the financial solvency of the existing pension and retirement plans into which public employees outside the Social Security system currently contribute.

The result of this is obvious: less take home pay for the employee and cut backs in services, equipment and other expenditures on the part of State and local governments. Police departments and other law enforcement agencies stretch every dollar to the limit now--these huge new costs will devastate their budgets and certainly impact on their ability to function as first responders at a time when we need to be improving our homeland security.

Clearly, the damage that would be done to State and local governments and the families of the employees cannot be overstated if the Federal government forces them to pay a new tax of 12.4%. Collected data shows that the first year cost to employers--local and State governments--to cover only newly hired employees only would be over $771 million. The most recent estimated cost to public employers and employees for the first five years of mandatory participation in Social Security is enormous--$44 billion. And what benefit does this enormous cost have on the overall health of the Social Security trust fund? According to the SSA, requiring newly hired employees to be covered by Social Security will extend the solvency of the Social Security Trust Fund for two years. Just two years--and this projection does not take into account the effect of increasing Social Security's unfunded obligations by adding this huge new influx of participants.

The Fraternal Order of Police understands that reforms in the Social Security system are necessary and that certain steps need to be taken if we are to avoid the expected shortfall in 2042.

Sometimes proposals sound good on the surface, but after careful examination are revealed to be unsound policies with damaging consequences. We believe that mandating the inclusion of all public sector employees into the Social Security system falls into this category. It is wrong to change the rules almost seventy years later because the Federal government is looking for an easy way to fund Social Security without making hard choices. It is also wrong to impose a $44 billion cost on State and local governments and their employees just to extend the solvency of Social Security for two years.

Ultimately, this is about fairness to them men and women that have sworn to serve and protect our communities. The State and local governments which employ these officers chose not to participate in Social Security, but they did not create this problem, nor did their 5.25 million employees who do not pay into the system. But if participation in Social Security is mandated by the Federal government, all of them would be paying a hefty price for contributing into their own retirement plans. Destroying the retirement programs of these hard-working Americans and raiding the budgets of State and local governments should not be part of the Federal government's solution, and I urge Congress to reject any proposal requiring public employees to participate in Social Security.

Similarly, the foundation of the FOP's position on the repeal of the WEP and GPO is also about fairness. It is not unreasonable to ask that the men and women who spent their careers putting their lives on the line for their fellow citizens be treated fairly after they retire. But because of the WEP and the GPO, they are treated differently and are subject to arbitrary formulas which reduce benefits for which they have been taxed and to which they are entitled. Both of these provisions should be repealed, and I urge the Subcommittee to consider and favorably report S. 206.

Mr. Chairman, I want to thank you and the other Members of this distinguished Subcommittee for the chance to appear before you today. I would be happy to answer any questions you have.

Illinois Association of Chiefs of Police

426 S 5th St, Ste 200 • Springfield, IL 62701 • PH 217-523-3765, FAX 217-523-8352, E-MAIL: iacp@ilchiefs.org

November 27, 2007

Senate Committee on Finance
Attn. Editorial and Document Section
Rm. SD-203
Dirksen Senate Office Bldg.
Washington, DC 20510-6200b

RE: "Senate Bill 206 - GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security, November 6, 2007"

Dear Senators,

I am writing to urge you to favorable action with concern to Senate Bill 206, which would repeal two provisions of current law that unfairly reduce earned Social Security benefits for teachers and other government pensioners- the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) provision.

Under current law, many public employees, whose salaries are often lower than those in the private sector to begin with, find that they are penalized and held to a different standard when it comes to retirement benefits. This unfair reduction in benefits has made it more difficult to recruit law enforcement officers who realize by taking a job in our state they will be penalized when they apply for earned social security benefits from previous employment.

The Social Security Windfall Elimination provision reduces Social Security benefits for retirees who paid into Social Security from other employment and also receive a government pension from work not covered under Social Security. While private sector retirees receive Social Security checks based on 90 percent of their first $612 average monthly career earnings, teachers and government pensioner's checks are based on 40 percent- a harsh penalty of more than $300 per month.

The current Government Pension Offset provision reduces Social Security spousal benefits by an amount equal to two-thirds of the spouse's public employment civil service pension. This can have the effect of taking away entirely a spouse's benefits from Social Security. It is beyond my understanding why congress would want to discourage people from pursuing careers in public service by essentially saying that if you do enter public service, your family will suffer by not being able to receive the full retirement benefits to which they would otherwise be entitled.

Again, I urge you to favorable action with regards to Senate Bill 206.

Thank you for your time and consideration of this very important matter.

Sincerely,

Lawrence C. Burnson

Lawrence C. Burnson
2007 IACP President

Kentucky Retired Teachers Association

7505 Bardstown Road
(Bardstown Road & Gene Snyder Freeway)
Louisville, KY 40291-3234

November 19, 2007

Senate Committee on Finance
Attn: Editorial and Documentation Section
Rm. SD-203 Dirksen Senate Office Building
Washington, DC 20510-6200b

To: **Senate Committee on Finance**

Re: **"GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security"**

Hearing Date: November 6, 2007

The Kentucky Retired Teachers Association (KRTA) is asking for your favorable vote and support of S. 206 -- the repeal of the Social Security WEP/GPO Offsets.

KRTA represents approximately 26,000 members and their families who could be negatively impacted by the WEP/GPO provisions. We believe that professionals who serve the public are being discriminated against and penalized by these provisions. We believe these are earned benefits because the affected Kentucky retired teachers have paid at least 40 quarters into Social Security.

By the time Social Benefits were offered, the state of Kentucky had established its own system of providing pensions to public school teachers. Therefore, the state elected not to participate in Social Security Coverage. I also want to make the committee aware that we feel mandating Social Security coverage on every American is not the solution to covering the cost of the GPO/WEP repeal. It is an action that we very strongly oppose.

Please make public servants your priority in this matter. Allow them to collect the Social Security benefits they and their spouses paid for while they were working. Thank you for your support of S. 206.

Sincerely,

Bob Wagoner

Bob Wagoner, Ed.D.
Executive Director

Serving Retired Teachers Since 1957

(502) 231-5802 1-800-551-7979 (502) 231-0686 FAX krta98@aol.com

Louisiana Retired Teachers Association

November 8, 2007

Senate Committee on Finance
Attn. Editorial and Document Section
Room SD-203
Dirksen Senate Office Building
Washington, D.C. 20510-6200b

To: Senate Committee on Finance
Hearing: "GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security"
Date of Hearing: November 6, 2007

The Louisiana Retired Teachers Association (LRTA) remains keenly interested in maintaining and improving benefits needed to secure dignity and independence in retired life. On behalf of the Association, I want to thank the members of the Social Security Subcommittee for agreeing to hear S 206, and to gain additional information on issues regarding GPO/WEP provisions of the Social Security Administration. We ask your future favorable consideration in repealing these provisions by recommending the passage of S 206, as written.

LRTA represents 59,530 retired educators who could be negatively affected by the GPO/WEP provisions of Social Security. It is our opinion that professionals who served the public are being discriminated against and penalized by these provisions. By the time Social Security benefits were offered, the state of Louisiana had established it own system of providing pensions to public employees. Therefore, the state elected not to participate in Social Security coverage. I also want to make the subcommittee aware that we feel mandating Social Security coverage on every American is not the solution to covering the cost of the GPO/WEP repeal. It is an action that we very strongly oppose.

Please make public servants your priority in this matter, whether they are/were teachers, public safety protectors, or state, city, county or parish workers. Allow them to collect the Social Security benefits they and their spouses paid for while they were working. We will gratefully appreciate you support in the ultimate passage of S 206.

Sincerely,

Wade Ledet

Wade L. Ledet, Ed.D., President
Louisiana Retired Teachers Association
9412 Common Street, Suite 5
Baton Rouge, LA 70808
225.927.8837
www.lrta.net

STATEMENT of Diana (Donnie) McGee

MCCC Vice President and Member, Board Of Directors

Professor of English, Bristol Community College

ON BEHALF OF

THE MASSACHUSETTS COMMUNITY COLLEGE COUNCIL (MCCC)

SUBMISSION TO

THE SUBCOMMITTEE on SOCIAL SECURITY, PENSIONS and FAMILY POLICY

COMMITTEE ON FINANCE, U. S. SENATE

GPO and WEP: POLICIES AFFECTING PENSIONS FROM WORK NOT COVERED BY SOCIAL SECURITY

NOVEMBER 6, 2007

Massachusetts Community College Council

Joseph LeBlanc, President
Diana (Donnie) McGee, Vice President
Philip Mahler, Treasurer
Phyllis Barrett, Secretary

Don Williams, Communications
Dennis Fitzgerald, Grievance
Joseph Rizzo, Grievance
Hilaire Jean-Gilles, Research

To: Senate Finance Committee's Subcommittee on Social Security, Pensions, and Family Policy
From: Diana (Donnie) McGee, MCCC Vice-President, on behalf of the MCCC
Re: GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security
Date of hearing: November 6, 2007

Chairman Kerry, Senator Ensign and Honorable Members of this Committee: Thank you for the opportunity to share written testimony in support of legislation that would repeal the Government Pension Offset and Windfall Elimination Provision that now penalize so many educators working in the public arena in Massachusetts. As a Professor of English at Bristol Community College in Fall River, MA, I would have little entitlement to any spousal survivor benefits and would lose a sizeable chunk of my Social Security earnings at retirement if this legislation is not repealed. But this letter and my presence at the November 6th Senate hearing are not intended to advocate for myself alone. As Vice President of the Massachusetts Community College Council (MCCC), I am testifying on behalf of my statewide union of faculty, librarians, counselors, and other professional staff employed at the 15 Community Colleges across the Commonwealth. So many of my colleagues will lose a substantial portion of the Social Security benefits that they and/or their spouses have earned. To really understand the depth and range of these losses, I have compiled a short collection of statements from my MCCC colleagues who have indicated the impact that the GPO/WEP will have on their future.

Key points captured by the stories of my MCCC colleagues:

- Many of our professors have 15 to 20 years of earned social security benefits through private sector employment. Though they have contributed to the Social Security system, as required, they will not receive the benefits they earned and paid for. These earnings are rightfully theirs. Legislation should not deny them these benefits.
- Many educators switched careers to support the missions of our community colleges. Now they are being penalized for their employment in the public arena. Employees whether they serve in the public or private sector should be treated equally under the law.
- Retirement hardships will be the norm for many, including faculty in nursing, medical technology, mathematics, and computer science fields, if they remain at our colleges. These professionals are difficult to recruit and equally difficult to retain given the private sector lure of higher pay and the effects of GPO/WEP legislation on accrued social security earnings.
- The exodus of retired faculty that is expected in the years ahead will create a void that will be difficult to fill with qualified professionals. GPO/WEP will greatly increase this challenge.
- Retirement for many educators will not be secure or stress-free due to the impact of the GPO/WEP laws. The loss of spousal income and personal retirement earnings will force some to put off retirement for years and pressure others to take on part-time employment during retirement. Some who retire will struggle to pay for basic survival needs.

Please read these stories to see the significant impact that GPO and WEP have on educators in Massachusetts. We seek your support for the repeal of these laws. It is the right thing to do. Give these professionals the opportunity to retire with the dignity and security that they have earned and they rightfully deserve. Thank you.

27 Mechanic St., Suite 104, Worcester, MA 01608-2402 • Philip Kennedy, Operations Manager
508 890 6688 • fax 508 890 6680 • Office@mccc-union.org • mccc-union.org

To: **Finance Subcommittee on Social Security, Pensions & Family Policy**
From: **Diana (Donnie) McGee, MCCC Vice President**
Re: **GPO & WEP: Policies Affecting Pensions from Work Not Covered by Social Security**
Date: **November 6, 2007**

GPO/WEP Impact Statements from the MCCC: *A compilation of stories from the Massachusetts Community College Council (MCCC), the union of more than 6,000 faculty, librarians, counselors, and other professional staff employed at the 15 Community Colleges in Massachusetts.*

BERKSHIRE COMMUNITY COLLEGE, Pittsfield, MA

- **Wayne Klug, Professor of Psychology**
  I have been doing public high school and college teaching for a quarter-century and throughout that time have coped with the scandalously low salaries with which all are familiar. A student observed that I have made a patriotic contribution to my state and country that should now assure my comfort in retirement. But with an insufficient state ORP pension, and excluded from significant federal benefits, I am instead facing a shortfall of at least $1,000 per month needed to meet future mortgage and medical costs. I'm placed in this position of double jeopardy for what reason? A "windfall elimination"? Right now, I feel barely a breeze of security blowing in my direction.

BRISTOL COMMUNITY COLLEGE, Fall River, MA

Elizabeth Alcock, Coordinator and Associate Professor of Communication
Both my husband and I have 20 years of state service; we both also worked for many years in jobs where we regularly contributed to Social Security - about 20 years each. As a result, both my husband and I - not just one spouse - will have 40% cut from Social Security retirement payments when we are both retired because of the GPO/WEP penalty. This in no way is "double dipping." It is, in fact, a double penalty to our household income. I expect to start collecting my state pension in four years, at age 65, when I should receive approximately $23,000 a year. My Social Security, which I plan to start collecting when I reach 66-1/2, will amount to only about $7,200 a year instead of the $12,000 I would have been entitled to, because of the GPO-WEP penalty. Both my husband and I contributed our share to Social Security when we worked all those years outside of state employment and received statements from the Social Security Administration telling us how much we would be entitled to when we retire. When my husband went to the Social Security office before he retired in July 2006, he was told he would be getting 40% less than what he had counted on in his Social Security check each month. Please help us. We just want what we are entitled to.

- **Michelle Kelly, Instructor in Psychology**
  Michelle. Kelly worked for over 30 years as a Dental Hygienist and paid into Social Security during that time. She plans to work for the next 12 to 15 years in her current position as faculty at Bristol Community College. Her pension earnings will seriously reduce her earned Social Security benefits. She should not be penalized simply because she switched careers and became a state employee.
- **Kathleen Lund, Professor of English as a Second Language**
  I would like to make [several] points about the GPO/WEP. If my husband were married to a store manager and he should die before she did, she would be able to collect the widow's portion of his Social Security. Why shouldn't a woman or a man who has earned a state pension have the same benefit? At a community college, it is particularly helpful to have instructors who have worked in their fields become teachers. Why should they have to receive less Social Security as they become vested in a state pension system? They should be highly valued faculty both before and after they retire completely. Very wealthy retirees do not have such offsets after a certain age. The issue is one of equal treatment under the law.

- **Linda Mulready, Professor of Reading and English**
  If the current GPO/WEP laws are not repealed, I would be subject to a decrease in spousal benefits and would not be able to collect survivor benefits. My husband has paid into the Social Security System for 40 years, yet I would receive none of the $2,200 a month survivor benefits that I should be entitled to receive.
- **Maureen Sowa, Professor of History**
  The Social Security offset adversely affects my future security for all the obvious reasons. It is an insult to my intelligence to spell out something that is so clear. Moreover, most important is the fact that the offset is simply not just; I have earned enough work quarters to be eligible for Social Security. I should not have to beg for something that I have earned. For 30 years I contributed to the Social Security system, four of them were spent in active duty as a United States Naval officer. The estimated loss of my Social Security earnings over my life time will be significant given the GPO/WEP offsets that will be reduced by my state retirement income. My spouse has maximum SS eligibility; the loss of my access to his SS is incalculable.

BUNKER HILL COMMUNITY COLLEGE, Boston, MA

- **Susan Dole, Senior Academic Counselor**
  I am a widow and will lose my half of my husband's social security. He died at 54 and all I ever received is the $250 death benefit.
- **Susan Allen**
  I am retired from BHCC after 31 years. I have worked a 2nd job 25 years under SS. I am currently receiving $101 a month in Social Security. I am eligible for 1/2 of my former spouse's Social Security earnings which would be $900. They can not give this to me because of the offset.
- **Deborah Paul Fuller, Professor**
  I am heavily impacted. I paid into Social Security for many years, teaching in Michigan and also Utah. I think my last statement from SS said I'd get $900/month at retirement if I continue to NOT pay in, as I work at BHCC. This amount will be seriously decreased if these laws aren't repealed.

CAPE COD COMMUNITY COLLEGE, West Barnstable, MA

- **Susan DeFulgentiis, Dental Hygiene Program**
  I am 57 years old, never married, and do not own my own home. I have worked in the private sector for 30 years and have 25 years of substantial income (according to Social Security). I have been at the College since June 2000 and plan to retire in 2010. According to the Retirement Table, I will collect only 20% of my pension when I retire. According to Social Security, I will receive about 60-65% of my Social Security. This is discriminatory in my opinion. The only reason I'm staying at the College until retirement, is so I can get the health insurance.
- **Marilyn E. Hoeft, Administration Assistant, Cape Cod Community College**
  My total work for this college is approximately 35 year. Some of those years were part-time hours, but not many. When I was hired on a full time basis at the College, I was unaware, that those years would impact my social security benefits. When I turned 65, I went to SS and their representative told me that if I stay at the college and become vested I will have to give up 60% of my SS benefit amount if I take a college pension also. I will not be vested until July 2008. I cannot believe that this legislation is aimed at only those who work for the state. And now today as I write this note, I am told that if my husband should pass before me that I will not be entitled to his SS retirement because I was a state worker.
- **Maureen C. Shannon, Financial Aid Administrative Assistant**
  I came to the College from the private sector at 47 years old. If I work until I'm 62, my pension from the College will be about $1,350.00 a year. My social security will be cut 40%, and I am not entitled to collect on my husband's should he predecease me. I contributed to social security since I was 18, but do not have the 30 years substantial earnings required to collect 90%. I am short 3-4 years. I work part-time now and still contribute to social security, but at the present time the substantial earns level is around $16,000.00. I will lose about $6,000.00 a year from my social security. If my husband dies before me and I am not allowed to receive spousal/survivor benefits, I will lose around $18,000.00 a year.

HOLYOKE COMMUNITY COLLEGE, Holyoke, MA

- **Justin West, Professor of Electronic Media**
  I have worked for the *state of Massachusetts for 15 years after working for 10 years for another college where I contributed to Social Security. The fact that I have worked for the State for only 15 years coupled with the low faculty salaries means that my retirement pension will be less than it should be. My social security would bring that amount up to a livable retirement. Public employees should not be so penalized. Why are we to be deprived of money WE HAVE ALREADY EARNED? Why should I contribute to Social Security only to have that money taken away from me? Why does this country refuse to take care of its old people? Maybe this money would allow us to make up for the inadequate Medicare benefits.*

MASSACHUSETTS BAY COMMUNITY COLLEGE, Wellesley and Framingham

- **Norah Connolly, Professor of Practical Nursing**
  I have been contributing to the social Security system for over 40 years. I am 52 years old, and I started working at age 12 in a local convenience store in Hyde Park Massachusetts. I have worked part-time my entire life and full time 2/3 of that entire life. I have worked in hospital settings for over 30 years and I am currently a nursing professor. I have 6 children and I am working full time PLUS trying to put them through college. It is UNJUST to penalize the citizens of this country who have given and contributed so MUCH to the social security fund.
- **Helen C. McFadyen, Computer Science Professor**
  I am presently 58 years old. I paid into social security for 23 years in previous positions and my husband Arthur, now deceased, paid in for close to 45 years. My husband only collected 2 years of his social security before he died. I have been working in the state system for close to 19 years. Based on the way the pension system is set up for Massachusetts state employees, I was told by the agent at the Social Security Administration that I will not be able to collect any of my social security or my late husband's if I retire at the full retirement age, which for me is 66 years old. This creates a hardship for me since I realize without social security I will lose the potential of over approximately $7,000 a year in income. Anything that could be done to change this unfair system would be greatly appreciated.
- **Marjorie Saunders, Professor**
  I followed my husband to Massachusetts and am now divorced. I started working as a teacher in New York in 1964. Prior to that I worked as a waitress, saleswoman and secretary. Until 1977 (the time I started working for the state as a professor at MassBay Community College), I had money taken out and put into the Social Security System. To my horror, I discovered that all these years and thousands of dollars will never help me in my retirement this June 2008.[My] thirteen years and summer jobs since in the private sector will still not allow me to collect social security. Instead, I will have to work in addition to my pension which is not enough for me to live on. On top of this, when I spoke to the Social Security office, they said that I would have to pay an additional $92 a month for Medicare.
- **Linda Stern, Reference Librarian**
  I am 66, and I started collecting social security in Jan. 2007. I get $880 a month which includes my own service in the private sector and my "wife's" benefit (as social security quaintly calls it!). SSA informed me that after I start collecting my state pension, their contribution will be reduced to $399. I have worked at MassBay Community College for 10 years and have another 6 or 7 years in the State Retirement System so my pension will be in the early 20,000's (possibly 23,000 to 26,000). I wonder when I will be able to retire. Retire sooner but poorer, or retire later -- which will it be?

<u>**MASSASOIT COMMUNITY COLLEGE, Brockton, MA**</u>

- **M. Lou Nesson, Librarian**
  I have contributed and still do contribute to social Security, in other jobs, and concurrently through a business that I own, (self-employment taxes). My husband currently receives a disability pension and pays into social security through his current job. I do not know how to calculate the impact at this time. What I do know is that he and I are paying into both systems and have every right to collect from them. My father worked multiple shifts for the Boston Gas Company for 45 years. When he retired he collected those benefits and when he was eligible for social security, he collected that as well. What difference does it make that we will receive a state pension? We worked many long hours and paid into the systems. It should be illegal for the Government to penalize state workers by cutting social security earnings.
- **Mary C. Nelson, Librarian**
  My husband, a retired teacher, and I will both be affected by these laws if left unchanged. Both our pensions are small: his 20 years of teaching is annually almost $13,000 with a 3% on $12,000 COLA each year; mine will be around $19,000-21,000 per year with the same cost of living increase on the first 12,000. I have over 20 years of substantial earnings with Social Security. I will start receiving about $990/month in December and that will continue until I collect the state pension. Then, it will be reduced to about $500. My husband is working toward 30 years of substantial earnings with Social Security in order to be exempt from current laws. Since leaving teaching, he has been self-employed and paying all of the Social Security tax as an independent contractor, not half like folks who work for employers. That will be reduced by his pension if he does not work all 30 years required. That's 50 work years! If he predeceases me, I have slim to no chance of his Social Security being better than mine because of the formula. I will also not receive his pension. We are the work, work, pay, pay people. If the law could be changed to exempt small pensions, less than $25,000 we would not be penalized as we currently will be.
- **Nancy S. Ryan, Retired Faculty, Child Care, Education Department**
  I am a " retired" faculty member of the Child Care Education Department who currently teaches two courses. From the 1960's and beyond I worked many part-time jobs under Social Security, earning almost 40 quarters towards benefits. While I was employed full time at Massasoit, I collected spousal benefits under my husband's employment history. Once I retired and was collecting a state pension with a <u>lower income, I was no longer eligible for my spousal</u> benefits. Doesn't seem logical does it? I am also unable to collect even the money I paid in to Social Security for many years. Over the years it will have a financial impact in the thousands of dollars. It is an unfair system
- **Kathleen Walsh, Accounting Professor**
  I was hired at Massasoit Community College at age of 51. Prior to being hired I worked full time for several companies/organizations where I contributed to Social Security, approximately 15+ years. I have also worked at part time jobs where I contributed to Social Security. Obviously, because of my late start in the state retirement system my state pension will be small. I do not feel that I should be penalized. It is only right for me to receive my full Social Security benefits. Teachers at the community colleges already take tremendous hits from the system: Despite 22 years of college teaching experience, I had to start as an Instructor and at a salary that was lower than most accounting students earn on their first job.

<u>**MIDDLESEX COMMUNITY COLLEGE, Bedford, MA**</u>

- **Joanna DelMonaco, Assistant Professor of Mathematics**
  I worked in industry for twenty years, paying into Social Security. I left a very high paying job in Civil Engineering to pursue a Master's Degree, and become a teacher of Mathematics. Not only did I take a pay cut, but now I can be sure that my "future pay" will also be cut with the WEP plan. I am able to make this move from industry to teaching due to the fact that my husband has a very lucrative job. Quite frankly, I depend on his income, and will continue to do so in retirement years as well. If I am unable to take advantage of his SS benefits in retirement years, I suspect that I will not be able to keep my home and help my children. In this generation, one has to be prepared to be the caretaker of several generations - parents and children alike! Having benefits cut off will certainly be detrimental to the attainment of my constitutional rights of life liberty and the pursuit of happiness in my retirement years.

- **Patricia Hunt, Academic Counselor**
I have been employed here since 1999. I have several reasons why we need to repeal GPO/WEP. First, I worked under SS for 25 years and deserve to benefit from the money I have already contributed.. Next, my husband worked under SS and upon his passing, I will not receive any of his benefits. Finally, my mother worked under the state for only 10 years, as she stayed at home in prior years to raise eleven children. My dad died 6 years ago and all his SS benefits were cut off from my mother immediately upon his death. Her State pension is a mere $800.00 per month. She has since been forced to live with my sister, as she could not afford to live alone on her small State pension. Imagine having to give up your independence because your government turned its back on you. The government has done a great disservice to those who have worked all our lives. It's even more disturbing that SS monies are being dispersed to illegal immigrants and others who have never paid a dime into our system. It is unconscionable that those who did the right thing are being punished by our own government.

<u>MT. WACHUSETT COMMUNITY COLLEGE, Gardiner, MA</u>

- **John Reilly, Professor of Business Management**
Before joining the MWCC Faculty in September, 2004 and beginning employment for the Commonwealth in March, 1988, I contributed to Social Security for approximately thirteen to fourteen years while working in the private sector. According to the Social Security estimate, I would receive a monthly payment of approximately $1100, depending upon my age of retirement. However, I talked with an individual from the Social Security Administration and was informed by him that because of the WEP, my monthly income form Social Security would be reduced by up to 60%. In essence, I would now receive between $300.00 and $400.00 because of this act. Simply put, I only ask for what I have rightfully earned during my employment – nothing more, nothing less.

<u>NORTH SHORE COMMUNITY COLLEGE, Danvers and Lynn, MA</u>

- **Joseph Boyd**
A year ago our office's Administrative Assistant left our employ for the private sector. She had over 8 years of service with North Shore Community College. She also had considerable time built up under Social Security and her husband had decades of employment in private industry. Her reason for leaving us was that if she stayed with the state for 10 years, she would become vested in the MA Retirement System and lose most of her Social Security benefits and those of her husband should he pass away before her. Our office lost an excellent worker who felt compelled to terminate her employment not for reasons of career advancement or some new, exciting prospects but to protect her future against the realities of a retirement arrangement that put her in a disadvantaged position.
- **Brenda Clark, Professor**
I have put in more than 40 quarters to Social Security. My husband has contributed to Soc. Sec. since 1962 as a blue collar worker. I understand that when I retire I will only get about 60% of my Soc. Sec. benefits, AND, if my husband passes away before me, I can only receive 60% of his or mine, which ever is more. That would mean that he has worked 48 years thus far for 60% of his benefits, which is a loss of approximately $900 a month! I am not retiring yet, neither is he; however, as I understand from those who have retired, $10,800 ($900 x 12 months) would be much needed!
- **Sandra D. Fotinos-Rigg, Retired Professor of English as a Second Language**
My retirement income is significantly affected by the WEP penalty. I am a 67-year-old, retired Professor of English as a Second Language from Northern Essex Community College where I taught from 1966 to 1990. I also worked for sixteen years at jobs through which I contributed to Social Security. On my 2005 Social Security Statement, my estimated benefits at full retirement age would have been $642 a month, but, due to the WEP penalty, I am currently receiving only $261 per month from Social Security. This, in addition to $1,313.88 (net) from Massachusetts, and $328.25 from Arizona State Retirement, gives me a total monthly income of $1,903.13.

- **Carole Hunter, Academic Counselor**
  I worked in New York State from 1963-1972 in various positions (town summer employee, and full time teaching from 1967-72. I also worked part time as an admissions counselor, financial aid counselor and [counselor] in the student support center at Endicott College from 1988-96. This totals approximately 19 years of service in which I contributed to social security. I would earn about $521 per month at a retirement age of 62. However, current WEP legislation will reduce that benefit, despite my required contributions to the S. S. system.
- **Bernadette Lucas, Professor**
  I have been a college professor since 1991 and prior to that time, I paid into SS for about 25 years. My husband has his own business and has had to pay both sides of his SS since the 80's. This has been very expensive and has reduced the amount of money we have been able to save for our retirement. If he happens to die first, I will not be able to collect his SS which means I will probably not be able to support myself and will lose my home. I feel that this law is not equitable. All contributing Americans should have equal access to their SS funds. Either we all get it - or none.
- **Caroline Schwarzwalder, Professor of English as a Second Language**
  The GPO/WEP law is immensely unfair .It will reduce by 40% the social security benefits that I worked full time for for 20 years at independent K-12 schools. Social security will take the maximum from my benefits because only if you have worked 21 years or more for social security, can this deduction even be reduced. This means that if I retire at age 62, my benefits will be reduced from approximately $830 a month to approximately $490 a month.. But since I worked for social security for 20 years, it may be physically impossible for me to work for the state of Massachusetts long enough to receive a pension sufficient to live on. At 62, I will have worked for the state for 17 years. If I retire at that age, I will get only 32.3% of my salary ($61,000) or $19,703. I can't possibly live on this amount, so I will have to keep working. Bottom Line The 40% reduction in my earned social security benefits could be the difference between allowing me to live a normal life in my old age if I'm careful about spending, to living a life filled with stress and worry about survival. I have never made much money as a teacher, so it has not been easy to save money. This law that would take away a major portion of earned social security benefits needs to be repealed. It is a travesty.

NORTHERN ESSEX COMMUNITY COLLEGE, Haverhill and Lawrence, MA

- **James Bradley**
  I worked full-time at Northern Essex Community College for 27 years. I am still at NECC part-time. However I did pay into Social Security for 18 years before I entered Higher Education. My social security is $300 monthly as a result of the off-set provision. Without the off-set provision the SS amount would have been about $900. Although this bill is excellent for all future retirees I would hope that the bill could also give some limited retroactivity for those affected by the off-set provisions. I feel that I have been short changed by $600 monthly or $7,200 yearly.
- **Sally Cohen, Academic Professional**
  I have contributed to Social Security for 25+ years, working at NSCC for 30 hours per week with no benefits for six years until I could secure a full-time position. Now, at age 53, I will be lucky to get 10-12 years into the State Plan. Without SS I will receive less than 800 a month - hard to comprehend when I have worked all these years. For me, not receiving [my full] SS [benefit] will place me at poverty level.
- **Linda Desjardins, English Professor**
  I've worked at NECC for 31 years and am a full-time professor, after many part-time years. I never worried about the part-time employment as I was married and knew I'd share in my husband's retirement. Then we divorced. My state retirement will be minimal as I will have accrued fewer than 20 years full time. Prior to teaching, I worked in the private sector for 7 years. I contributed to social security and my latest inquiry revealed I am eligible for about $450/month. Except...I'm now considered to be a double dipper. My property taxes are about $450/month. Help. Your support ... [is] much appreciated.

- **Jane C. Gagliardi , Human Services Program Coordinator**
  I have been employed regularly since I was 16 and working part time as a volunteer prior to that. I have contributed to Social Security on a regular basis throughout the years except for my (current) ~7 1/2 years of state employment. Working as a social worker, I have earned a modest income for someone with a graduate degree and post graduate training. If the windfall provision is not changed, I will either lose the bulk of my social security benefits while only gaining a modest pension from the state (given the relatively low pay and my relatively few years of service, or I will need to leave state service once I am vested so that I can earn more "substantial quarters" of social security to increase the percentage of my social security benefits to the near 30 years required to gain my full (and earned) social security benefit.
- **Robert A. Hawes**
  I worked in private industry from the mid-'60s until 1988. At that time I went to work part-time for the community college system. Eventually I moved into a full-time position and in the year 2009, after 20 years of service, I will be able to receive the minimum retirement from the State Retirement System (about $1200). At the same time my social security benefits will be reduced from $673 per month to $417 per month. The difference could be a down payment on my heating bill or a month's groceries. It certainly can not be considered a windfall by any imagination.
- **Kathleen Proietti, Department Chair of Computers, Engineering, and Technology**
  I have worked many years in various positions such as teaching in different states and private institutions as well as professional positions in industry. I have been poised to retire within the next few years. I had planned to retire soon due to serious medical conditions, but cannot consider this option because I am being penalized for working for the State of Massachusetts. My social security benefits will be greatly reduced even though I earned these benefits prior to working for the State of Massachusetts. I paid into the system and should be entitled to take out what I have earned. I am being penalized for choosing a career that builds the strength of our nation through educating our future presidents, senators, congressmen and congresswomen, armed forces and all the other members of our society. I am slated to receive a monthly payment of about $250 dollars instead of the $800 social security benefit I should be receiving. Because of the WEP, I stand to lose about $6,600 in Social Security earnings yearly upon retirement.
- **Stephen Proietti, Professor of Massachusetts**
  I have contributed significantly to the social security system prior to teaching in Massachusetts, but the current GPO/WEP legislation seriously penalizes me for making an honorable choice to switch to the profession of teaching later in my career. The impact on my retirement benefits is quite extensive. Instead of receiving a monthly Social Security payment of $1300, I am slated to receive $400 per month. Upon retirement, my yearly income from Social Security earnings will be reduced by $10,800. Because of my work in the private sector, I am being denied benefits that I have earned and was promised. I would like to retire in the near future due to the medical condition of my wife, but do not feel that I can make that decision because of the GPO/WEP penalties.
- **Mary Roche, Reading Center Coordinator**
  I work as the Reading Center Coordinator at Northern Essex Community College. I have worked at NECC for twenty five years but will only get 11 years service because I worked on 03 grant money for 14 years. I will be lucky to get 15,000.00 dollars a year in pension money. If I collect the pension, however, I lose most of my husband's spousal benefits. Isn't this poverty level??
- **Susan Sanders - Professor of Theater & English**
  I taught public school in New York State for 6 years for which there is no retirement contribution from the state. During graduate school and for a number of years as an adjunct, I worked a variety of other jobs. Even as a full-timer I took free-lance work as a set designer, for which I should be given SS credit. My husband, Jim Murphy, who has only achieved full-time status recently, has worked many jobs in education, most without being part of the retirement system. Teachers work hard enough without facing limited income in their retirement years.

- **Susan Smith, Financial Aid Counselor**
  I worked in the private sector for 20+ years. I lost my husband from brain cancer in 1999 - a huge personal and emotional loss. I also lost his income. Now I'm going to lose the better part of his/or my social security just because I work for the state. This loss does NOT have to happen. I sincerely ask the government to restore to us the income which is rightfully ours and is so badly needed financially. Its repeal will mean a fairer and brighter future for many who worked so hard to earn it.
- **Art Thompson, History Professor**
  As a retiree with 33 years of public service as a high school teacher, one can only imagine the impact the offsets will have. Someone like me had to work a number of part-time jobs for all of those years to supplement what was then a starting salary of $5600. I need to continue to work part-time as a community college instructor to supplement my retirement benefits in a capacity that ironically enough continues to not provide any further opportunity to accrue Social Security benefits. The mere fact that I chose this public service career is the reason why I must relinquish my rights to earned benefits based on the body of my work history. Indeed this is a sad commentary on the public's prevalent low perception and lack of appreciation of true professional teachers. The current poor status of the Social Security System should not in any form mitigate against the repeal of current GPO/WEP legislation. The mere fact that the federal government has historically chosen to borrow from these funds thereby jeopardizing the system, should not be used to punish its former public servants.

QUINSAGMOND COMMUNITY COLLEGE, Worcester, MA

- **Flo Lucci, Professor of Business Administration**
  I have over 40 quarters of social security payments in my past employment prior to getting into public education. I think the greatest negative impact that I see in not gaining our social security at retirement age has to do with how community college faculty members can afford to be engaged within our campus communities. If ... [the repeal laws were] passed], I could immediately feel the security to continue with my full time teaching and stay further engaged on campus with committee work, etc. For faculty like myself that have already paid our dues into the system with more than 40 quarterly payments, currently it becomes much more financially necessary to go out and work a second job(that pays into the social security system) in order to be able to retrieve our payments later on. I do not have a spouse and am responsible for all of my own finances.

Springfield Technical Community College

Roberta Albano, Professor, Dental Hygiene Program

I have been teaching at Springfield Technical Community College for 26 years in the Dental Assisting Program. Prior to my education career, I worked in the dental profession as a registered dental hygienist for approximately 16 years I also continued to work in the respective field in the summer months which enhanced my background as a clinical practitioner and updated my knowledge and skills associated with my profession as an educator. Likewise, many of my colleagues spent a number of years working in their profession prior to entering the teaching profession. My educational degrees and practical experience provided me with the essential background necessary for teaching in the health profession. I firmly believe it is important to attract well-prepared individuals to enter the teaching profession. It is really negative to learn that an individual's years of social security credit would be penalized by a sizeable percentage. Certainly, a potential candidate or recruit as an educator would have to consider the consequences. The GPO/WEP Provision will penalize me by nearly 60% of my social security money due to the offset. I spent years working in my profession prior to my position as a professor in the health sciences division as well as summers in order to maintain updated skills and knowledge relative to my field. I never expected to be penalized because I would receive a pension from the state. I believe it if only fair to correct this unfair law. Public servants should have the right to receive the full benefits they are entitled to and rightfully earned.

- **Regina M. Mendez, Professor of English as a Second Language**
  Before starting to teach at STCC in 1988, I had worked for close to 25 years in the private sector, paying Social Security taxes all the while. That's a lot of Social Security. I'm now 62 years old and plan to work at least until I'm 70. Once I do retire, however, the benefits accrued from the Social Security tax I've contributed over many, many years will be an important piece of my monthly income, but if the GPO/WEP is not repealed, I expect this benefit to be reduced by several hundred dollars each month. Although I've tried and continue to try to plan very carefully for retirement, (I contribute to a Roth IRA, a 403B, CDs, and savings in addition to my pension), a few hundred dollars less per month will have serious, negative consequences once I'm living on a fixed income.
- **Marcine Hart, Adjunct Professor of Medical Technology**
  I have been at the college for ten years. Prior to that, I worked in various hospital laboratories as a technician. I was always covered for health insurance and Social Security. Upon a merger of two local hospitals I was laid off. I was recruited to teach at the local Community College and I accepted the job. Two years ago I had Cancer and had to go to Brigham and Women's Hospital in Boston. Fortunately, I was covered by husband's health insurance. I began looking into disability insurance in case I was not able to return to work. Lo and behold the SS department told me, "Because you worked at the local Community College, you are not eligible for Social Security. The state does not pay into the system." I asked about previous years working for the hospitals and was told, "They don't count either." I was shocked! This is not good business! I thank God for my husband's coverage! What if he was not there? What if he loses his job? How will I pay for everything? What Social Security will I be eligible for? As a part-time adjunct, I feel health insurance and pension should be there. It is not!! Because of this act, I lost my Social security too. I have worked all my life and now because I decided to give back to the school that trained me, I GET PENALIZED!!! PLEASE REPEAL THIS ACT!!!!

Massachusetts Retirees United
314 Main Street
Unit 105
Wilmington. Massachusetts 01887

November 7, 2007

Senate Committee on Finance
Attn. Editorial and Documentation Section
Rm. SD-203 Dirksen Senate Office Bldg.
Washington, D.C. 20510-6200b

To: Senate Committee on Finance "WEP and GPO": Policies affecting Pensions from work not covered by Social Security" November 6, 2007

The Massachusetts Retirees United wishes to ask for your favorable vote and support for S206-the repeal of WEP/GPO Offsets of Social Security.

MRU represents those retired from Federal, State, and Social Security. We speak on behalf of those members and their families affected negatively by the WEP/GPO provisions. These professionals, who served the public either through their state or federal positions, are being discriminated against and unfairly penalized through these provisions. They earned their benefits through work they performed in the private sector, and expected to collect their full Social Security. They are not looking for a handout, but just for what they earned. Both the WEP and GPO provisions are a great injustice to those Americans who believed in and performed public sector work.

Both of our Massachusetts' Senators support our view and are co-sponsors or S206. Our Congressional delegation has signed on in support of H.R.82, the Congressional version of S206. We are proud that they realize that it is not fashionable for Government to break promises to its citizens; the WEP and GPO are doing just that. The government is going back on promises to its citizens, who during their lifetime contributed in good faith to Social Security.

Some say debate on the WEP/GPO will open the door for debate on the privatization of Social Security and mandating Social Security for every American. We are strongly opposed to both of these measures and feel they have nothing to do with the repeal of WEP/GPO. We hope the focus will stay on their repeal. We respectfully ask for your favorable vote and support of S206 as written. Thank you.

Respectfully,

Helen Barnett

Helen Barnett
President
Massachusetts Retirees United

MRTA

Missouri Retired Teachers Association
& Public School Personnel

November 6, 2007

Senate Committee on Finance
Attn. Editorial and Documentation Section
Rm. SD-203 Dirksen Senate Office Bldg.
Washington D.C. 20510-6200b

To: Senate Committee on Finance - "GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security" November 6, 2007

The Missouri Retired Teachers Association and Public School Personnel (MRTA) wishes to ask for your favorable vote and support of S206 – the repeal of WEP/GPO Offsets of Social Security.

MRTA consists of over 16,000 members and their families which are negatively affected by the WEP/GPO provisions of Social Security. We feel that professionals who serve the public are being discriminated against and penalized by these provisions. We feel these are EARNED benefits because the majority of retired teachers have paid at least 40 quarters of Social Security. We are not asking for any "freebees" just what we have earned. We feel the GPO provision amounts to a "marriage tax" and is a great injustice.

Attached are letters from affected retired teachers in Missouri for your review. They state very clearly the burden and injustice the WEP/GPO provisions put upon retirees. Also attached is a sample petition that has been circulated among our membership consisting of 4534 signatures, addresses, of taxpayers and voters. Each of the 4534 signatures represents a Missouri family and a person who has dedicated their lives to children and public education. We will be contacting our elected federal officials very soon.

Again we respectfully ask for you favorable vote and support for S206 as written. We must also state that mandating Social Security on every American is not the solution and is an option we very strongly oppose. The distribution of taxpayer dollars is about the setting of priorities. Please make the public servant, weather a teacher, firefighter, policeman or veteran, your priority and allow them to EARN a full Social Security benefit. THANK YOU and

Most sincerely

Jim Kreider

Jim Kreider-Executive Director MRTA. 3016 DuPont Circle Jefferson City, MO. 65109

www.morta.org
3016 Dupont Circle, Suite B, Jefferson City, MO 65109
1-877-366-MRTA/Fax: 573-634-4273

Social Security Fairness Act Petition

We, Members of the **Missouri Retired Teachers Association & Public School Personnel**, the undersigned registered voters of Missouri, want Congress to know that we are outraged that teachers in Missouri and 14 other states have their Social Security benefits reduced or eliminated upon retirement. Federal law currently has two provisions that negatively impact our educators:

1. The Windfall (WEP): Reduces an educator's EARNED Social Security from previous employment.
2. The Offset (GPO): Basically eliminates an educator's Social Security benefits from a deceased spouse.

	Print Name	Address	City	State	Zip	Signature
1.	Belinda Herndon	PO Box 28	Billings	MO	656610	Belinda Herndon
2.	Phil HALSTED	1652 Oak DR.	Aurora	MO	65605	Phil Halsted
3.	Cole Blades	HCR 2 Box 49.9	Aurora	MO	65605	Cole Blades
4.	Patrick Dinger	Rt#1 Box 33c	Verona	MO	65769	[illegible]
5.	Aaron Yount	205 S. Oak Ave.	Aurora	MO	65605	A. Yount
6.	Harold Herndon	PO Box 28	Billings	Mo	65610	Harold Herndon
7.	ERNEST HOBSON	P.O. BOX 712	AURORA	MO	65605	Ernest Hobson
8.	Allen Bunch	P.O. BOX 545	REPUBLIC,	MO.	65738	Allen Bunch
9.	Calvin Fave	PO Box 503	Marionville	Mo	65705	Calvin Fave
10.	DANNY webster	P.O. Box 46	AURORA	MO	65605	Danny Webster

RETURN By: ***October 15, 2007***

TO: MISSOURI RETIRED TEACHERS ASSOCIATION, 3016 DuPont Circle, Suite B, Jefferson City, MO 65109

11-6-07 * 4534 signatures * J Kinder
Executive Director MRTA

Robert W. Gray
920 Parkview Drive
Festus, Missouri 63028
(636) 937-2524

June 17, 2002

Mr. Ron Crain
MRTA
P. O. Box 7025
Columbia, MO 65205-7025

Dear Mr. Crain:

Thanks to you and your staff for your effort to repeal the GPO and WEP provisions. These are truly unjust provisions which are xrying for repeal.

Because of a stroke I retired from a 32 year career as a high school band director, the last 25 of which were in Missouri.

Over the years I had paid self-employment tax into the SS system . But because of the law my SS benefits have been reduced 55%. There seems to be no equity or common sense explanation for this law.

Thanks for your past effort in my behalf. Please continue your effort.

Sincerely yours,

Robert Gray

S. 1523 repeal of GPO and WEP **Thu, Aug 15, 2002 10:47 AM**

From: dondiego <dondiego1@earthlink.net>
Reply-To: dondiego1@earthlink.net
To: senator_Carnahan@carnahan.senate.gov, "Roberts, Karla" <edwjrob@aol.com>, "Crain, Ron" <roncrain@socket.net>, CALIXTAXIS@aol.com
Date: Thu, Aug 15, 2002, 7:47 AM
Subject: S. 1523 repeal of GPO and WEP

-

S. 1523

Senator Carnahan.. I again appeal to your sense of fairness and beg you sponsorship of
returning to folks what they have paid into Social Security rather than taking away their benefits.

Here's my situation:

I have worked under social security since 1959 - 1999. I started teaching in Parkway Schools (St. Louis County-Jim Talent country) in 1986 and with summer and part time jobs contributed both to the Missouri Teacher Retirement and to Social Security throughout my working life. Now that I'm ready to retire, my 40 years of contributions to Social Security Benefits are minimized because of my 17 years working in Missouri Public Schools.

Does this sound fair? I don't think so..

In addition to my social security benefits being reduced, my wife, a 27 year veteran, retired Public School teacher, will receive none of my Social Security widow benefits upon my demise.

Does that sound fair? I don't think so..

I beg you to actively join with Senator Feinstein and others and sponsor the repeal.

As Senator Kit Bond commented in a letter to me,
"offset is causing reductions never intended because it can apply to spousal benefits from a deceased spouse who did pay into Social Security".

Furthermore, Senator Bond cites the WEP as "substantially reducing the benefit that a worker has included in their retirement plans. this provision may also penalized lower paid workers with short careers or with full careers that are fairly and evenly split."

Please sign on a support this repeal of the GPO and WEP. It is a bipartisan issue with some 60 Senators on board.. Where are you?

Thank you,

Rosalie and Jim Cooper, 815 Hanna Road, Manchester, Mo. 63021

Dear Friends,

Well, the SOCIAL SECURITY culprit has struck again!!!!!!!!!!!!!!!!!!!!!!

I am writing this to try and help every teacher or school employee or any other person that is to receive a pension that is NOT coming from Social Security......

BEWARE-----HAVE EVERYTHING CHECKED AND RECHECKED THAT SOCIAL SECURITY INDICATES WILL BE YOUR AMOUNT YOU ARE TO RECEIVE!!! Then, just maybe this won't happen to you or your loved ones!!!

On October 15 I received a letter from Social Security that for **38 MONTHS they had OVERPAID ME TO THE TUNE OF $24,000!!!!!!!!**

Their solution was for me to just write them a check for $24,000 in the next 30 days!!!!!

IT IS THEIR MISTAKE!!!! HOWEVER, I JUST HAVE 15 DAYS LEFT TO PROVE TO THEM THERE IS NO WAS I CAN REPAY THIS!!!!

IT ALL BOILS DOWN TO SOMEONE FAILED TO FIGURE THE GOVERNMENT PENSION OFFSET AND THE WINDFALL ELIMINATION PROVISION WHEN THEY DECIDED HOW MUCH SOCIAL SECURITY I SHOULD RECEIVE...........

I have sent in every request for information and followed all the rules thinking every thing was okay!!!!!

Now, they are going to cut $550.00 out of my check. There is suppose to be enough left to pay Medicare, which mine is $93.00, but not enough to pay the premiums for my medicine. I will be receiving $10.00 a month now...............

There is a Wavier paper 8 pages long to fill out and just maybe they might decide I can do something about paying back that much money!!!!!!

This may seem a small amount to some people, but when you are on a fixed income and you are the only one in your houshold it is a major DISASTER!!!!!

Jim, what more can I do to help get the word out so something can be done????

Sincerely, Susie Graham, President of Wright Co. MRTA, Post Office 531, Mansfeid, MO 65704

4305 S. Bryant Court
Independence, MO 64055
June 24, 2002

Dr. Gale T. Bartow, President
Missouri Retired Teachers Association
P. O. Box 7025
Columbia, MO 65205-7025

Dear Dr. Bartow,

In the last newsletter, you asked for letters from those affected by either Government Pension Offset or Windfall Elimination Provision. My case is minor compared to others affected, but I'll tell you my story.

I retired from teaching in Missouri after 30-years, as you know. Beginning in the late 1940s, I worked at several summer jobs and later I reported earnings from free-lance art work and some other employment in order to earn enough Social Security credits to qualify for Medicare.

Because my earnings were meager, I only qualified for a little over $80 a month when I was eligible for Social Security in 1994 but figured that would cover Medicare payments. But I was surprised that due to WEP, I received only $33, not enough to cover the Medicare premiums when I turned 65. (Of course, that monthly amount has increased since 1994, but so have the Medicare premiums.)

Now that I am over 65, all my monthly Social Security payment is taken for Medicare and in addition, I have to pay about $157 a year in order to meet the Medicare premiums. My careful planning didn't take into consideration that I would only receive 40% for which I qualified myself, and any increase in Social Security will still not meet the Medicare payments. I did not learn of GPO or WEP until about retirement time, or I would have worked more summers in order to earn enough to pay the Medicare premiums.

Thanks for your attention to this matter, and thanks for serving as MRTA's able president.

Sincerely,

Ruth E. Lamb

Ruth E. Lamb

MEMO:

To: Luana Gifford
Re: Social Security
Date: September 2, 2007

I am very concerned about the ruling that teacher's are not receiving the full amount of Social Security due to them even though they have worked the amount of quarters that is required.

I retired from education after 30.5 years in the public schools. I have also worked in other positions as well as in the Missouri public school education system. Those positions included working summers and a full year at the FSA Office, 2 years as Head Start Coordinator in the Kansas City area, 2 years as Curriculum Coordinator with LaPetite Pre-Schools, and 6 years as part-owner/bookkeeper at a wholesale electrical supply. Since retirement, I am working part-time with the Lake of the Ozarks Convention and Visitors Bureau. I have paid into the Social Security fund each of those times, and **not paid** into the Public School Retirement Fund.

Is it fair, that I cannot draw out all of the Social Security funds that are due to me even though I have paid the full amount required? I believe that I was told that teachers would be reimbursed for less than 40% of their contributions to Social Security. Now, it is even worse as Medicare and Prescription monies are also taken out....

We educators, **who actually worked** and are on a fixed income, need to be reimbursed for all of the years that we paid into a fund that we thought would aid us in our older years.

How many of you have worked several jobs??? Will any of you penalized from drawing benefits from the Social Security monies due to you??? Please think about this. Because of low teacher pay, these important contributors to society **have to work other jobs** to make ends meet and therefore should receive all of the benefits due to them.

Thank to you,

Helen Willis, Retired Educator

PO Böx 55
Gravois Mills, MO 65037

STATEMENT BY
MARGARET L. BAPTISTE
PRESIDENT
NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEES ASSOCIATION

TO THE SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS AND FAMILY POLICY
COMMITTEE ON FINANCE
U.S. SENATE

HEARING ON
GPO and WEP:
POLICIES AFFECTING PENSIONS FROM WORK NOT COVERED BY SOCIAL SECURITY
ROOM 215 DIRKSEN

NOVEMBER 6, 2007
2:30 PM

NARFE, 606 N. Washington Street, Alexandria, VA 22314

Mister Chairman and members of the Committee, I am Margaret L. Baptiste, President of NARFE (the National Active and Retired Federal Employees Association). I am submitting testimony, for the record, on behalf of approximately five million federal annuitants and workers.

I would like to commend Senator Kerry for holding the first-ever Finance Committee hearing on the GPO (Government Pension Offset) and the WEP (Windfall Elimination Provision). These Social Security provisions have an unremitting adverse effect on the quality of life of a significant number of federal retirees. We cannot afford to wait any longer to address changes to these onerous offsets -- changes which have considerable support here in the Senate, and in the House, for repeal or reform.

NARFE has worked for thirty years to repeal or reform the GPO and approximately twenty-four years to correct the WEP. Both offsets have denied many of our older members, particularly women, the economic dignity they had been led to expect in retirement. I, therefore, appreciate the opportunity to reiterate NARFE's support and to urge this Committee's assistance in addressing the GPO and the WEP provisions, in order to restore earned benefits for many public retirees.

Present-day GPO law prevents government retirees, who were first eligible to retire after December 1982 and later, from collecting Social Security benefits based on their spouse's work record while collecting a government annuity based on their own work.

This law provides that two-thirds of a public sector retiree's annuity shall be used to offset whatever Social Security benefits are payable to him or her as a spouse (wife, husband, widow, widower, etc.).

By all accounts, the use of this two-thirds offset against social security income as determined by the Social Security Administration is an arbitrary figure. As such, we believe it can and should be reexamined and eliminated.

Of the approximately 401,200 affected GPO beneficiaries, about 85 percent are fully offset which translates into no benefit at all. I believe it is crucial to recognize, also, that 75 percent of those affected are women. And it is worth noting that about 42 percent of the total are widowed individuals.

Current WEP law greatly reduces the Social Security benefit of a retired or disabled worker who also receives a government annuity based on his/her **own** earnings. It applies to anyone who becomes 62 (or disabled) after 1985 **and** becomes eligible for her/his government annuity after 1985. This windfall reduction can reduce the worker's monthly earned Social Security benefit by as much as 60 percent or up to $340 in 2007. Approximately 971,300 beneficiaries are presently affected by the WEP.

Mister Chairman, and members of this committee, I have stated before—as I'm sure some of you already know—that the ruthlessness of the GPO and WEP, causes retired workers to fear for their financial futures, and to plea for Congress to act to provide relief from arbitrary policies that deny seniors the fruits of their labor.

There are several bills pending before the Senate today which would offer relief to the hundreds of thousands of former postal workers, Department of Defense employees, FAA flight controllers, VA nurses, Agriculture specialists and others who worked long and hard to help support their families. In fact, 44 Senators of this 109th Congress, and eight members of this committee, including you, Mister Chairman, have already indicated your support for change in the GPO and the WEP by cosponsoring one or more of the pending bills sponsored by Senators Feinstein and Mikulski. Senator Collins testified before you on her bill, S. 206. We applaud and thank all of you for your continuing efforts to alleviate these Social Security Offsets.

I would like to share with you today a situation concerning a NARFE member who suffers under the current law. Our member, Mrs. Jean Rapose is a retired postal worker who lives in North Eastham, Massachusetts. She is an active member of the Lower Cape Cod NARFE chapter. Today, in her seventies, she worries about her and her husband's financial situation. Mr. Rapose worked in the private sector and fully contributed into the Social Security system, while Mrs. Rapose entered the workforce in large part to ensure that the couple would be able to provide for themselves. However, despite her husband's many years of work under Social Security, because of the GPO Mrs. Rapose cannot collect a spousal Social Security benefit. Despite all of the couple's combined years of work in both the private and public sector, including her husband's and his employer's payroll taxes into Social Security, Mrs. Rapose will be left without a Social Security benefit, forced to make ends meet on a small federal annuity. Because of the GPO, the Raposes' years of work fails to equate into a retirement of income security or economic dignity.

The current GPO has caused thousands of similar situations. Over the past three decades we have received many letters and calls from NARFE members who are constituents, not just in Massachusetts, but throughout the country. All describe, in detail, the anguish and economic hardships they experience every day because of the GPO and/or the WEP. For approximately 1.4 million federal, state, and local government retirees, the repeal of both of these offsets would diminish, and in some cases eliminate, the devastating financial hardships they endure because of the effects of these onerous laws. How long will Congress allow laws to remain on the books that create a disincentive to join the public workforce, and penalize retired couples for having worked and paid earned income into two separate trust funds---the Social Security program and a public pension fund?

Senator Kerry, the title of your hearing "Policies Affecting Pensions from Work Not Covered by Social Security" is intended to examine the effect that the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) have on public employees and retirees. These individuals are receiving pensions from work that was not covered by Social Security but they and/or their spouses also worked in jobs outside of the government that were **covered** by Social Security long enough to be eligible to receive these benefits. Unfairly, they are still being denied the social security covered benefits that they earned, being unjustly punished for working another full or part time job at the same time they were working all or part of their careers in public service.

I thank and commend you and this committee for recognizing the need for changes in the GPO and the WEP and for addressing them in this hearing. I urge you to convince your colleagues on the Finance Committee to recognize the significance of these issues, so that we can get a bill out of the Senate, ratified in the House and subsequently, to the President for his signature, that would provide the federal, state, and local government retirees in this country some relief from these offsets.

I commit to you today that on behalf of the members of the NARFE, we stand ready to work with you and the members of the Senate to swiftly resolve these issues.

NARFE, 606 N. Washington Street, Alexandria, VA 22314

U. S. SENATE – COMMITTEE ON FINANCE
Subcommittee on Social Security, Pensions and Family Policy

Statement of
William J. Johnson on behalf of the
National Association of Police Organizations
317 South Patrick Street, Alexandria, Virginia 22314

"GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security"
November 6, 2007

Chairman Kerry, Senator Ensign and distinguished members of the subcommittee, my name is William Johnson and I am the Executive Director of the National Association of Police Organizations (NAPO). I am submitting this statement today on behalf of NAPO, representing over 238,000 active and retired law enforcement officers throughout the United States. NAPO is a coalition of police unions and associations from across the nation, which was organized for the purpose of advancing the interests of America's law enforcement officers through legislative advocacy, political action and education.

I would like to take this opportunity to make you aware of the adverse affect the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) have on public safety officers and their families who are outside of the Social Security system because of professional need.

Since 1935, state and local government employees have been deliberately excluded by Congress from mandatory participation in Social Security for two reasons: a Constitutional concern over whether the federal government could impose a tax on state governments; and because many state and local employees were already protected by public pension plans. Today, there are about 6.5 million such employees in the state and local workforce – including 76 percent of public safety officers.

As public safety officers often retire under job related disability, many state and local governments have opted to keep their employees in adequate pre-existing pension systems. While intended to be a "leveling" response, the GPO and WEP disproportionately harm our nation's public safety officers, who due to their profession, are not covered by Social Security.

The Government Pension Offset (GPO) reduces public employees' Social Security spousal or survivor benefit by two-thirds of their public pension. This has a detrimental effect on a law enforcement officer's retirement. If a spouse who paid into Social Security dies, the surviving public safety officer would normally be eligible for half of the deceased's benefit. However, if the surviving law enforcement officer had not been paying into Social Security while working, the GPO requires that this amount be offset by two-thirds of the survivor's pension, eliminating most or all of the payment. If these officers had not chosen to serve their communities, they would receive the full allotment of the spouse's benefit.

In addition to the GPO, public safety employees are also adversely affected by the WEP. Although most law enforcement officers retire after a specific length of service, usually while in their early to mid fifties, many look for new opportunities. Many take jobs in Social Security covered positions in the private sector that allow them to put their skills and experience to good use. Yet, when they retire from a non-Social Security paying job and move to one that does pay into Social Security, they are penalized by WEP. Instead of receiving their rightfully earned Social Security retirement benefit, their pension heavily offsets it, thus vastly reducing the amount they receive.

The WEP causes hard-working public safety officers to lose the benefits *they earned themselves*, thus punishing those who selflessly serve and protect our communities. The GPO and WEP unfairly penalize officers for choosing a public service profession that mandates early retirement by taking away hard-earned, and much needed benefits.

This issue is more than a retirement issue; it is a public safety issue. Not only do the GPO and WEP impact individual public safety officers and their families, they impact the public safety profession. The GPO and WEP discourage talented people from entering or staying in the public safety profession. Individuals who worked in other careers are less likely to want to become police officers or firefighters if doing so will mean a loss of earned Social Security benefits. Additionally, non-Social Security states are finding it difficult to attract quality law enforcement officers as more people learn about the GPO and WEP.

I would like to make one further point on this issue. NAPO believes that in solving the problems with the GPO and WEP, mandatory Social Security for the public sector should in no way be on the table for discussion. Mandating Social Security coverage for state and local employees will have a devastating effect on state and local retirement systems. State and local pension plans are uniquely suited to meet the needs of the public sector workforce. It is especially worth noting, for instance, that mandatory Social Security coverage for state and local employees will disproportionately harm our uniformed public safety officers. 79 percent of police and firefighter disabilities are partial disabilities that do not prohibit the individual from taking a less physically demanding job. Public pensions typically award partial benefits to the partially disabled, while Social Security provides benefits only when the individual becomes totally unemployable. Additionally, as I have mentioned before, public pension plans allow public safety officers to retire prior to 62, the earliest possible retirement age under Social Security.

Mandatory Social Security coverage for government employees will also have a devastating effect on state and local budgets. Even if limited to new hires, the estimated cost to public employers for the first 5 years of mandatory coverage is $25 billion. This unfunded federal mandate would primarily be borne by state and local taxpayers in a number of major states in which NAPO has large constituencies – California, Texas, Massachusetts, Ohio, Illinois, Louisiana, Connecticut, Alaska, Nevada, and Missouri – as well as local governments in all 50 states.

Simply stated, mandatory coverage would negatively affect the financing of many state and local government pension plans and would adversely affect the retirement security of hundreds of thousands of public safety officers. NAPO believes that reforming the GPO and WEP makes much more sense.

The loss of income caused by the GPO and WEP is a financial strain on law enforcement officers and their families; an additional strain that those who spent their careers on the front lines protecting our nation's communities do not need. By significantly scaling back and reducing retirement pensions for law enforcement officers – as GPO and WEP do – officers and their families are provided much less protection against financial difficulties. This is no way to honor those who chose to serve our nation and its communities.

Please see the attached testimonies from NAPO member associations and individual members, who wanted to share how their lives are personally affected by these unfair provisions. We look forward to working with the Committee to remedy the arbitrary and unwarranted penalties to retired law enforcement officers and their families.

Thank you for your time and consideration of this important issue.

Javier Fabian Cota, President (Mesa Police Association)
123 N. Centennial Way #207
Mesa, Arizona 85201

Hearing: Senate Finance Sub-Committee

"GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security"

November 6, 2007

The Mesa Police Association

Representing Police Officers with Professionalism, Integrity & Pride

Dear U.S. Senators,

I am writing congress to urge you to repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) on Tuesday, November 6, 2007. We want this repealed because they will penalize people who dedicated their lives to public service by taking away benefits they have already earned. Congress must take immediate action to pass the Social Security Fairness Act (S. 206/H.R. 82), which completely repeals GPO and WEP.

GPO will cause 9 out of 10 public employees to lose their entire spousal benefit, even thought their spouse faithfully paid into social security for years, while expecting to use this benefit later in life. WEP forces front-line employees to lose significant portions of benefits they have already earned. We should respect not punish public sector employees like police officers, educators and firefighters.

Voters care deeply about this issue because their public safety will be adversely affected. Police in particular are having a difficult time already recruiting talented people. GPO and WEP mean a loss of earned social security benefits that will only discourage people from making public service their profession. Wages are already staggering low and with a loss of $3,600 per year with GPO, it really could mean the difference between self-sufficiency and poverty for many law enforcement families.

This legislation has overwhelming bipartisan support and voters will be watching this issue closely. Now is the time to act and pass the Social Security Fairness Act.

Sincerely,

Javier Cota, President
Mesa Police Association

RETIRED DETROIT POLICE
& FIRE FIGHTERS ASSOC.

November 12, 2007

Senate Finance Subcommittee on Social Security, Pensions and Family Policy
"GPO and WEP: Polices Affecting Pensions from Work Not Covered by Social Security" November 6, 2007.

Dear Senators,

My name is Gregory Trozak, I am presently the Vice President of the Retired Detroit Police & Fire Fighters Association. Our Association consists of over 6700 retired Police Officers and Fire Fighters from the City of Detroit. A large number of our members have been affected by the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). Both of these penalize our members who have dedicated their lives to public service by taking these benefits they have earned. We chose these professions not for the money but for the desire to help and protect others.

Our profession allowed us to retire at a fairly early age. This early retirement which is mandatory for fire fighters at age 60 and although not mandatory for police officers the stress and physical demand of both professions causes retirement the only option. Upon retirement we find that our pensions arrive every month but it is just not enough to enjoy these years. Because of this we get back into the workforce and continue our employment history. These new jobs allow us to become eligible for Social Security benefits. Yet, when we do retire from a non-Social Security paying job and move to one that does pay into Social Security, we are penalized by the Windfall Elimination Provision (WEP). Instead of receiving our rightfully earned Social Security benefit, our pension heavily offsets it, thus greatly reducing the amount we receive. The WEP causes our hard-working members to lose a significant portion of the benefits they have earned.

The Government Pension Offset (GPO) reduces our members Social Security spousal or survivor benefit by two-thirds of their City of Detroit pension. This often has a troubling effect on our member's retirement. If a spouse who paid into Social Security dies, the surviving police officer or fire fighter would normally be eligible for half of the deceased's benefit. However, if the police officer or fire fighter had not been paying into Social Security while working, the GPO requires that this amount be offset by two-thirds of the survivor's pension, eliminating most or all of the payment. Because of our profession we did not pay into Social Security; however, if we had not chose to serve at all, we would receive the full allotment of the spouse's benefit.

This is a public safety issue – the GPO and WEP impact the police and fire profession by discouraging talented people from entering or staying in the public safety profession. Individuals who worked in other careers are less likely to wish to become police officers or fire fighters if they know that this will mean a loss of earned Social Security benefits.

GPO and WEP were intended as a leveling response but only serve to hurt the retired police officers and fire fighters from the City of Detroit. A large majority of our members affected by GPO lose their entire spousal benefit, even though their spouse paid Social Security for many years. The WEP causes our members to lose the benefits they earned themselves, thus punishing us for the years of hard-work serving and protection our city. We should respect, not penalize, public safety employees. Our members are watching how members of Congress act on important issues like this. This legislation has overwhelming bipartisan support but has been languishing in committee for years. Congress should pass the "SOCIAL SECURITY FAIRNESS ACT," S.206 / H.R. 82, which would completely repeal the GPO and WEP. We cannot wait any longer. The time to act is now!

Sincerely,

Gregory Trozak
Vice President
Retired Detroit Police and Fire Fighters Assoc.

November 15, 2007

Senate Committee on Finance;

My name is Scott Barrick,. My address is 6575 Paul Revere,Canton, Michigan 48187 I would like to thank Senator Kerry's subcommittee for holding a hearing on GPO and WEP; Policies Affecting Pensions from Work Not Covered by Social Security. November 6, 2007. I am a Detroit (Michigan) Police Officer. Like all of my other colleagues in Detroit, I do not have the option of paying into Social Security. I , and so many of my fellow Officers realize that no matter how dedicated we are to keeping our country as safe and secure as we possible, we are not going to have the physical where-with-all to remain in this demanding occupation all of our working life. With this thought in mind most of us will, at some point, be contemplating an additional career and we will pay into the Social Security System. Although we may pay into Social Security for many years and other wise be eligible for full S.S. benefits, my understanding is, that because of the WEP/GPO provisions, we will be financially penalized. This seems to me to be both disrespectful and counter productive. Assuming that the great majority of the people of this country feel as strongly as I do about the safety and security of our homeland, we would be willing to pay whatever the cost is to encourage the recruitment and retention of the best people available to fill careers such as First Responders. We should begin this encouragement by repealing the WEP and GPO provisions in Social Security.

I appreciate the opportunity that the committee has provided to add my voice to this very important and growing issue.

Most Respectfully,

Officer, Scott Barrick
Detroit, (Mi.) Police Department

November 9,2007

Senate Committee on Finance,

My name is Thomas J. Brown. My address is 7921 White Birch Drive, Farwell, Michigan, 48622. I am so very pleased that the Senate Committee on Finance has held a hearing on "GPO and WEP; Policies Affecting Pensions from Work Not Covered by Social Security" November 6, 2007. The Committee's willingness to accept written statements on this issue serves as very good therapy for someone like myself as it helps relieve the frustration and disappointment that I have felt since retiring from the Detroit Fire Department and then finding out that my Social Security benefits that I earned over the years from other employment were subject to the WEP provision, thereby reducing my S.S benefits from 90% of the formula used to 40%! I missed not being subject to WEP by merely six months. There was no 'phase in' of this provision, as it went from 90% one day to 40% the next day! To my knowledge, there was never any notice given to those of us that were going to be so negatively affected by this change! When I went into my local Social Security to apply for my benefits, it was kind of like, "oh, Mr. Brown we have a surprise for you, it's something entitled the WEP provision!

To further add to my disappointment and disillusionment, when my wife retired from teaching school and applied for her S.S. benefits after nearly 40 years of paying into Social Security (mostly at the maximum rate) she was informed that her S.S. benefits were subject to the GPO provision, totally negating her spousal benefits! These were benefits that were 'bought and paid for' over her many years of paying into Social Security, and just arbitrarily taken from her!

I am so hoping that the Senate Finance Committed can understand the unfairness of these provisions and the very negative financial impact that they have caused.

Whatever "good and Fairness" that may have been intended when the WEP/GPO provisions were put into effect back in 1983 is in my opinion long gone. We now live in a much different and more troubling time. Our nations' priorities have, or certainly should have, changed since 9/11. We, as a nation, need to do what ever possible to attract and retain the very best and most qualified people that we can find to fill crucial occupations such as First Responders and Educators and certainly not penalize them! The place to start is with the immediate repeal of the WEP/ GPO provisions in Social Security.

Thank you for your time and for allowing my input into this very important issue.

Most Respectfully,

Thomas J Brown

Lieutenant, Thomas J. Brown
Detroit (Mi.) Fire Department (retired)

Lieutenant Howard L. Rigdon
Nevada Department of Public Safety
Parole and Probation Division
Northern Command
#10 State Street
Reno, Nevada 89501

Re: ***"GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security," November 6, 2007***

I currently serve as a full-time peace officer with the State of Nevada Department of Public Safety (dates of service: April 1986 to present). I served as a Deputy Sheriff from May 1970 to February 1981 with the Santa Clara County Sheriff's Department in San Jose, California. My total service within the public sector where my wages were exempt from Social Security withholding is approximately 32 years. However, I have approximately 15 years of Substantial Contribution Wage Withholding, which began in 1961 and covered the years of employment which are not within the public sector and, therefore, not exempt from Social Security withholding. Yet, even though I have significant contributions to Social Security and am qualified through my contributions for benefits, the GOP and WEP will seriously penalize me on the amount of Social Security benefits I will receive merely for the reason that I will be getting a PERS pension for the years that I served the community as a full time peace officer. Social Security benefits are not windfall to me as I earned them through employment contributions over time. In fact, for the last 12 years, I have worked a part-time job where I continue to make contributions even though I am employed, concurrently, as a full time peace officer.

It is only fair and equitable that Congress repeals the GPO and WEP penalty and allows peace officers such as myself the right to receive the full Social Security benefits which have been earned through private sector employment and which they would otherwise be legally entitled if they had not chose to serve their community in a criminal justice or law enforcement capacity. I respectfully urge Congress to repeal the GPO and WEP.

Charles Zarkis
22306 Visnaw
St. Clair Shores, Michigan 48081

Re: *"GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security," November 6, 2007*

Dear Senators,

I worked three and a half years as a Detroit Police Cadet, twenty-five years as a Detroit Police Officers, and thirteen years as a Security Police Officer for Children's Hospital of Michigan, along with several part-time (second jobs) along the way. I worked to obtain a livable pension income for myself and my wife upon retirement. However, when I chose to retire I was informed by the Social Security System that my Social Security benefit would be reduced due to the "Windfall Elimination Provision". After working all those years towards a specific goal it is highly unfair to have your legs pulled out from under you at a time when there is nothing you can do about it. I can't unwind the clock and start over. If anything, there should have been a "grandfather" clause to this law so people in my position would not be left in the lurch. I think this law is unfair and should be repealed.

Please pass the Social Security Fairness Act of 2007, S. 206.

Thank you,

Charles Zarkis

S.E.I.U. 1984 – Chapter 67

To: Senate Finance Subcommittee on Social Security, Pensions and Family Policy

Re: *("GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security" November 6, 2007).*

Hello,

My name is Vernon Thomas. I am a police captain for the Derry Police Department and have served my community for nearly 27 years. I am also the President of S.E.I.U. 1984 – Chapter 67 which represents thirty-seven municipal employees for the Town of Derry in NH State Retirement Groups I and II.

I am writing because I believe that Section II of the Social Security Act unfairly discriminates against State and Municipal retirees. This section offsets what Public Employees get for Social Security against what they receive for a pension.

We as State retirees will likely move on to private sector employment after leaving public service. We will pay social security taxes on those earnings in the same amount and manner as all other private sector workers. It does not seem fair or reasonable that we should not derive the same Social Security benefits as our private sector peers based on those earnings.

I ask on behalf of myself and S.E.I.U Chapter 67 that you repeal this entire section (*GPO and WEP)* of the Social Security Act and allow retired State workers to receive the same Social Security benefits as everyone else.

Thank you for your attention to this matter.

Vernon Thomas
P.O. Box 563
Derry, NH 03038

Roger Goodyear
2850 Ivywood Court
San Jose, California 95121

GPO and WEP:
"Policies Affecting Pensions from Work Not Covered by Social Security"
November 6, 2007

I am the immediate past president of the Retired Peace Officers Association of California (RPOAC). It was my honor to have served that organization, in that capacity for five years, from 2001 thru 2006. At the present time I serve as the treasurer of the RPOAC.

During my more than twenty two years as a member of the RPOAC I have had the displeasure of personally speaking with former full-time peace officers that worked and contributed into the Social Security system both before their careers in Law Enforcement and subsequent to departing the active Law Enforcement field. Most have met and exceeded the required forty quarters of contributions into the Social Security System.

Furthermore, in most cases those individuals have had a spouse that also worked and earned more than enough quarters of credit to qualify for full Social Security Benefits.

The reason I represented that those communications were a displeasure, is because of the negative experience they had when they reached the magic age, where they were eligible to start enjoying their remaining years. These people were shocked when they learned that their Social Security compensation would be reduced because one of them had been in public service.

Most of these public safety people have devoted their lives to protecting their fellow citizens from the criminal element of our nation and did so for unselfish and moral reasons. To be punished by financial ostracism is in fact cruel and unusual. The current GPO and WEP are punitive and immoral.

It is within your power to correct this wrong!

Therefore, it is my sincere desire that this injustice be rectified by the swift passage of the "Social Security Fairness act," S. 206 / H.R. 82, during this session of Congress.

Sincerely,
Roger Goodyear

Helga W. Taylor
2020 Rawles Drive
Fernley, Nevada 89408

Re: ***"GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security," November 6, 2007***

My name is Helga W. Taylor, and I am 68 years old. I will be 69 years of age on August 23, 2009.

My whole life I have either raised good, law abiding children or working in the private sector where my husband and I have paid into Social Security. In the 1980s I worked in real estate and re-married when my husband and I purchased a help-u-sell franchise in Lodi, California. After two years, the bottom fell out of the real estate market and since we were using our personal savings (IRAs, etc) to operate the company, we went bankrupt.

My husband and I moved to Reno, Nevada, and he continued to work in the private sector. Upon reaching retirement age, he began collecting Social Security ($1,300.00) and a small pension from his old company.

Because all of our savings went into the real estate company that had gone bankrupt, I went to work for the State of Nevada at the age of 57. I was not aware that I would loose my Social Security by taking that job. I thought that I could work for ten years and collect my social security of $735 per month as well as my meager retirement of approximately $700 per month. With my husband earning approximately $1,600 per month and me earning $1,400 and perhaps working part time jobs we could manage. Then I learned that if I retired my Social Security income would be cut to $300 and my total income would be approximately $1,000 per month, not $1,400. That is a lot of money to lose, but it gets worse. If anything happens to my husband, I can not even get his $1,300 per month Social Security income instead of my $300, (since apparently these are the rules) plus my $700 from the state. I would be stuck earning a total of $1,000 monthly. This would throw me totally into poverty.

I guess as long as I am healthy I can continue to work but it is a sad state of affairs that the United States of America will take care of people on welfare, people on drugs, prison, etc., but forces retirement age people who have worked their whole lives in the private sector, and then go into working for the states so they can supplement their income into poverty.

My whole life I have worked, raised children, and the government is taking away what I have earned and have worked for.

Please repeal the GPO and WEP; they are unfair laws.

Sincerely,

Helga W. Taylor

DATE: 19 November 2007

TO: The Senate Finance Subcommittee on Social Security,
Pensions and Family Policy
Attn: Senator John Kerry

FROM: James McMahon
PO Box 1687
Morgan Hill, CA 95038-1687

RE:
GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security" November 6, 2007

Good morning Senator,

My name is Jim McMahon and I am 53 years old. In my 30+ years of gainful employment I have held many jobs, often simultaneously as a :

Police Sergeant (25 years) City Sponsored and controlled retirement self funded
University Instructor (14 years) No retirement Plan, Social Security Paid
Real Estate salesman (8 years) No retirement Plan Social Security Paid
Private Consultant and entrepreneur (18 years) Social Security for I and employees
High School Teacher (4 years) California Public Employee Retirement System,
US Navy Reserve Officer (20 years) Military Retirement.

At the end of my work life I expect to have payments from:

City of San Jose Police and Fire Retirement based on 20+ years service
California Public Employee Retirement System based on 5 years service
United States Navy Military Retirement as an honorably retired USN Commander
And Social Security based on nearly 80 quarters paid in, often at the maximum.

When I was employed I worked two and sometime three jobs, paying into each of these systems. Now, when I am about to be on the receiving end of payments I find that my government which had been so happy to have me pay Social Security AND Military retirement, often while simultaneously putting money into private or at least Non-US Government systems, now wishes to short me, and take away benefits I have been paying into for a lifetime.

This is abundantly unfair, reeks of *"Bait and Switch"* and is the type of thing I would expect a third world government to do, not my own country.

It is wrong to expect me to agree that I should take less from the pot, merely because I have been fortunate. It especially wrong to expect that my spouse would be penalized in that **WE WILL END UP LOSING 100% OF HER SPOUSAL BENEFITS WITH**

THE PASSAGE OF THIS LEGISLATION. Our fortune is based on hard work, sacrifice, and a steady work ethic. While others worked one job I served my country as twice a citizen. My wife too was a police officer and later a police Dispatcher. Under current law we are wiped out completely via WEP, ***EVEN THOUGH WE BOTH PAID FULLY INTO THE SOCIAL SECURITY SYSTEM.*** While others worked one job I labored in teaching the next generation of young people. And while some worked in safe environments my peers and I walked into the dark alleys of the night to pursue murders and rapists.

Throughout my life I took less money in immediate hand or cash, instead deferring my income to investments. I chose to eat hamburger helper when others ate steak and lobster so that when I retired my wife and I would be comfortable and not a burden on our children or society. I've kept my end of the bargain. I expect the government to do equally when it is time for them to pay.

I ask that you NOT punish my brothers and sisters in law enforcement and the military especially, citizens all, who worked multiple jobs and deferred immediate gratification in the hopes that government would actually make good on its promise. Do not penalize those of us who had the foresight to make multiple investment choices but limiting or denying us the same EQUAL treatment of retirement benefits under Social Security. Why should we be penalized because we had TWO careers? Please Pass the "Social Security Fairness Act," S. 206 / H.R. 82, which would ***completely repeal*** the GPO and WEP.

Sincerely,

Jim McMahon
PO Box 1687
Morgan Hill, CA 95038
(408) 464-5158

NAPUS

Postmasters—Proudly Serving America

NATIONAL ASSOCIATION OF POSTMASTERS OF THE UNITED STATES

TESTIMONY OF

GRETA COFIELD

SECRETARY-TREASURER

MASSACHUSETTS CHAPTER OF NAPUS-RETIRED

BEFORE THE

SENATE FINANCE SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS AND FAMILY POLICY

NOVEMBER 6, 2007

Chairman Kerry, Ranking Member Ensign, and distinguished Subcommittee members, I am Greta Cofield, Secretary Treasurer of the Massachusetts Chapter of National Association of Postmasters of the United States (NAPUS) Retired. I am also honored to be the retired Postmaster of Framingham, Massachusetts. Mr. Chairman, thank you for referring to my plight in your opening statement. Of course, I do not only speak for myself; I also speak for the more than 720 NAPUS members in the Bay State, as well as the approximately 40,000 NAPUS members, who manage or formerly managed the 27,000 post office in this nation.

I would like to begin by explaining to the Subcommittee how the arbitrary and punitive approach that the present Social Security offset law has jeopardized my retirement security. In 1988, my beloved husband, Gerald passed away at the age of 55. During his 35 working years, Gerald and his employer contributed to the Social Security system. His last place of employment was the Contract Association of Boston. Gerald was committed to Social Security, confident that his withholdings would help to secure the future of the Cofield family. He anticipated that he would realize his earned benefits in his retirement years. However, this was not to be. In addition, Gerald had no way of knowing that upon his passing and my U.S. Postal Service retirement, every penny of his contributions would be forfeited. Basically, I lost about

$1600 per month of Gerald's earned survivor's benefit, simply because I dedicated 41 years to public service, culminating as Postmaster of Framingham. To add insult to injury, I lost about $300 per month in Social Security benefits for my own Social Security-covered service as the result of the Windfall Elimination Provision. Ironically, had I not been committed to public service, and, instead, been employed in the for-profit sector of the economy, with a private pension, I would not have suffered this fate.

I understand that I am only one of the thousands of public service retirees who have been victimized by an unfair and arbitrary Social Security GPO and WEP. However, I urge this Subcommittee, and ultimately the Congress to pass legislation to remedy the discriminatory treatment many Civil Service Retirement System (CSRS) annuitants suffer. S. 206, legislation proposed by Senators Diane Feinstein and Susan Collins, is a bill that I whole-heartedly endorse. I also understand that the Subcommittee may want to take an incremental approach that is embraced by S. 1254, which was introduced by Senators Barbara Mikulski and George Voinovich. In any case, it is important that Congress remedy the situation, in order to provide for the earned benefits for our retirees and their families.

Thank you for this opportunity to share my views.

THE NATIONAL COMMITTEE TO PRESERVE SOCIAL SECURITY AND MEDICARE

BARBARA B. KENNELLY, PRESIDENT/CEO

Statement for the Record by Barbara B. Kennelly, President and CEO
National Committee to Preserve Social Security and Medicare
10 G Street, N.E. Suite 600
Washington, DC 20002

Senate Finance Committee
Social Security, Pensions, and Family Policy Subcommittee
Hearing on Pensions Not Covered by Social Security

I am Barbara Kennelly, President and Chief Executive Officer of the National Committee to Preserve Social Security and Medicare, and I appreciate the opportunity to submit this statement for the record. With millions of members and supporters across America, the National Committee is a grassroots advocacy and education organization devoted to the retirement security of all citizens.

Chairman Kerry, Ranking Member Ensign and members of the Subcommittee on Social Security, Pensions, and Family Policy, the National Committee appreciates your holding this hearing to review the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP) of Social Security, which can unfairly impact workers with mixed social security and non-social security work careers. As a national, grassroots organization dedicated to the retirement security of all Americans, we strongly urge you to repeal the GPO and WEP thereby eliminating the hardship caused by the Social Security offset rules that decrease benefits for many government retirees.

Federal, state and local workers receiving retirement or disability benefits from government employment that was not covered by Social security often are eligible for Social Security based on their own or a spouse's employment. In 1977 and 1983, Congress enacted legislation reducing Social Security benefits to such individuals through the GPO and the WEP, respectively. The argument in support of these reductions was that government annuitants frequently received higher Social security benefits in relation to contributions than individuals who worked solely under Social Security. Instead, these reductions are excessive, inequitable, and unfairly penalize government workers.

The GPO unfairly reduces the Social Security spouse and survivor benefits of government employees who earned pensions under a system not covered by Social Security. Under the GPO, a government annuitant may receive only that portion of a Social Security spouse or widow benefit that exceeds two-thirds of the government pension. No one but a government annuitant suffers a loss of Social Security due to receipt of a pension. Spouse and survivor benefits are not denied to persons receiving other, comparable non-Social Security annuities. Approximately, 85% of those affected by the GPO lose their entire spousal benefit. Those most adversely affected are widows and separated or divorced women. In many instances, the spouse and widow benefit offset is far greater than would have occurred had the public employee spent her full work life in Social Security covered employment. The offset is especially likely to be excessive for those spouses and widows who have earned both a public annuity and a personal Social Security retirement benefit.

The WEP reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security. The reduction is achieved by modifying the formula used to figure your benefit amount, giving you a lower Social Security benefit. The windfall elimination provision primarily affects people who earned a pension from working for a government agency and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. While the amount of reduction depends on when the person retires and how many years of earnings the individual has accumulated, many public employees can lose up to 55.5 percent of the Social Security benefits they earned in other jobs.

The intent of the Social Security benefit computation formula is protection of low earners. The WEP diminishes that protection by its universal application to any annuitant with less than thirty years of substantial Social Security earnings. The reduction is especially harsh on retirees with work careers divided roughly equally between covered and non-covered employment. Government plans are less generous to short-career workers and WEP removes Social Security's bias toward workers with low lifetime average earnings.

The GPO and WEP have an impact far beyond those states in which public employees are not covered by Social Security. Because people move from state to state, there are affected individuals everywhere. Moreover, the number of people impacted across the country is growing everyday as more and more people reach retirement age. Currently, the GPO affects approximately 401,207 individuals, and the WEP affects about 971,310 individuals. The National Committee supports repealing the GPO and WEP or, at a minimum, modifying the offsets to alleviate their severity.

The GPO and WEP have had a devastating effect on the retirement incomes of many federal, state and local government retirees. It is hoped, Mr. Chairman, that your Subcommittee will seriously consider changes to the GPO and WEP provisions of the Social Security Act to provide a more equitable solution. Again, thank you Mr. Chairman and the Subcommittee for giving me this opportunity to discuss the WEP and GPO and to share the National Committee's view on this issue. As always, I would be more than happy to provide assistance to the Members and more than willing to work with you to provide any additional information you request.

NATIONAL EDUCATION ASSOCIATION nea.org

Great Public Schools for Every Child

STATEMENT OF

THE NATIONAL EDUCATION ASSOCIATION

SUBMITTED TO THE

FINANCE COMMITTEE,

SUBCOMMITTEE ON

SUBCOMMITTEE ON SOCIAL SECURITY, PENSIONS, AND FAMILY POLICY

ON

GPO AND WEP:
POLICIES AFFECTING PENSIONS FROM WORK NOT COVERED BY SOCIAL SECURITY

NOVEMBER 6, 2007

National Education Association, Government Relations Department
1201 16th Street, NW, Washington, DC 20036;
202-822-7300 (Phone); 202-822-7309 (Fax)

Mr. Chairman and Members of the Subcommittee:

On behalf of the National Education Association's (NEA) 3.2 million members, we would like to thank you for the opportunity to submit comments on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). We commend the Subcommittee for holding this important hearing on a matter of great concern to educators and other public employees.

NEA strongly supports complete repeal of the Government Pension Offset and the Windfall Elimination Provision, which unfairly reduce the Social Security and Social Security survivor benefits certain public employees may receive.

The Government Pension Offset: A Devastating Loss of Benefits for Widows and Widowers

The Government Pension Offset reduces Social Security spousal or survivor benefits by two-thirds of the individual's public pension. Thus, a teacher who receives a public pension for a job not covered by Social Security will lose much or all of any spousal survivor benefits she would expect to collect based on her husband's private sector earnings.

Congress and the President agreed in 1983 to reduce the spousal benefits reduction from a dollar-for-dollar reduction to a reduction based on two-thirds of a public employee's retirement system benefits. This remedial step, however, falls well short of addressing the continuing devastating impact of the GPO.

The GPO penalizes individuals who have dedicated their lives to public service. Nationwide, more than one-third of teachers and education employees, and more than one-fifth of other public employees, are not covered by Social Security, and are, therefore, subject to the Government Pension Offset.

Estimates indicate that 9 out of 10 public employees affected by the GPO lose their entire spousal benefit, even though their deceased spouse paid Social Security taxes for many years. Moreover, these estimates do not include those public employees or retirees who never applied for spousal benefits because they were informed they were ineligible. The offset has the harshest impact on those who can least afford the loss: lower-income women. Ironically, those impacted have less money to spend in their local economy, and sometimes have to turn to expensive government programs like food stamps to make ends meet.

NEA receives hundreds of phone calls and letters each month from educators impacted by the GPO. Many are struggling to survive on incomes close to poverty, fearing they will be unable to cover their housing, medical, and food expenses on their meager incomes. For example, consider the following stories:

From NEA member Cecilia in Texas:

"My husband died 3 years ago. The Government Pension Offset will leave me with my small Texas Retirement System pension of $216.00 a month and only $500.00 a month from my husband's survivor benefit, totaling to $716.00 a month. I would have received $1400.00 a month from both sources. I am too old to find another job. If I had known this, I would have never taken this low paying job."

From NEA member Joyce in Rhode Island:

"I am a 69 year old widow, whose life is greatly affected by the Government Pension Offset Law. I am unable to collect my deceased husband Social Security benefits. I worked under Social Security for 18 years and he also paid into the plan for 32 years....I am now experiencing a financial crisis because of the rising prescription drug costs. They average about $379.00 per month. I receive my pension and $100.00 per month from Social Security. My health insurance is $114.00 per month. I have gone back to work 15-20 hours per week as an associate in the Stop and Shop grocery chain bagging groceries. It seems so unfair."

The Windfall Elimination Provision: A Shocking Loss of Earned Benefits

The Windfall Elimination Provision reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security. Congress enacted the WEP ostensibly to remove an advantage for short-term, higher-paid workers under the original Social Security formula. Yet, instead of protecting low-earning retirees, the WEP has unfairly impacted lower-paid retirees such as educators.

The WEP penalizes individuals who move into teaching from private sector employment, or who seek to supplement their often insufficient public wages by working part-time or in the summer months in jobs covered by Social Security. Educators enter the profession often at considerable financial sacrifice because of their commitment to our nation's children and their belief in the importance of ensuring every child the opportunity to excel. Yet, many of these dedicated individuals are unaware that their choice to educate America's children comes at a price – the loss of benefits they earned in other jobs.

While the amount of reduction depends on when the person retires and how many years of earnings he or she has accumulated, many public employees can lose a significant portion of the Social Security benefits they earned in other jobs. Like the GPO, the WEP can have a devastating impact on educators' retirement security. For example:

From NEA member Lee in Nevada:

"I was employed in private industry for 18 years, paying into the Social Security system. When I decided to become an educator, I did so knowingly taking an almost 50% reduction in pay, but felt that financially I could do this based on my investments, social security, and other retirement options that I had paid into and earned. Now I learn that the Government Pension Offset and Windfall Elimination Provision state that I am not entitled to my full investment in Social Security, or my spouse's investment. This is criminal! Public employees like educators, police officers, and firefighters should not suffer a penalty for dedicating their lives to public service."

From NEA Member Judith in Massachusetts:

"I am a special education teacher who began teaching in public schools at the age of 49. Before that I worked in the private sector in children's services and paid into the social security system for 28 years....I assumed that with my earned Social Security I would be able to manage. Imagine my surprise to find that under the current Windfall Elimination Provision law, I'm being

penalized for working in the public sector with some of its most challenged children, and will lose most of my social security benefit. Although I find teaching in public schools to be the most rewarding work I've done, as a single woman in my mid-fifties trying to prepare for retirement, I find that I may need to leave the profession. Is this what these laws intend?"

From NEA member Russell in Maine:
"After returning from Vietnam, I worked a couple of jobs, but decided I want to be a teacher. I went to the University of Maine. My wife and 4 children moved to Orono, Maine, while I earned my degree. With 4 children, I always worked at least one job and went to school. When I graduated, I was hired as a Physical Education teacher. I coached several sports to supplement my teaching salary. I also worked as a bartender, hunting safety instructor, pumped gas and finally as a club manager, all while teaching and coaching. As a club manager, I left home at 4:30 am, worked in my office until 7:30 am and then went to school. After school (and after practice or games) I went to my office at the club and worked until 8 or 9 at night. On weekends I worked 8 or 10 hour days at the club. Needless to say, I missed many dinners and activities with my family. My wife also worked a full time job. But all 4 of our children graduated from college, are doing very well, and we are proud of them. After 25 years of teaching, I retire from education, but I am still working full time in club management. Now when I am preparing to retire, I find it very unfair to be penalized because I am receiving Maine State Retirement. I worked hard for many years, both as a teacher and at other jobs. My wife and family sacrificed a lot, but we needed the money and never imagined that when retirement time came that I would not get back the money I contributed to Social Security. The Government Pension Offset and Windfall Elimination Provision are an insult and injustice to those of us who dedicated our lives to teaching."

The "Double Whammy": Educators Impacted by Both the GPO and WEP

Many NEA members report that they are subject to double penalties – losing both their own benefits and spousal benefits due to the combined impact of the GPO and WEP. For example:

From NEA member Donna in Kentucky:

"I am a public school teacher with 19 years of experience. I worked and paid social security for 10 years prior to becoming a teacher. My husband also paid into social security for ever 30 years before quitting his job due to being diagnosed with cancer. We are in debt due to his early retirement, and depend on two incomes. If he happens to die before me, I would lose my home because I would not be able to pay for it!"

From NEA member Alan in Illinois:

My experience with the Government Pension Offset and the Windfall Elimination Provision is much like other teachers with one exception; it's a double "whammy" for me and my wife. Like most teachers who were the main family wage earners, I worked part-time jobs most (actually 15 of 27) of the years I taught. I have worked during the summers for a seed corn company, and Friday nights and weekends in a retail store. Along with the supplemental work while I was a teacher, I worked four and a half years in the business world before I entered teaching. I easily qualified for the necessary quarters for Social Security benefits. At retirement time you can *imagine my chagrin to see the reduced amount I was to receive due to my teacher's retirement pension. That $300 or so per month would go a long way to help my meager teacher's retirement pay, which is constantly being eroded by increased medical plan costs. Then part two – my wife, also a teacher, will not be able to draw any spousal/survivor benefits due to her teacher retirement should I precede her in death. The law is a penalty for public servants. These inequities must be corrected."*

The National Impact of the GPO and WEP: Undermining Teacher Recruitment Efforts

The GPO and WEP have an impact far beyond those states in which public employees like educators are not covered by Social Security. Because people move from state to state, there are affected individuals everywhere. The number of people impacted across the country is growing every day as more and more people reach retirement age.

Perhaps most alarming, the GPO and WEP are impacting the recruitment of quality teachers to meet urgent national shortages. Record enrollments in public schools and the projected retirements of thousands of veteran teachers are driving an urgent need for teacher recruitment.

At the same time that policymakers are encouraging experienced people to change careers and enter the teaching profession, individuals who have worked in other careers are less likely to want to become teachers if doing so will mean a loss of Social Security benefits they have earned. Some states seeking to entice retired teachers to return to the classroom have found them reluctant to return to teaching because of the impact of the GPO and WEP. In addition, current teachers are increasingly likely to leave the profession to reduce the penalty they will incur upon retirement, and students are likely to choose other course of study and avoid the teaching profession.

For example,

From NEA member Margaret in Connecticut:

After years of working at a University and then a non-profit organization I decided that my skills would be well suited to become a science teacher. The first opportunity that was available, I returned to school to complete my certification. As a dedicated and passionate person who taught national science to children at my nature center, I was excited to be able to reach more students through the teaching profession. Now after these years of teaching and coming into the profession later in life, I feel BETRAYED. After much hard work and determination passing many tests and leaping through and over hurdles to become a teacher, I quickly find out how out world really feels about teachers and the important job they perform. I am using my expertise and skills from other professional work and all the social security contributions I have made during those years are lost! In no way is the Government Pension Offset and Windfall Elimination a windfall for me....Good people who would make excellent teachers later in their career will think twice about such a change. Had I known, I would have seriously reconsidered using my skills in the teaching profession. What sort of message are we sending to students who may think about the teaching profession? What kind of treatment for hard work and dedication is this?"

From NEA member Patti in California:

"I began teaching in 1998, after holding a federal job and later a corporate job. When I found out that I would not be able to collect all of my money I paid into Social Security and part of my husband's Social Security, if I collected a teacher's retirement, I decided to leave teaching. I feel this is very unfair to educators, policemen, and firefighters. It is no wonder that California can not attract more corporate people into the teaching field."

The GPO/WEP Solution: Total Repeal

Senators Feinstein and Collins have introduced the Social Security Fairness Act (S. 206). This bipartisan legislation already has 35 cosponsors in the Senate, and its companion House bill boasts well over 300 cosponsors. The bill would eliminate the GPO and WEP, thereby allowing public employees, like all other employees, to collect the benefits they earned and need. NEA urges the Subcommittee, and the entire Senate, to take immediate steps toward passage of the Social Security Fairness Act.

We thank you for your consideration of these comments.

NTEU

The National Treasury Employees Union

Statement for the Record

Colleen M. Kelley

National President

National Treasury Employees Union

before the

Senate Committee on Finance,

Subcommittee on Social Security, Pensions, and Family Policy

On

GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security

November 6, 2007

1750 H Street, N.W. • Washington, D.C. 20006 • (202) 572-5500

Mr. Chairman and Ranking Member Ensign, thank you for the opportunity to submit a statement for the record for your hearing on GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security. The National Treasury Employees Union, representing more than 150,000 federal employees and retirees, has had a long-standing interest in these two Social Security provisions, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). Many of our members have already felt the unfair effects of these provisions. Others are not yet aware of the impact these provisions will have on their retirement income. Federal retirees often first become aware of the existence of these provisions at the time they apply for Social Security benefits.

With record numbers of retirements from federal employment expected, continuation of such policies will make many people feel as if they are being penalized for having chosen to enter public service. There is no penalty like this that applies to individuals who collect private pension benefits and who are also eligible for spousal Social Security. Recent figures from the Congressional Research Service indicate that there are over 400,000 Social Security beneficiaries affected by the GPO. Of those affected, 42 percent were widows or widowers. About 75 percent were women. Many women suffer the effects of this provision because of career interruptions that arose from raising their children or due to the fact that many worked in lower-paid positions in the federal government. Approximately 85 percent of those affected lost their entire spousal Social Security benefits.

The Windfall Elimination Provision's impact is harsh as well, causing the Social Security benefits of more than 970,000 federal retirees to be reduced by nearly 50 percent. Under current law, employees eligible both for their own earned Social Security benefit and a public pension, such as those under the federal Civil Service Retirement System (CSRS), find that the proportion of their earnings in the first bracket of the formula that is converted to benefits is lowered substantially.

We are very happy that there is now renewed interest in changing these provisions. In the Senate, S. 206, a bill that would amend the Social Security Act to repeal these provisions, was introduced by Sen. Dianne Feinstein (D-CA) and Sen. Susan Collins (R-ME). The bill had 34 co-sponsors as of last week, and we thank you, Mr. Chairman, for signing onto the bill and for your early support. We strongly advocate passage of this bill. In addition, S. 1254, introduced by Sen. Barbara Mikulski (D-MD) and Sen. George Voinovich (R-OH), modifies the GPO provision. This is a welcome first step toward providing relief in this area. S. 1647, introduced by Sen. Kay Bailey Hutchinson (R-TX) would modify the WEP. Rep. Barney Frank (D-MA), has introduced HR 726 in the House to modify the WEP, as well. Again, this is an important first step in providing some relief to federal retirees from the financial devastation of these two provisions.

Thank you for allowing us to present our position. NTEU hopes that the outcome of this hearing will be legislation headed to the Senate floor to correct both the GPO and WEP provisions of Social Security law. We appreciate your attention to these issues.

ORTA OHIO RETIRED TEACHERS ASSOCIATION

ANN HANNING
EXECUTIVE DIRECTOR
(614) 431-7002
ahanning@orta.org

8050 N. HIGH STREET, SUITE 190
COLUMBUS, OH 43235-6488
FAX (614) 431-7003
http://www.orta.org

Nov 20, 2007

Senate Committee on Finance
Attn: Editorial and Documentation Section
Room SD-203 Dirksen Office Building
Washington, DC 20510-6200b

To: Senate Committee on Finance
Re: "GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security" November 6, 2007

The Ohio Retired Teachers Association asks for your support and favorable vote on S206 which would repeal the GPO and WEP Offsets of Social Security.

The Ohio Retired Teachers Association (ORTA) has over 32,000 members. Many are negatively affected by the GPO/WEP provisions of Social Security. ORTA thinks that professional educators who serve our children are being discriminated against and penalized by these provisions. ORTA thinks that social security benefits are **earned benefits** by retired teachers who have paid at least forty quarters. The GPO/WEP offsets are unfair and a great injustice to retired teachers.

ORTA respectfully asks for your favorable vote and support for S206 as written. We also must state that mandating Social Security on every employee is not a solution. It is an option that ORTA strongly opposes.

Sincerely,

Ann W Hanning

Ann W Hanning
Executive Director

Peace Officers Research Association
of California

June 4, 2007

The Honorable Dianne Feinstein
United States Senate
331 Hart Senate Office Building
Washington, DC 20510

RE: The Social Security Fairness Act S. 206

Dear Senator Feinstein:

On behalf of the Peace Officers Research Association of California (PORAC), representing over 60,000 rank-and-file peace officers and over 760 local peace officer associations in California and Nevada, we are writing to thank you for introducing the Social Security Fairness Act S. 206. We greatly appreciate your strong support for this important legislation. This legislation would repeal the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), which reduce Social Security benefits by an amount equal to two-thirds of the public pension.

These offsets unfairly penalize many public employees, including many school employees. Police, firefighters and other public employees are also subject to the WEP/GPO. In most cases, an individual's qualifications for social security are based completely on prior or other employment than their public service occupations. In many cases, qualification for social security benefits is based on second jobs taken to support families and with the intention of improving retirement through social security.

Feel free to contact me if there is anything PORAC can do in assisting with the passage of this important legislation.

Sincerely,

Ron Cottingham

Ron Cottingham
President

4010 Truxel Road • Sacramento, CA 95834-3725 • (916) 928-3777 • FAX (916) 928-3760 • (800) 937-6722

Public Employee Retirees, Inc.
659-F Park Meadow Road
Westerville, Ohio 43081
614-891-6868 • 800-247 7374 • www.operi.org

November 1, 2007

Senate Committee on Finance
Attn. Editorial and Document Section
Rm. SD-203
Dirksen Senate Office Bldg.
Washington, DC 20510-6200b

Ref: November 6, 2007 Subcommittee on Social Security, Pensions, and Family Policy: GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security

Dear Senator Kerry,

The publicly employed retirees of Ohio wish to submit a "Statement for the Record" for your upcoming November 6, 2007 subcommittee hearings pertaining to the Social Security GPO and WEP provisions.

The Public Employee Retirees Incorporated, representing over 150,000 retirees and family members view the GPO/WEP provisions as unfair. It is our understanding that these provisions were originally passed to prohibit members of the military from receiving both a military pension and social security, and further that State employees were grafted into the provisions because the original wording was not specific enough.

Many of our retirees accepted lower pay in order to serve in the public sector; consequently, their pensions are already minimal. The reduction of most, if not all, of their Social Security benefits impose a severe penalty upon them.

These unfair provisions cause great hardship on many of our loyal retired public servants here in Ohio, and in other states across the nation.

We ask that this committee, recognize these inequities, and do everything in its power to secure the repeal of these provisions as they apply to State public servants.

Thank you for your considerations in this matter.

Sincerely,

William I Winegarner
Administrator

PERI

"Partners in Retirement"

Statement for the Hearing Record

of

Aida Díaz

President Puerto Rico's Teachers Association
P. O. Box 191088 San Juan, P.R. 00919-1088

before the

Subcommittee on Social Security, Pensions and Family Policy

Committee on Finance

U.S. Senate

on

GPO & WEP: Policies Affecting Pensions from Work Not Covered by Social Security

November 6, 2007

President Puerto Rico's Teachers Association
P. O. Box 191088 San Juan, P.R. 00919-1088
before the Subcommittee on Social Security, Pensions and Family Policy
Committee on Finance, U.S. Senate on
GPO & WEP: Policies Affecting Pensions from Work Not Covered by Social Security
November 6, 2007

Mr. Chairman, Ranking Minority and Members of the Subcommittee,

I am Aida Díaz, President of the Puerto Rico's Teachers Association which is based in San Juan, Puerto Rico and has a membership of more than 26,000 Puerto Rican teachers.

Many policymakers in the United States regard the U.S. Citizens who reside in the Commonwealth of Puerto Rico as citizens who do not pay taxes to the federal government. This is so far from the truth. Puerto Ricans are probably the most taxed U.S. Citizens in the United States. Wages paid to U.S. Citizens, resident aliens, and non-resident aliens employed in Puerto Rico are subject to social security and medicare taxes.

On the other hand, the U.S. Citizens who reside in Puerto Rico do not benefit from the Supplemental Security Income (SSI) program nor does the island receives its full share of Medicaid funding. On top of this, Social Security benefits in Puerto Rico are also affected by the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). In the island the average social security benefits for a retired worker are $611.00 (2003) and $535.00 (2003) for a widow(er). These averages are low when compared to the average social security benefit in the country as a whole which amount to $1,055.00 (2007) for a retired worker and $1,017.00 (2007) for a widow(er). The low social security benefits in Puerto Rico are further reduced by the GPO and the WEP. For example take the case Alba Nydia Figueroa who will reach retirement age soon.She has been a public teacher for 31 years, who held another job so she could contribute to the social security system in order to complement her pension. Now she has found out her social security benefits will be reduced , upon retirement from $518. to $ 328., courtesy of the GPO and WEP. This hardly a luxury benefit. It is simply not fair. We think it is a shame for hard working citizens to be penalize in such a manner and specially low paying public employees.In Puerto Rico, for example starting salaries for teachers is $ 1,500.00.,the lowest in the United States.

The teachers in the island have their own public retirement system to which they contribute at a rate of 9% of their monthly wages and the employer contributes 8.5%. But additionally, many of the 28,961 participants of the retirement system as well as the 49,500 active teachers have either paid into the social security system to qualify for benefits or are entitled to benefits as a widow or widower.The 7,889 retired teachers who contributed to the social security system and are affected by the GPO and the WEP become aware of their reduced benefits, 66% in some cases and 50% in others, when they become eligible for said benefits. This is usually at an advanced age and after many years of labor. The irony of these reductions is not that they are reducing hand-outs or give-aways provided by the federal government, but rather, the reductions are of benefits earned from a program they have contributed to by paying the sweat of their labor. Social security is not a free program, so the GPO & WEP reductions are hard to swallow, hard to understand and they are simply not right.

"The system does not make sense" said Senator John Kerry during the November 6 hearing. We agree wholeheartedly with him. Congress must act to end the unfairness of the GPO & WEP provisions which are affecting thousands of dedicated and hard working public employees, who retire only to find out their golden nest for their retirement needs are undermined courtesy of the GPO & WEP.

The Puerto Rico's Teachers Association urge Senator John Kerry to initiate the process of public hearings to repeal the GPO and the WEP by considering Senate bill 206 introduced by Senators Susan Collins and Dianne Feinstein, which presently has thirty four (34) co-sponsors from both sides of the aisle.

This, Mr. Kerry, makes a whole lots of sense. Thank you.

Aida Díaz de Rodríguez

RETIRED STATE, COUNTY AND MUNICIPAL EMPLOYEES ASSOCIATION OF MASSACHUSETTS
11 BEACON STREET, BOSTON, MA 02108

November 6, 2007

Senator John F. Kerry, Chair
Subcommittee on Social Security, Pensions
and Family Policy
304 Russell Senate Office Building
Washington, DC 20510

Dear Chairman Kerry:

On behalf of our 62,000 members, all of whom are retired Massachusetts public employees, I thank you for holding this hearing and elevating the public debate to repeal both the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) laws. Your leadership and guidance on these issues are critical to our members.

Our Association appreciates the opportunity to submit a public comment on these important issues. We thank you for including this statement on the record for the November 6, 2007 hearing.

Throughout the Association's thirty-nine year history, our primary focus has been, and remains, at the state and local levels. However, with an ever-growing number of our members impacted by either the WEP or GPO, our attention has increasingly been on Washington and the Congressional effort to repeal these two repressive laws.

Officially, the GPO and WEP laws were enacted to stop the practice of so-called "double dipping," whereby a public retiree would collect a public pension, as well as a Social Security benefit. These laws target a certain group of public employees, specifically those who work in non-Social Security states like Massachusetts.

For the record, we should note that the term "double-dipping" is a misnomer and insulting to public retirees, who worked hard at two jobs during their public employment - one in the public sector, the other with a private employer - in order to support their families. Naturally, they paid their payroll taxes in support of Social Security with the expectation that their hard work entitled them to the same benefits as their private sector co-workers.

There are other public retirees who worked in the private sector for many years before opting to enter public service, or as a second career later in life. These retirees earned their quarters under Social Security in the same manner as all other Americans - through hard work. Again, the notion that somehow these folks are "double-dipping," or receiving a benefit that they did not earn, is simply untrue.

Also among our members are widows, who, in addition to being homemakers, worked at relatively modest public sector jobs that supplemented their family income and enabled them to earn, by today's standards, a relatively small public pension. These members, and their husbands, believed that if they became widows they would hopefully have an adequate retirement income because they would also receive their husband's full Social Security benefits.

Unfortunately, when their husbands died, they discovered, to their shock and dismay, that because of their small pensions, they were not eligible for their deceased husband's full Social Security. Instead, they were told by the Social Security Administration (SSA) that because of the GPO, they would receive far less than they anticipated, perhaps nothing. In addition, two-thirds of any future cost of living increase that these widows may receive on their public pensions, are offset by reductions in the Social Security payment.

As a Marine combat veteran of the Korean War, I fully understand the challenges and hardships our country currently faces. Our members are aware of these facts as well. But this is far too important an issue, with very real human impact, to indefinitely delay action. Therefore, I urge you to seek a solution now to this problem that is injuring so many thousands in Massachusetts alone.

We also believe that any bill should not include mandating that newly hired public employees in Massachusetts, and other non-Social Security states, be covered under Social Security. Analyses have shown that the short-term infusion of Social Security taxes from new hires will have a relatively insignificant effect upon the system's future solvency. Moreover, the revenues, generated by these taxes, will be offset in the long-term when those employees receive their Social Security benefits. The end result would place an even greater financial strain on the Social Security system.

More important is the overwhelming tax increase upon the Commonwealth and its political subdivisions. State agencies have placed the cost at nearly $4 billion over the first 10 years under mandatory Social Security. As a result, state and local officials would have to increase taxes, cut essential services in areas, such as education or public safety, or both. Simply put, the end does not justify the means in this particular case.

In the 1950s, state and local governments were given the option to join the Social Security system. While many states and localities did enroll in the system, Massachusetts and its political subdivisions chose to maintain their own comprehensive retirement system, specifically developed for their own retirees and employees, because it provides superior benefits for those who choose a career in public service at lesser pay.

If one considers how mandatory Social Security will disrupt the well established system and cause new long-term fiscal problems at the state and local levels, then only one conclusion can be reached. Social Security should not be mandated for newly hired public employees in Massachusetts and similarly situated states.

In conclusion, I appreciate this opportunity to voice our opinion on the GPO, WEP and mandatory Social Security and urge the Subcommittee to act promptly on needed legislation repealing both the GPO and WEP. There is no question that it will bring a deserved measure of dignity to the lives of those currently being severely hurt by these laws.

On a personal note, I appreciate your leadership in calling this hearing, which is a significant step forward in finally resolving this matter. Our Association looks forward to working with you and your staff in crafting a workable solution to the repeal of WEP and GPO.

Thank you.

Sincerely yours,

/s/ Ralph White

Ralph White, President
Retired State, County and Municipal
Employees Association of Massachusetts

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SERVICE EMPLOYEES
INTERNATIONAL UNION
CTW, CLC

1800 Massachusetts Ave NW
Washington DC 20036

202.730.7000
TDD: 202.730.7481
www.SEIU.org

Service Employees International Union Statement on GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security
Hearing held on November 6, 2007

This statement is on behalf of the 1.9 million members of the Service Employees International Union (SEIU), representing workers in the public services, health care, and property services sectors, is provided as a follow up to the Congressional record following the November 6 hearings on the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP) under Social Security.

As the second largest public sector union, representing 1 million state, local, and municipal government employees across the country, SEIU has many members who are adversely impacted by the GPO and WEP provisions. These provisions unfairly penalize hard-working public servants who earned a secure retirement and deter workers from pursuing a career in public service. SEIU supports a full repeal of both the GPO and WEP, which robs public service workers and their spouses of the benefits they have earned in retirement.

GPO/WEP Impact on Public Sector Workers

The vast majority of retirees who are negatively impacted by the GPO and WEP are public sector workers. Although Social Security covers about 96 percent of all workers, the remaining 4 percent who are not covered are public employees. In fact, 9 in 10 of the public employees not covered by Social Security are state and local government workers. The reason for this is that one-fourth of public sector workers do not pay taxes into the Social Security system because they typically receive a defined benefit pension plan. Even though they do not pay Social Security taxes on their government earnings, they may still be eligible for Social Security benefits through their spouses or their own earnings from other covered employment.

The Government Pension Offset (GPO) reduces public employees' Social Security or survivor benefits by an amount equal to two-thirds of their public pensions. As a result, the GPO sharply reduces—and in most cases eliminates—the Social Security spousal benefit for workers who receive a public pension, even though their deceased spouse paid Social Security taxes for many years. Some 300,000 individuals lose an average of $3,600 a year due to the GPO—an amount that can make the difference between self-sufficiency and poverty. In states where a high proportion of public employees work outside of Social Security, the effects of the GPO/WEP provisions are profound. GPO affects government employees and retirees in every state but the impact is most acute in 15 states: Alaska, California, Colorado, Connecticut, Georgia (in certain local Governments), Illinois, Louisiana, Kentucky (in certain local governments), Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island (in certain local governments), and Texas.

The Windfall Elimination Provision changes the formula used to calculate benefit amounts retirees earned while working in a system covered by Social Security. This provision affects people who earned a pension working for a government agency and also worked at jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. In short, the WEP chips away at the retirement benefits of a retiree who worked both in the private and the public sectors.

Both the GPO and WEP are complicated provisions that often come as an enormous surprise to SEIU members. To better convey the full impact, we have included the stories of workers adversely impacted by both provisions. Their stories, here and in the pages that follow, make a strong case for full repeal of the GPO and WEP.

"I worked and supported Social Security all my working life, including serving my country in the military. At 50 years of age, I took a job that is not covered by Social Security and am now being told that I will not receive the benefits that I have paid into. Please repeal the Social Security offsets."

"My husband died in October 1990. When I reach age 65, I am forced to apply for Medicare under my husband. I will be forced to pay a premium of $88.50-plus monthly. At age 65, I will be entitled to widow's benefits but because I am a state employee and will receive retirement benefits through the [state retirement system], I will be penalized what I receive in widow's benefits through Social Security. It seems like I will receive about one-third of what I should be allowed to receive."

"I began work for the state of Maine in October 1986 at the age of 32. Prior to that time, I had worked in the private sector since the age of 16 and have put myself through college, graduating at the age of 28. I accumulated more than enough quarters to collect Social Security and had planned on relying on Social Security to augment my state pension and retirement. My Social Security is not a 'windfall.' I earned it."

"I have paid into Social Security through various jobs I have had over the last 30 years and expect to pay into the Social Security system for another 12 years before I file for benefits at age 66. In the meantime, I have worked for 25 years as a public servant for less money than I might have made in the private sector with my education and skills, because I wanted to make a difference in my community and in my state. It appears to me that I'm now being discriminated against for being a good citizen."

Conclusion

SEIU supports the Social Security Protection Act (S. 306/H.R. 82) sponsored by Senators Feinstein (D-CA) and Collins (R-ME) and Representatives Howard Berman (D-CA) and Buck McKeon (R-CA). S. 306/H.R. 82 would repeal both the GPO and WEP, allowing public employees to collect the benefits they have earned upon retirement. This proposal has bipartisan support in both chambers and has overwhelming majority support in the House of Representatives, with 333 co-sponsors.

There are a variety of proposals which have been offered that would either revise or eliminate the GPO and WEP. SEIU believes that full repeal is the best policy solution to address the inequities that public workers face as a result of the GPO and WEP. Opponents of repealing and/or eliminating these provisions often cite how costly it would be to do so. It is estimated that the cost of full repeal of both the GPO and WEP is approximately $65 billion over 10 years. While these costs are high, it is far costlier for retirees who have paid into the Social Security system to live in poverty.

SEIU urges the Senate Subcommittee on Social Security, Pensions and Family Policy to swiftly mark up the bill and urges Congress to take immediate steps toward passage of the Social Security Protection Act.

Additional testimony from members of the Maine State Employees Association, SEIU Local 1989.

Why Should I Lose Out?

I am writing regarding the Social Security Offsets. My husband worked for a private bank in Augusta for 35 years. He passed away in 1995. I have worked for the State of Maine for 23 years. My husband was also in the Coast Guard Reserve, retiring as the enlisted adviser of New England. Why should I lose out on all the retirement my husband worked so hard for me?

Janice Gould
Randolph

Retirement Insecurity in America

I became employed by the Maine Department of Transportation in York in January 1999.

I presumed at the time I would be able to draw Maine State Retirement and Social Security both to my benefit. Since conversing with State Retirement and Social Security, this is when I positively found out about the federal Windfall Elimination Provision.

The United States being a free country, I presumed I would be entitled to both and I could enjoy retirement. If the Windfall Elimination Provision were changed to fairness for everyone, we could probably enjoy our retirement years financially.

Reginald Goodwin
North Berwick

Social Security is No 'Windfall'

I am writing to request elimination of the Windfall Elimination Provision by Congress because it is blatantly unfair to people who have worked hard to earn these benefits.

I worked in private industry, etc. from the mid-1960s until 1987 when I was employed by the State of Maine, Department of Inland Fisheries & Wildlife. The State of Maine has their own retirement system and employees do not pay into Social Security.

Because of my employment prior to being hired by the State of Maine, I have earned the necessary credits to receive Social Security retirement benefits (currently estimated at $1,044 per month at my full retirement age of 66). However, because of my employment by the State of Maine, my Social Security benefits will be reduced (I have heard estimates of a reduction of 50 percent to 60 percent) as a result of the Windfall Elimination Provision.

I am trying to understand how getting my full Social Security is a "windfall" for me. I worked very hard from the 1960's until 1987 to earn these benefits and I don't see why I should not receive the Social Security benefit that is due me.

I am requesting all our Maine Senators and Representatives support elimination of this provision.

Richard Dressler
Stillwater

Penalizing Her Widow's Benefit

This is my personal story regarding the Social Security Offsets. I have worked for the State of Maine for 30 years. I don't have enough quarters under Social Security.

My husband died in October 1990. When I reach age 65, I am forced to apply for Medicare under my husband. I will be forced to pay a premium of $88.50-plus monthly.

At age 65, I will be entitled to widow's benefits but because I am a state employee and will receive retirement benefits through the MSRS, I will be penalized what I receive in widow's benefits through Social Security. It seems like I will receive about one-third of what I should be allowed to receive.

I personally don't feel that Maine State Retirement should be looked at any differently than any other pension. My grandfather retired from the state years ago, and he drew both his MSRS pension and his full Social Security.

Paula Scott
Houlton

Slap in the Face
I worked for the Judicial System for 21 years. I also worked doing waitress work three nights a week and sometimes four to enlarge my Social Security benefits when I retired.

I raised three boys by myself, as I was divorced when they were 9, 11 and 15 years old. I did not ask or receive any state assistance from the State at any time. It was a hardship to work, take care of a house and try to keep the boys in line.

I was shocked to hear that the Social Security Administration was going to take two-thirds of my Social Security ($300).

My pension was going to be around $900. I do not understand why the federal government should take so much. This has been a hardship for me in many ways. My expenses have been over the amounts from both pensions.

I need that $300. I worked so hard for it and do not know how it happened. I have written both representatives and senators in the past.

Please help us that never had the opportunity to invest any money to insure our future. It is not fair that I killed myself to make myself a better life and feel that I have had a slap in the face.

Eileen Balzano
Portland

Denied Benefits She Paid For
The federal Social Security Offsets should be repealed. I worked in the private work arena before I became a state worker.

I paid into Social Security. The Offsets are so unfair to us retirees. It was our money that went into Social Security and we are entitled to it.

I live and have lived all my life where we have no public transportation. Therefore, if we go, we go by car. This certainly can be a hardship for us with the soaring (daily) gas prices, higher electric bills, etc. I sure could use what should be coming to me.

The Offsets are wrong. Congress, please repeal them.

Jacquelyn Roach
Oakland

STATE UNIVERSITIES ANNUITANTS ASSOCIATION
UNIVERSITY OF ILLINOIS URBANA-CHAMPAIGN CHAPTER
364 Henry Administration Building
506 South Wright Street
Urbana, Illinois 61801

November 15, 2007

Senate Committee on Finance
Attn: Editorial and Document Section
Rm SD-203
Dirksen Senate Office Building
Washington, DC 20510-6200b

Statement for the Record regarding Senate Bill 206 – GPO and WEP Policies Affecting Pensions from Work Not Covered by Social Security.

Dear Senators:

The Executive Committee of the University of Illinois at Urbana-Champaign (UIUC) Chapter of the State Universities Annuitants Association (SUAA) has voted to approve a motion urging you to approve the Social Security Fairness Act, S. 206, sponsored by Senators Dianne Feinstein and Susan Collins. This chapter represents all retirees from the UIUC campus and has nearly 2100 members. The statewide membership of SUAA exceeds 15,000 individuals representing all Illinois public universities and community colleges.

Our group strongly supports this bill because so many members have been affected by the WEP and GPO provisions that we feel unfairly reduce earned social security pensions and benefits. Many of the men and women affected are low to middle income retirees who spent their working years as maintenance workers, clerical staff, or police officers or security guards. Others are faculty who made major contributions to this state and the nation teaching, conducting important research, and providing needed public service.

A significant number of these individuals are affected by the WEP and GPO provisions because they worked in positions covered by Social Security before, during, or after their employment with the University, or their spouses worked in such covered jobs. They subsequently learned that there would be substantial reductions in their own benefits due to the WEP or in their spouse and survivor benefits due to the GPO.

We feel that passage of the Social Security Fairness Act would enable many of these retirees to have a better quality of life. Restoring the earned benefits for these recipients will most assuredly not create a financial windfall for them. Thank you for your consideration of this matter.

Sincerely,

Harold F. Williamson

Harold F. Williamson
President, UIUC Chapter of SUAA

Teacher Retirement System of Texas

1000 Red River Street
Austin, Texas 78701-2698

EXECUTIVE DIRECTOR
Charles L. Dunlap

TRS

February 13, 1998

Mr. Mike Morrissey
Special Assistant
Lieutenant Governor's Office
The Capitol
Austin, Texas 78711-2068

By Hand

Dear Mr. Morrissey:

This is in response to your letter of January 26th regarding possible Congressional action to make social security participation mandatory for all public employees. It is our understanding that you also sought input from the Employees Retirement System of Texas; therefore, these comments generally apply to issues pertaining to application of mandatory coverage to the population of public education employees.

General

Mandatory participation in social security would significantly impact four parties--the social security program, the State of Texas, employers within the state, and member participants. Both TRS and social security are defined benefit plans supported by participant and employer contributions. The sponsors--Texas and the US Government--are the ultimate providers of promised benefits and absorb the financial risks of providing such benefits.

The social security system distributes payments to over 43 million people. According to their literature, the average monthly retiree payment is $745. In addition, the administration manages Medicare. The program is funded by participating employer and employee contributions. Required contributions have increased over the years in two ways: the percentage rate applied to payroll has increased, and the payroll cap limiting the amount of the contribution has been raised. Currently, the contribution rate for both the employer and employee is 7.65%. This consists of the retirement piece (6.2%) and the Medicare piece (1.45%).

From an actuarial standpoint, the social security system--both retirement and healthcare--is in poor condition. The "pay-as-you-go" approach used by social security hasn't worked. As a

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result, the government, its advisors and others are evaluating options to strengthen the system. States such as Texas that have high populations of potential contributors are attractive targets for "conscription" into the program. The January 1997 *Report of the 1994 - 1996 Advisory Council on Social Security* contained three new options for consideration to improve fiscal strength--all three included mandatory inclusion of public employees as part of the solution.

The Teacher Retirement System of Texas was established in 1937. It has grown to include participation of over 850,000 active members, retirees, and survivors. Plan benefits have been legislatively modified over the years to accomplish state-wide objectives with regard to attracting and retaining staff necessary to public education. The plan is funded by employee and state contributions, and investment additions. Unlike social security, TRS and many other large state-wide retirement plans are invested across a broad range of asset classes. The perpetual nature of these funds has permitted trustees to take a very long view of investment opportunities that looks beyond market volatility--the value of this perspective is clearly evidenced by performance of these portfolios (including TRS Texas'). The results have accelerated elimination of unfunded liabilities, facilitated containment of both employer and employee contribution rates, and provided a means for legislative consideration of benefit improvements from time-to-time. Currently, TRS active members contribute 6.4% of their pay for retirement and the state contributes 6%. In addition, active members and the state contribute 1/4% and 1/2% of covered payroll, respectively, to TRS *Care*, a healthcare program for retirees.

The TRS trust fund is in the best actuarial condition in its history. This is particularly noteworthy in view of member growth, reductions in the state contribution rate, and a consistent history of legislative enhancements to program benefits. As of August 31, 1997, actuarial liabilities totaled $75 billion and all but $146 million were funded by the actuarial value of present assets plus the present worth of future contributions anticipated from active members and the state.

Key Issues

What are the key issues to be considered with regard to mandatory social security participation? We would highlight four:

- Loss of state control
- Substantial additional funding requirements
- Lack of equivalent value
- Solvency

First, mandatory social security participation would eliminate Texas' local option to elect participation based on its view of value received and sources of revenue to acquire program benefits. Most employers covered by TRS are school districts who have not elected to participate in social security retirement. Since 1985, *new* employees and their TRS employers have contributed to the healthcare portion of social security.

Second, participation in social security whether mandated or by election would require substantial additional funding over time. Though initial participation under a mandated program would likely start with *new* employees, the base of covered participants would grow quickly and would be accompanied by growing requirements for employee and employer contributions. To illustrate the cost:

- TRS roughly estimates that approximately 85 percent, or $14 billion, of the public education covered payroll relates to school district employees.
- Without considering further growth in employees or payrolls, this would mean that employee and employer (school district) contributions would grow to $868 million each or a total of $1.7 billion annually when 100% participation in social security retirement is reached. This is in addition to contributions of approximately the same total amount currently being paid into TRS for the state program.
- School districts would have to identify sources to pay their $868 million share and employees would experience a reduction of like amount in their purchasing power.
- To the extent that the state's goal in establishing salary scales for teachers and librarians targets *disposable current income* rather than gross income, there might be a need to consider adjustment in salary levels to offset the cost of social security participation.

Third, we believe that the additional contributions required to be paid into social security will not buy benefits comparable to values that have been achieved in Texas. Our view on this particular matter follows from a logical comparison of the two plans. To illustrate:

- Eligibility. Texas vests in 5-years, social security in 40-quarters (full vesting)
- Final retirement benefit. Texas' benefit is simple to understand--social security's is complex. At the same total current contribution rate--12.4% for both plans--the average benefit for TRS retirees is $1,328 monthly compared to an average benefit for *new* social security retirees of $745 monthly.
- Equity of benefit. The Texas benefit calculation substantially treats all members the same, regardless of position or level of income (IRS Code Section 415 limits now impose some reduction on very high income members). Social security is re-distributive by design.
- Early retirement. Texas uses a "rule of 80", which offers real possibilities for members who have served 25 to 30 years to retire in their 50's with an unreduced benefit. Social security not only does not provide a similar opportunity, but all indications are that financial constraints are driving consideration of options to prolong eligibility for a full benefit.
- Offsets. In addition to superior benefits for retirees, the Texas plan offers superior financial security and predictability to beneficiaries. Subject to actuarial adjustment, members who earn a Texas benefit may designate a beneficiary who will also receive a continuing benefit for life upon the members death. Social security has enacted beneficiary laws that significantly restrict beneficiary payments if the beneficiary was not also a contributing member.
- Portability. Social security is broader in this regard. The TRS Texas plan offers portable accumulation of benefits as members move from covered position to covered

position within the state. It also provides for purchase of qualified non-TRS service including military service. Social security is broader in that benefit accumulation spans the US among participating employers. Many state-wide retirement plans participate in social security.

There are other differences that might be noted. But the point is that 12.4% contributed in Texas has acquired a more valuable set of retirement benefits than 12.4% in social security.

Finally, Texas has balanced benefit design with identification and accumulation of present and future values to achieve actuarial balance in the trust fund. Social security and Medicare are awash in financial problems. And if there is an unfavorable imbalance in the value of social security benefits now, it appears that this relationship will deteriorate further over time.

Under mandated social security participation, state policy-makers would need to determine whether social security benefits are in addition to existing benefits, or whether some integration of benefits should take place.

Thank you for the opportunity to share views on this issue.

Sincerely yours,

Charles L. Dunlap

Texas Classroom
Teachers Association
P.O. Box 1489
Austin, TX 78767
512-477-9415
1-888-879-8282
Fax 512-469-9527
http://www.tcta.org/

Statement of
the Texas Classroom Teachers Association
Submitted to the
Finance Committee
Subcommittee on Social Security,
Pensions and Family Policy
U.S. Senate

GPO And WEP: Policies Affecting Pensions From Work Not Covered By Social Security
November 6, 2007

Thank you for this opportunity to provide comments on the federal laws that reduce or eliminate Social Security benefits for public employees who receive a government pension from non-covered employment.

The Texas Classroom Teachers Association (TCTA) was established 80 years ago and has grown to more than 50,000 members across the state. TCTA membership is limited to teachers and related non-administrative personnel who are directly involved with student instruction or support, and TCTA is not affiliated with a national organization.

Our members and other public servants across the country have been eagerly anticipating movement on the legislation that would address the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), and we appreciate this committee's consideration of the issue. These employees are extremely concerned about the current offsets in the Social Security system that prevent most school employees in our state from receiving fairly earned benefits.

The GPO affects the majority of school employees in Texas, reducing, or in most cases eliminating, spousal Social Security benefits. Educators often consider the scenario of a spouse who has never worked in any capacity but who receives a full spousal benefit (without regard to income level or receipt of a private pension), and find that the reduction in their own spousal benefits falls far short by any standard of fairness.

TCTA supports the repeal of the Government Pension Offset. If the policy decision is made to retain the GPO, we strongly encourage you to reduce its impact by lowering the offset significantly. In too many cases, a school employee finds him/herself living solely on the school retirement benefit, which can be a meager amount particularly for the employee who entered the profession later in life and for lower-paid workers.

The Windfall Elimination Provision adds insult to injury. Though the Social Security system is designed to assist low-earning employees, the WEP penalizes lower-paid retirees such as educators and other public servants. It seems particularly unfair to reduce benefits to an employee who has paid into Social Security for years and then chooses to enter the teaching profession in Texas. Many teachers coming to Texas from another state or another profession do not realize the impact of the WEP until too late, and it becomes increasingly difficult to recruit individuals into teaching in Texas when they learn that the transition results in a reduction in their fairly earned Social Security benefit. Calls to our office have unfortunately borne out the other negative consequence: individuals often make the decision to become a Texas teacher only to discover the implications after the fact.

Inadequate compensation for many school employees has led to second jobs, most of which do require Social Security participation. However, those employees may not ever receive a full benefit from that required participation, because of their position as a public servant. These employees have paid into Social Security for 40 quarters or more, sometimes over an entire career, and have fully earned Social Security benefits. The WEP arbitrarily and unfairly reduces those benefits.

Sen. Kerry and others have described the GPO and WEP as “blunt instruments” that discourage educators and other public service professionals from remaining in government positions. Our members agree, and respectfully request that this committee take action swiftly to help millions of public servants across the country receive the Social Security benefits to which they are entitled.

Wayne County Detectives Association

P.O. Box 87 • Lincoln Park, Michigan 48146

November 6, 2007

Senate Committee on Finance
Attn: Editorial and Document Section
Room SD-203
Dirksen Senate Office Building
Washington, D.C. 20510-6200b

RE: GPO and WEP – Policies Affecting Pensions from Work Not Covered by Social Security, November 6, 2007

Honorable Sirs,

The Wayne County Detectives Association (WCDA) is the largest professional association of police detectives in the state of Michigan, and one of the largest in the United States. We were chartered within the state more than 50 years ago, represent approximately 300 active members, and draw our membership from all of the jurisdictions in Wayne County (Detroit).

WCDA adamantly opposes the unfair and unconscionable penalties that the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) requirements impose on many of our members and families. As career public servants, many of our constituents did not pay into FICA during their public careers, instead paying heavily into public pension systems. After retiring from public service, many members go onto many years of employment in the private sector – or other jobs in the public sector that pay into FICA – and thus also earn Social Security benefits upon reaching the requisite age. Reducing benefits for no better reason than to satisfy a mathematical formula created by federal government bureaucrats constitutes both terrible public policy and incompetent fiscal management.

GPO and WEP are nothing more than avaricious and ill-considered instruments to legally steal the pension benefits of not only our members, but those of millions of other hard working American taxpayers. We urge you to immediately repeal GPO and WEP, and so restore essential benefits to everyone effected by these provisions.

Respectfully yours,

Charles W. Newsome

Charles W. Newsome
President

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