

The Case For Repeal of the Punitive Government Pension Offset & Windfall Elimination Provision

SUMMARY: Even though public employees and/or their spouse, have paid the required Social Security contributions, their Social Security benefits may be cut by thousands of dollars or entirely eliminated. It is not uncommon to be penalized by both the GPO and the WEP.

Explanations of the GPO and the WEP, two Social Security Offsets

The Government Pension Offset (GPO) Public employees may be penalized by the Government Pension Offset and lose a portion of, or even all their earned Social Security retirement benefits if:

- Their spouse of at least ten years has earned Social Security retirement benefits and they are entitled to spousal benefits. They are penalized by the Government Pension Offset (GPO) when they begin to collect their pension from a “non covered” public position.
- They will probably lose all the benefits due them as a dependent spouse--- a non-working spouse normally receives, in addition, an Social Security payment equal to half that of the Social Security earner.
- They will lose at least part of or, more often, all of the Social Security retirement payments that normally go to the widow/er, who is entitled to 100% of the earner’s benefit.

Medicare premiums are higher if they lose all Social Security benefits. They will be denied the \$255 burial payment sent by the Social Security Administration to other bereaved families, if they are a widow/ widower with a government pension.

The Windfall Elimination Provision (WEP): Public employees may be penalized by the Windfall Elimination Provision and lose up to 60% of your earned Social Security retirement benefits if: They have had two jobs: one in which they paid Social Security taxes and therefore earned their own Social Security credits and another job in which they did not pay Social Security taxes. (This later job is referred to as “non-covered” public employment).

Why the GPO and the WEP are unjust

The GPO/WEP are based on faulty assumptions. The offsets were based on a decision to treat pensions from certain public positions as if they were the same as Social Security

benefits, despite the fact that these “non-covered” state and local positions have nothing to do with Social Security.

- **Error One: These public agency pensions were earned separately** and differently from Social Security, yet they are used to reduce the amount of Social Security benefits that a worker receives during retirement. When participation is required by both Social Security and also State and local pensions, the public pension is earned and collected separately. Therefore, it should have no effect on Social Security benefits earned elsewhere.
- **Error Two: The GPO/WEP formulas are arbitrary and inconsistent.** Social Security and public agency pension benefits are treated differently by Federal tax law. While federal income tax is collected on public agency pensions, Social Security benefits are sheltered, often completely, from this tax. State community property laws may treat them differently, also. Due to these two differences, a public pension should not be used to offset the amount of Social Security earned.

Unintended/Undesirable Consequences of the GPO/WEP

Loss in earned benefits is severe, often resulting in substantial lifestyle reductions and even poverty, for formerly productive working citizens of middle/low class.

- **GPO: 74% percent of those affected by GPO lose their entire spousal benefits.** According to the 2013 Congressional Research Service Report, in December of 2011 the average yearly public pension for those affected by the GPO was \$24,780. For a person with this average pension, the GPO resulted in an annual loss of more than \$6,876 in earned Social Security benefits. Few people can sustain a loss of that much money in retirement. Older workers often have pensions that pay half that amount, and they still lose the same percentage of their deserved Social Security retirement benefits. It is possible for one’s spouse to pay Social Security taxes of as much as \$90,000 and yet their survivor may receive nothing from what was a contribution of joint marital income.
- **WEP: The WEP was not designed to affect the middle or low wage earners that it can deeply penalize.** WEP cuts to earned benefits are substantial, commonly causing serious lifestyle reductions. Someone with a pension of only \$900 a month from a “non-covered” government job can have his/her earned monthly Social Security benefits cut from \$600 to \$300.
 - **The GPO, particularly, represents discrimination against women.** The GPO currently penalizes more than one half million retirees; 79% of them are women. Of those affected by the GPO, the average non-covered government pension for men was

\$961 more per month than the pension paid to women. The women affected often have lower pensions to start with, and then the Government Pension Offset reduces their Social Security benefits by even more, an average of \$7,308 a year for women, as opposed to \$5,148 a year for men. (Congressional Research Service Report 1/8/2013)

GPO/WEP Penalties Are Not Well Publicized

Until recently no law existed to inform employees about the GPO/WEP penalties.

Large numbers of current public employees have never been told that their public service employment is jeopardizing their already-earned Social Security benefits. The law to require notification of new employees about the WEP/GPO only went into effect in 2005. A worker has to be informed about what these offsets are in order to be in a position to determine their effects, but neither the SSA nor government employers have sufficiently publicized these penalties for people who have been employed since before 2005. Even with notification, the GPO/WEP are so lacking in logic, that many employees still do not understand their long term financial effects.

WHO IS PENALIZED?

One third of all America's educators teach in states penalized by the GPO/WEP.

This is a clear negative for those considering teaching as a profession. With retirements and other attrition every year, our country always needs more high-quality new teachers. To provide a competitive educational system, we should be attracting those looking for a meaningful second career as well as bright young people. Discouraging them with penalties is foolish.

Federal workers hired before 1984, and 29% of state and local government workers:

These include first responders--fire and police personnel-- who may have come from the military, as well as teachers, librarians, air traffic controllers, secretaries and others whose fully-earned Social Security from previous jobs will be cut back when they retire.

SOLUTION:

The \$8-10 billion cost to repeal the GPO/WEP is minimal when compared to the total amount paid in Social Security retirement benefits annually.

The annual estimated cost to repeal GPO/WEP amounts to less than 2% of the overall Social Security benefits paid to recipients. (Estimated Trust Fund Information at www.ssa.gov.)

**THE COST OF NOT REPEALING THESE LAWS IS
TO CONTINUE A GROSS GOVERNMENTAL INEQUITY!**

