



Senate Joint Resolution 12

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24 FEB 2022

Windfall Elimination Provision

- ❖ The Windfall Elimination Provision (WEP) was enacted in 1983 by the Social Security Administration.

- ❖ The WEP reduces Social Security benefit payments to beneficiaries whose work histories include both Social Security-covered and non-covered employment, with the non-covered employment also providing pension coverage.
- ❖ WEP reductions could amount to nearly \$75 million annually for affected Alaskans.
- ❖ In Alaska, the WEP potentially affects any public employee who is also eligible for Social Security.

Windfall Elimination Provision

- ❖ For the “first bend” in average annual earnings, the WEP reduces the replacement rate from 90 percent to as low as 40 percent, depending on the quantity of years of qualified substantial earnings under Social Security coverage.

Table 2. Hypothetical Scenario: PIA for a Worker with AIME of \$1,500 Who Becomes Eligible in 2021 and Has 20 Years of Substantial Coverage

Regular Formula		WEP Formula	
90% of first \$996	\$896.40	40% of first \$996	\$398.40
32% of earnings over \$996 and through \$6,002	161.28	32% of earnings over \$996 and through \$6,002	161.28
15% over \$6,002	0.00	15% over \$6,002	0.00
Total after rounding	\$1,057.60	Total after rounding	\$559.60

Source: CRS.

Note: PIA = Primary Insurance Amount. AIME = Average Indexed Monthly Earnings. By law, the PIA is rounded down to nearest 10 cents.

Hypothetical demonstration displays reduction from 90% to 40% in the first bend.

Source: Congressional Research Service, November 2021

Table 3. Maximum WEP Reduction for Workers Who Become Eligible in 2021, by Years of Substantial Coverage

	Years of Social Security Coverage										
	20 or fewer	21	22	23	24	25	26	27	28	29	30+
First factor in formula:											
	40%	45%	50%	55%	60%	65%	70%	75%	80%	85%	90%
Maximum dollar amount of monthly WEP reduction for workers who first become eligible for Social Security in 2021 ^a :											
	\$498	\$448	\$398	\$349	\$299	\$249	\$199	\$149	\$100	\$50	\$0

Reduction formula is calculated solely based on years of substantial earnings.

Source: Congressional Research Service, November 2021

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- ❖ The WEP affects more Alaskans per capita than any other state.
- ❖ Reductions under the WEP may equate to as much as \$498 per month, or approximately \$5,976 annually.

Table 4. Number of Social Security Beneficiaries in Current Payment Status with Benefits Affected by WEP, by State and Type of Beneficiary: December 2020

State	Total	Type of Beneficiary		
		Retired Workers	Disabled Workers	Spouses and Children
Total	1,948,427	1,836,538	12,520	99,369
Alabama	18,233	17,193	158	882
Alaska	12,542	12,004	60	478
Arizona	38,103	36,106	213	1,784
Arkansas	10,642	10,147	117	378
California	273,399	258,520	1,639	13,240
Colorado	68,473	65,368	772	2,333
Connecticut	20,681	19,910	100	671
Delaware	4,454	4,262	34	158
District of Columbia	7,299	7,085	42	172

In 2020, over 12,000 Alaskans had Social Security benefits reduced by the WEP.

Source: Congressional Research Service, November 2021

Table A-1. Percentage of Social Security Beneficiaries in Current Payment Status Affected by the WEP, by State and Type of Beneficiary, December 2020

State	All Beneficiaries	Type of Beneficiary		
		Retired Workers	Disabled Workers	Spouses and Children
Total	3.0%	4.0%	0.2%	2.2%
Alabama	1.6%	2.3%	0.1%	1.1%
Alaska	11.6%	15.2%	0.5%	6.4%
Arizona	2.7%	3.3%	0.1%	2.0%
Arkansas	1.5%	2.2%	0.1%	0.8%
California	4.4%	5.7%	0.3%	2.8%

11.6% of Alaskan Social Security beneficiaries were affected by the WEP.

Source: Congressional Research Service, November 2021

Government Pension Offset

- ❖ Although pensions mitigate the effect of the WEP adjustment to Social Security benefits, pensions from non-covered employment trigger the GPO adjustment, which reduces the spouse and survivor benefit.

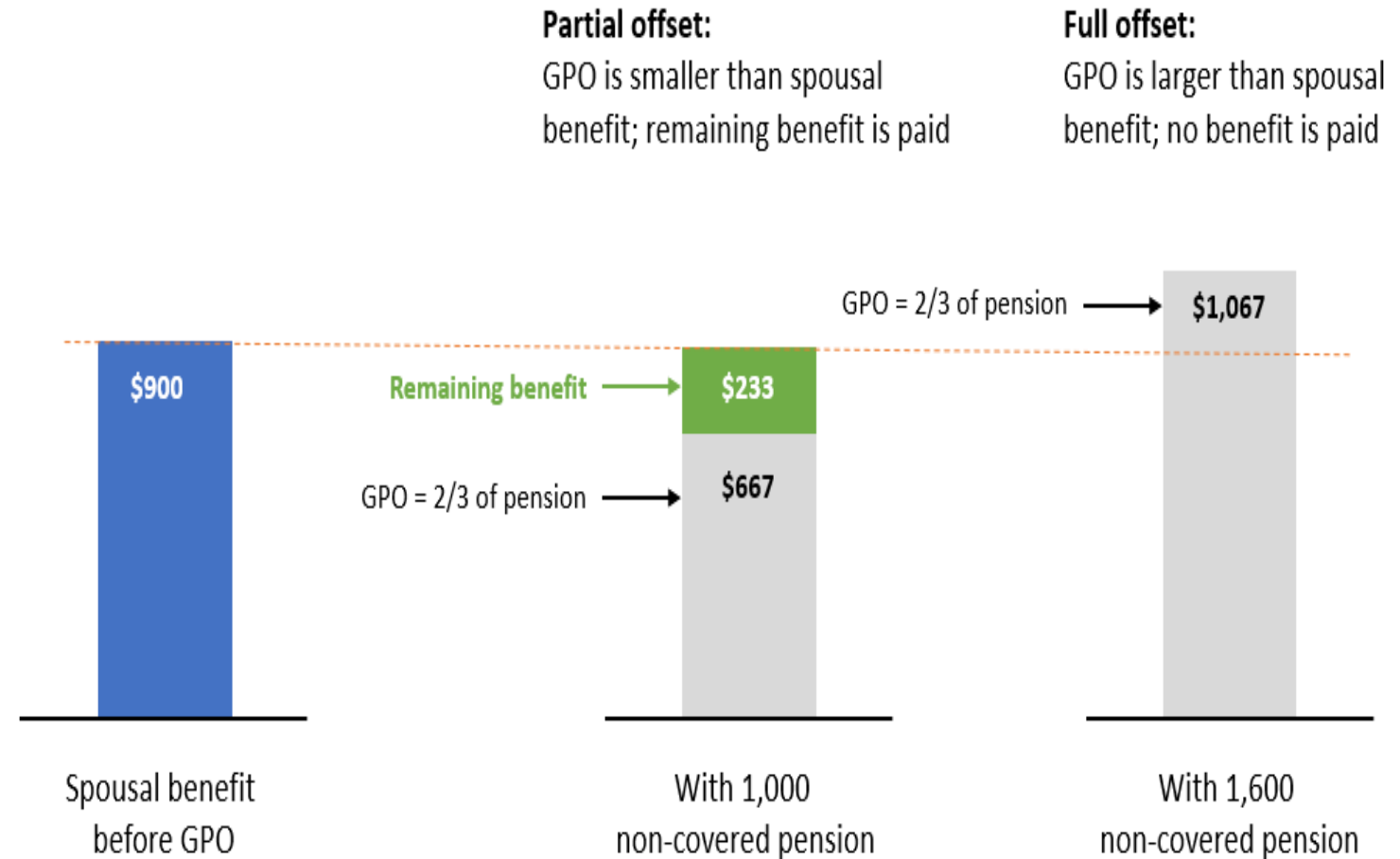
- ❖ The Government Pension Offset (GPO) reduces Social Security benefits paid to spouses or survivors when the spouse or survivor earned a pension from a government job that was not covered by Social Security.
- ❖ Unlike the WEP, which can apply to any non-covered employment, the GPO applies specifically to government workers' retirement benefits.

Government Pension Offset

❖ Under the GPO, the reduction may equal up to two-thirds of the value of the pension in non-covered work and may wipe-out the spouse or survivor benefit entirely.

GPO Examples of Different Non-Covered Pensions

For a hypothetical spouse of a covered worker with an \$1,800 benefit



Example of a pension offset for a covered worker with an \$1,800 benefit after a 2/3 reduction.

Government Pension Offset

- In 2020, 3,322 Alaskans were subject to GPO reductions, 2,419 of which were fully-offset, meaning those affected received no Social Security spousal or survivor's benefit because the reduction was greater than the benefit itself.

Table 5. Number of Social Security Beneficiaries Affected by GPO, by State, Type of Benefit, and Offset Status, December 2020

State	Total	Spouses	Widow(er)s	Fully Offset Status ^a	Partially Offset Status ^b
Total	716,662	380,007	336,655	511,122	205,540
Alabama	4,547	1,861	2,686	3,419	1,128
Alaska	3,322	1,888	1,434	2,419	903
Arizona	9,789	5,072	4,717	7,244	2,545
Arkansas	3,131	1,449	1,682	2,347	784
California	101,789	56,284	45,505	82,503	19,286
Colorado	26,498	14,931	11,567	15,407	11,091
Connecticut	9,675	5,712	3,963	8,464	1,211
Delaware	723	288	435	559	164
District of Columbia	2,146	513	1,633	1,772	374
Florida	28,807	15,146	13,661	22,040	6,767
Georgia	20,578	10,109	10,469	14,942	5,636
Hawaii	1,926	986	940	1,486	440
Idaho	2,225	1,226	999	1,693	532
Illinois	48,046	26,620	21,426	40,353	7,693
Indiana	4,792	2,225	2,567	3,572	1,220
Iowa	1,875	889	986	1,441	434
Kansas	2,323	1,049	1,274	1,623	700
Kentucky	12,931	7,235	5,696	10,673	2,258

In 2020, over 3,000 Alaskans had Social Security benefits reduced by the GPO.

Source: Congressional Research Service, February 2021

Conclusion

- ❖ SJR 12 is designed to protect employees whose work was contracted under the premise that their dedication to public service would be rewarded upon their retirement.
- ❖ Although the WEP and the GPO were enacted to address one inequality, they inadvertently created another. Legislators must right this wrong and ensure that individuals are not forced to choose between serving the public good or retiring with financial stability.