

# ALASKA STATE LEGISLATURE

## Session

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## Senate Finance Committee

### Finance Subcommittees

- Chair, Judiciary
- Chair, Military & Veterans' Affairs
- Public Safety

Sen.Bill.Wielechowski@akleg.gov

## SENATOR BILL WIELECHOWSKI

February 28, 2022

The Honorable Click Bishop & The Honorable Bert Stedman  
Co-Chairs, Senate Finance Committee  
Alaska State Capitol, Room 516 & Room 518  
Juneau, AK 99801

Dear Co-Chair Bishop, Co-Chair Stedman, & the Members of the Senate Finance Committee,

Thank you for your discussion on February 24<sup>th</sup>, 2022, in the Senate Finance Committee's first hearing on my resolution, SJR 12, which would urge the United States Congress to repeal the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).

I am providing the following responses to the committee's questions from the hearing.

- 1. Senator Bishop asked how we arrived at the estimated \$75 million figure that the WEP reductions could amount to for affected Alaskans and whether such was sourced from our office or that of the Social Security Administration.**

The figure was prepared by my office simply by multiplying the maximum WEP reduction amount of \$498 per month, or \$5,976 annually, by the number of Alaskan social security beneficiaries being affected by the WEP in 2020. As we explained, the maximum WEP reduction is triggered when the social security beneficiary worked 20 or fewer years of substantial coverage. The calculation of 12,542 beneficiaries with WEP reductions multiplied by the annual amount of \$5,976 equals \$74,950,992.

2. Senator Stedman asked for us to explain Table 3 of slide 3 without acronyms so that someone at home could understand how the WEP reductions are calculated.

The Congressional Research Service prepared two tables which were utilized in the presentation to demonstrate how the primary insurance amount is calculated according to years of substantial earnings as regulated by the Social Security Administration. The most basic explanation for these calculations is such that a social security beneficiary with 30 or more years of substantial earnings will not receive any reduction to their payment under the Windfall Elimination Provision; however, a social security beneficiary with less than 30 years of substantial earnings will have the first bend, or the first \$996, of their payment reduced by 5% for each additional year, not to exceed a 50% reduction from 90% to 40% for 20 years or less of substantial earnings.

**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
<b>Total after rounding</b>	<b>\$1,057.60</b>	<b>Total after rounding</b>	<b>\$559.60</b>

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

*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 <sup>a</sup> :	\$498	\$448	\$398	\$349	\$299	\$249	\$199	\$149	\$100	\$50	\$0

*Source: Congressional Research Service, November 2021*

**CHART A - QUALIFIED EARNINGS**

Year	Substantial earnings	Year	Substantial earnings	Year	Substantial earnings
1937–1954	\$ 900	1985	\$ 7,425	2003	\$16,125
1955–1958	\$1,050	1986	\$ 7,875	2004	\$16,275
1959–1965	\$1,200	1987	\$ 8,175	2005	\$16,725
1966–1967	\$1,650	1988	\$ 8,400	2006	\$17,475
1968–1971	\$1,950	1989	\$ 8,925	2007	\$18,150
1972	\$2,250	1990	\$ 9,525	2008	\$18,975
1973	\$2,700	1991	\$ 9,900	2009–2011	\$19,800
1974	\$3,300	1992	\$10,350	2012	\$20,475
1975	\$3,525	1993	\$10,725	2013	\$21,075
1976	\$3,825	1994	\$11,250	2014	\$21,750
1977	\$4,125	1995	\$11,325	2015–2016	\$22,050
1978	\$4,425	1996	\$11,625	2017	\$23,625
1979	\$4,725	1997	\$12,150	2018	\$23,850
1980	\$5,100	1998	\$12,675	2019	\$24,675
1981	\$5,550	1999	\$13,425	2020	\$25,575
1982	\$6,075	2000	\$14,175	2021	\$26,550
1983	\$ 6,675	2001	\$14,925		
1984	\$ 7,050	2002	\$15,750		

Source: <http://www.ssa.gov/pubs/EN-05-10045.pdf>

*Source: Social Security Administration, January 2022*

Source: *Congressional Research Service, [www.crsreports.congress.gov](http://www.crsreports.congress.gov); Social Security Administration, [www.ssa.gov](http://www.ssa.gov)*

**3. Senator Bishop asked for us to clarify the anomaly that Alaska has in regards as to how Alaska is the highest state in the nation with residents affected by the WEP percentage wise.**

According to figures prepared by the Social Security Administration, as of December 2020, 1,948,427 Social Security beneficiaries were affected by the WEP nation-wide; by cross-referencing these figures with the populations per state provided by the US Census Bureau, Alaska is the state with the highest number of Social Security beneficiaries being affected by the WEP per capita.

Source: *United States Census Bureau, [www.census.gov](http://www.census.gov); Social Security Administration, [www.ssa.gov](http://www.ssa.gov)*

**4. Senator von Imhof asked if Congress is paying attention to this legislation and what assurance we have that Congress and the President Biden administration will act upon this resolution; Senator von Imhof asked for us to supply the Committee with additional pieces of legislation on the federal level pertinent to this matter.**

As part of what has been deemed “The Biden Plan,” the Biden administration would “eliminate penalties for teachers and other public-sector workers. Current rules penalize teachers and other public sector workers who either switch jobs or who have earned retirement benefits from various sources... The Biden Plan will also get rid of the benefit cuts for workers and surviving beneficiaries who happen to be covered by both Social Security and another pension. These workers deserve the benefits they earned.”

Alaska Senator Lisa Murkowski has already publicly expressed support for repealing the WEP and GPO: “This commonsense legislation repeals outdated social security law provisions that unfairly reduce or eliminate social security benefits that public employees have earned. This bill aims to make the social security program as fair as possible and will ensure that additional offsets will not occur to our public sector employees' retirement plans. This means that a firefighter or a teacher who has dedicated years of service to Alaska will not see unfair reductions in their benefits for simply choosing a new career path,” said Senator Murkowski. “Public workers deserve to earn the same Social Security benefits as employees in the private sector.” This quote is from a press release dated 28 FEB 2019 found on [www.murkowski.senate.gov](http://www.murkowski.senate.gov). Senator Murkowski has also co-sponsored Senate Bill 1302 linked below.

The list of legislation being proposed in 2021-2022 on the state and federal level includes:

- **H.R. 82** and **S. 1302**, the *Social Security Fairness Act*
  - *The Social Security Fairness Act*, H.R. 82 and S. 1302, introduced by Rep. Rodney Davis, R-IL, Sen. Sherrod Brown, D-OH, Sen. Susan Collins, R-ME, Sen. Tammy Baldwin, D-WI, and Sen. Lisa Murkowski, R-AK, would fully repeal the WEP and the Government Pension Offset (GPO) from the Social Security Act.
  - Senate Bill 1302 currently has 38 co-sponsors and has been endorsed by the Fraternal Order of Police (FOP), National Committee to Preserve Social Security & Strengthen Medicare (NCPSSM), Social Security Works, Strengthen Social Security Coalition, American Federation of Teachers (AFT), International Union of Police Association (IUPA), National Association of Police Organizations (NAPO), American Federation of State, County, and Municipal Employees (AFSCME), National Education Association (NEA), and the Senior Citizens League.

- **H.R. 2337**, the *Public Servants Protection and Fairness Act*
  - *The Public Servants Protection and Fairness Act*, H.R. 2337, introduced by the Chairman of the Ways and Means Committee, Richard Neal, D-MA, would provide some relief from the WEP for both current and future retirees. While the legislation does not fully repeal the WEP, it represents a significant improvement over the status quo for CSRS retirees unfairly penalized for their public service. Specifically, the bill would do the following:
    - Individuals turning age 62 before 2023: Under the bill, individuals receiving WEP-reduced Social Security benefits based on their own work record would receive a rebate of \$150 per month.
    - Individuals turning age 62 in 2023 or later: These individuals' WEP penalty would be subject to either a new formula or the current formula, whichever provides a lower penalty. The new formula would calculate benefits based on the proportion of a worker's career earnings in Social Security-covered jobs to total earnings in covered and non-covered jobs.
  
- **H.R. 5834**, the *Equal Treatment of Public Servants Act*
  - *The Equal Treatment of Public Servants Act*, H.R. 5834, introduced by the Ranking Member of the Ways and Means Committee, Kevan Brady, R-TX, would provide relief from WEP from both current and future retirees. While this legislation does not fully repeal the WEP, it represents a significant improvement over the status quo for CSRS retirees unfairly penalized for their public service. Specifically, the bill would do the following:
    - For individuals who are first eligible for Social Security benefits before 2023 (turning age 62 before 2023): Under the bill, individuals receiving WEP-reduced Social Security benefits based on their own work record would receive a payment of \$100 per month. Meanwhile, spousal and child beneficiaries receiving a WEP-reduced Social Security benefit would receive a payment of \$50 each month.
    - For individuals who are first eligible for benefits between 2023 and 2060 (turning age 62 in 2023 through 2061): These individuals' WEP penalty would be subject to either a new formula created by the bill or the current formula, whichever is more beneficial. The new formula would calculate benefits based on the proportion of a worker's career earnings in Social Security-covered jobs to total earnings in covered and non-covered jobs.
    - For individuals who are eligible for benefits starting in 2062 (age 21 and under in 2021): These individuals' WEP penalty would be calculated with the new formula only.
  
- **H.R. 4788**, the *Wellbeing for Every Public Servant Act*
  - *The Wellbeing for Every Public Servant Act*, H.R. 4788, introduced by Representative Julia Letlow, R-LA, would fully repeal the WEP for individuals whose combined monthly income from their non-Social Security covered government annuity and Social Security benefits is \$5,500 or lower. For those with combined monthly benefits above \$5,500, the repeal is gradually phased out until the full penalty is applied after a combined monthly income of \$6,333 or more.

- **H.R. 5723, *Social Security 2100: A Sacred Trust***
  - *The Social Security 2100: A Sacred Trust*, H.R. 5723, introduced by House Ways and Means Social Security Subcommittee Chairman John Larson, D-CT, would fortify the Social Security program and expand benefits. Most notably, the bill would fully repeal the WEP and GPO. In addition, the bill would extend the Social Security trust fund's depletion date to 2038, increase the average Social Security benefit by about 2 percent for all beneficiaries, set the new minimum Social Security benefit at 25 percent above the poverty line and would index it to wage levels to ensure that benefits do not degrade in value over time, and more. This bill would repeal WEP and GPO, extend the solvency of the Social Security trust fund, and improve Social Security benefits in other ways.

Source: *National Active and Retired Employees Association, The Social Security Offsets – WEP and GPO*; [www.narfe.org](http://www.narfe.org)

I appreciate the opportunity to respond to the committee's questions. Please contact my staff intern Keegan Farone or me if you have additional comments, questions, or concerns.

Sincerely,

A handwritten signature in blue ink that reads "Bill Wielechowski". The signature is written in a cursive style with a small dot above the letter 'i' in "Wielechowski".

Senator Bill Wielechowski  
Senate District H