

HJR

30

# Alaska State Legislature

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## Representative Carl Gatto

HJR 30

*Relating to supporting the repeal of the Government Pension Offset and the Windfall Elimination Provisions from the Social Security Act.*

### Sponsor Statement

There are those Alaskans who, whether retired or nearing retirement, are examining the issues on income in retirement and measuring it against expenses. Generally retirees consider two major sources of retirement income, pensions and social security. Added together retirement becomes a better alternative to continuing on the job, especially when the job was a long career in public service. There are a pair of flies in the ointment, and very large ones at that. The flies in the ointment are two federal social security requirements that effectively say that if you receive a pension, the social security you have come to believe you deserve is reduced or eliminated. The effect is that spouses or surviving members are being unreasonably penalized because they earned a pension to help them in retirement.

The Government Pension Offset reduces public employees' Social Security spousal or survivor benefits by two-thirds of their public pension. 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. Too many of these retired individuals whose spouses had chosen careers as teachers, policemen, firemen and other public service positions find that at the age of retirement that they are unfairly being penalized by an offset that takes away their Social Security benefits. For many retired and widowed members this reduction in spousal or survivor benefits can mean the difference between retirement that allows you to be at a level of self-sufficiency or at a level of poverty. This offset has the harshest effect on those who can least afford it: widowed lower-income women.

Estimates indicate that 9 out of 10 public employees affected by the Government Pension Offset lose their entire spousal benefit, even though their deceased spouses paid Social Security taxes for the required number of years. According to the Congressional Budget Office, the Government Pension Offset reduces benefits for some 300,000 individuals by more than \$3,600.00 a year. The impact of this offset in benefits is felt primarily in states which public employees like educators are not covered by Social Security, this includes 15 other states widespread from Alaska to Maine. This impact affects at least one-third of America's education workforce.

At a time when we are faced with a national teacher shortage the Government Pension Offset and Windfall Elimination Provision directly impacts not only the efforts for recruitment of quality teachers but also discourages qualified professional people from changing career paths to enter into the teaching profession. A critical effort to reduce class sizes, and meet the requirements of the No Child Left Behind Act necessitates the need for additional teachers. Estimates for the number of new teachers needed nationally range from 2.2 to 2.7 million by the year 2009.

We ask for your support for House Joint Resolution 30 so that our Congressional Delegation can take swift action to repeal the Government Pension Offset and Windfall Elimination Provision. We ask this on behalf of the many retired and respected public service members of our community, our firemen, police officers, educators and other public employees that should not be penalized for their years of dedication and public service.

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: 1  
 Bill Version: CSHJR 30(STA)  
 (H) Publish Date: 1/23/04

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title: Repeal of the Government Pension Offset and the Windfall Elimination Provisions from the Social Security Act. RJU: Various  
 Component: Various  
 Sponsor: Rep. Gatto  
 Requester: State Affairs Component No. 64

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

| OPERATING EXPENDITURES | FY 2005    | FY 2006    | FY 2007    | FY 2008    | FY 2009    | FY 2010    |
|------------------------|------------|------------|------------|------------|------------|------------|
| Personal Services      |            |            |            |            |            |            |
| Travel                 |            |            |            |            |            |            |
| Contractual            |            |            |            |            |            |            |
| Supplies               |            |            |            |            |            |            |
| Equipment              |            |            |            |            |            |            |
| Land & Structures      |            |            |            |            |            |            |
| Grants & Claims        |            |            |            |            |            |            |
| Miscellaneous          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

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| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
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| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE (Thousands of Dollars)**

|  |            |            |            |            |            |            |
|--|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts                  |            |            |            |            |            |            |
| 1003 GF Match                          |            |            |            |            |            |            |
| 1004 GF                                |            |            |            |            |            |            |
| 1005 GF/Program Receipts               |            |            |            |            |            |            |
| 1037 GF/Merit Health                   |            |            |            |            |            |            |
| Other (Specify Type-Do not abbreviate) |            |            |            |            |            |            |
| <b>TOTAL</b>                           | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 0 | 0 | 0 | 0 | 0 | 0 |
| Part-time | 0 | 0 | 0 | 0 | 0 | 0 |
| Temporary | 0 | 0 | 0 | 0 | 0 | 0 |

**ANALYSIS:** *(Attach a separate page if necessary)*  
 This resolution would have no affect on benefits computed by the Public Employees' or Teachers' Retirement Systems. Repeal of the Government Pension Offset and the Windfall Elimination Provision would affect the calculation of Social Security benefits.

Prepared by: Melanie Millhom Phone 465-4408  
 Division: Retirement and Benefits Date/Time 1/20/03 1:06 P.M.  
 Approved by: Mike Miller, Commissioner Date \_\_\_\_\_  
 Agency: Administration

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## Social Security Administration

SSA Publication No. 05-10007

August 2000

(January 1999 edition may be used)

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### Government Pension Offset

#### A Law That Affects Spouse's Or Widow(er)'s Benefits

If you worked for a federal, state or local government where you did not pay Social Security taxes, the pension you receive from that agency may reduce any Social Security benefits for which you are qualified.

There are two laws that may reduce your benefits. One of them affects the way your Social Security retirement or disability benefits are figured. For more information about that provision, contact Social Security for the factsheet, *A Pension From Work Not Covered By Social Security* (Publication No. 05-10045).

The second law affects Social Security benefits you receive as a spouse or widow(er). This factsheet provides answers to questions you may have about this provision.

#### **I Receive A Government Pension. Will I Receive Any Social Security On My Spouse's Record?**

Maybe not. Some or all of your Social Security spouse's or widow(er)'s benefit may be offset if you receive a pension from a job where you did not pay Social Security taxes.

#### **How Much Is The Offset?**

The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be used to offset your Social Security spouse's or widow(er)'s benefits. If you're eligible for a \$500 widow(er)'s benefit, you'll receive \$100 per month from Social Security ( $\$500 - \$400 = \$100$ ).

If you take your annuity in a lump sum, the offset is figured as if you chose to receive regular monthly benefits.

#### **Why Is There An Offset?**

Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.

Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husbands or wives.

This example helps clarify why there is an offset.

Bill Smith collects a Social Security benefit of \$600 per month. His wife, Mary, is potentially eligible for a wife's benefit of up to 50 percent of Bill's, or \$300. However, Mary also worked and paid into Social Security, qualifying for her own retirement benefit of \$400. By law, Mary can only receive the higher of the two benefits she is eligible for, not both. She will not receive any wife's benefits because her \$400 retirement benefit, in effect, "offsets" her \$300 wife's benefit.

Bill's neighbor, Tom, also gets a Social Security benefit of \$600 per month. But his wife, Nancy, had a job with the federal government, instead of one where she paid Social Security taxes, and earned a civil service pension of \$800 per month. Before the government pension offset provisions were in place, Nancy would have been eligible for both her \$800 civil service pension and a \$300 wife's benefit on Tom's Social Security record. With the offset provision, Nancy does not qualify for a wife's benefit from Social Security and is treated the same as Mary.

### Who Is Exempt?

- Any state, local or military service employee whose government pension is based on a job where he or she was paying Social Security taxes on the last day of employment. (Some government entities were not initially covered by Social Security, but chose to participate in Social Security at a later date.)
- Anyone whose government pension is not based on his or her own earnings.
- Anyone who received or who was eligible to receive a government pension before December 1982 and who meets all the requirements for Social Security spouse's benefits in effect in January 1977.
- Anyone who received or was eligible to receive a federal, state or local government pension before July 1, 1983, and was receiving one-half support from her or his spouse.
- Federal employees, including Civil Service Offset employees, who are mandatorily covered under Social Security. (Civil Service Offset employees are federal employees rehired after December 31, 1983, following a break in service of more than 365 days and who had five years of prior Civil Service Retirement System [CSRS] employment.)
- Federal employees who chose to switch from CSRS to the Federal Employees' Retirement System (FERS) on or before December 31, 1987, as well as those employees who were allowed to make a belated switch to FERS through June 30, 1988. Employees who switched outside of these periods, including those who switched during the open season from July 1, 1998 through December 31, 1998, need five years under FERS to be exempt from the government pension offset.

### What About Medicare?

Even if you do not receive cash benefits on your spouse's record, you can still get Medicare at age 65.

### Can I Still Get Benefits On My Own Record?

The offset applies only to Social Security benefits as a spouse or widow(er). However, your own benefits may be reduced due to another provision of the law. Contact Social Security for the factsheet, *A Pension From Work Not Covered By Social Security* (Publication No. 05-10045).

# Social Security



## The Windfall Elimination Provision How It Affects Your Social Security Retirement Or Disability Benefits

If you work for an employer who doesn't withhold Social Security taxes, such as a government agency or an employer in another country, the pension you get based on that work may reduce your Social Security benefits.

Your benefit can be reduced in one of two ways. One is the "government pension offset" and applies only if you receive a government pension and are eligible for Social Security benefits as a spouse or widow(er). For more information on the offset, ask Social Security for the factsheet, *Government Pension Offset* (Publication No. 05-10007).

The other way—the "windfall elimination provision"—affects how your retirement or disability benefits are figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit amount is modified, giving you a lower Social Security benefit. This factsheet explains the formula.

### Who Is Affected?

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. It also may affect you if you earned a pension in any job where you didn't pay Social Security taxes, such as in a foreign country.

The modified formula applies to you if you reach 62 or become disabled after 1985 and first become eligible after 1985 for a monthly pension based in whole or in part on work, where you did not pay Social Security taxes. You're considered eligible for a pension if you meet the pension requirements, even if you continue to work.

An important point: The windfall elimination provision affects Social Security benefits when any part of a person's federal service after 1956 is covered only under Civil Service Retirement System (CSRS) deductions. However, federal service where Social Security taxes are withheld (Federal Employee Retirement System or CSRS Offset) do not reduce Social Security benefit amounts.

The modified formula is used to figure your Social Security benefit beginning with the first month you get both a Social Security benefit and the other pension.

### Why Is A Different Formula Used?

The modified formula prevents a windfall to people who would unfairly benefit from provisions aimed at low-income workers. Social Security benefits replace a percentage of a worker's pre-retirement earnings and the benefit computation formula includes factors that make sure lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 60 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term, low-wage workers. They received the advantage of higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall.

### How Does It Work?

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. We separate your average earnings into three amounts and multiply the amounts using three factors. For example, for a worker who turns 62 in 2001, the first \$561 of average monthly earnings is multiplied by 90 percent; the next \$2,820 by 32 percent; and the remainder by 15 percent.

The 90 percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989. For those who reach 62 or become disabled in 1990 or later, the 90 percent factor is reduced to 40 percent.

There are exceptions to this rule. For example, the 90 percent factor is not reduced if you have 30 or more years of "substantial" earnings in a job where you paid Social Security taxes. See the table on the back that lists the amount of "substantial" earnings for each year.

If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent. The second table shows the percentage used depending on the number of years of "substantial" earnings.

| Year    | Substantial Earnings |
|---------|----------------------|
| 1937-50 | \$ 900 <sup>1</sup>  |
| 1951-54 | 900                  |
| 1955-58 | 1,050                |
| 1959-65 | 1,200                |
| 1966-67 | 1,650                |
| 1968-71 | 1,950                |
| 1972    | 2,250                |
| 1973    | 2,700                |
| 1974    | 3,300                |
| 1975    | 3,525                |
| 1976    | 3,825                |
| 1977    | 4,125                |
| 1978    | 4,425                |
| 1979    | 4,725                |
| 1980    | 5,100                |
| 1981    | 5,550                |
| 1982    | 6,075                |
| 1983    | 6,675                |
| 1984    | 7,050                |
| 1985    | 7,425                |
| 1986    | 7,875                |
| 1987    | 8,175                |
| 1988    | 8,400                |
| 1989    | 8,925                |
| 1990    | 9,525                |
| 1991    | 9,900                |
| 1992    | 10,350               |
| 1993    | 10,725               |
| 1994    | 11,250               |
| 1995    | 11,325               |
| 1996    | 11,625               |
| 1997    | 12,150               |
| 1998    | 12,675               |
| 1999    | 13,425               |
| 2000    | 14,175               |
| 2001    | 14,925               |

<sup>1</sup>Credited earnings from 1937-50 are divided by \$900 to get the years of coverage (maximum 14 years).

| Years of Substantial Earnings | Percentage |
|-------------------------------|------------|
| 30 or more                    | 90 percent |
| 29                            | 85 percent |
| 28                            | 80 percent |
| 27                            | 75 percent |
| 26                            | 70 percent |
| 25                            | 65 percent |
| 24                            | 60 percent |
| 23                            | 55 percent |
| 22                            | 50 percent |
| 21                            | 45 percent |
| 20 or less                    | 40 percent |

## Some Exceptions

The modified formula does not apply to survivors benefits. It also does not apply to you if:

- you are a federal worker first hired after December 31, 1983;
- you were employed on December 31, 1983 by a nonprofit organization that was exempt from Social Security and it became mandatorily covered under Social Security on that date;
- your only pension is based on railroad employment;
- your only work where you did not pay Social Security taxes was before 1957; or
- you have 30 or more years of substantial earnings under Social Security.

## Guarantee

Workers with relatively low pensions are protected because the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

## For More Information

Visit [www.ssa.gov](http://www.ssa.gov) for more Social Security information. You also can get recorded information 24 hours a day, including weekends and holidays, by calling 1-800-772-1213. You can speak to a service representative between 7 a.m. and 7 p.m. on business days. Our lines are busiest early in the week and early in the month, so, if your business can wait, it's best to call at other times. Whenever you call, have your Social Security number handy.

People who are deaf or hard of hearing may call our toll-free TTY number, 1-800-325-0778, between 7 a.m. and 7 p.m. on business days.

We treat all calls confidentially. We also want to make sure that you receive accurate and courteous service. That's why we have a second Social Security representative monitor some incoming and outgoing telephone calls.

Social Security Administration  
SSA Publication No. 05-10045  
July 2001 (Recycle prior editions)  
ICN 460275  
Unit of Issue: HD (one hundred)

**NEA ALASKA POSITION PAPER**  
**HR 30 By Representative Gatto**

When the state of Alaska opted out of Social Security in the early 1980's, members of the Public Employee's Retirement System (PERS) and the Teacher's Retirement System (TRS) no longer had to make Social Security contributions. However, many of the members of those systems have earned Social Security benefits through work in the private sector, in other retirement systems that did contribute to Social Security or through their spouses. However, due to two provisions of the Social Security Act, Alaskans will be unable to collect the Social Security benefits for which they have paid.

The Government Pension Offset affects the survivor's benefit that a spouse would receive upon the death of his or her spouse. In 90% of the cases where a spouse is due a survivor benefit, the spouse will receive nothing. The Windfall Elimination Provision affects the Social Security benefit that a member would receive through their earnings record by reducing the benefit, in most cases, by 60%. The only reason for these penalties is that Alaskan public employees and teachers belong to retirement systems that don't contribute to Social Security.

Besides the affect of unfairly penalizing Alaska's public sector employees, the state of Alaska is being penalized. As the word gets out about the Social Security offsets, it becomes more difficult to recruit people from the private sector to become teachers. It also becomes more difficult to persuade potential employees to move from other states that do contribute to Social Security, as those employees do not want to jeopardize their earned benefits. We have even had teachers leave the state in order to protect their earned Social Security benefit.

Alaska is also penalized monetarily. With over 7000 affected retired PERS and TRS members and an unknown number of retired federal employees over the age of 65 the loss of income to the Alaskan economy runs into the millions. It is estimated that the average loss per member nationally is \$3600.

There is currently proposed legislation in the United States Congress to repeal these offsets with bipartisan support of over 300 congressmen and senators. NEA Alaska would appreciate your support for HR 30, urging our congressional delegation to voice Alaska's support for the repeal of these onerous Social Security offsets.

nea

NATIONAL EDUCATION ASSOCIATION



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## The Government Pension Offset and Windfall Elimination Provision

### What Are the Government Pension Offset and Windfall Elimination Provision?

The Government Pension Offset (GPO) reduces public employees' Social Security spousal or survivor benefits by two-thirds of their public pension.

The Windfall Elimination Provision (WEP) reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security.

### Who Do the GPO and WEP Affect?

The GPO affects people who work as federal, state, or local government employees, including educators, police officers, and firefighters, if the job is not covered by Social Security.

The WEP affects people who worked in jobs not covered by Social Security **and** in jobs in which they earned Social Security benefits - such as educators who do not earn Social Security in the public schools, but who work part-time or during the summer in jobs covered by Social Security. The WEP also affects people who move from a job in which they earn Social Security to a job, such as teaching, in which they do not.

The impact of the GPO and WEP is primarily felt in those states in which public employees like educators are not covered by Social Security (Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas). However, because people move from state to state, there are affected individuals everywhere.

### How Do the GPO and WEP Work?

The GPO reduces Social Security spousal or survivor benefits by two-thirds of the individual's public pension.

The WEP reduces the factor by which average earnings are multiplied to determine Social Security benefits. The amount of reduction depends on when the person retires and how many years of earnings he or she has accumulated.

### What Is the Impact of the GPO and WEP?

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. According to the Congressional Budget Office, the GPO reduces benefits for some 300,000 individuals by more than \$3,600 a year. The GPO has the harshest impact on those who can least afford the

loss: lower-income women.

The WEP causes low-paid public employees outside the Social Security system, like educators, to lose a significant portion of their Social Security benefits. The WEP also impacts the teaching profession, as people are less likely to leave other careers in which they earn Social Security benefits to become educators.

**What Can Be Done to Address the GPO and WEP?**

Congress can pass legislation to repeal both the GPO and WEP.

**What Is the History of the GPO and WEP?**

**Who Is Affected by the GPO and WEP?**

**What Is the Impact of the GPO and WEP on Affected Individuals?**

**What Is the Impact of the GPO and WEP on the Teaching Profession?**

**What Can Be Done to Fix the GPO and WEP?**

**What Can I Do to Help Fix the GPO and WEP?**

**Real Stories from Real People Affected by the GPO and WEP**

**Talking Points**

**More Information**

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202.833.4000

States in Which Public Employees are  
Not Covered by Social Security

Alaska

Maine

California

Massachusetts

Colorado

Missouri

Connecticut

Nevada

Georgia (certain local  
governments)

Ohio

Illinois

Rhode Island (certain local  
governments)

Louisiana

Texas

Kentucky (certain local  
governments)

# *Alaska State Legislature*

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Fax: (907) 373-4745

## **Representative Carl Gatto**

Date: February 11, 2004

To: Senator Fred Dyson, Chair HESS

From: Representative Carl Gatto

Re: Hearing request for HJR 30

Senator Fred Dyson:

We would respectfully request the HESS committee schedule a hearing for CSHJR 30, Social Security Offset, at your earliest convenience. If you have any questions or comments, please feel free to contact my committee aide Colleen Sullivan-Leonard at xt. 3768 and she will be happy to assist you further.

Thank you for your consideration.

Sincerely,



Carl J. Gatto

# FISCAL NOTE

**STATE OF ALASKA**  
**2004 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: HJR 30  
 ( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title Repeal of the Government Pension Offset and the Windfall RDU Various  
Elimination Provisions from the Social Security Act. Component Various  
 Sponsor Rep. Gatto  
 Requester State Affairs Component No. 64

**Expenditures/Revenues (Thousands of Dollars)**

Note: Amounts do not include inflation unless otherwise noted below.

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| Supplies               |            |            |            |            |            |            |
| Equipment              |            |            |            |            |            |            |
| Land & Structures      |            |            |            |            |            |            |
| Grants & Claims        |            |            |            |            |            |            |
| Miscellaneous          |            |            |            |            |            |            |
| <b>TOTAL OPERATING</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

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| <b>CAPITAL EXPENDITURES</b> |  |  |  |  |  |  |
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| <b>CHANGE IN REVENUES ( )</b> |  |  |  |  |  |  |
|-------------------------------|--|--|--|--|--|--|

**FUND SOURCE (Thousands of Dollars)**

|   |            |            |            |            |            |            |
|---|------------|------------|------------|------------|------------|------------|
| 1002 Federal Receipts                   |            |            |            |            |            |            |
| 1003 GF Match                           |            |            |            |            |            |            |
| 1004 GF                                 |            |            |            |            |            |            |
| 1005 GF/Program Receipts                |            |            |            |            |            |            |
| 1037 GF/Mental Health                   |            |            |            |            |            |            |
| Other (Specify Type--Do not abbreviate) |            |            |            |            |            |            |
| <b>TOTAL</b>                            | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> | <b>0.0</b> |

Estimate of any current year (FY2004) cost: 0.0  
 Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

**POSITIONS**

|           |   |   |   |   |   |   |
|-----------|---|---|---|---|---|---|
| Full-time | 0 | 0 | 0 | 0 | 0 | 0 |
| Part-time | 0 | 0 | 0 | 0 | 0 | 0 |
| Temporary | 0 | 0 | 0 | 0 | 0 | 0 |

**ANALYSIS:** *Attach a separate page if necessary*  
 This resolution would have no affect on benefits computed by the Public Employees' or Teachers' Retirement Systems. Repeal of the Government Pension Offset and the Windfall Elimination Provision would affect the calculation of Social Security benefits.

Prepared by: Melanie Millhorn Phone 465-4408  
 Division: Retirement and Benefits Date/Time 1/20/03 1:06 P.M.  
 Approved by: Mike Miller, Commissioner Date \_\_\_\_\_  
 Agency: Administration

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## Real Stories from Real People Affected by the GPO and WEP

I have worked since 1961 including fifteen years in the private sector where the only retirement was Social Security. I also held summer jobs that required Social Security payments. For the past 14 years I have been teaching in public schools and participating in my state's retirement system.

Because of this I will not be allowed to receive my own Social Security. This is so unfair. I have paid into the system and now I will not be allowed to collect what belongs to me.

I have been advised to quit teaching and take another job, so that when I retire, I might get my teacher's pension and my Social Security. Is this fair when there is a teacher shortage and I love my job?

- An educator from California

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## History of Social Security and the Government Pension Offset/Windfall Elimination Provision

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

**1939: Creation of spousal and survivor benefits.** In 1939, Social Security was expanded to provide payments to the spouse and minor children of a retired worker, and survivor benefits to the family in the event of the worker's premature death. This change transformed Social Security into a family-based economic security program.

**1960s: State and local option.** In the 1960's, state and local employees were given the opportunity to elect to participate in the Social Security system. Public sector employees in 36 states opted to enroll in Social Security in the 1960s and 1970s. The remaining 13 states and a number of local governments in 2 others chose instead to maintain and enhance their existing retirement systems.

**1977: Creation of a dollar for dollar Government Pension Offset (GPO).** In 1977, 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.

**1983: Change to a two-thirds offset.** In the early 1980's, criticism of the GPO's dollar for dollar reduction was strong. In response, Congress amended the law in 1983, reducing the dollar for dollar reduction to a two-thirds offset.

**1983: Creation of the Windfall Elimination Provision (WEP).** Congress enacted the WEP in 1983, intending to remove a perceived advantage to persons who also had pensions from non-Social Security employment. The original Social Security formula was intended to help low-paid workers by replacing a higher proportion of their earnings than for workers with higher earnings. However, the formula could not differentiate between those who worked in low-paid jobs throughout their careers and those who appeared to have been low paid because they worked many years in jobs not covered by Social Security. The WEP was intended to remove this advantage. Yet, instead of protecting low-earning retirees, the WEP has unfairly impacted

retirees with only slightly higher earnings.

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202.833.4000

## The Government Pension Offset and Windfall Elimination Provision

### What are the Government Pension Offset and Windfall Elimination Provision?

The Government Pension Offset (GPO) reduces public employees' Social Security spousal or survivor benefits by two-thirds of their public pension.

The Windfall Elimination Provision (WEP) reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security.

### Who do the GPO and WEP Affect?

The GPO affects people who work as federal, state, or local government employees, including educators, police officers, and firefighters, if the job is not covered by Social Security.

The WEP affects people who worked in jobs not covered by Social Security and in jobs in which they earned Social Security benefits – such as educators who do not earn Social Security in the public schools, but who work part-time or during the summer in jobs covered by Social Security. The WEP also affects people who move from a job in which they earn Social Security to a job, such as teaching, in which they do not.

The impact of the GPO and WEP is primarily felt in those states in which public employees like educators are not covered by Social Security (Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas). However, because people move from state to state, there are affected individuals everywhere.

### How do the GPO and WEP work?

The GPO reduces Social Security spousal or survivor benefits by two-thirds of the individual's public pension.

The WEP reduces the factor by which average earnings are multiplied to determine Social Security benefits. The amount of reduction depends on when the person retires and how many years of earnings he or she has accumulated.

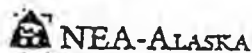
### What is the Impact of the GPO and WEP?

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. According to the Congressional Budget Office, the GPO reduces benefits for some 300,000 individuals by more than \$3,600 a year. The GPO has the harshest impact on those who can least afford the loss: lower-income women.

The WEP causes low-paid public employees outside the Social Security system, like educators, to lose up to sixty percent of their Social Security benefits. The WEP also impacts the teaching profession, as people are less likely to leave other careers, in which they earn Social Security benefits, to become educators.

### What Can be Done to Address the GPO and WEP?

Congress can pass legislation to repeal the GPO and WEP. Representatives McKeon (R-CA) and Berman (D-CA) and Senators Feinstein (D-CA) have introduced bills (H.R. ~~2838/S. 1523~~ *HR. 5941 S. 349*) to repeal the GPO and WEP. *and Susan Collins (R-ME)*



March 2003

Dear Friend,

We, of NEA-Alaska/Retired, are asking for your help to pass two bills in Congress which will affect your retirement income. The bills, HR594 and SB349, will repeal two provisions which determine the amount you will receive from Social Security. These two provisions, the Government Pension Offset (Spousal or widow's offset) and the Windfall Elimination Provision, may reduce your Social Security Benefit by as much as two-thirds of the amount you expect to receive. ***IT IS IMPORTANT THAT YOU CONTACT EACH MEMBER OF OUR DELEGATION, MURKOWSKI, STEVENS AND YOUNG, AND ASK THEM TO SIGN ON TO THIS LEGISLATION AND TO VOTE FOR ITS PASSAGE.***

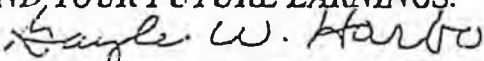
Many of you have earned government pensions in Alaska, a non-Social Security state, many of you have worked extra jobs in the summer or after work to get Social Security credits - ***YOU WILL BE AFFECTED.*** Some of you retired from other states where you contributed to Social Security and you moved to Alaska to teach or work in the school system to get additional retirement - ***YOU WILL BE AFFECTED.*** I applied for Social Security at age 62 and 65 and was denied the spousal benefit both times because I chose to teach. My mother who is 94 and never worked has drawn a spousal benefit for almost 30 years. It is not fair that we are not only denied because we chose a specific profession but must also send a check for \$171 every three months to pay for Medicare Part B. Please help us eliminate these unfair provisions.

You can get all the information you need on this bill, including definitions, from [www.nea.org](http://www.nea.org) and then, click on government. You can write your message and email, fax or mail it right from that web site. ***Please help by doing it NOW.*** You can keep track of current federal legislation by calling NEA's Legislative Hotline at 1-800-833-4000.

If you have the time and if Murkowski, Stevens and Young have offices in your city, please visit the offices personally, get to know the aides and deliver your message or letter in person. Let them know you want our delegation to sign on to this legislation and to work for its passage. Tell your personal story of how the two unfair provisions affect or will affect you.

The Legislation Information Office is also a good source of information and help. Call them and they will help you get your message to DC.

***PLEASE ACT NOW.*** We need to let the delegation know the issues and concerns - we need to tell our stories. Please help and pass the word to others. Thank you in advance for taking time out of your busy schedules - ***IT WILL MAKE A DIFFERENCE TO YOU AND YOUR FUTURE EARNINGS.***

  
Gayle Harbo, Vice President of NEA-Alaska/Retired

HJR 30

Testimony from Jerry Patterson  
Representing NEA Alaska Retired

I am one of those that will be penalized by the Windfall Elimination Provision (WEP) of the Social Security law. I have earned over 50 quarters of Social Security credit over the years working summer jobs while going to college, teaching in Washington state, and working after retiring from the Juneau School District. While my Social Security earnings statement says I will receive \$400 a month at age 66, I will lose \$240 of that due to the WEP. A 60% loss is very common for those people being penalized. I know that a \$240 a month loss doesn't sound like much but there are over 7000 potentially affected educators and state workers over 65 along with another 6000 federal retirees in the state of Alaska. There are also another 11,000 educators and state employees between the ages of 55 to 65 that will soon be affected. Taken together, the loss of income to Alaska's economy is substantial.

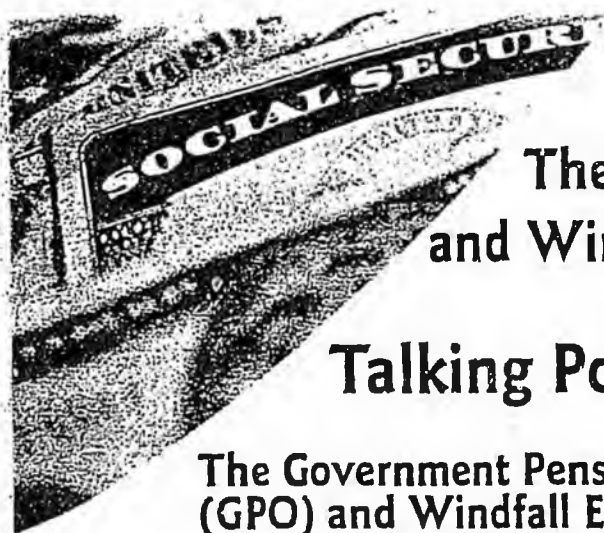
There is a second provision of the Social Security law that is even more unfair. The Government Pension Offset (GPO) affects surviving spouses and in nine out of ten cases results in the spouse receiving no survivor's benefit. A friend of mine in Juneau paid into Social Security for 44 years before retiring. He drew on the fund for two years before passing away and his wife, a teacher, receives no survivor's benefit.

The trigger for these penalties is to become vested in Alaska's retirement systems. As for myself, I began teaching in 1971 and was vested in 1979. The Social Security offset law was passed in 1983 and at that point I was committed to Alaska and to finishing my teaching career here. But in today's world the penalties are no longer a secret and it is becoming a factor in choosing whether or not to stay in Alaska. These penalties could affect the hiring of teachers from outside or a program such as Troops to Teachers where retiring military personnel are being encouraged to go into teaching. It could play a part in whether or not the state can replace key people that they need to bring in from the private sector or from outside. So the impact of the Social Security offsets is more than a question of fairness or economic impact. It has a recruiting and retention impact.

Currently there are 284 representatives and 29 senators signed on to the repeal bills now in congress. Senator Murkowski is a co-sponsor, having signed on in October. Senator Stevens aide said that while he is sympathetic but he thought the cost would be too much and that the issue would be better dealt with after the election when the whole Social Security package is expected to be brought up. Representative Young's aide says that he will vote for the repeals if it comes to the floor.

The cost of the repeal is estimated to be \$50 billion over ten years. However, this cost will not change the current projections for Social Security. The Social Security Administration has already accounted for people like me at the full cost. It is only when I go to apply do they know that my benefit will be reduced. For me and the thousands of others in Alaska like me, collecting what we paid for will not shorten the life of the trust fund as currently projected.

Because of the unfairness, the economic impact, and the impediment that it can have on our recruiting of new employees, I urge the committee to approve this resolution.



## The Government Pension Offset and Windfall Elimination Provision

### Talking Points

**The Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) penalize people who have dedicated their lives to public service by taking away benefits they have EARNED.**

- Nine out of ten public employees affected by the GPO lose their entire spousal benefit, even though their spouse paid Social Security taxes for many years.
- The WEP causes hard-working people to lose up to sixty percent of the benefits they earned themselves.
- Many workers rely on misleading Social Security Administration statements that fail to take into account the GPO and WEP when projecting benefits.

**This is a national problem – there are affected people in all states.**

- The impact of the GPO and WEP is not just felt in 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.

**The loss of income forces some people into poverty.**

- 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. Impacted people 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.

**We have a national teacher shortage, but the GPO and WEP discourage people from entering/ staying in the profession.**

- Individuals who worked in other careers are less likely to want to become teachers if doing so will mean a loss of earned Social Security benefits. The GPO and WEP are also causing current educators to leave the profession, and students to choose courses of study other than education.
- Non-Social Security states are going to find it increasingly difficult to attract quality educators as more folks learn about the GPO and WEP.

**The GPO and WEP don't only impact educators – other public employees like police officers and firefighters are hurt.**

- We should respect, not penalize, public service.

**Congress can take immediate action.**

Congress should pass legislation that would completely repeal the GPO and WEP.

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January 2003



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## Real Stories from Real People Affected by the GPO and WEP

I worked both as a teacher and as a Registered Nurse and I have paid fully and completely into both Social Security and my teacher's pension fund for retirement.

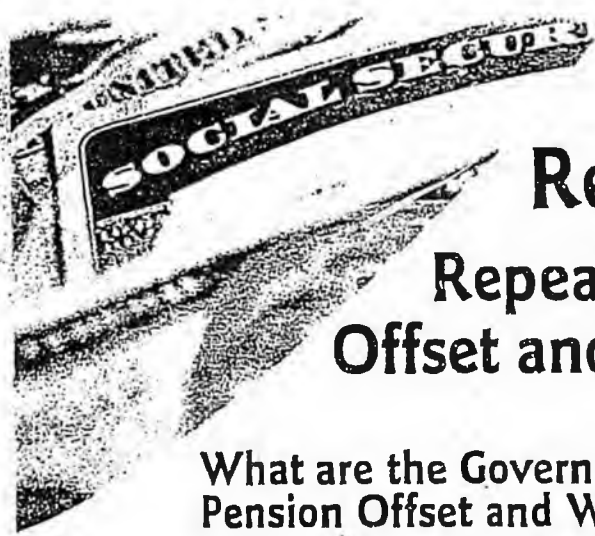
I will be penalized unjustly in my own Social Security benefit for having worked as a teacher. The offset is much greater when they take away your justly earned Social Security.

We need teachers and we need nurses. Must I live in poverty in my retirement because I worked hard in both these areas but will only be compensated for one?

- An educator from Texas

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# Respect Public Service!

## Repeal the Government Pension Offset and Windfall Elimination Provision

### What are the Government Pension Offset and Windfall Elimination Provision?

The Government Pension Offset (GPO) reduces public employees' Social Security spousal or survivor benefits by two-thirds of their public pension. The Windfall Elimination Provision (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 GPO affects people who work as federal, state, or local government employees, including educators, police officers, and firefighters, if the job is not covered by Social Security. The WEP affects people who worked in jobs not covered by Social Security and in jobs in which they earned Social Security benefits - such as educators who do not earn Social Security in the public schools, but who work part-time or during the summer in jobs covered by Social Security. The WEP also affects people who move from a job in which they earn Social Security to a job, such as teaching, in which they do not.

### Why Should these Offsets be Repealed?

The offsets penalize people who have dedicated their lives to public service by taking away benefits they have EARNED. Nine out of ten public employees affected by the GPO lose their entire spousal benefit, even though their

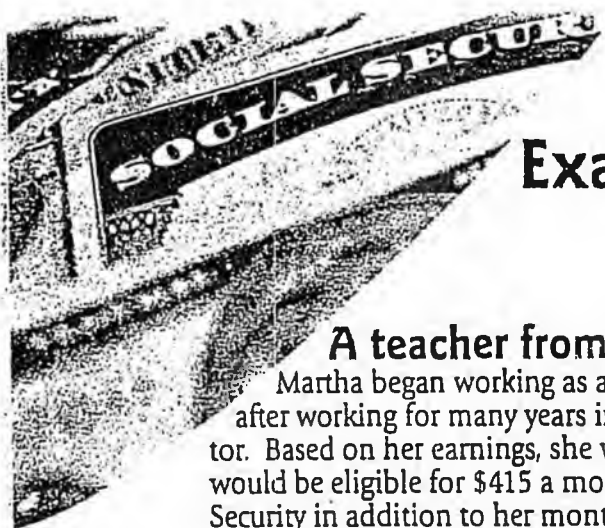
spouse paid Social Security taxes for many years. The WEP causes hard-working people to lose up to sixty percent of the benefits they earned themselves.

This is a national problem —there are affected people in all states. The impact of the GPO and WEP is not just felt in those states in which public employees 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.

The loss of income forces some people into poverty. 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. Impacted people have less money to spend locally and sometimes have to turn to expensive government programs like food stamps to make ends meet.

We have a national teacher shortage, but the GPO and WEP discourage people from entering/staying in the profession. Individuals who worked in other careers are less likely to want to become teachers if doing so will mean a loss of earned Social Security benefits. The GPO and WEP are also causing current educators to leave the profession, and students to choose courses of study other than education. Non-Social Security states are going to find it increasingly difficult to attract quality educators as more folks learn about the GPO and WEP.

Please support legislation to repeal the GPO and WEP.



## Examples of Impact

### **A teacher from Texas:**

Martha began working as a teacher in 1978, after working for many years in the private sector. Based on her earnings, she was told she would be eligible for \$415 a month in Social Security in addition to her monthly teaching pension of \$1423. Martha's husband also worked in the private sector and paid into Social Security. Based on his earnings, Martha should have been eligible for \$970 in widow's benefits. However...

### **Impact of the WEP:**

A loss of \$209. Because of the WEP, Martha has been notified that her own earned Social Security benefits will be reduced to \$206, a loss of \$209 each month.

### **Impact of the GPO:**

A loss of over \$900 a month. Martha has also been told that, should she outlive her spouse, her widow's benefits would be reduced by 2/3 of her public pension, or by \$949 a month. ( $\$1423 \times 2/3 = \$949$ ). Therefore, her \$970 benefit would be reduced to only \$21 a month.

### **A teaching assistant from Colorado:**

Stella worked for over 20 years in the Colorado public school system. She receives a monthly pension of \$637. Her husband worked in the private sector, paying into Social Security for 50 years. After her husband's death, Stella expected to receive \$520 a month in survivor benefits. However...

### **Impact of the GPO:**

A loss of \$424 a month. The GPO reduced Stella's survivor benefits by 2/3 of her public pension. ( $\$637 \times 2/3 = \$424$ ). As a result, Stella only receives \$96 a month in Social Security. Her total monthly income is \$733, instead of the \$1157 she would have gotten if not for the GPO.

### **A school bus driver from Georgia:**

Debbie worked for several years in the private sector and then for 14 years as a school bus driver. She expected to receive a monthly Social Security benefit of \$600. However...

### **Impact of the GPO and WEP:**

A loss of over \$500 a month. Debbie's actual Social Security benefit is only \$61 a month because of the GPO and WEP.

### **A teacher who moved from Oklahoma to California:**

Bob worked for many years in Oklahoma in jobs covered by Social Security before moving to California and becoming a teacher. He was informed by the Social Security Administration that he would receive approximately \$360 a month based on his earlier earnings in the private sector. However...

### **Impact of the WEP:**

A loss of \$183 a month. When he retired, Bob discovered his Social Security benefit was reduced to \$172 a month because of the WEP. Bob calculates he loses \$2196 a year, and will have lost nearly \$11,000 by October 2002.

### **A new teacher in Maine:**

Paul changed careers when he left the military and is now teaching high school math. However...

### **Impact of the WEP:**

Loss of a good teacher. Because he has learned that the WEP will dramatically reduce the Social Security he earned if he remains a teacher, Paul does not intend to stay in the teaching profession.

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January 2003

# SENATE COMMITTEE REPORT

DATE: 2/11/04

FURTHER:

DATE TURNED  
IN TO OFFICE: 2.23.04

Health, Education and Social Services Committee considered CS FOR HOUSE JOINT RESOLUTION NO. 30(STA) am

## HJR 30 ELIMINATE SOCIAL SECURITY OFFSET

Relating to supporting the repeal of the Government Pension Offset and the Windfall Elimination Provisions from the Social Security Act.

and recommends:

- be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)
- attached amendment(s)
- adopt Letter of Intent by \_\_\_\_\_ Committee
- further referral to \_\_\_\_\_ Committee

**Senate Bill:**

- Same Title
- New Title

**House Bill:**

- Same Title
- Technical Title Change
- New Title w/ SCR # \_\_\_\_\_

**NEW FISCAL NOTE(S):**

| Department | Date | Fiscal | Zero | Indet. | FN# |
|------------|------|--------|------|--------|-----|
|            |      |        |      |        |     |
|            |      |        |      |        |     |
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**PREVIOUS FISCAL NOTE(S):**

| Department | Date | Fiscal       | Zero | Indet. | FN# |
|------------|------|--------------|------|--------|-----|
| ADM        | 1/20 | <del> </del> | X    |        | 1   |
|            |      |              |      |        |     |
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|            |      |              |      |        |     |
|            |      |              |      |        |     |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | Do PASS | Do NOT PASS | No REC | AMEND |
|---------------------------------|---------|-------------|--------|-------|
| <i>[Signature]</i>              | ✓       |             |        |       |
| <i>[Signature]</i>              | ✓       |             |        |       |
| <i>[Signature]</i>              | ✓       |             |        |       |
| CHAIR:                          |         |             |        |       |

vice chair