

The Case Against the Punitive Government Pension Offset and the Windfall Elimination Provision

The Committee for Social Security Fairness—Join us at ssfairness.com!

Here is the situation and OUR CASE against it:

Even though you and/or your spouse have paid the required minimum or more in Social Security contributions, your benefits may be cut by thousands of dollars if:

1. You have had two jobs: one in which you paid Social Security taxes and therefore earned **your own Social Security** credits and another job in which you did not pay Social Security taxes. (This later job is referred to as “non-covered” public employment)

You are penalized by the **Windfall Elimination Provision (WEP)**, and may lose up to half or more of your earned Social Security retirement benefits.

2. Your spouse of at least ten years has **earned Social Security retirement benefits and you are entitled to spousal benefits.**

You are penalized by the **Government Pension Offset (GPO)** when you begin to collect your pension from a “non covered” public position. Because of the GPO:

a. You will probably **lose all** the benefits due you as a dependent spouse--- a non-working spouse normally receives, in addition, an SS payment equal to half that of the SS earner.

b. You 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.

You can be affected by all three penalties!

This is what is unfair:

1. 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, despite the fact that they might have been accumulated in a very different manner from Social Security. The required money paid into Social Security is contributed independently from one’s public pension. Therefore, Social Security benefits should be paid out independently of money received from that pension. Neither should affect the other. Money in bank A should not affect money in bank B.

2. The GPO/WEP formulas are arbitrary.

These offsets were imposed 30 years ago before the improved data and analysis systems we have now existed, and they are without a well-founded basis for the reduction calculations used.

3. 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 \$6,900 a year for women, as opposed to \$4,000 a year for men. (Congressional Research Service 2/12/10, using SSA Table DE01)

4. The Government Pension Offset can cause a huge loss in earned benefits.

74% percent of those affected lose all of their spousal benefits. According to the Congressional Research Service Report of 2010, the average yearly non-government pension for those affected by the GPO is \$23,244. For a person with this average pension, the GPO can result in an annual loss of more than \$15,480 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.

5. The WEP was not designed to affect the low wage earners that it can deeply penalize. WEP cuts to earned benefits are substantial, commonly causing serious lifestyle reductions, sometimes even to poverty levels. 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. Persons at this level of income cannot sustain a loss of this magnitude.

6. Many survivors whose spouses have paid into Social Security do not receive any 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.

7. 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.

8. 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.)

9. One third of all America’s educators teach in positions in states affected by the WEP/GPO. 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.

10. Americans working in 29% of state and local government positions and 18% of Federal positions can be affected by the offsets. 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.

11. While federal income tax is collected on public agency pensions, Social Security is sheltered, often completely, from this tax. Social Security and public agency pension benefits are treated differently by Federal law, and therefore, one should not be used to offset the other.

12. Currently, those who lose all their Social Security benefits must also pay a higher rate Medicare premium, and, as a final indignity, a widow or widower with a government pension is denied the \$255 burial payment that the Social Security Administration sends to other bereaved families.