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

Two provisions of federal law reduce a person's Social Security benefits if he/she is also receiving a public pension:

* **The Government Pension Offset (GPO)** reduces an individual’s Social Security survivor benefits (available to a person whose deceased spouse had earned Social Security benefits) by an amount equal to two-thirds of his/her public pension.

Example:

A widowed retired educator has earned $600 per month from her state retirement plan after 25 years of service. Her deceased husband worked in the private sector and paid into Social Security his entire working life. She normally would be entitled to monthly Social Security survivor benefits of $850.

Because she works in a state where public employees do not participate in the Social Security system, the Government Pension Offset cuts her survivor benefits by two-thirds of her $600 monthly retirement payment or $400. Her survivor benefits instead equal $450 - nearly half of the $850 she would normally receive.

* **The Windfall Elimination Provision (WEP)** changes the formula used to figure benefit amounts - reducing an individual’s own Social Security benefits (earned while working in a job covered by Social Security).

Example:

A teacher taught 17 years in one state, then moved to a different state and taught another 14 years. According to the Social Security Administration, she earned monthly benefits of $540 per month for her contributions paid into the Social Security system while she worked in the first state.

Because public employees in the second state do not participate in the Social Security system, her actual monthly benefits will be cut $196 due to the Windfall Elimination Provision. She will receive $344 per month from Social Security instead of the $540 she earned.
Talking Points on Government Pension Offset and Windfall Elimination Provision

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 bipartisan legislation (H.R. 2638/S. 1523) - sponsored by Representatives McKeon (R-CA) and Berman (D-CA) and Senator Feinstein - that would completely repeal the GPO and WEP.
History of the GPO and WEP

The original Social Security system, established in 1935, excluded state and local government employees from coverage. In the 1960s, however, state and local employees were given the opportunity to elect to participate in the Social Security system. As a result, 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 two others chose instead to maintain and enhance their existing retirement systems.

The Social Security system prohibits "dual entitlement" - that is receipt of earned benefits plus full survivor benefits. The Government Pension Offset, enacted as part of the 1977 Social Security Amendments, treated public pensions as though they were Social Security benefits, thus instituting dual entitlement provisions. Spousal benefits were offset dollar for dollar beginning in December 1982. Women who were eligible for government pensions before December 1982 were exempt for a five-year transition period. Men who were eligible for government pensions before 1982, however, were exempt from the offset only if their spouses had provided one half of their support.

Criticism of the dollar for dollar reduction was strong, especially given the unfair distinction between public employees and private employees, who could collect both a private pension and Social Security benefits. In response, Congress amended the law in 1983, reducing the dollar for dollar reduction to a two-thirds offset.

In 1986, a new Federal Employees Retirement System was enacted, with Social Security coverage as part of the plan. During an open season in the last six months of 1987, employees were given a chance to switch to the new system and thereafter be exempt from the offset. Many women were unaware of this exemption, however, and decided to stay with their original plan. As a result, they lost valuable future Social Security benefits.

The WEP was enacted in 1983. The purpose was to remove an unintended advantage that the regular Social Security benefit formula provided to persons who also had pensions from non-Social Security-covered employment. The regular formula was intended to help workers who spent their work careers in low paying jobs, by providing them with benefits that replace a higher proportion of their earnings than benefits provided for workers with high earnings. However, the formula could not differentiate between those who worked in low-paid jobs throughout their careers and other workers who appeared to have been low paid because they worked many years in jobs not covered by Social Security. Thus, under the old law, workers who were employed for only a portion of their careers in jobs covered by Social Security - even highly paid ones - received the advantage of the "weighted" formula. This is because their few years of covered earnings were averaged over their entire working career to determine the earnings on which their Social Security benefits were based. The WEP formula was intended to remove this advantage for these workers. Yet, instead of protecting retirees at the lowest level of Social Security earnings, the WEP has unfairly impacted federal retirees with only slightly higher earnings.
Those Affected by the GPO and WEP

The GPO and WEP impact government employees and retirees in virtually every state, but their impact is most acute in 15 states: Alaska, California, Colorado, Connecticut, Georgia (certain local governments), Illinois, Louisiana, Kentucky (certain local governments), Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas. Nationwide, more than one-third of teachers and education employees, and more than one-fifth of other public employees, are not covered by Social Security.

The GPO affects federal, state, and local government employees – including teachers and other education employees – eligible to retire after December 1982 or later from a job not covered by Social Security. Approximately 305,000 retired federal, state, and local government employees have already been affected by the GPO. Thousands more stand to be affected in the future.

The GPO does not apply to survivor beneficiaries who are not government retirees. It also does not apply to:

* Anyone eligible for a government pension before December 1982 who meets the 1977 law requirements (a divorced woman's marriage must have lasted 20 years; a husband or widower must have been receiving one-half support from his wife);
* Anyone eligible for a government annuity before July 1, 1983 who received one-half support from the male or female spouse;
* Federal Employees Retirement System (FERS) employees and annuitants, and Civil Service Retirement System (CSRS) annuitants who transferred to FERS;
* Former CSRS employees rehired beginning January 1, 1984, following a separation of one year or more;
* Recipients of military reserve pensions (effective January 1, 1995);
* Anyone over the age of 65 who is still working for the federal government (GPO becomes effective when the person retires and begins to receive a pension).

The WEP applies to persons who reached age 62 or became disabled after 1985 and first became eligible after 1985 for a monthly pension based on work where they did not pay Social Security taxes. It does not apply to persons eligible to retire before January 1, 1986, persons who were first employed by the government after December 31, 1983, or persons who have more than 30 years of "substantial earnings" under Social Security.
Impact of the GPO and WEP on Affected Individuals

Estimates indicate that 9 out of 10 public employees affected by the GPO lose all of their spousal benefits, even though their deceased spouse paid Social Security taxes for many years. Moreover, these estimates do not include those public employees or retirees who never applied for spousal benefits because they were informed they were ineligible.

The GPO and WEP have the harshest impact on those who can least afford the loss: lower-income women.

According to the Congressional Budget Office, the GPO reduces benefits for some 200,000 individuals by more than $3,600 a year. The WEP causes low-paid public employees outside the Social Security system, like teachers and other education employees, to lose up to sixty percent of the Social Security benefits to which they are entitled. Ironcally, the loss of these benefits may make these women and men eligible for more costly assistance, such as food stamps.

There are also a significant number of people eligible for retirement who have been forced back into the workforce to make up for the effects of the GPO.

Some individuals can be affected by both the GPO and WEP. The application of these provisions can have a severe impact on the financial security of retirees who have spent some portion of their working careers serving the public (e.g., educators, police officers, fire fighters, and many other federal, state and local government workers).

Why the GPO and WEP are Unfair

The GPO and WEP substantially reduce benefits that workers and spouses had counted on when planning their retirement. The arbitrary WEP formula does not eliminate "windfalls." Rather, because of its regressive nature, the WEP causes a relatively larger reduction in benefits to low-paid workers. It also penalizes lower paid workers with short careers or those whose careers are evenly split inside and outside the Social Security system.

A significant number of teachers have decided to turn to teaching late in life after years in private sector employment. Many women work part time in the education profession while also spending more time at home to raise their children. These educators have relatively limited service and their chosen career path provides a modest public pension. Individuals who held jobs in Social Security-covered employment, or who are eligible for Social Security based on their spouse’s covered employment, should be able to count on a more equitable share of that income to sustain them through their retirement years.
The Impact of the GPO and WEP on the Teaching Profession

Record enrollments in public schools and the projected retirements of thousands of veteran teachers are driving an urgent need for teacher recruitment. Critical efforts to reduce class sizes also necessitate hiring additional teachers. Estimates for the number of new teachers needed range from 2.2 to 2.7 million by 2009.

The GPO and WEP are impacting the recruitment of quality teachers to meet these urgent shortages. At the same time that policymakers are encouraging experienced people to change careers and enter the teaching profession, individuals who have worked in other careers are less likely to want to become teachers if doing so will mean a loss of Social Security benefits they have earned. Some states seeking to entice retired teachers to return to the classroom have found them reluctant to return to teaching because of the impact of the GPO and WEP. In addition, current teachers are increasingly likely to leave the profession to reduce the penalty they will incur upon retirement.

What can be Done to Address the GPO and WEP

Various members of Congress have introduced GPO and/or WEP legislation. In the 107th Congress, Representatives McKeon (R-CA) and Berman (D-CA) have introduced a bill (H.R. 2638) to repeal both the GPO and WEP. Senator Feinstein (D-CA) has introduced this same bill (S. 1523) in the Senate.

Representative Jefferson (D-LA) and Senator Mikulski (D-MD) have also introduced bills (H.R. 664/S. 611) that would protect low- and middle-income public retirees by eliminating the offset for the first $1,200 of combined monthly benefits. In 2001, a bipartisan majority of Members of the United States House of Representatives cosponsored Representative Jefferson's GPO legislation. Despite this strong support, however, congressional leaders failed to bring the bill to the floor for a vote.

Representative Frank (D-MA) has introduced legislation (H.R. 1073) to address the WEP by restricting its application to individuals whose combined monthly benefits exceed $2,000. The bill would also provide for a graduated implementation of the WEP above the $2,000 threshold, up to 100 percent for combined amounts over $3,000. Representative Sandlin (D-TX) has introduced legislation (H.R. 848) to eliminate the WEP.
NEA is a member of the Coalition to Assure Retirement Equity, a group of organizations working to repeal the Government Pension Offset

American Federation of Government Employees
American Federation of State, County and Municipal Employees
American Federation of Teachers
American Foreign Service Association
American Postal Workers Union
Association of Former Customs Special Agents, Inc.
Employees For Full Offset Repeal Today (Denver, CO)
Federally Employed Women
Federal Managers Association
Fraternal Order of Police
Gray Panthers
Illinois Retired Teachers Association
International Association of Fire Fighters
International Federation of Professional and Technical Engineers
International Union of Electronic, Electrical, Salaried, Machine & Furniture Workers
Louisiana Retired State Employee's Association
Maine Association of Retirees, Inc.
Mailhandlers Div. of Laborers’ International Union of North America
Massachusetts Pension Not Posies Coalition
National Air Traffic Controllers Association
National Association of Air Traffic Specialists
National Association of Governmental Employees
National Association of Letter Carriers
National Association of Police Organizations
National Association of Postmasters of the U.S.
National Association of Retired Federal Employees
National Committee to Preserve Social Security and Medicare
National Council of Senior Citizens
National Council on Teacher Retirement
National Education Association
National Federation of Federal Employees
National League of Postmasters
National Rural Letter Carriers Association
National Treasury Employees Union
Older Women’s League
Patent Office Professional Association
Professional Managers Association
Retired State, County and Municipal Employees Association of Massachusetts
School Employee Retirees of Ohio, Inc.
Senior Executives Association
Social Security Managers Association
Women’s Institute For A Secure Retirement