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SOCIAL SECURITY AND PUBLIC SERVANTS ENSURING EQUAL TREATMENT

HEARING

BEFORE THE

SUBCOMMITTEE ON SOCIAL SECURITY

OF THE

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED FOURTEENTH CONGRESS

SECOND SESSION

MARCH 22, 2016

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HEARING ON SOCIAL SECURITY AND PUBLIC SERVANTS: ENSURING EQUAL TREATMENT

TUESDAY, MARCH 22, 2016

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY,
Washington, DC.

The subcommittee met, pursuant to call, at 10:06 a.m., in Room 1100, Longworth House Office Building, the Honorable Kevin Brady [chairman of the subcommittee] presiding. Advisory

[The advisory announcing the hearing follows:]

ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE
Tuesday, March 22, 2016
No. No. SS-03

CONTACT: (202) 225–3625

Chairman Johnson Announces Hearing on Status of the Social Security and Public Servants: Ensuring Equal Treatment

House Ways and Means Social Security Subcommittee Chairman Sam Johnson (R-TX) announced today that the Subcommittee will hold a hearing on "Social Security and Public Servants: Ensuring Equal Treatment." The hearing will focus on Social Security provisions that affect certain public employees, as well as proposals for calculating public employees' benefits in a proportional manner. **The hearing will take place on Tuesday, March 22, 2016 in B-318 Rayburn House Building, beginning at 10:00 AM.**

In view of the limited time to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization may submit a written statement for consideration by the Committee and for inclusion in the printed record of the hearing.

DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:

Please Note: Any person(s) and/or organization(s) wishing to submit written comments for the hearing record must follow the appropriate link on the hearing page of the Committee website and complete the informational forms. From the Committee homepage, *http://waysandmeans.house.gov*, select "Hearings." Select the hearing for which you would like to make a submission, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the online instructions, submit all requested information. ATTACH your submission as a Word document, in compliance with the formatting requirements listed below, **by the close of business on Tuesday, April 5, 2016**. For questions, or if you encounter technical problems, please call (202) 225–3625.

FORMATTING REQUIREMENTS:

The Committee relies on electronic submissions for printing the official hearing record. As always, submissions will be included in the record according to the discretion of the Committee. The Committee will not alter the content of your submission, but we reserve the right to format it according to our guidelines. Any submission provided to the Committee by a witness, any materials submitted for the printed record, and any written comments in response to a request for written comments must conform to the guidelines listed below. Any submission not in compliance with these guidelines will not be printed, but will be maintained in the Committee files for review and use by the Committee.

1. All submissions and supplementary materials must be submitted in a single document via email, provided in Word format and must not exceed a total of 10 pages. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. All submissions must include a list of all clients, persons and/or organizations on whose behalf the witness appears. The name, company, address, telephone, and fax numbers of each witness must be included in the body of the email. Please exclude any personal identifiable information in the attached submission.

3. Failure to follow the formatting requirements may result in the exclusion of a submission. All submissions for the record are final.

The Committee seeks to make its facilities accessible to persons with disabilities. If you are in need of special accommodations, please call 202–225–1721 or 202–226–3411 TTD/TTY in advance of the event (four business days notice is requested). Questions with regard to special accommodation needs in general (including availability of Committee materials in alternative formats) may be directed to the Committee as noted above.

Note: All Committee advisories and news releases are available at *http://www.waysandmeans.house.gov/*.

The subcommittee met, pursuant to notice, at 10:00 a.m., in Room 1100, Longworth House Office Building, the Honorable Sam Johnson, [chairman of the subcommittee] presiding.

Chairman JOHNSON. Good morning, and welcome to today's hearing on ensuring equal treatment for all workers who receive Social Security benefits.

I would like to welcome to the subcommittee Mr. Smith of Nebraska, Mr. Buchanan of Florida, both join us again after working on the subcommittee previously, as well as Mr. Rice from South Carolina. We are glad to have you all onboard.

Without objection, I would like to at this time recognize the chairman of the Ways and Means Committee, Chairman Brady, to make a few remarks.

Chairman BRADY. Thank you, Mr. Chairman.

I am so grateful to have the opportunity to talk today about how we are working to help America's teachers, police and firefighters and other public servants.

As you know, Social Security benefits are based on the workers' earnings. The benefit formula is designed so that the lower lifetime earners receive a higher replacement rate than higher lifetime earners.

However, for some workers Social Security's formula does not work well. Some teachers, firefighters, police officers and others work in jobs where they do not pay Social Security taxes. They pay into a Social Security substitute, and so this causes their average lifetime earnings to appear lower to Social Security than they actually are because all of those years they did not pay Social Security tax but into a substitute count as zeros.

The Windfall Elimination Provision, or WEP, created in the 1980s addresses this problem, but unfortunately its one size fits all approach is just unfair. This is not just a Texas problem. It affects people in Massachusetts, California, Ohio, Illinois, Louisiana, frankly, all over the country.

We all hear often from constituents whose benefits are reduced substantially by the WEP, asking when Congress is going to address this problem.

Since 2004, I have worked to repeal the WEP and replace it with a formula that treats our firefighters, police officers, teachers and other affected workers fairly. One that looks at all earnings and bases Social Security benefits on proportions of earnings that were subject to Social Security taxes, in other words, providing equal treatment.

Most recently I have partnered with Representative Neal to introduce H.R. 711, "The Equal Treatment of Public Servants Act of

2015." We worked with many organizations representing teachers, firefighters, police officers and other retirees who have had their benefits unfairly reduced by the WEP.

Many of them are in the audience today, and specifically I would like to thank the Association of Texas Professional Educators, Texas Retired Teachers Association, Mass Retirees, and the Ohio Public Employees Retirement System for all of their work on this issue. Representative Neal and I have received overwhelming support from the non-covered worker community, including groups such as the Fraternal Order of Police, the California Public Employees Retirement System, National Active and Retired Federal Employees Association, and many others.

And I ask unanimous consent to place these letters into the record.

Chairman JOHNSON. Without objection.

[The information follows: The Honorable Kevin Brady Submission]

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March 10, 2016

The Honorable Kevin Brady
Chairman
Committee on Ways and Means
U.S. House of Representatives
1102 Longworth House Office Building
Washington DC 20515

The Honorable Richard Neal
Ranking Member
Subcommittee on Select Revenues
Committee on Ways and Means
U.S. House of Representatives
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady and Ranking Subcommittee Member Neal:

AARP is pleased to support the Equal Treatment for Public Servants Act. AARP, with its nearly 38 million members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

We commend you for developing a fair solution to a problem that has confounded experts for decades. The Equal Treatment for Public Servants Act will provide more equitable treatment for the former state and local government employees who have earned both Social Security and state and government pensions, and who have received a reduced Social Security benefit because of it.

Under current law (known as the Windfall Elimination Provision or WEP), workers who have both Social Security and state or local pension coverage are required to offset their Social Security benefits for their years of service under a non-Social Security contributory state or local pension. Before the WEP was adopted in 1983, workers who were not required to pay Social Security payroll taxes while employed by state or local governments gained from a benefit formula that treated them as having earned a higher retirement benefit than their work history supported. But, calculating an appropriate and fair WEP reduction in practice has been difficult and confusing for both retirees and the Social Security Administration (SSA). Moreover, some workers who should be subject to a WEP reduction have not been treated as such. SSA estimates that 1.5 million

retirees are receiving reduced Social Security benefits because of the WEP, while another 600,000 should receive a reduced Social Security benefit, but do not.

The Equal Treatment for Public Servants Act establishes a better rule to make it easier for individuals and the SSA to determine and receive their earned Social Security benefits. Under the bill:

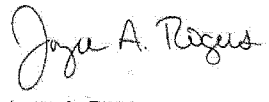
- For workers who retire after January 1, 2017, at age 62 or older, all of their Social Security earnings will be counted without any reduction, which will result in an average benefit increase of $200 a month;
- For workers who already have retired, the SSA will re-calculate benefits, and according to SSA, benefits may increase an average of about $100 a month; and
- SSA will begin data matching Social Security and state and local pension databases to ensure accurate benefit calculations, beginning in 2017.

In the FY 2017 Budget Request, President Obama has also proposed a comparable process to more fairly calculate Social Security benefits for individuals who are subject to the WEP. We are encouraged by the President's support for an approach that is consistent with your proposal, and we hope that an agreement can be reached to adopt bi-partisan legislation this year.

Over the years, millions of retired state and local workers (including many teachers and firefighters) have received a Social Security benefit that is excessively reduced because of the pension they have earned. In 1947, AARP's founder, Dr. Ethel Percy Andrus, established the National Retired Teachers Association (NRTA), to serve the needs of retired educators like her. Today, the NRTA is part of AARP's history and our organization. Your legislation is an opportunity to more fairly treat the public servants affected by WEP, including the many teachers who belong to the NRTA .

AARP congratulates you on finding a fair solution to a longstanding problem for workers who have both private sector and state and local government service, and we urge its speedy enactment. For additional information or questions, please contact Michele Varnhagen, senior legislative representative at (202) 434-3829.

Sincerely,



Joyce A. Rogers
Senior Vice President
Government Affairs

Association of Texas Professional Educators
California Public Employees Retirement System
California Retired Teachers Association
Colorado School and Public Employees Retirement Association
Houston Firefighters' Relief and Retirement Fund
International Union of Police Associations, AFL-CIO
Illinois Retired Teachers Association
Louisiana Retired Teachers Association
Missouri Retired Teachers Association
National Active and Retired Federal Employees Association
National Association of Police Organizations
National Conference of State Social Security Administrators
Ohio Public Employees Retirement System
Retired State, County and Municipal Employees Association of Massachusetts
School Employees Retirement System of Ohio
School Employee Retirees of Ohio
Texas Retired Teachers Association

March 14, 2016

On behalf of our members, we are writing to respectfully request that you co-sponsor H.R. 711, "The Equal Treatment of Public Servants Act of 2015" a bipartisan proposal introduced by Congressmen Kevin Brady (R-TX) and Richard Neal (D-MA).

Our organizations have been working for years to repeal or reform the Windfall Elimination Provision (WEP) of the Social Security Act. WEP reduces the Social Security benefits that retired public employees earned through payroll tax contributions during Social Security-covered employment (e.g., private-sector employment) based on their non-covered public employment. More than one and a half million retired public employees, from every state, are currently impacted by the WEP, with countless active employees set to fall victim to reduced Social Security benefits upon retirement.

Over the years, we have advocated for a full repeal of the WEP law. However, given the fiscal challenges associated with that effort, we have worked closely with one another to find common ground on a meaningful WEP reform proposal. Our collaboration, together with the leadership of both Mr. Brady and Mr. Neal, has resulted in H.R. 711.

H.R. 711 would reform the WEP formula, replacing it with a new Social Security benefit formula designed to more accurately account for years a public employee paid into Social Security versus the years paid into a public pension system in a non-Social Security covered position. As a result of this change, the Social Security actuary has projected that current retirees impacted by WEP would see one-third of their benefit restored. Those becoming eligible for Social Security after January 1, 2017 would have their benefit calculated under the new formula, thus receiving a benefit that more accurately reflects their actual participation in Social Security.

We believe the approach taken in H.R. 711 is not only fair, but also provides a workable solution to a problem we have struggled to resolve for over thirty years. Most importantly, the Social Security Administration has certified the approach taken in H.R. 711 is cost-neutral over the ten year window and

actually produces savings over a 75-year horizon. Cost neutrality comes as a result of enhanced benefit accuracy procedures now set to take effect in 2017.

Your support and advocacy for the passage of H.R. 711 will go a long way towards finally achieving positive change for current and future public retirees. With your help, we believe there is a realistic opportunity to advance this bill to the President's desk during the current Congress.

Thank you for your consideration.

Sincerely,

Association of Texas Professional Educators *(Josh Sanderson – 800.777.2873)*
California Public Employees Retirement System *(Tom Lussier – 703.684.5236 or Tony Roda – 202.659.8201)*
California Retired Teachers Association *(David Walrath – 916.441.3300)*
Colorado School and Public Employees Retirement Association *(Kathy Zinter – 303.326.1808)*
Houston Firefighters' Relief and Retirement Fund *(Tony Roda – 202.659.8201)*
International Union of Police Associations, AFL-CIO *(Dennis Slocumb – 800.247.4872)*
Illinois Retired Teachers Association *(James Bachman – 217.523.8488)*
Louisiana Retired Teachers Association *(Rodney Watson – 225.927.8837)*
Missouri Retired Teachers Association *(Jim Kreider – 573.634.4300)*
National Active and Retired Federal Employees Association *(John Hatton – 703.838.7760)*
National Association of Police Organizations *(Andy Edmiston – 703.549.0774)*
National Conference of State Social Security Administrators *(Maryann Motza – 303.318.8061)*
Ohio Public Employees Retirement System *(Carol Nolan Drake – 614.348.5611 or Jim Miller 614.277.9421)*
Retired State, County and Municipal Employees Association of Massachusetts *(Tom Lussier – 703.684.5236)*
School Employees Retirement System of Ohio *(Laurel Johnson – 614.222.5918)*
School Employee Retirees of Ohio *(Valerie Rodgers – 614.431.0387)*
Texas Retired Teachers Association *(Tim Lee – 800.880.1650)*

ATPE™

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February 5, 2015

The Honorable Kevin Brady
U.S. House of Representatives
301 Cannon HOB
Washington, DC 20515

Dear Congressman Brady,

On behalf of the Association of Texas Professional Educators, we would like to thank you for introducing H.R. 711, the Equal Treatment for Public Servants Act, which permanently repeals the Windfall Elimination Provision (WEP) and replaces it with a new and balanced formula. We appreciate your continued commitment to reforming the WEP.

As you know, the WEP impacts approximately 1.3 million public service employees, including thousands of Texas public educators. Under the existing formula, public education employees subject to the WEP have been penalized through reduced retirement benefits under Social Security, which they earned while paying into the federal program during Social Security covered employment. The legislation would replace the existing arbitrary formula with a new formula that determines a worker's Social Security benefit based on the proportion of the worker's average career earnings subject to Social Security taxes.

We believe that your proposal offers a preferred path forward for existing retirees affected by the WEP and ensures that future beneficiaries will see fairer treatment of their benefits under the modified formula, which more accurately reflect their full work history and contributions into Social Security.

Since the provision was established in 1983, the WEP has created unintended consequences to the detriment of many educators; furthermore, it has been a significant disincentive to private sector employees who may consider entering into the education profession and discouraged current educators from staying in the field.

Texas has one of the largest beneficiary populations who are currently subjected to the WEP. ATPE has made Social Security and teacher pension issues a top legislative priority and remains committed to fixing the WEP formula, which impacts over a hundred thousand retired educators and public service employees in the state of Texas. This legislation will provide meaningful relief from the WEP, with a 32% benefit increase (on average) for current retirees subject to the WEP under current law and would allow for potentially substantial benefit increases for future retirees, who would have been subject to the WEP under current law.

We look forward to working with you and Members of the Texas Delegation to enact much needed reform on the Windfall Elimination Provision. Thank you for your continued support and leadership on issues important to Texas public education employees.

Sincerely,

Gary Godsey
Executive Director

Your Ally. Your Voice.

atpe.org

ATPE Support Letter_Brady WEP Bill.docx

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June 2, 2015

The Honorable Kevin Brady
House of Representatives
301 Cannon House Office Building
Washington, DC 20515

The Honorable Richard Neal
House of Representatives
341 Cannon House Office Building
Washington, DC 20515

Dear Representative Brady and Representative Neal:

I am writing on behalf of the California Public Employees' Retirement System (CalPERS) and the more than 1.6 million public employees, retirees, and their families who depend on CalPERS for their retirement security to express our strong support for H.R. 711, *"The Equal Treatment of Public Servants Act of 2015."* We are grateful for your bipartisan effort to replace the Windfall Elimination Provision (WEP) of the Social Security Act with a new formula that more fairly reflects the unique employment history of all workers in the United States.

H.R. 711 proposes to reform the WEP, which reduces Social Security benefits for many retired public employees who have earned retirement benefits through employment that is not covered by Social Security. By replacing the existing WEP formula, which uses an arbitrary reduction percentage, with a new formula that takes into account the actual wage history for the public employee, your legislation is a fair and pragmatic compromise to a law that has been criticized since its enactment in 1983.

Among active CalPERS members, approximately 232,000 members are in positions that are not covered by Social Security; over 96 percent of CalPERS safety members and over half of all non-safety contracting agency members do not participate in Social Security. As a result, WEP reform has been a priority for CalPERS for many years.

We applaud your leadership on this important issue and look forward to working with you and Members of the California Congressional Delegation to enact H.R. 711 during the current Congress. If you have any questions, please do not hesitate to contact me at (916) 795-3818, or your staff may contact Danny Brown, Chief of our Legislative Affairs Division, at (916) 795-2565.

Sincerely,

Anne Stausboll

ANNE STAUSBOLL
Chief Executive Officer

cc: Danny Brown, CalPERS, Chief, Legislative Affairs Division

California Retired Teachers Association
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(916) 923-2200 · (800) 523-2782 · www.calrta.org

February 16, 2015

The Honorable Kevin Brady
U.S. House of Representatives
301 Cannon House Office Building
Washington, D.C., 20515

Dear Representative Brady:

On behalf of the California Retired Teachers Association (CalRTA) I am writing in support of your sponsored H.R. 711, "The Equal Treatment for Public Servants Act of 2015." This act would repeal the Windfall Elimination Provision (WEP) and replace it with a more equitable formula addressing public employees with both Social Security covered and not-covered earnings.

CalRTA represents the more than 240,000 retirees from the California State Teachers' Retirement System (CalSTRS). Many of these retirees have both types of earning based on prior to teaching, during teaching summer employment, and post-teaching employment. They are harmed by the current one-size-fits-all application of the WEP. Thank you for introducing H.R. 711 to provide more equity for these individuals.

While CalRTA supports H.R. 711, we do have some concerns regarding implementation issues that are unclear in the bill. For example, CalRTA supports the equal application of the offset formula as a means of funding the new formula, but we are concerned about how that could affect older retirees who might not be currently identified. CalRTA hopes there will be some form of a statute of limitations on the amount to be recovered from individuals who have been retired for many years. CalRTA also hopes that any recovery amount will be recovered as a percent of the newly calculated benefit amount.

CalRTA supports H.R. 711 and requests that you consider the issues raised in this letter as the bill moves in the 114th Congress. If you have any questions concerning these issues, please contact me at dwalrath@m-w-h.com. Again, thank you for sponsoring H.R. 711.

Sincerely,

David Walrath
Legislative Advocate
California Retired Teachers Association

NATIONAL
FRATERNAL ORDER OF POLICE®

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CHUCK CANTERBURY
NATIONAL PRESIDENT

JAMES D. PASCO, JR.
EXECUTIVE DIRECTOR

26 May 2015

The Honorable Kevin P. Brady
U.S. House of Representatives
Washington, DC 20515

Dear Representative Brady,

I am writing on behalf of the members of the Fraternal Order of Police to advise you of our strong support for H.R. 711, the "Equal Treatment of Public Servants Act," which would repeal the Windfall Elimination Provision (WEP) and replace it with a more equitable and individualized calculation of Social Security benefits. The repeal of the WEP and the Government Pension Offset (GPO) are top legislative priorities of the Fraternal Order of Police.

We believe, as you do, that this is an issue of fairness. When the WEP was enacted in 1983, its stated purpose was to remove a "windfall" for persons who spent some time in jobs not covered by Social Security (like public employees) and also worked other jobs where they paid Social Security taxes long enough to qualify for retirement benefits. This provision has created a very real inequity for many public employees, particularly police officers, who retire earlier than other government employees to begin second careers which require them to pay into the Social Security system. Law enforcement officers who have second careers face a sixty percent (60%) cut to their Social Security benefits. This is a reduction of a benefit to which they are entitled because they paid into the system—not an adjustment for a "windfall."

Your legislation repeals the WEP and would calculate benefits as if all the worker's earnings were subject to Social Security taxes using the standard benefit formula. To ensure Social Security benefits are based only on Social Security wages, the benefit would be multiplied by the percent of earnings subject to Social Security taxes.

On behalf of the more than 330,000 members of the Fraternal Order of Police, I look forward to working with you and your staff to move this bill forward. If I can be of any additional help on this matter, please do not hesitate to contact me or Executive Director Jim Pasco in my Washington office.

Sincerely,

Chuck Canterbury
National President

—BUILDING ON A PROUD TRADITION—

HOUSTON FIREFIGHTERS'
RELIEF AND RETIREMENT FUND
Investing for Firefighters and Their Families

November 18, 2014

The Honorable Kevin Brady
U.S. House of Representatives
301 Cannon House Office Building
Washington, D.C. 20515

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Honorable Carroll G. Robinson
Citizen Member

Ralph D. Marsh
Executive Director

Dear Congressman Brady:

I am writing on behalf of the approximately 6,500 active and retired City of Houston Firefighters, who are members of the Houston Firefighters' Relief and Retirement Fund ("HFRRF"). As Pension Board Chair, I am involved in many issues that are related to the HFRRF pension plan, including the Social Security program. On a number of occasions I have visited with you and other members of the Texas Congressional Delegation to discuss the Windfall Elimination Program (WEP) and other pieces of federal legislation and law.

The current one-size-fits-all approach of the WEP offset is unfair to many retirees. It is an arbitrary calculation that does not take into account a retiree's actual work history. The legislation you recently introduced, H.R. 5697, the Equal Treatment of Public Servants Act, would replace the current WEP calculation with the standard Social Security formula. For purposes of calculating the final benefit, the new calculation would take into account each worker's average career wage that is subject to Social Security taxes. This will ensure that each worker's actual work history is used in determining the benefit and will result in a fairer approach to the benefit calculation.

Therefore, it is with my utmost appreciation that I write today to lend my support to your efforts to enact H.R. 5697. Given the difficult financial times our federal government is facing today, we appreciate your continued leadership on this matter even more. Resolving the WEP offset issue is of critical importance to many families in the Houston area. We applaud your efforts.

Sincerely,

Todd Clark
Chair

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International Secretary-Treasurer

March 23, 2015

The Honorable Kevin Brady
United States House of Representatives
Washington, D.C. 20515

Dear Congressman Brady:

On behalf of the International Union of Police Associations, (I.U.P.A.), I am proud to add our name to those supporting your thoughtful legislation, H.R. 711, the "Equal Treatment of Public Servants Act of 2015." As you know, the I.U.P.A. represents more than 100,000 active-duty, rank and file law enforcement and emergency medical professionals across this great nation as well as in Puerto Rico and the Virgin Islands. Many of them are unfairly affected by the current computations of their Social Security benefits.

Your bill will permanently repeal the Windfall Elimination Provision of the Social Security Act and replace it with a fair formula that treats public safety employees like the rest of American workers by guaranteeing that these brave men and women receive their fair share of Social Security that they paid into and earned during their careers. The Equal Treatment of Public Servants Act guarantees public servants will receive the Social Security benefits they earned while they paid into the federal program.

We look forward to working with you and your staff to see this long overdue legislation move forward and finally ensure that public servants who earn both a Social Security benefit and a retirement from a Social Security substitute receive treatment equal to all other American workers.

Very Respectfully,

Sam A. Cabral
International President

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Legislative Affairs Office • Washington, DC

RETIRED STATE, COUNTY AND MUNICIPAL EMPLOYEES ASSOCIATION OF MASSACHUSETTS

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November 12, 2014

The Honorable Kevin Brady
301 Cannon House Office Bld.
Washington, DC 20515

Dear Representative Brady:

On behalf of our 62,000 members, we would like to express our wholehearted support for "The Equal Treatment for Public Servants Act" and advocate for its swift passage.

As you know, the Windfall Elimination Provision now impacts over 100,000 Massachusetts public retirees. In addition, over 90% of the Commonwealth's public workforce will be adversely affected by the WEP upon retirement.

This bill seeks to do what we have long advocated, simply to treat public retirees the same as all other retirees in the calculation of their Social Security benefit.

Due to the arbitrary nature of the current WEP formula, most public retirees have witnessed an unfair reduction in their Social Security benefit. This not only serves as a financial hardship to retirees, but also undermines the overall public trust in the Social Security System.

We would also like to take this time to thank you and your staff for the many years of hard work and dedication that you have afforded the WEP issue. Public retirees owe you a debt of gratitude for your role in keeping the WEP in the public eye, which has now resulted in the filing of "The Equal Treatment for Public Servants Act".

Thank you again for your ongoing efforts, as well as for allowing our Association to participate in the development of this landmark proposal. The fact that you welcomed our input speaks volumes about your commitment to finding a permanent solution to this national problem.

We look forward to working together to bring greater equity to the Social Security system.

Most Sincerely,

Frank Valeri
President

Shawn Duhamel
Legislative Liaison

The Voice Of The Retired Public Employee

Richard G. Thissen
National President

Jon Dowie
National Secretary/Treasurer

February 19, 2016

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, D.C. 20515

Dear Chairman Brady:

On behalf of the five million federal employees, retirees and their survivors represented by the National Active and Retired Federal Employees Association (NARFE), I am writing to express our support for H.R. 711, the Equal Treatment of Public Servants Act of 2015, and thank you for the leadership you have shown by introducing and working to advance this reform of the Windfall Elimination Provision (WEP).

The WEP unfairly deprives dedicated public servants of the full Social Security benefits earned through the contributions they paid into the system. They are denied these benefits solely because they also worked outside of Social Security-covered employment, through government service. The WEP penalty often comes as a rude awakening, as the actual benefits received fail to meet the expectation created by the estimates provided by Social Security. All told, it has cost public servants hundreds of millions of dollars of Social Security benefits that they rightfully earned.

This bill would help mitigate the WEP penalty by providing some relief for both current beneficiaries through a rebate and future Social Security recipients by improving the formula going forward. This relief is long past due, but very much appreciated by individuals who have for too long been penalized for their public service.

NARFE applauds your continued and creative efforts to reform WEP and that you have not given up on a problem that many seem to have forgotten. We look forward to working with you to move this bill through the legislative process.

Thank you, again, for introducing H.R. 711. If you have any questions regarding this issue, please contact NARFE Legislative Director Jessica Klement at 703-838-7760 or jklement@narfe.org.

Sincerely,

Richard Thissen

Richard Thissen
National President

National Active and Retired Federal Employees Association
www.NARFE.org | 606 N. Washington Street, Alexandria, VA 22314 | phone 703-838-7760 | fax 703-838-7785

Protect America's Heartbeat **www.narfe.org/heartbeat**

SCHOOL EMPLOYEES RETIREMENT SYSTEM OF OHIO
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LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

February 5, 2015

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, D.C. 20515

Re: H.R. 711, the Equal Treatment for Public Servants Act

Dear Representative Brady:

On behalf of the more than 193,000 active and retired members of the School Employees Retirement System of Ohio (SERS) who will be unfairly disadvantaged by the Windfall Elimination Provision (WEP) when they retire, the SERS Retirement Board wholeheartedly supports the introduction of H.R. 711, the Equal Treatment for Public Servants Act, and advocates for its passage.

In a non-Social Security state like Ohio, all public employees who qualify for a pension are subject to WEP reductions. In a SERS membership survey conducted in 2012, 93% of the respondents indicated that they paid into Social Security at a previous job, which means that nearly all SERS members will be affected by the WEP penalty. In most cases, SERS' retirees lose the maximum $408 in Social Security benefits they earned. Because the majority of our membership works in low-paying school support positions, the reduction of the modest Social Security benefit they earned is enough to cause financial hardships in retirement.

Even though SERS educates members about the WEP penalty long before they retire, most members do not realize the financial impact until they are ready to retire. The complaint we hear the most is that members believe that they should receive the Social Security benefits they earned, and the Equal Treatment for Public Servants Act does just that.

Thank you for your efforts in introducing legislation that ensures that public servants receive the same level of Social Security benefits as private sector workers. We look forward to working with you to achieve passage of this important legislation.

Regards,

Lisa J. Morris
Executive Director

RETIREMENT BOARD

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Ohio Public Employees Retirement System

February 5, 2015

The Honorable Kevin Brady
House of Representatives
301 Cannon House Office Building
Washington, D.C. 20515

Re: The Equal Treatment of Public Servants Act, HR 711

Dear Representative Brady,

On behalf of the Ohio Public Employees Retirement System (OPERS) and the more than one million individuals who depend on OPERS for their retirement security, we are writing to convey our gratitude to you for your efforts to reform the Windfall Elimination Provision (WEP).

Due to the creation of OPERS prior to Social Security, the vast majority of Ohio's public employees do not contribute to Social Security. They may have worked in previous employment that is covered by Social Security and as a result, many of them will be subject to the WEP upon retirement. In many cases, we have received feedback that they did not realize the extent to which their Social Security benefit would be reduced by the WEP. We appreciate your work to introduce legislation to replace the current WEP formula with a more equitable version that provides Ohio's public employees with the Social Security benefits they have earned.

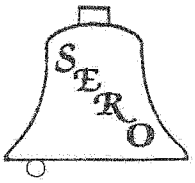
We look forward to working with you and your legislative aide, Aindriu Colgan, on this legislation. If you have any questions, please contact us at your convenience.

Sincerely,

Karen E. Carraher

Karen E. Carraher
Executive Director

277 East Town Street Columbus, Ohio 43215-4642 1-800-222-7377 www.opers.org



School Employee Retirees of Ohio, Inc.

(614) 431-0387
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6161 Busch Blvd., Suite 131
Columbus, Ohio 43229
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November 21, 2014

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, D.C. 20515

Dear Representative Brady,

SERO was founded in 1978 as an advocacy and support organization for retired School Employees through the School Employees Retirement System. We support nearly 10,000 retirees who mostly reside in Ohio in their retirement. Our SERO Executive Board wishes to extend our appreciation for your introduction of the "Equal Treatment of Public Servants Act". We wholeheartedly approve and support this bill for changes to the current WEP provisions.

As retirees have continued to communicate to us, they feel they have been unfairly targeted by the reductions in the WEP. Many retirees claim that the contributions they have made during their work history have all but been diminished by the reductions under the current WEP calculations. It has been a constant complaint from the members "Why can't we just get the contributions that we made, like everyone else. It appears to us that this new bill will do just that.

Unfortunately, retirees learn the full effects of the reductions when they are unable to make changes, so at a time when these retirees expected to be fully retired many have taken on additional jobs to supplement this loss to their retirement incomes.

We know our retirees will be grateful to understand that this new legislation will give them the benefits they have earned and that they are no longer penalized for being a public servant. We look forward to working with you on this important legislation for our retirees.

Sincerely,

Sandra Lannen

Sandra Lannen, President
School Employee Retirees of Ohio, Inc.

STATE TEACHERS
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RETIREMENT BOARD CHAIR
ROBERT STEIN

RETIREMENT BOARD VICE CHAIR
CAROL CORRETHERS

EXECUTIVE DIRECTOR
MICHAEL J. NEHF

February 5, 2015

The Honorable Kevin Brady
301 Cannon House Office Building
Washington, DC 20515

Dear Congressman Brady:

On behalf of the board, and the 480,000 active members and retirees of the State Teachers Retirement System of Ohio, I am pleased to share with you our support of HR 711, the Equal Treatment for Public Servants Act.

The State Teachers Retirement System of Ohio was established in 1920, well before Social Security; so, our members do not contribute to Social Security during their public employment. For more than 30 years, these employees have been subjected to the arbitrary manner in which the Windfall Elimination Provision is applied against any earnings they may have with Social Security. We applaud your efforts to devise a formula that takes into account everyone's contributions to Social Security and their work history.

Furthermore, we strongly support this legislation and the fair treatment it promotes, both for those who have contributed to Social Security and to a state system such as STRS Ohio, as well as those who may have contributed solely to Social Security. We would not want our members hurt by a one-size-fits-all approach, and we believe HR 711 is truly fair to all involved.

Thank you for your efforts and we look forward to working with you to ensure the enactment of the Equal Treatment for Public Servants Act.

Sincerely,

Michael J. Nehf
Executive Director

Chairman BRADY. For new retirees, our bill repeals the WEP and replaces it with a formula that is fair. Our solution takes into account all earnings and reflects how much of a person's earnings were subject to Social Security payroll taxes. Under our approach, two workers with the same lifetime earnings, one who has spent an entire career in Social Security covered employment and another who has worked in both covered and Social Security substitute work, will receive a Social Security benefit that is calculated the same way. No more unfair formula for teachers, firefighters and police officers. Instead we use the same benefit formula for everyone, looking at all earnings.

Now, some of those earnings are not from Social Security covered employment. We adjust benefits to reflect the proportion that are.

But it is not enough to fix the WEP for future beneficiaries. We have to provide relief to current seniors already affected by the WEP, and these individuals will have their monthly benefits increased using the savings from this bill.

Finally, this bill makes sure that everyone is treated equally by requiring Social Security make sure that those current retirees who should be subject to the WEP have their benefits adjusted correctly.

At this time I would like to yield, and I am pleased to yield, to the gentleman who has worked with me so hard on this, the gentleman from Massachusetts, Mr. Neal.

Mr. NEAL. Thank you, Mr. Chairman.

I am happy to be here this morning at this hearing of the Ways and Means Social Security Subcommittee. I no longer serve on this Subcommittee, but I have had a longstanding interest in the WEP issue and am an original cosponsor of this bill with Chairman Brady.

I am pleased that the subcommittee is holding this hearing today, and it is also nice to see representatives from the Mass Retirees who are with us as well.

Our bill, H.R. 711, permanently repeals the current Windfall Elimination Provision and replaces it with a fair formula that treats public servants like all other American workers. Public servants who earn both a Social Security benefit and a pension from Social Security's substitute will finally receive treatment equal to other workers.

This legislation was developed in close consultation with teacher and public servant organizations, particularly those in Massachusetts, Texas and Ohio. It provides relief to current retirees already affected by WEP, and it guarantees public servants receive the benefits they earned while they paid into Social Security.

In addition, H.R. 711 is budget neutral in the short run and improves Social Security solvency over the long run.

The Equal Treatment of Public Servants Act guarantees public servants will receive Social Security benefits that reflect their actual work history. Social Security benefits will no longer be figured by the arbitrary WEP formula established in 1983, but will be based on each worker's Social Security contributions just like everybody else.

Under the Public Servant Fairness Formula, the worker's benefit amount will be calculated using total lifetime earnings and then

adjusted for the proportion of earnings that came from the job that was covered by Social Security. Public servants who turn 62 on or after January 1st, 2017, will benefit from the new Public Servant Fairness Formula. Social Security benefits will increase for teachers, firefighters, police officers, and other public servants currently subject to WEP.

Retired public servants currently subject to the WEP and those who turn 62 before December 31st, 2016, will see a reduction in the WEP offset leading to an increase in Social Security benefits.

Repealing the WEP has been a priority of mine for many, many years, and I want to thank Chairman Brady for the attention he has paid to this issue, and I look forward to working with him and the others who are panelists today, as well as the expert testimony we are about to receive, in passing this legislation in this session of the Congress.

Chairman BRADY. Reclaiming my time, I thank my colleague from Massachusetts for his work on this important issue through the years and all of my committee colleagues as well as those who have interest in it.

It seems to me the police, teachers, firefighters I know never worked just one job. They have a second and a third. They have first careers. They have last careers, and creating equal treatment for them just seems like the right thing to do.

So today's hearing is critically important. As Speaker Paul Ryan has said, we are returning to regular order. So today is an important step in that process, having a hearing to talk about this problem and some good solutions to fix it.

I have had a chance to review the excellent testimony from our witnesses that they have submitted, and I look forward to advancing this bill in the weeks ahead.

And, again, Chairman Johnson, thank you for your leadership on this issue and, Ranking Member Larson, thank you for helping lead this hearing today.

I yield back.

Chairman JOHNSON. Thank you, Mr. Chairman, for your leadership on this issue.

You know, hard-working Americans who have paid into Social Security ought to have their benefits calculated fairly, and they deserve to know how much they can expect to receive from Social Security.

Unfortunately for many of our teachers, firefighters, police officers and others, that is not the case. When Social Security was created in 1935, some State and local governments already had a retirement program in place, and the law allowed those governments and workers to keep their separate program and not participate in Social Security.

In fact, in Texas many firefighters, police officers and teachers do not participate in Social Security because they have an alternative retirement program. However, many of these good folks have had other jobs either in the summer when school is out or working for a different employer where they paid into Social Security.

So if there is an issue I regularly hear about when it comes to Social Security, it is the Windfall Elimination Provision, or WEP. Take, for example, Janice from Plano, who recently wrote to me.

She has worked for 31 years as a teacher. In the summers she also worked in the private sector paying Social Security taxes on those earnings. Because Janice has some earnings that were not subject to payroll tax and others that were, she is subject to the Windfall Elimination Provisions, or WEP, and she very much wants us to address this.

So now what is WEP exactly? And when did it come about? And what can we do about it?

Simply put, WEP uses a slightly different benefit formula than the regular Social Security formula, but this slight difference can have a meaningful impact on benefits. WEP came about as part of the Social Security reform effort in 1983. The idea was to ensure that workers who pay into a separate retirement system are treated similarly to other workers with respect to Social Security benefits.

Both the House and Senate wanted to modify the benefit formula for those workers who spent part of their careers not paying Social Security taxes. I guess it should come as no surprise that the House and Senate did not agree on the numbers. The Senate took a more aggressive approach than the House. As tends to happen here, they ended up somewhere in the middle.

Ever since the WEP was put into place, those public servants have pointed out just how arbitrary it is, and they are right.

On top of that, right now the WEP and Government Pension Offset, or GPO, make it really hard for our firefighters, police officers and teachers to plan for retirement. As we will hear today, the Social Security statement, that is required by law, shows them the wrong number. Their statement gives them the amount of Social Security benefits they would receive if the WEP and GPO did not exist.

These workers, just like every other American, have a right to know what their Social Security benefit is going to be so they can prepare for their retirement.

Bottom line, it is time to replace the WEP and GPO with an approach that treats all workers fairly, and so that is what Chairman Brady and Representative Neal are trying to do. They have introduced a bill that does just that for the WEP. I am a proud cosponsor of their bill. The President included a similar proposal for WEP and GPO in his budget this year.

Some folks may call for a full repeal of the WEP and GPO. While these provisions are not fair, getting rid of them would not be fair either. Public employees who are eligible for Social Security should be treated just like everyone else, no better and no worse. And just as important, at a time when Social Security is already in trouble, doing so would only worsen the financial standing.

Today we are going to hear from one panel of witnesses. Our witnesses will provide background on the WEP and GPO, discuss the problems with the current approach, including their own frontline experiences, and talk about ways we can finally fix it.

I want to thank each of our witnesses for being here today and look forward to hearing your testimony.

Chairman JOHNSON. I now recognize Mr. Larson for his opening statement if he wishes to make one.

Mr. LARSON. Well, thank you, Mr. Chairman.

And I want to thank our panelists as well for being here, but I especially want to give kudos to our chairman for his continued work and Chairman Brady and Representative Neal, and primarily something beyond this particular hearing today, but something this Committee has distinguished itself in doing, and that is working in a collaborative manner across the aisle to come to compromise and move the Nation forward.

This is just one of several examples of how this Committee has stepped forward to do it, and while there may be differences, et cetera, the end goal here, which is to move the country forward and in this case, as has already been well stated by Chairman Brady and by Mr. Neal and Chairman Johnson, is that so many people have been adversely affected who have worked other jobs.

As a former school teacher myself and having a daughter who is a school teacher in the State of Connecticut, as Mr. Johnson does in Plano, I hear back in my district from those individuals impacted all the time, and frankly, it is unfair.

In Connecticut, more than 75,000 people, mostly teachers, work in non-covered employment and face the prospect of having their future Social Security reduced by the WEP. And while it was the intent of the WEP to equalize the benefit formula for workers with similar earnings, the WEP takes a one size fits all approach that has the effect of unfairly penalizing public servants, as you have heard here today, as well.

I have long been a proponent of reducing and eliminating the WEP and the GOP [sic] altogether. This bill works towards that goal, although I think there are winners and losers in this provision.

Chairman BRADY. Would the gentleman yield?

Mr. LARSON. I would yield.

Chairman BRADY. Please do not eliminated the GOP.

[Laughter.]

Chairman BRADY. Please do not do that. We have just got to be around.

Mr. LARSON. I think Donald Trump is doing a pretty good job of that, Mr. Chairman.

Mr. NEAL. Would the gentleman yield?

That was the most important thing you said.

[Laughter.]

Mr. BRADY. So much for the bipartisanship.

I yield back.

Mr. LARSON. A Freudian slip there. I apologize, but Shakespeare would say more truth is said in jest than not, but thank you for correcting me.

But I would also point out that as someone who has long felt that these were unfair, and I concur with Mr. Johnson that we have to work on this to bring about the fairness, I am anxious to hear from our panelists because I do think this is a great compromise. This is a great step forward, but I do think it may have some uneven results.

And I want to submit for the record a letter from the NEA with the unanimous consent of the chair.

Chairman JOHNSON. Without objection.

[The information follows: The Honorable John Larson Submission]

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March 17, 2016

United States House of Representatives
Committee on Ways and Means
Subcommittee on Social Security
Washington, DC 20515

Dear Representative:

On behalf of the three million members of the National Education Association and the students they serve, we would like to offer our views on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) in connection with the March 22 hearing, "Social Security and Public Servants: Ensuring Equal Treatment." NEA strongly supports the Social Security Fairness Act (H.R.973/S.1651), which would fully repeal both the GPO and WEP. We appreciate that the Equal Treatment of Public Servants Act (H.R.711) addresses inequities perpetuated by the WEP, but are concerned that it leaves the GPO intact and could actually broaden its application and enforcement.

Currently, the WEP reduces the Social Security benefits of 1.3 million people who also receive public pensions from work not covered by Social Security—for example, educators and other dedicated public servants who must take part-time or summer jobs to make ends meet. H.R.711 would replace the WEP with a new "public service fairness formula" for people who turn 62 during or after 2017. Under this formula, the Social Security Administration would take into account the years a public sector employee paid into Social Security versus the years that employee paid into a public pension system while working in a position not covered by Social Security. Under H.R. 711, Social Security benefits would be calculated as if all the worker's earnings were subject to Social Security taxes. This amount would then be multiplied by the percent of earnings covered by Social Security, thus taking into account that Social Security benefits are based on Social Security wages.

We recognize that H.R. 711 attempts to address existing inequities fairly. However, we have concerns regarding the:

- Potential impact on public employees who do not vest in a public pension plan and receive Social Security benefits subject to reduced benefits under the bill
- Fiscal challenges associated with the enforcement of the offset provisions for existing Social Security beneficiaries who are identified as having received overpayments
- Universe of beneficiaries who will no longer be exempt from the offsets because they have 30 years of Social Security-covered earnings

In addition, while we commend efforts seeking to address the harmful benefit reductions associated with the WEP, H.R. 711 fails to address the GPO, which reduces Social Security spousal and survivor benefits and affects a far larger number of people. Nationwide, more than one-third of educators and more than one-fifth of police officers, firefighters, and other public employees are not covered by Social Security and are, therefore, subject to the GPO. An estimated 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. The impact is harshest for those who can least afford the loss: lower-income women. Once the GPO kicks in, some have so little money they must turn to food stamps.

The following excerpt from a letter to NEA is but one example of the devastating impact the GPO and WEP can have:

> *My husband was diagnosed with glioblastoma, the most aggressive type of brain cancer. After surgery, radiation and chemotherapy, his sight was affected so he could no longer drive or read. Therefore, he could no longer work as a real estate appraiser. We lived on my teacher retirement pension, my small Social Security benefit ($250 a month before Medicare), and his Social Security check of $1,600. It was an adjustment having one income totally lost, but with careful management and no unforeseen unexpected expenses we could do it. My husband lost his battle in April. Within two weeks of his death his Social Security benefit no longer was coming. After a phone interview with a Social Security representative, I found out that I would see none of it. Now my income was almost cut in half again. Trying to deal with his death was compounded immeasurably by this huge loss financially. I still wonder how I am going to make it. My husband worked all his life and paid into Social Security. He was in the Marines and the Army and was a Vietnam vet. I worked as a teacher of young children most of my life as well as other jobs to earn my Social Security benefit. The GPO and the WEP are devastating to me. What can I do to help get these repealed? Heidi from Maine*

As noted above, NEA supports full repeal of both the GPO and the WEP. We are, however, open to incremental steps towards full repeal. We are neutral on H.R.711 pending the receipt of additional information on how H.R.711 would affect our members—specifically, who would gain and who would lose if it were to be enacted.

We thank the committee for calling attention to the vitally important issues associated with Social Security offsets—their resolution remains a priority for us and our members. We look forward to working with the committee to address these issues and thank you for the opportunity to offer these comments.

Sincerely,

Mary Kusler
Director, Government Relations

Mr. LARSON. And I look forward to the consideration. The long-term goal here is that we have to focus on Social Security, and I am so pleased that Stephen Goss is here today because I think the one thing that we ought to make sure with respect to Social Security is its actuarial soundness, and not only its actuarial soundness, but that it is sustainably solvent for its required 75 years.

I look forward to future hearings. We have legislation that we think will accomplish that goal that I hope we can approach bipartisanly. Certainly the discussion needs to be put on the table because increasingly as we saw after 2008 when people's 401(k)s became 101(k)s that they are more and more and more reliant on Social Security. That makes this legislation have an added sense of urgency for people already in the system who have been treated unfairly.

But the long-term goal that was neglected in 1983, or shall I say as we dealt with what is an insurance issue, that we did not look to adjust or index the concerns that would be created by a growing number of Baby Boomers into the future. This is a responsibility of this Committee. I know we have the talent on both sides of the issue to address this.

I look forward and welcome the hearing today and what we are going to hear from our value added witnesses and look forward as well to discussing Social Security 2100 in the future.

Thank you, Mr. Chairman, and I yield back my time.

Chairman JOHNSON. Thank you, sir.

As is customary, any member is welcome to submit a statement for the hearing record.

Before we move on to our testimony today, I want to remind our witnesses to please limit their oral statement to five minutes. However, without objection, all of the written testimony will be made a part of the hearing record.

We have one witness panel today. Seated at the table are Samara Richardson, Acting Associate Commissioner, Office of Income Security Programs, Social Security Administration. That is a mouthful, is it not?

Stephen Goss, Chief Actuary, Office of the Chief Actuary, Social Security Administration.

Jason Fichtner, Senior Research Fellow, Mercatus Center, George Mason University.

Tim Lee, Executive Director, Texas Retired Teachers Association.

Jeannine English, President, AARP.

Welcome, and thanks for being here.

Ms. Richardson, you are recognized. Please go ahead.

STATEMENT OF SAMARA RICHARDSON, ACTING ASSOCIATE COMMISSIONER, OFFICE OF INCOME SECURITY PROGRAMS, SOCIAL SECURITY ADMINISTRATION

Ms. RICHARDSON. Thanks. Chairman Johnson, Representative Larson, and Members of the Subcommittee, thank you for inviting me to discuss Social Security coverage and treatment of individuals who receive pensions based on work not covered by Social Security.

My name is Sam Richardson, and I am the Acting Associate Commissioner in the Office of Income Security Programs at SSA.

Social Security is rooted in principles of equity. Workers earn benefits based on contributions to Social Security that accumulate throughout a worker's career. In jobs covered by Social Security, workers and employers each contribute 6.2 percent of earnings. Workers earn credits through covered work, which allows them to qualify for benefits.

In addition to the worker benefit, Social Security provides benefits for spouses of covered workers whether or not the spouse had earnings covered by Social Security.

My written testimony details how we calculate Social Security benefits. I want to highlight two key points about Social Security benefits and the WEP and GPO provisions that affect non-covered workers.

First, Social Security is progressive. Covered workers with low career earnings receive a benefit that replaces a greater portion of earnings than those with high career earnings.

My second point concerns spousal benefits. A spouse's benefit is generally reduced dollar for dollar by the amount of any Social Security benefit he or she earned as a worker in covered employment.

Although most jobs today are covered by Social Security, some exceptions remain. These non-covered jobs tend to be in State and local government. In non-covered jobs, neither the employee nor the employer pays any Social Security contribution. Instead these employees may have retirement arrangements other than Social Security, such as pensions.

When Social Security was enacted, the benefit formulas did not account for these scenarios, which resulted in two types of inequities. The first inequity affected individuals who had both covered and non-covered work. Because not all of their lifetime earnings were counted in the benefit formula, people with considerable non-covered earnings appeared to have spent their careers in low paying jobs. These beneficiaries received combined Social Security and pension benefits that exceeded those of individuals who worked solely in either covered or non-covered work.

Congress addressed this inequity with the enactment of the WEP in 1983. The WEP requires us to reduce a worker's Social Security benefit if he or she also receives a pension based on non-covered work.

Second, spousal benefits were originally intended to benefit a financially dependent spouse. As both spouses began entering the workforce and one member of a couple worked in employment covered by Social Security while the other worked in primarily non-covered work, a second inequity resulted. In this scenario, the spouse in non-covered work could receive both a retirement benefit from a pension and an unreduced Social Security spousal benefit.

Congress recognized this inequity and enacted the GPO in 1977. The GPO requires us to reduce a person's spousal benefit by two-thirds of the amount of his or her non-covered pension.

With both WEP and GPO, a non-covered pension is seen as a substitute for a person's non-covered earnings. Congress chose to use the pension for this purpose because at that time we did not have the non-covered earnings data in our records.

To preserve Social Security's fairness, benefits should continue to be adjusted if a person has covered and non-covered work, but the

WEP and GPO can be improved. Both provisions are complicated. Often non-covered workers realize late in their retirement planning that their Social Security benefit will be offset. These provisions are also very challenging to administer because we rely on beneficiaries to report when they receive a non-covered pension.

The President's Budget for Fiscal Year 2017 includes a legislative proposal that would improve how we offset benefits for non-covered work. First, it would require State and local government pension payers to provide us with data concerning non-covered pensions. This would reduce our reliance on beneficiary's self-reporting to administer the WEP and GPO.

Second, it would modify the WEP and GPO for individuals who become eligible for benefits in 2027 and later. We would no longer reduce benefits based on an individual's receipt of a pension. We would simply use the information on non-covered earnings in our records to adjust benefits.

Until now we have not had sufficient information on non-covered earnings to consider a more equitable benefit formula. Now we do, and with each year our records become more complete.

Before concluding, I would like to acknowledge Chairman Brady's leadership on this issue. The chairman's bill has much in common with the Administration's proposal, and we look forward to working with the Congress on this issue.

I appreciate the opportunity to appear before you today and would be happy to answer any questions you may have.

Chairman JOHNSON. Thank you, ma'am. We appreciate that.

[The prepared statement of Ms. Richardson follows:]

COMMITTEE ON WAYS AND MEANS
SUBCOMMITTEE ON SOCIAL SECURITY

UNITED STATES HOUSE OF REPRESENTATIVES

MARCH 22, 2016

STATEMENT FOR THE RECORD

SAMARA RICHARDSON
ACTING ASSOCIATE COMMISSIONER, OFFICE OF INCOME SECURITY PROGRAMS
SOCIAL SECURITY ADMINISTRATION

Chairman Johnson, Ranking Member Becerra, and Members of the Subcommittee:

Thank you for the opportunity to discuss Social Security coverage and how we compute benefits for individuals who worked part or all of their careers in non-covered employment where they did not pay Social Security taxes ("non-covered work"). My name is Samara Richardson, and I am the Social Security Administration's (SSA) Acting Associate Commissioner for the Office of Income Security Programs. My testimony today will:

- summarize the history of Social Security coverage;
- describe the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO);
- provide an overview of issues with WEP and GPO and describe how we administer them; and
- discuss the Administration's legislative proposal, which would simplify and improve administration of WEP and GPO.

Importance of Social Security

Before discussing the topic at hand, I would like to describe briefly the Old-Age, Survivors, and Disability Insurance (OASDI) (or "Social Security") program. Social Security is a social insurance program, under which workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings.

Few government agencies touch as many people as we do. Social Security pays monthly benefits to more than 59 million individuals, consisting of 40 million retired workers and 3 million of their spouses and children; 9 million disabled workers and 2 million dependents; and 6 million surviving widows, children, and other dependents of deceased workers. Last year, these benefits totaled around $880 billion. Administrative costs are very low, at less than 1 percent of benefit payments. The Fiscal Year 2017 President's Budget for SSA will allow us to tackle our hearings backlog, improve overall service, and save billions of taxpayer dollars through increased program integrity work.

Social Security Coverage

When a job is covered by Social Security, the Social Security tax rate for wages paid (up to an annual limit)[1] is set by law at 6.2 percent for employees and employers, each.[2] After paying Social Security taxes over a sufficient period, a worker becomes insured for Social Security benefits. Workers become eligible to receive retirement benefits beginning at age 62 or may receive disability benefits at earlier ages if other criteria are met. Workers also earn Social Security protection for their family members; for instance, the spouse of a worker may receive spousal benefits if the worker is receiving retirement or disability benefits. As discussed more fully below, spousal benefits will be reduced if the spouse is also eligible to receive retirement benefits based on his or her own work.

[1] In 2016, the amount of wages subject to OASDI taxes is $118,500.
[2] Self-employed income is subject to an OASDI tax rate of 12.4, up to the annual limit.

When Congress enacted the Social Security Act in 1935, fewer than 50 percent of the nation's workers were covered. But over time, Congress has expanded coverage to most jobs, and today it is nearly universal—about 96 percent of the nation's workforce is currently covered by Social Security and paying Social Security taxes.

Most of the 4 percent of workers not covered by Social Security are State and local government employees who earn alternative pensions. Today about 28 percent of State and local workers are not covered by Social Security. Other non-covered employees include certain employees of railroads, non-profit organizations, and the Federal government hired before 1984. These employees do not pay Social Security taxes on their non-covered earnings and earnings from these jobs are considered non-covered for purposes of the Social Security benefit calculation.

History of Coverage

In 1950, Congress enacted legislation that allowed States to enter into voluntary agreements to provide Social Security coverage to State and local employees not covered under a retirement system. After the 1950 legislation, Congress enacted a number of other changes that expanded coverage of government employees, including:

- The 1954 amendments made coverage available to State and local employees covered under a retirement system, at the election of the employer and employees;
- In the 1983 amendments, Congress repealed a provision allowing States to rescind agreements extending voluntary coverage to State and local employees, and required Social Security coverage for Federal, railroad, and nonprofit employees hired in or after 1984; and
- Legislation in 1990 made Social Security coverage mandatory for State and local employees who are not under a retirement system.

Social Security Benefit Formula

Under the Social Security Act, the formula used to calculate Social Security benefits is progressive: that is, it is weighted so that people who spend their careers in low-paying or intermittent jobs receive a benefit that is higher as a share of their average prior earnings than the benefit provided to people with high career earnings. Appendix A provides the formula used to calculate a worker's primary insurance amount (PIA), which is based on a worker's average indexed monthly earnings (AIME); the PIA forms the basis of the worker's and his or her dependents' benefits.

This formula "counts" only covered earnings. So, a person who has only non-covered earnings in a year is considered to have no earnings in that year. As a result, a person who spent most of his or her career in employment not covered by Social Security but had some covered work would appear to have low career earnings, and would be eligible for the higher benefit the weighted formula provides. This higher Social Security benefit, when combined with a government pension, would result in this person receiving a "windfall" as compared to those who had either only non-covered (and thus was ineligible for Social Security) or only covered

work (and whose benefits are computed on a full accounting of their earnings. The Windfall Elimination Provision, described in the next section, is designed to eliminate this windfall and ensure that those with a combination of covered and non-covered earnings are not treated better under the Social Security formula than other workers.

Non-covered Earnings and the Windfall Elimination Provision

An individual's career may include some jobs that were covered by Social Security and some that were not covered. They may be eligible for Social Security benefits based on their covered work as well as for pension benefits based on their non-covered work. The Social Security program did not initially adjust the benefits of individuals who received pension benefits for non-covered work. Before provisions were put in place to address this windfall, individuals with non-covered work may have received combined Social Security and government benefits that far exceeded those of other individuals, with identical lifetime income, who worked solely in either covered or non-covered work. Because not all of their lifetime earnings are counted for Social Security purposes, people with considerable non-covered earnings may appear to have spent their careers in low-paying or intermittent jobs, and so – because of the progressive benefit formula – would receive a relatively higher Social Security benefit than similar individuals who worked only in covered employment.

Congress recognized this inequity and enacted the Windfall Elimination Provision (WEP) under the Social Security Amendments of 1983[3] to correct it. The WEP reduces a worker's retirement or disability benefits if such worker is also receiving a pension based on non-covered work.

Prior to the Social Security Amendments of 1983, the *Report of the National Commission on Social Security Reform* (informally known as the Greenspan Commission) recommended two potential ways to address this scenario.[4] One approach would have modified the benefit formula as follows:

> *[A]pply the present benefit formula to an earnings record which combines both covered earnings and also non-covered earnings in the future for the purpose of determining a replacement rate (i.e., the ratio of the benefit initially payable to previous earnings); then, that replacement rate would be applied to the average earnings based solely on covered employment.*

At that time, SSA did not have information on non-covered work in its records. SSA first began receiving non-covered earnings records in 1978. Without this data, Congress instead enacted the benefit reduction formula that is in the law today. Specifically, the WEP formula reduces benefits for individuals who receive a pension because of their non-covered work, on a sliding scale based on the number of years the person worked in covered employment. Appendix B shows how WEP affects the primary insurance amount (PIA). In 2016, the WEP reduces

[3] Public Law 98-21, 97 Stat. 65.
[4] See Report of the National Commission on Social Security Reform, https://www.ssa.gov/history/reports/gspan.html.

monthly retirement and disability benefits by a maximum of $428.00 per month. Applying WEP never eliminates an individual's Social Security benefit completely.

There are several exceptions to the WEP. The WEP does not apply to people who have 30 or more years of substantial[5] covered earnings, and it is gradually reduced for workers who have 21 to 29 years of substantial covered earnings. In addition, the WEP does not affect beneficiaries who are not yet receiving pensions based on their non-covered earnings. Finally, the WEP can never reduce benefits by more than one-half the amount of the beneficiary's pension, which protects individuals who receive relatively low pension amounts.

As of December 2015, the WEP reduced benefits for around 1,692,000 retired and disabled workers and their dependents. The majority of primary beneficiaries whose benefits are reduced by the WEP (99 percent) received benefits based on retirement.

Spousal (and Widow's/Widower's Benefits) & the Government Pension Offset

The spouses of workers receiving Social Security benefits may be eligible for spousal benefits. The spousal benefit is equal to 50% of the retired or disabled worker's benefit and 100% of the deceased worker's benefit. Individuals who qualify for both a Social Security worker benefit (retirement or disability) based on their own work history and a Social Security spousal benefit based on their spouse's work history are "dually-entitled" and are subject to the dual-entitlement rule, meaning that their spousal benefit is paid only to the extent it exceeds their own retirement benefit. Individuals who qualify for both a non-Social Security-covered government pension and a Social Security spousal benefit are subject to the Government Pension Offset (GPO) provision. The intent of the GPO is the same as that of the dual entitlement rule: to reduce the Social Security spousal benefits of individuals who are not financially dependent on their spouse because they receive their own benefits. The key difference is what is used to determine financial dependence — benefits based on Social Security-covered work or benefits based on non-Social Security-covered work.

Dual-entitlement rule. The Social Security dual-entitlement rule requires that 100% of a Social Security retirement or disability benefit earned as a worker (based on one's own Social Security-covered earnings) be subtracted from any Social Security spousal benefit one is eligible to receive (based on their spouse's Social Security-covered earnings), and only the difference, if any, is paid as a spousal benefit. The Social Security spousal benefit of a person who receives a pension from government employment (federal, state, or local) that was based on work not covered by Social Security is reduced by a provision in the law known as the GPO, enacted in 1977.[6]

The GPO is intended to place annuitants whose government employment was not covered by Social Security and who are eligible for a Social Security spousal benefit in approximately the same position as workers whose jobs were covered by Social Security and are also eligible for a

[5] The amount of earnings considered substantial for WEP purposes is $22,050 in 2016. This amount is updated annually to account for inflation.
[6] Public Law 95-216, 91 Stat. 1509.

Social Security spousal benefit. Because SSA has not had complete earnings records of those who work in non-Social Security-covered positions, SSA has been forced to rely on the government pension as a measure of those uncovered earnings. Essentially, it is assumed that two-thirds of the government pension is equivalent to the Social Security retirement or disability benefit the spouse would have earned as a worker if his or her job had been covered by Social Security. Thus, the GPO attempts to replicate the Social Security dual-entitlement rule by requiring that an amount equal to two-thirds of the worker's non-covered government pension be subtracted from the Social Security spousal benefit.

The GPO also has a variety of complicating exceptions. The Social Security Protection Act of 2004 (P.L. 108-203) amended the GPO provisions to require that State and local government employees covered by Social Security throughout their last 60 months of employment be exempt from GPO. Prior to this legislation, GPO did not apply if an individual's last day of employment was in a position that was covered by both Social Security and a State or local government pension system. The "last day" exemption may still apply if the last day of employment was before July 1, 2004, or if the person filed for a Social Security spouse's benefits before April 1, 2004, and was entitled to those benefits based on that filing. Additionally, the GPO does not apply to individuals who had filed for and were entitled to spouses benefits prior to December 1977.

As of December 2015, the GPO reduced benefits for around 652,000 spouses.

Issues with Current-Law WEP and GPO

While both WEP and GPO address inequities that existed prior to their enactment, there is room for improvement. Both provisions are difficult to administer and challenging for the public to incorporate into their retirement plans.

Issues of Administration

Social Security benefit payments are highly accurate; over 99 percent of the benefit dollars we pay are free of either an overpayment or underpayment. However, the WEP and GPO provisions are complex and time-consuming to administer and applying WEP and GPO remains a significant cause of improper payments in the OASDI programs.

To a large extent, this is because we do not have an automated way to access State and local pension information. Instead, we must rely primarily on beneficiaries to self-report when they receive a pension based on non-covered employment.

When a beneficiary does report receiving a pension based on non-covered work, our field office and program service center staff must develop, verify, and document relevant information, including when the person first became eligible for the pension, the monthly amount, and when the pension stops. This often involves contacting the pension-paying organization. In addition, for certain non-covered employees in nonprofits, administration may be further complicated because the organizations themselves may no longer exist or retain older records. Our staff must also determine whether any of the WEP or GPO exceptions apply.

For federal pensions, we exchange information with the Office of Personnel Management (OPM) to identify Social Security beneficiaries who are receiving a pension based on non-covered, Federal employment. We do not currently have similar exchanges with State and local governments.

Issues of Retirement Planning

We help people plan for retirement by making the Social Security Statement ("Statement") available to every worker by mail or through a *my* Social Security account. The Statement informs each individual of the amount of benefits he or she can expect to receive at retirement age or upon becoming permanently disabled. These amounts do not reflect application of the WEP or GPO because we lack information in our records about the person's non-covered pension status. Consequently, as required by the Social Security Protection Act of 2004, every Statement includes a disclaimer indicating that benefits may be lower than stated if the person were to receive a pension based on non-covered work. Individuals subject to WEP or GPO are often surprised when their benefits are less than expected.

Other Issues

We must rely on those who worked in non-covered employment including former State or local workers to report these pensions to us. However, because we have access to OPM's information concerning Federal pensions based on non-covered work, we are much more likely to discover a Federal than a non-Federal pension. As a result, Federal workers are much more likely to be subject to the WEP and the GPO.

Finally, while we reduce a Social Security spousal benefit on a dollar-for-dollar basis by the amount of the person's own Social Security retirement or disability benefit, under GPO, we reduce the Social Security spousal benefit by only two-thirds of the person's pension based on non-covered work.

The Administration's Proposal for the Fiscal Year 2017 Budget

The President's Budget for Fiscal Year 2017 includes a legislative proposal that would improve the administration and fairness of the WEP and GPO provisions in several ways. First, it would eliminate our reliance on self-reporting by requiring State and local government pension providers to provide SSA with data on pensions based on non-covered, State and local employment. The proposal would also provide $70 million to establish these data exchanges, with up to $50 million of those funds dedicated to the States' costs. We will use these data exchanges to help us administer WEP and GPO for current beneficiaries and individuals eligible for benefits prior to 2027. This change would build our capacity to identify State and local government retirees receiving pensions based on non-covered work. It would strengthen

payment accuracy and provide equal treatment between Federal and non-Federal government workers.[7]

In addition, the Budget proposes to replace the current WEP and GPO for individuals who become eligible for benefits in 2027 or later. From that point forward, we would adjust benefits based directly on the worker's total earnings record, without regard to whether he or she receives a pension based on those earnings. Consequently, this would ensure that persons with both non-covered and covered earnings are not treated more favorably than persons who solely worked in jobs for which they paid Social Security taxes.

We have collected and maintained information on non-covered earnings in our records since 1978. By 2027, we will have nearly 50 years of data on non-covered employment, which will allow us to calculate the amount by which benefits should be reduced without relying on either the applicant or the pension provider.

To carry out the proposed calculation that would replace WEP:

(1) We would calculate a combined Average Indexed Monthly Earnings (AIME)[8] that includes any years of covered and non-covered earnings in a worker's highest 35 years of earnings.
(2) We would then calculate a new "combined" PIA from this combined AIME. This amount is the equivalent Social Security retired worker benefit that the individual would have received had all of their work been in covered employment.
(3) We would divide the combined PIA by the combined AIME to determine, as the Greenspan Commission recommended for WEP in 1983, a replacement rate based on the average covered and non-covered earnings.
(4) We would then apply that replacement rate to the AIME based solely on covered employment to derive the actual PIA.

$$Covered\ AIME\ x \left(\frac{Covered\ and\ Noncovered\ PIA}{Covered\ and\ Noncovered\ AIME} \right) = New\ PIA$$

Additionally, the President's Budget proposal would similarly modify the GPO. As with the new calculation to deal with a worker's non-covered earnings, we would calculate a new AIME that includes any years of non-covered earnings. We would then calculate a new "combined" PIA from this new AIME. This amount is the equivalent Social Security retired worker benefit that the individual would have received had all of their work been in covered employment.

[7] As I noted earlier in my testimony, we currently have a data exchange with OPM to identify individuals who receive a Federal pension based on non-covered work.
[8] The AIME is, in short, a person's average monthly wages, calculated using his or her 35 highest years of earnings, and indexed for inflation. Please see Appendix A for more information.

As under current law spousal benefits, this new retired worker benefit would be subtracted dollar for dollar from the spousal benefit the non-covered worker would be eligible for and only the difference, if any, would be provided as a Social Security spousal benefit.

$$Spouse's\ Covered\ and\ Noncovered\ PIA\ -\ Spouse's\ Covered\ PIA = New\ GPO\ Reduction$$

Appendix C includes examples of the proposed new computations for noncovered work. As the examples show, some individuals would receive more benefits than they would expect under current law, while others could expect to receive less. As with any policy change as significant as this one, it is critical to allow sufficient lead-time so that affected individuals can incorporate the change in their financial planning and decision-making. We believe that an effective date of 2027 allows enough time for individuals to adjust their retirement plans.

Conclusion

Congress created the WEP and GPO provisions so that Social Security benefits would remain progressive and fairly reflect an individual's covered and non-covered earnings. However, in the absence of non-covered earnings data on which to calculate an appropriate benefit reduction, Congress based its reductions on the receipt of a non-covered pension. This approach was the most manageable solution, given the limited earnings information available for use in the late 1970s and early 1980s. However, we will soon have more than 40 years of non-covered earnings data in our records. These data will give us the capability to transition toward an alternative WEP and GPO formula based on these earnings. The Administration recommends such an approach, as it would simplify administration, reduce improper payments, and provide all workers with more equitable treatment. In the interim, the President's Budget proposes requiring State and local government pension payers to provide us with non-covered pension data, thereby enabling us to apply current-law WEP and GPO more consistently and correctly.

We appreciate Chairman Brady's leadership on this issue and his interest in, and efforts toward, a similar solution through his introduced bill, H.R. 711, the *Equal Treatment of Public Servants Act of 2015*. While there are a number of differences between the President's and the Chairman's proposed legislation, we would like to note their shared formula to replace the WEP.

This concludes my testimony. I appreciate the opportunity to appear before you today and would be happy to answer any questions you may have.

APPENDICES TO THE STATEMENT FOR THE RECORD
Appendix A: Determining Primary Insurance Amount

PIA Definition
The "primary insurance amount" (PIA) is the benefit a person would receive if he or she elects to begin receiving retirement benefits at his or her normal retirement age. At this age, the benefit is neither reduced for early retirement nor increased for delayed retirement.

PIA Formula Bend Points
The PIA is based on a person's average indexed monthly earnings (AIME). The PIA is the sum of three separate percentages of portions of a person's AIME. The portions depend on the *year* in which a worker attains age 62, becomes disabled before age 62, or dies before attaining age 62.

For 2016, these portions are:

the first $856 of AIME,
the amount of AIME between $856 and $5,157, and
the amount of AIME over $5,157.

These dollar amounts are the "bend points" of the 2016 PIA formula. The table at the following link shows bend points for years beginning with 1979: ://www.ssa.gov/oact/cola/bendpoints.

PIA Formula

For an individual who first becomes eligible for old-age insurance benefits or disability insurance benefits in 2016, or who dies in 2016 before becoming eligible for benefits, his or her PIA will be the sum of:

90 percent of the first $856 of AIME
+ 32 percent of AIME over $856 and through $5,157
+ 15 percent of AIME over $5,157

We round this amount to the next lower multiple of $.10 if it is not already a multiple of $.10.

PIA Calculation Example:

AIME $2,200		
First bend point:	$856 x .9 =	$770.40
+ Second bend point:	$1,344 x .32 =	$430.08
		$1,200.48 (rounded down to $1,200.40)
	PIA =	**$1,200.40**

APPENDIX B

Windfall Elimination Provision (WEP)—(Current Law)

Under the WEP, we will reduce a worker's retirement or disability benefit if the worker has fewer than 30 years of "substantial earnings." Specifically, for those who reach 62 or became disabled in 1990 or later, we reduce the first bend point (the 90 percent factor in our formula) to as little as 40 percent. The bend point reduction depends upon the worker's number of Years of Coverage ($22,050 of covered earnings in 2016).

Substantial Earnings

Year	Substantial Earnings
1937-54	$900
1955-58	$1,050
1956-65	$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

Year	Substantial Earnings
1983	$6,675
1984	$7,050
1985	$7,245
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

Year	Substantial Earnings
1999	$13,425
2000	$14,175
2001	$14,925
2002	$15,750
2003	$16,125
2004	$16,275
2005	$16,725
2006	$17,475
2007	$18,150
2008	$18,975
2009-11	$19,800
2012	$20,475
2013	$21,075
2014	$21,750
2015-16	$22,050

WEP Reduction Factor (first bend point)

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

WEP Guarantee (or Minimum): The law protects a worker who receives a low pension. We may not reduce a Social Security benefit by more than half of the worker's noncovered pension.

WEP PIA Calculation Example:

AIME $2,200; 20 YOCs (first bend point 40%)

First bend point:	$856 x .4 =	$342.40
+ Second bend point:	$1,344 x .32 =	$430.08
		$772.48 (rounded down to $772.40)
	PIA =	**$772.40**

NEW (President's Proposal, effective for new beneficiaries beginning on January 1, 2027)

The President's proposal would replace the current WEP calculation by implementing what the Greenspan Commission recommended: *Determine a replacement rate based on the average covered and non-covered earnings, and then apply that replacement rate to the average earnings based solely on covered employment.*

$$Covered\ AIME\ x \left(\frac{Covered\ and\ Noncovered\ PIA}{Covered\ and\ Noncovered\ AIME} \right) = New\ PIA$$

Appendix C

Examples of Estimated Offset

Appendix C includes examples of how the proposed new computations could affect hypothetical benefit levels, including comparisons to benefit calculations under current law and under a potential repeal of WEP or GPO. As the examples show, some individuals could receive more benefits under the proposed new computations than they could expect under current law, while others could expect to receive less.

Our examples assume the following:

- Each of our six example couples has $46,500 in annual household earnings (between both spouses, and between covered and non-covered earnings).
- All beneficiaries have filed for retirement insurance benefits (and/or surviving spouse's benefits) at full retirement age (no age reductions or delayed retirement credits apply). Pensions are assumed to be 67% of monthly average non-covered earnings.
- Under "New Calculation," when discussing both the President's proposal and Chairman Brady's bill (H.R. 711), we presented the results as if both bills took effect in 2016. The effective date of the new calculations in the President's proposal is 2027. The effective date for H.R. 711 is 2017.
- We have not included in the examples H.R. 711's supplemental benefit for individuals whose benefits would be reduced due to current-law WEP.
- All estimated benefits are in 2016 dollars and use 2016 earnings assumptions.

Appendix C

Windfall Elimination Provision

(Couple 1 and Couple 2 have identical earnings over 35 years.)

Couple 1

Bob has 25 years of covered earnings (avg. $46,500/yr.) and 10 years of non-covered earnings (avg. $46,500/yr.).
Bob receives a pension of $742/mo. based upon his non-covered earnings.
Betty, his spouse, had no earnings.

	Current Law (Applying WEP)	New Calculation (President's Proposal & H.R. 711)	Repeal WEP
Bob's Social Security retirement benefit	1168	1240	1382
Betty's Social Security spouse's benefit	584	620	691
Bob's pension	742	742	742
Household Total	**2494**	**2602**	**2815**

Couple 2

Cindy has 35 years of covered earnings (avg. $46,500/yr.) and no non-covered earnings.
Carl, her spouse, had no earnings.

	Current Law
Cindy's Social Security retirement benefit	1736
Carl's Social Security spouse's benefit	868
Household Total	**2604**

Appendix C

Government Pension Offset

(Couple 3 and Couple 4 have identical earnings over 35 years.)

Couple 3

Abby has 35 yrs. non-covered earnings (avg. $20,000/yr.) without any covered earnings.
Abby receives a pension of $1,117/mo. based upon her non-covered earnings.
Her deceased spouse had 35 years of covered earnings (avg. $26,500/yr.) and no non-covered earnings.

	Current Law (Applying GPO)	New Calculation (President's Proposal)	Repeal GPO
Abby's Social Security surviving spouse's benefit	459	174	1203
Abby's pension	1117	1117	1117
Total	**1576**	**1291**	**2320**

Couple 4

Mike has 35 yrs. of covered earnings (avg. $20,000/yr.) without any non-covered earnings.
His deceased spouse had 35 years of covered earnings (avg. $26,500/yr.)

	Current Law
Mike's Social Security retirement benefit	1029
Mike's Social Security surviving spouse's benefit	174
Total	**1203**

Appendix C

Windfall Elimination Provision and Government Pension Offset

(Couple 5 and Couple 6 have identical earnings over 35 years.)

Couple 5

Gordon has 10 yrs. covered earnings (avg. $26,500/yr.), and 25 yrs. non-covered earnings, (avg. $26,500/yr.).
Gordon receives a pension of $1,057/mo. based upon his non-covered earnings.
His deceased spouse had 35 years of covered earnings (avg. $20,000/yr.).

	Current Law (Applying WEP and GPO)	New Calculation (President's Proposal & H.R. 711)	H.R. 711 (No Change to GPO)	Repeal WEP + GPO
Gordon's Social Security retirement benefit	252	343	343	567
Gordon's Social Security surviving spouse's benefit	72	49	0	462
Gordon's pension	1057	1057	1057	1057
Total	**1381**	**1449**	**1400**	**2086**

Couple 6

Jessica has 35 yrs. of covered earnings (avg. $26,500/yr.) without any non-covered earnings.
Her deceased spouse had 35 years of covered earnings (avg. $20,000/yr.).

	Current Law
Jessica's Social Security retirement benefit	1203
Jessica's Social Security surviving spouse's benefit	0
Total	**1203**

Mr. Goss, welcome. Please go ahead.

STATEMENT OF STEPHEN C. GOSS, CHIEF ACTUARY, OFFICE OF THE CHIEF ACTUARY, SOCIAL SECURITY ADMINISTRATION

Mr. GOSS. Thank you very much, Chairman Johnson, Mr. Larson, and other Members of the Committee. It is really a pleasure to be here with you today to talk about this important subject.

I do want to say what an incredible pleasure it is working with people like Amy Shuart and the rest of your folks on this and other issues, and I much look forward to what Mr. Larson is talking about, talking about broader issues for Social Security maintaining its good actuarial status in the future.

What we are here to talk about today really is principally the Windfall Elimination Provision, and what I want to focus on in the very brief time we have is this proposed change to the way that it has been functioning.

As Samara and others have mentioned, we have the approach we have got now because that was put in the law back in 1983, and really there was no choice back then because of the nature of data that were available.

The current approach really, if we think about this philosophically what these two approaches do, the current approach is basically a matter of a benefit offset. For people we know are receiving a pension based on non-covered employment, there is an offset applied to their worker benefit, retired worker or disabled worker benefit, up to one-half of the amount of that non-covered pension.

But to apply this, it requires that we know and we have knowledge of this non-covered pension, and there are lots of complications in that.

The proposal would take a very different approach. The proposal would take the approach as has been mentioned a few different ways here in basically saying: what if we looked at all of the earnings that a person had, covered and non-covered, and looked at the level of benefit that they would be getting if all had been covered, but then importantly, look at the replacement rate that would be provided for that person, that is, the ratio of the amount of benefit they would get versus their average earnings when they had been working, with all of their earnings, covered and non-covered.

Now, because it is a progressive formula, people with higher overall career earnings get a lower replacement rate than people with lower career earnings.

In a little example that I provided on page 2 of the written testimony, you can see we show that for a person who in their lifetime career earnings had an average earnings of about $48,000, which we call sort of our medium earner throughout their career of covered and non-covered earnings, if it was covered earnings only, they would get a benefit replacement rate of about 40 percent of the level of earnings they had been getting. That would be their benefit, about 40 percent at age 65.

But if a little bit over half of those earnings were in non-covered employment, the way our formulas are working now, the person would get a benefit replacement rate of 53 percent, where 40 percent would seem to be more appropriate for a person with that kind of a lifetime career earnings level.

So what the proposals do basically is say for that portion of the earnings that were in covered employment, rather than providing the 53 percent replacement rate, provide the 40 percent replacement rate, which by our formula is deemed to be appropriate for that level of lifetime career earnings.

So it is in that sense that it would be argued, I think, that the proposed formula by both Chairman Brady, Mr. Neal, and the President would be a more appropriate approach.

And, by the way, they are really exactly the same formula for looking forward. The only difference is that the Brady-Neal proposal would start with people newly eligible for benefits in 2017, where the President's would wait until newly eligible in 2027.

Now, let me just share with you a couple of numbers related to this. Currently we have about 1.5 million retired worker and disabled worker beneficiaries subject to the Windfall Elimination Provision. About 84 percent, or one and a quarter million of those, if we were to be able to magically change to the new formula today, just to give you a sense of what the impact would be, 84 percent of them would have actually less reduction, that is, an increase in benefit, of about $77 per month. That would be about a 19 percent increase in benefits for about 84 percent of the people currently subject to the WEP.

About one-quarter of a million of the people, or about 16 percent, would have about a $13 per month reduction or about an eight percent reduction in benefits. These are people who are currently reduced, but they are not reduced by very much under the current formula.

Now, importantly, there is another group of folks. There are about 15 million people that we estimate in our retired worker and disabled worker population who are in receipt of benefits that are not being reduced by the Windfall Elimination Provision even though they do have some years of non-covered earnings.

If we were to apply the new formula to them, about one million, or seven percent of those folks, would not receive any reduction at all. Why? Because their earnings even including all of the covered and non-covered earnings, are still well enough below our first bend point, and they have a 90 percent replacement ratio with or without consideration of the provision.

The other 14 million, or 93 percent of this 15 million people, would receive a small reduction. It would average about $27 per month, which is about two percent, on average, of the benefits that they are currently receiving. These folks are relatively high level beneficiaries under current law.

Chairman JOHNSON. The gentleman's time has expired. Can you close it?

Mr. GOSS. The one further little item on this is that about one-half of these 15 million people who would be affected with a reduction, one-half of them would receive the least affected, only $3 on average.

Chairman JOHNSON. I do not think you are listening to me. Your time has expired, sir.

Mr. GOSS. Apologies, Chairman Johnson. Okay. I will stop at this point and look forward and hopefully you will have an opportunity for some questions.

[The prepared statement of Mr. Goss follows:]

"Social Security and Public Servants: Ensuring Equal Treatment"

Testimony by Stephen C. Goss, Chief Actuary, Social Security Administration

House Committee on Ways and Means, Subcommittee on Social Security

March 22, 2016

Chairman Johnson, Ranking Member Becerra, and members of the subcommittee, thank you very much for the opportunity to speak to you today about the way Social Security benefits are adjusted currently for workers with earnings not covered under the program, and recent proposals to modify this adjustment. I will focus on the effects on Social Security beneficiaries of H.R. 711, introduced by Chairman Brady with Representative Neal on February 4, 2015, and the proposal included in the President's Fiscal Year 2017 Budget. Each of these proposals included modifications of the Windfall Elimination Provision (WEP) that applies to primary benefits for retired-worker and disabled-worker beneficiaries, as well as to auxiliary benefits for their spouses and children. Please refer to our enclosed letters providing estimates of the implications of these proposals for Social Security actuarial status, which are also available at https://www.ssa.gov/oact/solvency/index.html.

Present Law Windfall Elimination Provision (WEP)

Under current law, retired-worker and disabled-worker beneficiaries have their primary insurance amount (PIA) computed with a three-segment formula, which applies a 90 percent factor to the lowest portion of their average earnings, 32 percent to a substantial "middle" portion of their average earnings, and 15 percent to the highest portion of earnings for high earners. Average earnings are computed reflecting the highest 35 years of covered earnings for most retirees, and fewer years included for most disabled workers. Career-average *covered* earnings for workers who have some non-covered earnings are generally lower than career-average covered earnings for similar workers who worked solely in covered employment. Therefore, a higher proportion of average covered earnings are in the lower PIA formula bracket, and in turn, the PIA formula provides a higher "replacement rate," (that is, the ratio of PIA to career-average indexed earnings) for these workers than for similar workers who worked solely in covered employment.

In order to offset the advantage, or windfall, provided in the PIA formula for workers with non-covered earnings, the WEP gradually reduces the 90 percent PIA factor used for beneficiaries with 30 or more years of substantial covered earnings to 40 percent for those with 20 or fewer years of substantial covered earnings.. A similar adjustment is applied for disabled worker beneficiaries with non-covered earnings.

The WEP is limited in application so that it does not reduce the PIA by more than one-half of the amount of the retirement or disability pension (periodic payment) received by the worker based on non-covered employment. Worker beneficiaries who are not known to be receiving periodic payments based on their non-covered earnings do not have their PIA reduced by the WEP.

Proposed Change in WEP for Worker Beneficiaries Newly Eligible in the Future

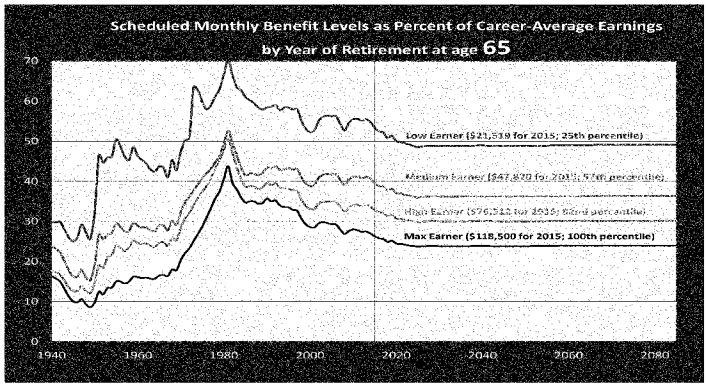
The proposal introduced by Chairman Brady and Representative Neal (H.R. 711) and the proposal included in the President's Fiscal Year 2017 Budget would ultimately alter the adjustment of worker primary benefits in the same way, starting with those newly eligible for worker benefits in 2017 for H.R. 711 and in 2027 for the President's proposal. This new adjustment would effectively apply the benefit replacement rate the worker would have had if all of his or her earnings had been covered under the Social Security program, to the worker's average indexed monthly earnings (AIME) using only covered earnings on which payroll taxes were paid.

Adjusted PIA = (PIA using all earnings / AIME using all earnings) * AIME using covered earnings only

This adjustment would be applied whether or not the worker is eligible for or receiving a pension based on non-covered earnings, and does not include a limitation based directly on the number of years of substantial covered earnings (in other words, the 30-years-of-coverage exclusion is eliminated). Because the Social Security Administration has records of non-covered earnings for years after 1977, but does not have universal access to records for receipt of non-covered pensions, this new adjustment would be much easier to apply, and would be applied much more uniformly to all workers with some years of non-covered earnings.

The figure below illustrates how the benefit replacement rate varies for retired-worker beneficiaries (retirees starting benefits at age 65) depending on the level of their career-average ***covered*** earnings.

Replacement Rates based on the 2015TR



Source: Annual Recurring Actuarial Note #9 at www.ssa.gov/oact/NOTES/ran9/index.html

For example, a worker with career-average earnings of $47,820, our "medium earner," receives a retirement benefit of about 40 percent of their career-average earnings. However, if the same worker happens to have worked in non-covered employment for a little over half their career, such that their career-average ***covered*** earnings are only at $21,519, the level for our "low earner," then the benefit will be about 53 percent of the career-average ***covered*** earnings. While the current WEP attempts to adjust for this disparity, the variability in pensions based on non-covered earnings and the reporting of these pensions leads to inconsistent adjustments in benefit levels.

The change proposed in H.R. 711 and in the Fiscal Year 2017 Budget makes a direct adjustment to the replacement rate such that the worker described above (overall career-average earnings at the medium-earner level, with a little over half of the earnings in non-covered employment, so that their career-average covered earnings would be at the low–earner level) would receive a benefit replacement rate of 40 percent, instead of 53 percent. This adjustment would occur uniformly and consistently for individuals with split careers between covered and non-covered earnings. Differences in pension levels and reporting by various non-covered employers would no longer influence the adjustment to Social Security worker benefits. The implicit rationale for this approach may be characterized as: for years of non-covered earnings, where neither the employer nor the employee paid Social Security payroll tax, the employee and employer should be responsible for providing pension coverage and disability protection.

Ultimate Effects on Beneficiaries of the New WEP Adjustment

In order to meaningfully illustrate the effects of the new adjustment on workers who will become eligible starting in 2017 and 2027, respectively, under these proposals, we provide estimates of the effects of the new adjustments on all current beneficiaries in 2016, as though the new approach applied to them. The average monthly WEP reduction for workers in 2016 with the current approach is about $270.

For the roughly 1.5 million retired-worker and disabled-worker beneficiaries in 2016 whose primary benefit is reduced under the current WEP, the new adjustment would result in an increased primary benefit for about 1.25 million beneficiaries (about 84 percent of all currently-affected beneficiaries). The average reduction would be about $77 less on average, from $274 per month under the current WEP to about $198 per month under the new adjustment. The remaining 0.25 million beneficiaries (about 16 percent of all currently-affected beneficiaries) would see a further small reduction in their primary benefit. Their average reduction would be about $13 more on average, from $190 per month under the current WEP to about $203 per month under the new adjustment.

For 2016, we estimate that there are roughly 15 million retired-worker and disabled-worker beneficiaries with some non-covered earnings after 1977 who are not reduced under the current WEP. We estimate that for about 1 million (about 7 percent) of these beneficiaries, the new adjustment (if it were in place in 2016) would not change their primary benefit. For the other 14

million beneficiaries, the average reduction in benefit would be about $27 per month for 2016. For the half of this 15 million least affected by the new adjustment, the average primary benefit reduction would be just $3 per month. For the half most affected, the reduction would average $46 per month. About 55 percent of the 15 million, or roughly 8 million beneficiaries, qualify for exemption from the current WEP because they have 30 or more years of substantial covered earnings. Because these 8 million retired-worker or disabled-worker beneficiaries have relatively few years of non-covered earnings, their reduction under the new approach would be relatively small. In addition, more than 75 percent of these 15 million workers have fewer than 5 years with any non-covered earnings.

Proposed Change in WEP for Worker Beneficiaries Newly Eligible in the Past or Near Future

Both proposals would expand the application of the current WEP to worker beneficiaries first eligible before the implementation of the new adjustment formula.

Under H.R. 711, all individuals eligible for retired-worker or disabled-worker benefits for December 2016 who: (1) have any recorded non-covered earnings after 1977, (2) are not currently affected by the WEP, and (3) have less than 30 years of substantial covered earnings, would be required to obtain by the end of 2016 certification from any employer who paid him or her non-covered earnings. This certification would indicate whether the worker is vested for a pension, and when and how much pension has been received. A WEP reduction would be applied if it is determined to be warranted for past or future benefits. If the WEP reduction is applicable for past benefits, an overpayment would be established to be repaid by the beneficiary, principally through recovery from his or her future benefits. If an individual does not obtain certification, then the WEP would be applied for past and future benefits limited only by the number of substantial years of covered earnings.

Under H.R. 711, a "rebate" would be applied for all benefits reduced by the current WEP based on entitlement for months in 2017 and later. The rebate would be determined to be as high as possible, but not in excess of 50 percent of the WEP reduction, and limited to assure that the net effect of the Bill on Social Security program cost through 2025 would be neutral or positive. We estimate that the maximum permissible rebate percentage of 50 percent would be applicable.

Under the President's proposal in the 2017 Budget, employers would be required to report all periodic payments (pensions) based on non-covered earnings for past and future years, for workers who were or will be first eligible for a retired-worker or disabled-worker benefit before 2027. This additional reporting, particularly from state and local governments, will lead to additional workers being subject to WEP reduction for past and future benefits.

Effects on Beneficiaries of the Increased Application of the Current WEP

Under H.R. 711, we estimate that up to 10 percent of the 7 million worker beneficiaries in December 2016 with some past non-covered earnings, fewer than 30 years of substantial covered earnings, and no current WEP reduction would be determined to warrant a WEP reduction on

some past or future benefits. This assumption is very uncertain, and the actual number would depend substantially on the efforts made by beneficiaries and their former employers to produce and obtain valid certification of their pension vesting and payments received. We estimate that for this group, the average amount of overpayment made before 2017 that would be recovered in 2017 through 2025 will be roughly $8,000. For future benefits to this group, the average total benefit reduction through 2025, net of the 50-percent rebate, will also be roughly $8,000. Recovery of overpayments for prior months would be limited by the financial status of the beneficiaries and the remaining duration of their benefit receipt. Thus, the number of individuals with recovery and reduction of benefits is very uncertain.

Under the President's proposal, we estimate that establishing systems for reporting of pension payments based on non-covered earnings would require about 3 to 6 years to fully develop and would ultimately capture most but not all non-covered pension recipients. We estimate that the percentage of the 7 million worker beneficiaries in December 2016 with past non-covered earnings, fewer than 30 years of substantial covered earnings, and no current WEP reduction who would be determined to warrant a WEP reduction on some past or future benefits under the President's proposal would be significantly lower than for the process under H.R. 711. In addition, because reductions and recoveries would be applied only for months with verified receipt of pension payments and would be limited based on the size of the pension payments, the average reduction or recovery might be smaller per month than under H.R. 711. Overall, we estimate that program savings through 2025 for benefit reductions and recoveries under the President's proposal for worker beneficiaries entitled for December 2016 would be less than half the amount expected under the provisions of H.R. 711. Under the President's proposal, however, additional workers becoming newly eligible for retired-worker or disabled-worker benefits after December 2016, through 2026, would also be found to have non-covered pension payments requiring application of the WEP adjustment.

Government Pension Offset (GPO)

The President's proposal would utilize the additional reported pension data to improve application of the current law GPO. The proposal would also change the GPO provision for those eligible after 2026, limiting the offset to spouse benefits (including divorced and surviving spouses) at age 62 or older and to spouse benefits for those also receiving any Social Security benefit based on their own disability (including disabled worker, disabled widow, and disabled adult child beneficiaries under age 62). The offset would be applied to these auxiliary benefits more consistently, based on their past earnings in non-covered employment. The new offset would reduce the amount of the auxiliary benefit by the excess of (1) the auxiliary beneficiary's own potential retired-worker or disabled-worker benefit based on all of his or her earnings over (2) the auxiliary beneficiary's potential worker benefit based on covered earnings only. This excess amount would be calculated and applied regardless of the insured status of the auxiliary beneficiary. This provision contributes to the program savings under the President's proposal as indicated in our letter to the Director of OMB. It is our understanding that the intent of this

hearing is to explore proposals affecting the WEP adjustments on primary benefits for workers, so I will not cover the details of the GPO provisions in this testimony.

Conclusion

Both H.R. 711 and the President's proposal in the Fiscal Year 2017 Budget would ultimately result in a more consistent and logical adjustment to the primary benefit amounts for workers with career earnings split between covered and non-covered employment. The analysis offered here reflects intense analytical work by several people in our office, but particularly Jacqueline Walsh and Bert Kestenbaum (now retired). We appreciate the opportunity to share the results of our analysis and our estimates for the effects of these proposals. They are, as always, a work in progress. I will be happy to attempt to answer any questions you may have.

SOCIAL SECURITY
Office of the Chief Actuary

March 17, 2016

The Honorable Kevin Brady
House of Representatives
Washington, D.C. 20515

Dear Chairman Brady:

I am writing in response to your request for our estimate of the financial effects on the Social Security Trust Funds of H.R. 711, the "*Equal Treatment of Public Servants Act of 2015*," which you introduced on February 4, 2015 with Representative Neal. This proposal would replace the windfall elimination provision (WEP) with a new formula that you have referred to as the "Public Servant Fairness Formula" (PSF).

The proposal reflects your prior bills in concept, replacing the current complex WEP with a more straightforward approach designed to provide retired-worker and disabled-worker beneficiaries (and their dependents) with a benefit computed with all past earnings included (including earnings in employment that was not covered under the OASDI program in our records starting with 1978), then multiplied by the ratio of the average indexed monthly earnings (AIME) computed without non-covered earnings to a modified average indexed monthly earnings (AIME′) that includes both covered and non-covered earnings in our records. Another way to describe the new approach is that beneficiaries will receive a benefit that reflects the replacement rate applicable for a worker with the same career earnings, where all earnings had been covered. Effectively, the PSF formula would compute the worker's PIA as the ratio of PIA based on all earnings (covered and non-covered) to the average indexed monthly earnings (AIME) computed based on all earnings, multiplied by the AIME based on covered earnings only. These two ways of describing the new approach are mathematically equivalent.

Importantly, for workers becoming eligible for OASDI benefits after 2016, the proposal would eliminate the requirement for receipt of a pension based on earnings not covered by the OASDI program in order to apply the new PSF reduction. We have enjoyed working with Aindriu Colgan and Amy Shuart of your staff in the development of this proposal. Estimates provided for this proposal reflect the efforts of many in the Office of the Chief Actuary, but particularly Jacqueline Walsh, Chris Chaplain, and Karen Glenn.

The new PSF would be applied for all retired-worker and disabled-worker beneficiaries who are newly eligible for benefits after December 2016. For workers who (1) were eligible for a Social Security retired-worker or disabled-worker benefit as of December 2016, (2) have at least one year with non-covered earnings in SSA records, (3) have no old WEP reduction under current law for December 2016, and (4) have less than 30 "years of coverage" (YOCs), certification would be required before the end of calendar year 2016 from each employer who paid the worker any non-covered wages since 1978. This certification would specify whether the worker is

entitled to a periodic payment based on his or her non-covered earnings. In the absence of this certification from such employers, the WEP would be applied to all OASDI benefits paid on the worker's account starting in 2017, and would also be assessed on all past benefits paid on the worker's account, with any "overpayment" withheld from future benefits. Reductions to benefits paid in 2017 and later on the basis of these overpayments would be subject to the SSA's use of waiver authority/payment plans where appropriate.

For the purpose of this estimate, we are assuming that the employer certification would indicate: (1) whether the worker is eligible to receive (vested for) a benefit based on the non-covered earnings; (2) whether the worker is currently receiving a periodic payment based on the non-covered earnings and, if so, when payments started; (3) whether future payments are expected in the absence of a current payment; and (4) the amount of any current and past periodic payments based on non-covered earnings. If the worker is certified to have no pension eligibility based on any past non-covered earnings, then no WEP will be applied. If certification indicates current payments and the duration of past payments, then the WEP will be applied to current, future, and past benefits after the periodic payments started, with due consideration of the limit based on pension amount. If current payment is certified without indication of when payments started, then the current WEP will be applied to all current, past, and future benefits on the worker's account. If certification indicates eligibility for a pension based on non-covered earnings with no current payment, then SSA will develop procedures for determining when such payments will commence in the future, at which time the WEP would apply.

Finally, a rebate, in the form of a percentage reduction in the amount of the WEP offset, will be provided for all WEP offsets applicable to benefits paid for 2017 and later. The size of the rebate percentage will be promulgated by the Commissioner of Social Security based on a calculation made by the Social Security Administration's Chief Actuary in November 2016. The Chief Actuary will use the best available data at the time to determine the rebate percentage to be as high as possible, but not in excess of 50 percent of the WEP reduction, and limited to assure that the net effect of the Bill on Social Security program cost through 2025 would be neutral or positive. At this time, we estimate that the maximum permissible rebate percentage of 50 percent would be applicable, resulting in a roughly $3.5 billion net reduction in cost through calendar year 2025.

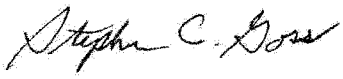
The proposal will result in added program cost for workers newly eligible for an OASDI benefit after 2016 whose benefit amount would be reduced less by the PSF than by the WEP. However, because this proposal does not require receipt of a pension based on non-covered earnings, and eliminates most exemptions from adjustments based on non-covered earnings for workers becoming newly eligible for OASDI benefits after December 2016, our estimate reflects small benefit reductions from the PSF for a relatively large number of workers who would not be reduced by the WEP. The net OASDI program benefit savings are estimated at $13.6 billion total for years 2017 through 2025 for those newly eligible for OASDI benefits after 2016.

We estimate additional savings from benefit reductions for application of the WEP under this proposal to worker beneficiaries eligible for OASDI benefits in December 2016 who do not have a reduction for the WEP but are not certified to be exempt. The combination of the expected savings for the workers becoming newly eligible both before and after the end of 2016 are

estimated to be sufficient to allow for a 50-percent reduction (rebate) for all workers eligible as of December 2016, in the amount of the WEP reduction applied for their benefits for entitlement in January 2017 and later. Over the long-range period, the net effect on the 75-year actuarial balance would be an increase (improvement) of 0.05 percent of payroll. All estimates are based on the intermediate assumptions of the 2015 Trustees Report.

Our estimates for the proposal reflect extensive innovative analysis of data for individuals born in 1950 with experience through June of 2013, including SSA records of earnings not covered by OASDI back to 1978. This analysis has allowed us to model the potential effect of the proposal for 2013 as if it were fully in effect for all retired and disabled workers at that time. Based on these results, we were able to model the expected effects of the proposal for benefit payments starting in 2017. Initially, the proposal would affect substantial numbers of current and former Federal, state, and local government employees, plus certain other individuals receiving payments counted as wages that are not covered. Over the long-range period, the implications of the proposal would progress because the closed group of Federal government employees who are not covered by OASDI were all hired before 1984. Eventually, the group affected by the proposal will be limited principally to the roughly 25 percent of all state and local government employees who are not covered by OASDI.

Sincerely,



Stephen C. Goss
Chief Actuary

SOCIAL SECURITY

February 10, 2016

The Honorable Shaun Donovan
Director, Office of Management and Budget
Washington, D.C. 20503

Dear Director Donovan:

The President's Fiscal Year 2017 Budget, released yesterday, included a proposal for enhancing and modifying the approach taken to adjust benefits for Federal Old-Age and Survivors Insurance (OASI) and Federal Disability Insurance (DI) beneficiaries who had earnings that were not covered under the Social Security program. Under the intermediate assumptions of the 2015 Trustees Report, we project that enactment of this proposal would reduce OASDI program cost by about $8 billion total through Fiscal Year 2026, and that the long-range actuarial balance for the OASDI program would be improved by about 0.08 percent of taxable payroll. Table 1, enclosed, provides annual and summarized long-range estimates of the effects of this proposal on OASDI actuarial status. We have enjoyed working with your staff in the Income Maintenance Branch in the development of this proposal. Many in our office contributed to the development of the proposal and the estimates provided here, principally Jacqueline Walsh and Christopher Chaplain.

Two changes related to OASDI beneficiaries with non-covered earnings are included in the FY 2017 Budget. The first provision would make $70 million available to State and local governments to facilitate development of systems to provide SSA with complete records of employees who have worked in employment not covered under OASDI, where a vested pension (periodic payment) has been earned based on the non-covered earnings. This information will be required for all individuals attaining vested status before January 1, 2027, and will include the timing and amounts of any periodic or lump-sum payments received based on the non-covered earnings: past, present, and expected future. This information will continue to be updated for the lifetime of included workers and will assure accurate and full application of the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) applicable in current law for all workers who become eligible for any OASDI benefit prior to January 1, 2027. We estimate that additional application of WEP and GPO as a result of this enhanced reporting will result in reductions in OASDI benefit payments totaling about $8 billion through FY 2026.

Estimated Reductions in OASDI Benefits from Requiring State and Local Governments to Report Pensions Based on Non-Covered Employment Starting 2017

FY	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	Total
						(billions)					
2015 Trustees Report Intermediate Baseline											
	$0	$0	$0	$0.4	$1.0	$1.4	$1.5	$1.4	$1.3	$1.2	$8.3

The second provision would apply to all individuals first becoming eligible for any OASDI benefit on or after January 1, 2027. New computations, replacing the former WEP and GPO provisions, will apply to worker and auxiliary beneficiaries for the WEP, and to spousal

beneficiaries for the GPO, when the worker or spouse has any non-covered earnings. The requirement to be in receipt of a pension based on non-covered earnings will be eliminated along with the WEP guarantee and all exemptions.

WEP Replacement

The new computation involves three components: (1) a "Super AIME" computed considering all earnings in SSA records (both OASDI covered and non-covered) up to the annual taxable maximum, (2) a "Super PIA" based on the "Super AIME", and (3) the standard AIME based only on OASDI covered earnings, or "Covered AIME." The governing PIA for a worker (also applicable for his/her auxiliaries) is then calculated as the Covered AIME multiplied by the ratio of the Super PIA to the Super AIME.

The new computation will be effective for all payments on the record of a retired or disabled worker beneficiary becoming newly eligible for benefits on or after January 1, 2027. As under current law, upon the death of the worker, the governing PIA will revert to the standard PIA based solely on covered earnings.

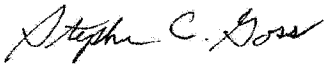
GPO Replacement

Again, three components are used in the computation: (1) a "Super PIA" computed using both OASDI covered and non-covered earnings, (2) a standard PIA ("Covered PIA") based only on OASDI covered earnings, and (3) an age reduction factor. Each component is calculated using the beneficiary's own earnings record, without regard to insured status, as if entitlement to worker benefits begins at the same time as application of the offset. If the beneficiary is entitled to any benefit on the basis of a disability, the PIAs will be computed as for a disabled worker and no age reduction factor will apply. The new offset amount will be the difference between the Super PIA and Covered PIA, multiplied by the age reduction factor, if applicable. If the beneficiary is dually entitled, the offset will be deducted from the excess benefit payable as a spouse.

The new offset will apply to benefits paid to a spouse, former spouse, or surviving spouse of an insured worker when the spouse is age 62 and older, or is entitled to any benefit on the basis of disability. The provision is effective for those attaining 62 or becoming newly eligible for a disability benefit on or after January 1, 2027.

We hope these estimates will be helpful. Please let us know if we may provide further assistance.

Sincerely,



Stephen C. Goss
Chief Actuary

Enclosure

Table 1 - OASDI Cost Rate, Income Rate, Annual Balance, and Trust Fund Ratio

Replace Current-Law WEP and GPO with PIA Calculation Reflecting Covered Earnings and Total Earnings, Effective for New Eligibles in 2027 and Later. Provide Funding to State/Local Governments to Enforce Current-Law WEP and GPO for Individuals Eligible Before 2027.

	Proposal				Change from Present Law		
	Expressed as a percentage of present-law taxable payroll			Trust Fund Ratio	Expressed as a percentage of present-law taxable payroll		
Year	Cost Rate	Income Rate	Annual Balance	1-1-year	Cost Rate	Income Rate	Annual Balance
2015	14.13	12.82	-1.31	308	0.00	0.00	0.00
2016	13.88	12.88	-1.00	298	0.00	0.00	0.00
2017	13.89	12.91	-0.98	280	0.00	0.00	0.00
2018	13.97	12.94	-1.03	264	0.00	0.00	0.00
2019	14.09	12.95	-1.14	248	0.00	0.00	0.00
2020	14.22	12.96	-1.26	233	-0.01	0.00	0.01
2021	14.33	12.98	-1.35	219	-0.01	0.00	0.01
2022	14.50	13.01	-1.49	204	-0.02	0.00	0.01
2023	14.71	13.03	-1.68	189	-0.01	0.00	0.01
2024	14.94	13.06	-1.88	173	-0.01	0.00	0.01
2025	15.15	13.08	-2.07	158	-0.01	0.00	0.01
2026	15.35	13.10	-2.26	142	-0.01	0.00	0.01
2027	15.55	13.11	-2.44	127	-0.01	0.00	0.01
2028	15.74	13.13	-2.61	111	-0.01	0.00	0.01
2029	15.91	13.14	-2.77	95	-0.02	0.00	0.02
2030	16.07	13.15	-2.92	78	-0.02	0.00	0.02
2031	16.21	13.16	-3.05	61	-0.03	0.00	0.03
2032	16.33	13.17	-3.16	43	-0.04	0.00	0.04
2033	16.43	13.18	-3.25	24	-0.05	0.00	0.04
2034	16.50	13.19	-3.31	5	-0.05	0.00	0.05
2035	16.56	13.19	-3.36	---	-0.06	0.00	0.06
2036	16.61	13.20	-3.41	---	-0.07	0.00	0.06
2037	16.64	13.20	-3.44	---	-0.07	0.00	0.07
2038	16.65	13.21	-3.44	---	-0.08	0.00	0.08
2039	16.64	13.21	-3.43	---	-0.08	0.00	0.08
2040	16.62	13.21	-3.41	---	-0.09	0.00	0.08
2041	16.59	13.21	-3.38	---	-0.09	0.00	0.09
2042	16.57	13.21	-3.36	---	-0.10	0.00	0.09
2043	16.54	13.21	-3.33	---	-0.10	-0.01	0.10
2044	16.51	13.21	-3.30	---	-0.10	-0.01	0.10
2045	16.49	13.21	-3.28	---	-0.11	-0.01	0.10
2046	16.46	13.21	-3.25	---	-0.11	-0.01	0.11
2047	16.45	13.21	-3.23	---	-0.11	-0.01	0.11
2048	16.43	13.21	-3.22	---	-0.12	-0.01	0.11
2049	16.42	13.21	-3.21	---	-0.12	-0.01	0.11
2050	16.42	13.21	-3.21	---	-0.12	-0.01	0.11
2051	16.43	13.22	-3.21	---	-0.12	-0.01	0.12
2052	16.45	13.22	-3.23	---	-0.13	-0.01	0.12
2053	16.48	13.22	-3.26	---	-0.13	-0.01	0.12
2054	16.51	13.22	-3.29	---	-0.13	-0.01	0.12
2055	16.56	13.23	-3.33	---	-0.13	-0.01	0.12
2056	16.61	13.23	-3.38	---	-0.13	-0.01	0.13
2057	16.66	13.23	-3.42	---	-0.13	-0.01	0.13
2058	16.71	13.24	-3.47	---	-0.14	-0.01	0.13
2059	16.76	13.24	-3.52	---	-0.14	-0.01	0.13
2060	16.81	13.25	-3.57	---	-0.14	-0.01	0.13
2061	16.87	13.25	-3.62	---	-0.14	-0.01	0.13
2062	16.92	13.25	-3.67	---	-0.14	-0.01	0.13
2063	16.97	13.26	-3.71	---	-0.14	-0.01	0.13
2064	17.02	13.26	-3.76	---	-0.14	-0.01	0.13
2065	17.07	13.26	-3.81	---	-0.14	-0.01	0.13
2066	17.13	13.27	-3.86	---	-0.14	-0.01	0.13
2067	17.19	13.27	-3.92	---	-0.14	-0.01	0.14
2068	17.25	13.27	-3.97	---	-0.14	-0.01	0.14
2069	17.30	13.28	-4.03	---	-0.14	-0.01	0.14
2070	17.36	13.28	-4.08	---	-0.14	-0.01	0.14
2071	17.41	13.28	-4.12	---	-0.14	-0.01	0.14
2072	17.45	13.29	-4.16	---	-0.15	-0.01	0.14
2073	17.49	13.29	-4.20	---	-0.15	-0.01	0.14
2074	17.52	13.29	-4.23	---	-0.15	-0.01	0.14
2075	17.54	13.29	-4.25	---	-0.15	-0.01	0.14
2076	17.55	13.29	-4.26	---	-0.15	-0.01	0.14
2077	17.56	13.29	-4.26	---	-0.15	-0.01	0.14
2078	17.56	13.30	-4.27	---	-0.15	-0.01	0.14
2079	17.56	13.30	-4.27	---	-0.15	-0.01	0.14
2080	17.56	13.30	-4.27	---	-0.15	-0.01	0.14
2081	17.57	13.30	-4.27	---	-0.15	-0.01	0.14
2082	17.58	13.30	-4.28	---	-0.15	-0.01	0.14
2083	17.60	13.30	-4.30	---	-0.15	-0.01	0.14
2084	17.63	13.30	-4.33	---	-0.15	-0.01	0.14
2085	17.66	13.30	-4.36	---	-0.15	-0.01	0.14
2086	17.70	13.30	-4.40	---	-0.15	-0.01	0.14
2087	17.74	13.31	-4.43	---	-0.15	-0.01	0.14
2088	17.78	13.31	-4.47	---	-0.15	-0.01	0.14
2089	17.82	13.31	-4.51	---	-0.15	-0.01	0.14
2090	17.87	13.31	-4.55	---	-0.15	-0.01	0.14

Summarized Rates: OASDI

	Cost Rate	Income Rate	Actuarial Balance	Year of reserve depletion[1]
2015 - 2089	16.46%	13.86%	-2.60%	2034

Summarized Rates: OASDI

Change in Cost rate	Change in Income Rate	Change in Actuarial Balance
-0.09%	0.00%	0.08%

[1] Based on Intermediate Assumptions of the 2015 Trustees Report

[1] Under present law the year of Trust Fund reserve depletion is 2034

Office of the Chief Actuary
Social Security Administration
February 9, 2016

Chairman JOHNSON. Thank you.

Dr. Fichtner, you are recognized.

STATEMENT OF JASON FICHTNER, Ph.D., SENIOR RESEARCH FELLOW, MERCATUS CENTER, GEORGE MASON UNIVERSITY

Mr. FICHTNER. Thank you, sir.

Chairman JOHNSON. Thank you.

Mr. FICHTNER. Good morning, Chairman Johnson, Representative Larson, Members of the Committee. Thank you for inviting me to testify today. It is good to be back before you again.

From my testimony I hope to leave you with the following takeaways: first, a full repeal of the Windfall Elimination Provision, WEP, or Government Pension Offset, GPO, would violate the principles of fairness and equity. These provisions were originally intended to protect.

The original public policy intent of the WEP and GPO is to ensure fair treatment between workers with earnings covered by Social Security and workers with earnings that are not covered by Social Security. It is important that disparate treatment between covered and non-covered workers remain.

Two, the current WEP and GPO provisions create an overly complex structure. This can sometimes result in higher replacement rates for some people with high lifetime combined earnings and those with low lifetime earnings.

Further, the complexity and lack of transparency in the current WEP and GPO provisions can hinder people's ability to accurately plan for retirement and potentially cause undue hardship for retirees.

Third, a proportional or prorated formula would improve fairness of the WEP while maintaining fairness overall. This change would allow for the use of one benefit formula for all Social Security beneficiaries. It would be simple to understand and would be fairer than the current system, while still maintaining the original intent of fairness and equity of the WEP and GPO provisions.

Social Security retirement disability benefits are funded via payroll tax on covered earnings. The system is designed as a progressive benefit formula that provides a higher replacement rate for low income earners than for higher income earners.

The result is that monthly Social Security benefits represent a larger share of lifetime earnings for low income workers than high income workers. This does not mean that a low income worker's monthly benefit amount is higher in nominal dollars than a higher income worker, but rather that the replacement rate is higher.

For workers with entire careers in covered employment, lower lifetime wage earners receive a higher replacement rate than higher lifetime wage earners. But problems arise when workers have earnings from non-covered employment, such as earnings received through State and local governments and careers such as public school teachers, police officers or firefighters. If these workers have an entire career in State and local government that is not covered by Social Security, there is no problem with the WEP.

However, many of these State and local government employees still qualify for some Social Security benefits either because they have employment history in both covered and non-covered employ-

ment or because they work simultaneously in two or more jobs that include covered and non-covered employment.

While the WEP is intended to ensure that Social Security beneficiaries are treated fairly and that benefits are provided only for years in which people paid into the Social Security system, the result is that the replacement rate for some with high lifetime combined earnings is higher than those with low lifetime earnings.

The WEP mistakenly treats some high income earners as if they were low income earners. That is unfair. The WEP formula is complicated and hard to explain to beneficiaries.

Further, the current Social Security statement provides estimated monthly benefit amounts that are not adjusted for the WEP. For people relying on the Social Security statement as a retirement planning tool, the current non-WEP adjusted information in the statement could cause people to overestimate their financial readiness for retirement.

Completely eliminating the WEP will only return Social Security to its pre-WEP state and reinstate a windfall for those with both covered and non-covered employment. Hence, repeal is not advised.

However, a proportional or prorated form would improve fairness of the WEP while maintaining fairness and equal treatment.

As of January 2017, SSA will have 35 years of employment history, including both covered and non-covered employment. Thus, we now have both the information and tools necessary to reform the WEP and move to a prorated formula.

President Obama's budget contains such a proposal and so does a similar bill introduced by Chairman Brady and Representative Neal. They are very, very similar. For workers whose entire careers are in covered earnings, the resulting Social Security benefit amount is the same. However, for those with non-covered earnings but with similar combined average annual lifetime earnings, now their covered earnings are receiving the same replacement rate as those whose entire careers are spent in covered employment.

In other words, their replacement rate on covered earnings is now the same and treats both workers with identical lifetime earnings history equally, thus restoring some fairness to the system while still maintaining the original intent of WEP to avoid a, quote, unquote, windfall to those with non-covered earnings.

The simplicity and fairness of the proposed new formula is that it would apply to all workers, those with both covered earnings only and those with both covered and non-covered earnings, making it easy for Social Security to administer and for beneficiaries to better plan for retirement.

Additionally, the Social Security statement could provide accurate monthly benefit amounts to better enable people to plan their financial security in retirement.

It is not often that a Social Security reform proposal comes forward that has bipartisan support and support from both Congress and the President. The original intent of the WEP and GPO still applies today. However, we now have the opportunity to get the formula right for the improvement of the Social Security program and its beneficiaries.

Thank you again for your time and this opportunity to testify. I look forward to your questions.

[The prepared statement of Mr. Fichtner follows:]

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TESTIMONY

RESTORING EQUITY AND FAIRNESS TO THE SOCIAL SECURITY WINDFALL ELIMINATION PROVISION (WEP) AND GOVERNMENT PENSION OFFSET (GPO)

JASON J. FICHTNER, PhD
Senior Research Fellow, Mercatus Center at George Mason University

House Committee on Ways and Means, Subcommittee on Social Security
Hearing: Social Security and Public Servants: Ensuring Equal Treatment

March 22, 2016

Good morning, Chairman Johnson, Ranking Member Becerra, and members of the subcommittee. Thank you for inviting me to testify today.

My name is Jason Fichtner, and I'm a senior research fellow at the Mercatus Center at George Mason University, where I research fiscal and economic issues, including Social Security. I am also an affiliated professor at Johns Hopkins University, Georgetown University, and Virginia Tech, where I teach courses in economics and public policy. Previously I served in several positions at the Social Security Administration (SSA), including deputy commissioner of Social Security (acting) and chief economist. All opinions I express today are my own and do not necessarily reflect the views of my employers.

I'd like to begin by thanking Chairman Johnson and Ranking Member Becerra for the leadership you provide this committee to ensure that important public policy issues involving Social Security get the attention and debate they deserve and also to ensure that ideas and viewpoints from all sides are aired in a collegial and respectful manner. It is truly a privilege for me to be here testifying before you today.

My testimony focuses on two key issues. First, I will explain how the current-law Windfall Elimination Provision (WEP)[1] is overly complex and unfair. Second, I will discuss how reforming the Social Security benefit formula

1. The Windfall Elimination Provision (WEP) reduces Social Security benefit payments to beneficiaries whose work histories include both Social Security-covered and non-covered employment, with the non-covered employment also providing pension coverage. The WEP reduces the share of preretirement earnings that Social Security benefits replace. For roughly the first $10,000 in average

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would improve the simplicity and fairness of the WEP, while still maintaining the original public policy purpose. Additionally, though most of my testimony focuses on the WEP, a related provision, the Government Pension Offset (GPO),[2] has similar complexity and fairness problems that should be addressed.

From this discussion, I hope to leave you with the following takeaways:

1) The original public policy intent of the WEP and the GPO is to ensure fair treatment between workers with earnings covered by Social Security and workers with earnings that are not covered by Social Security. It is important to maintain this fair treatment between covered and non-covered workers. Hence, a repeal of the WEP and the GPO would violate the principles of fairness and equity that these provisions were intended to protect.

2) Unfortunately, given data limitations at the time the current WEP and GPO provisions were established in law, the WEP and the GPO create an overly complex structure rife with what economists call perverse incentives. This can sometimes result in higher replacement rates for some people with *high* lifetime combined earnings than those with *low* lifetime earnings. Further, the complexity and lack of transparency in the current WEP and GPO provisions can hinder people's ability to accurately plan for retirement and potentially cause undue hardship for retirees.

3) Much good could come from a relatively straightforward change that would make the Social Security benefit formula a proportional, or prorated, benefit formula based on the replacement rate derived from the current method of determining the primary insurance amount (PIA) but applying it only to the years of covered earnings. This change would allow for the use of one benefit formula for all Social Security beneficiaries, would be simple to understand, and would be fairer than the current system, while maintaining the original intent of fairness and equity of the WEP and GPO provisions.

ORIGINAL INTENT OF ENSURING FAIRNESS AND EQUITY BETWEEN COVERED AND NON-COVERED WORKERS

Social Security retirement and disability benefits are funded via a payroll tax on covered earnings. The system is designed with a progressive benefit formula that provides a higher replacement rate for lower-income earners than for higher-income earners. The result is that monthly Social Security benefits represent a larger share of lifetime earnings for lower-income workers than higher-income workers. This does not mean that a lower-income worker's monthly benefit amount is higher in nominal dollars than a higher-income worker, but rather that the replacement rate is higher. For a simplified example, a lower-income worker whose final year of income before retirement was $25,000 and who receives $12,000 per year as a Social Security benefit ($1,000 per month) would have a replacement rate based on the final year of earnings of 48 percent ($12,000 / $25,000). Conversely, a higher-income earner whose final year of earnings was $100,000 and who receives $24,000 per year from Social Security ($2,000 per month) would have a replacement rate of 24 percent ($24,000 / $100,000).

For workers with entire careers in covered employment (employment subject to the Social Security payroll tax), lower lifetime wage earners receive a higher replacement rate than higher lifetime wage earners. But problems arise when workers have earnings from non-covered employment, such as earnings received through state and

annual earnings (the first bend point of 90 percent in the benefit formula applies to the first $856 per month for 2016, or $10,272), the WEP reduces the replacement rate from 90 percent to as low as 40 percent, depending on years of coverage under Social Security. The reduction cannot exceed 50 percent of the amount of the pension received from non-covered employment. For more information on the WEP, see Social Security Administration, "Windfall Elimination Provision," January 2016.

2. A related provision to the WEP, the Government Pension Offset (GPO), reduces Social Security benefits paid to spouses or survivors when the spouse or survivor earned a pension from a government job that was not covered by Social Security. The GPO reduction is equal to two-thirds of the amount of the pension payment from non-covered government work. For more information on the GPO, see Social Security Administration, "Government Pension Offset," July 2015).

local governments in careers such as public school teachers, police officers, or firefighters. Though not without fault, the use of replacement rates is useful to illustrate how Social Security is a progressive system. The use of replacement rates, however, is not necessarily a good tool for measuring benefit or program adequacy.[3]

The Social Security Act of 1935 initially exempted state and local government employers from mandatory participation. This exemption was because of constitutional questions as to whether the federal government could impose a payroll tax on state and local governments. Some state and local governments wanted their employees covered by Social Security, while others did not. Presently, all 50 states have agreements with the federal government to allow some state and local employees to be covered by Social Security. However, not all state and local public employees are currently covered.

More than 5 million state and local workers in the United States do not pay Social Security taxes on the earnings from their state and local government employment.[4] This amounts to approximately 28 percent of all state and local government workers.[5] If these workers have an entire career in state and local government that is not covered by Social Security, there is no problem with the WEP or the GPO. However, many of these state and local government employees still qualify for some Social Security benefits, either because they have employment history in both covered and non-covered employment, or because they work simultaneously in two or more jobs that include covered and non-covered employment. For example, a professor in the State of Texas or the Commonwealth of Massachusetts (two of the states whose public workers are not necessarily covered under Social Security[6]) will spend the academic year teaching, but may spend summers working for extra income in covered employment outside the university. A professor's career may also span multiple universities with some of those years spent at a private university, such as Johns Hopkins, which is covered by Social Security. These employees could be affected by the WEP and receive Social Security benefits that are calculated in a way that results in an unfair benefit amount. About 1.6 million Social Security beneficiaries were affected by the WEP as of the end of 2014.[7]

As explained by Brown and Weisbenner (2013):

> If Social Security benefits were calculated as a simple linear function of lifetime earnings, it would be possible to calculate the retirement benefit for a worker with partial coverage by simply applying the standard benefit formula only to those earnings covered by Social Security. However, the Social Security benefit formula was explicitly designed to be nonlinear in order to offer a higher replacement rate (i.e., a higher ratio of Social Security benefits to average indexed monthly earnings over one's lifetime) for individuals with lower earnings. For workers with earnings that are not covered by the Social Security system, using only covered earnings in the standard benefit formula would result in a higher replacement rate on these covered earnings than they would receive if all of their earnings were covered. In order to adjust for this, the Windfall Elimination Provision (WEP) was enacted as part of the 1983 Social Security Amendments. This provision is meant to downward-adjust the Social Security benefits of affected workers in order to eliminate the "windfall" that arises when, for example, an individual with high lifetime earnings (based on both covered and uncovered earnings) would appear as if he or she were a low earner when evaluated solely based on covered earnings.[8]

3. Though a full discussion on replacement rates is outside the scope of this testimony, for more information, see Jason J. Fichtner, "Addressing the Real 'Retirement Crisis' Through Sustainable Social Security Reform" (Testimony before the Senate Committee on Finance, Subcommittee Social Security, Pensions, and Family Policy, Mercatus Center at George Mason University, Arlington, VA, May 21, 2014), 3.
4. Jeffrey R. Brown and Scott J. Weisbenner, "The Distributional Effects of the Social Security Windfall Elimination Provision," *Journal of Pension Economics and Finance* 12, no. 4 (2013): 415–34.
5. "The Windfall Elimination Provision: It's Time to Correct the Math" (Position Paper, Social Security Advisory Board, Washington, DC, October 1, 2015).
6. "Frequently Asked Questions: GPO WEB FAQ," Social Security Fairness, accessed March 16, 2016.
7. Gary Sidor, "Social Security: The Windfall Elimination Provision (WEP)," Congressional Research Service, June 30, 2015.
8. Brown and Weisbenner, "The Distributional Effects," 416.

In sum, while the WEP is intended to ensure that Social Security beneficiaries are treated fairly and that benefits are provided only for years in which people paid into the Social Security system, the result is that the replacement rate for some people with *high* lifetime combined earnings is higher than those with *low* lifetime earnings. The WEP mistakenly treats some high-income earners as if they were low-income earners. To see how this might come about, consider the following examples.

Table 1. Example of a Stylized Social Security Benefit

Average Annual Earnings Adjusted for Wage Growth	Average Indexed Monthly Earnings (AIME) for 2016	PIA 90% Bend Point	PIA 32% Bend Point	PIA 15% Bend Point	PIA	Replacement Rate
$24,000.00	$2,000.00	$770.40	$366.08	$0.00	$1,136.48	57%
$36,000.00	$3,000.00	$770.40	$686.08	$0.00	$1,456.48	49%
$100,000.00	$8,333.33	$770.40	$1,376.32	$476.45	$2,623.17	31%

Note: For 2016, the first $856 of AIME is multiplied by 90 percent; AIME between $856 and $5,157, by 32 percent; and the remaining AIME, by 15 percent.
Source: Author calculations based on Social Security Administration, "Benefit Formula Bend Points," accessed March 17, 2016.

Table 1 shows that for workers who turn age 62 in 2016 with 35 years of covered employment and begin receiving Social Security retirement benefits at their full retirement age (FRA), they would receive a monthly benefit of $1,136 if their average annual lifetime earnings were $24,000 (a 57 percent replacement rate); $1,456 if their average annual lifetime earnings were $36,000 (a 49 percent replacement rate); or $2,623 if their average annual lifetime earnings were $100,000 (a 31 percent replacement rate).

Now consider the same workers but who have 20 years of non-covered employment and 15 years of covered employment. Even if combined average annual lifetime earnings is the same, for the years in which they worked in non-covered employment, Social Security treats those years as $0 years for purposes of calculating the average indexed monthly earnings (AIME). For the worker with average adjusted annual income of $24,000 each year, 20 of the 35 years are considered $0. Hence, the resulting average annual earning adjusted for wage growth is $10,285 ($24,000 x 15 / 35). Without the WEP adjustment, here in table 2 are the PIAs and replacement rates for these workers.

Table 2. Example of a Stylized Social Security Benefit with 35 Years Employment: 15 Covered and 20 Non-Covered, No WEP Adjustment

Average Annual Earnings Adjusted for Wage Growth	Average Indexed Monthly Earnings (AIME) for 2016	PIA 90% Bend Point	PIA 32% Bend Point	PIA 15% Bend Point	PIA	Replacement Rate
$10,285.71	$857.14	$770.40	$0.37	$0.00	$770.77	90%
$15,428.57	$1,285.71	$770.40	$137.51	$0.00	$907.91	71%
$42,857.14	$3,571.43	$770.40	$868.94	$0.00	$1,639.34	46%

Note: For 2016, the first $856 of AIME is multiplied by 90 percent; AIME between $856 and $5,157, by 32 percent; and the remaining AIME, by 15 percent.
Source: Author calculations based on Social Security Administration, "Benefit Formula Bend Points," accessed March 17, 2016.

As can be seen, the $24,000 per year worker is viewed by Social Security as a lower wage $10,000 per year worker, and the non-WEP adjusted monthly benefit amount would be $771. While nominally less than the $1,136 that the $24,000 per year worker received under a full career of covered employment, the replacement rate for the worker with non-covered employment is now 90 percent as opposed to 57 percent. For the $100,000 per year worker, the replacement rate is now 46 percent as opposed to 31 percent. This worker now receives a "windfall" as the benefit replacement rate is higher than it would be relative to all earnings (covered and non-covered).

To correct for this potential "windfall," the WEP adjusts the benefit formula. The first bend point is now reduced from 90 percent to as little as 40 percent.[9] Using the same stylized workers as before, but now applying the WEP adjustment, here are the resulting PIAs and replacement rates in table 3.

Table 3. Example of a Stylized Social Security Benefit with 35 Years Employment: 15 Covered and 20 Non-Covered, with WEP Adjustment

Average Annual Earnings Adjusted for Wage Growth	Average Indexed Monthly Earnings (AIME) for 2016	PIA 40% Bend Point	PIA 32% Bend Point	PIA 15% Bend Point	PIA	Replacement Rate
$10,285.71	$857.14	$342.40	$0.37	$0.00	$342.77	40%
$15,428.57	$1,285.71	$342.40	$137.51	$0.00	$479.91	37%
$42,857.14	$3,571.43	$342.40	$868.94	$0.00	$1,211.34	34%

Note: For 2016, the first $856 of AIME is multiplied by 90 percent; AIME between $856 and $5,157, by 32 percent; and the remaining AIME, by 15 percent.
Source: Author calculations based on Social Security Administration, "Benefit Formula Bend Points," accessed March 17, 2016.

Now the resulting replacement rates are generally less and more in-line with comparable workers with similar annual average lifetime earnings but with their entire careers in covered employment. The "windfall" has been eliminated. However, the WEP formula is complicated and hard to explain to beneficiaries.[10] Further, the current Social Security Statement provides estimated monthly benefit amounts that are not adjusted for the WEP. While the Statement does include a note to all Statement recipients that they could be subject to the WEP and that their benefits may be reduced, the complexity of the program and the benefit formula result in beneficiaries likely first learning about the WEP only when they first receive a WEP-reduced monthly Social Security benefit check. For people relying on the Social Security Statement as a retirement planning tool, the current non-WEP adjusted information in the Statement could cause people to overestimate their financial readiness for retirement.

It is important to note at this point that eliminating the WEP will only return Social Security to its pre-WEP state and reinstate a windfall for those with both covered and non-covered employment. Hence, repeal is not advised. However, a "proportional" or prorated formula would improve fairness of the WEP while maintaining fairness and equal treatment. It would also be much easier for SSA to administer and explain to beneficiaries.

UNINTENDED CONSEQUENCES

Not only does the current WEP unequally treat beneficiaries with similar average annual lifetime earnings differently due to covered and non-covered employment, but the current WEP policy provides a perverse incentive for those in non-covered employment to seek secondary jobs in covered employment.

The Social Security progressive benefit formula is intended to provide workers who spend their careers in low paying jobs with a monthly benefit amount that replaces a higher proportion of their earnings than the benefit that is provided to workers with higher lifetime earnings. However, as I've discussed in this testimony, the benefit formula does not differentiate between those who worked in low-paying jobs throughout their careers and other workers who appear to be lower-income workers solely because they worked many years in jobs not covered by Social Security but had some jobs that were in covered employment.

This could provide a perverse incentive among workers in non-covered employment to seek some additional outside employment in jobs that are covered by Social Security for the sole purpose of gaming the Social Security system. Doing so would provide these workers with a Social Security benefit check upon retirement, in addition

9. For more information on the WEP, see Social Security Administration, "Windfall Elimination Provision," January 2016.
10. Brown and Weisbenner, "The Distributional Effects"; Social Security Advisory Board, "The Windfall Elimination Provision."

to the pension check earned via non-covered employment, with a higher replacement rate than would be due to a worker with only covered employment but with a similar annual lifetime income.

POLICY RECOMMENDATIONS AND CONCLUSION

When the current formula for the WEP was established as part of the 1983 Amendments to the Social Security Act, the Social Security Administration lacked the administrative records to accurately capture non-covered employment history. Hence, a proportional or prorated WEP wasn't possible. However, as of January 2017, SSA will have 35 years of employment history including both covered and non-covered employment. Thus, we now have both the information and the tools necessary to reform the WEP and move to a prorated formula. President Obama's FY 2017 Budget[11] contains just such a proposal, and a similar bill has been introduced in the House by Ways and Means Committee Chairman Kevin Brady (R-TX) and Rep. Richard Neal (D-MA).[12] These proposals are very similar, and both would slightly improve the solvency of the program, though the president's proposal also addresses the GPO and begins in 2027, whereas the House bill would begin applying the new benefit formula in 2017.

To see how a "proportional" or prorated benefit formula would look, consider table 4 below which includes the same stylized workers used in the previous illustrations.

Table 4. Example of a Stylized Social Security Benefit with 35 Years All Covered Employment with Proposed Prorated WEP Adjustment

Average Annual Earnings Adjusted for Wage Growth (All Earnings)	Average Indexed Monthly Earnings (AIME) for 2016	PIA 90% Bend Point	PIA 32% Bend Point	PIA 15% Bend Point	PIA (All Earnings)	Replacement Rate (All Earnings)	Average Annual Earnings Adjusted for Wage Growth (Covered Earnings)	Average Indexed Monthly Earnings (AIME) for 2016 (Covered Earnings)	New PIA (Replacement Rate for All Earnings x AMIE Covered Earnings)
$24,000.00	$2,000.00	$770.40	$366.08	$0.00	$1,136.48	57%	$24,000.00	$2,000.00	$1,136.48
$36,000.00	$3,000.00	$770.40	$686.08	$0.00	$1,456.48	49%	$36,000.00	$3,000.00	$1,456.48
$100,000.00	$8,333.33	$770.40	$1,376.32	$476.45	$2,623.17	31%	$100,000.00	$8,333.33	$2,623.17
Example of a Stylized Social Security Benefit With 35 Years Employment: 15 Covered & 20 Non-Covered With Proposed Pro-Rated WEP Adjustment									
$24,000.00	$2,000.00	$770.40	$366.08	$0.00	$1,136.48	57%	$10,285.71	$857.14	$487.06
$36,000.00	$3,000.00	$770.40	$686.08	$0.00	$1,456.48	49%	$15,428.57	$1,285.71	$624.21
$100,000.00	$8,333.33	$770.40	$1,376.32	$476.45	$2,623.17	31%	$42,857.14	$3,571.43	$1,124.22

Note: For 2016, the first $856 of AIME is multiplied by 90 percent; AIME between $856 and $5,157, by 32 percent; and the remaining AIME, by 15 percent.
Source: Author calculations based on Social Security Administration, "Benefit Formula Bend Points," accessed March 17, 2016.

Under the proposed new formula, the AIME is computed as it is currently but for all earnings, covered and non-covered combined. The resulting PIA is then determined. The replacement rate of PIA divided by AIME is derived. Next, an AIME is computed for just the covered earnings. At this point the replacement rate is multiplied by the AIME for covered earnings only, resulting in the effective PIA.

For workers whose entire careers are in covered earnings, the resulting PIA is the same. However, for those with non-covered earnings, but with similar combined average annual lifetime earnings, now their covered earnings receive the same replacement rate as those whose entire careers were spent in covered employment. In other words, the replacement rate on covered earnings is now the same and treats both workers with identical lifetime earnings history equally, thus restoring some fairness to the system while still maintaining the original intent of the WEP to avoid a "windfall" to those with non-covered earnings.

The simplicity and fairness of the proposed new formula is that it would apply to all workers—those with both covered earnings only and those with both covered and non-covered earnings—making it easy for SSA to

11. Social Security Administration Chief Actuary Stephen Goss to Office of Management and Budget Director Shaun Donovan, February 10, 2016, Social Security Administration, https://www.ssa.gov/oact/solvency/.
12. Equal Treatment of Public Servants Act of 2015, H.R. 711, 114th Cong. (2015).

administer and for beneficiaries to better plan for retirement. Additionally, under the proposed new formula, the Social Security Statement could provide accurate monthly benefit amounts to better enable people to plan for their financial security in retirement.

It's not often that a Social Security reform proposal comes forward that has bipartisan support and support from both Congress and the president. The original intent of the WEP and the GPO still applies today; however, we now have the opportunity to get the formula right for the improvement of the Social Security program and its beneficiaries.

Thank you again for your time and this opportunity to testify today. I look forward to your questions.

Chairman JOHNSON. Thank you, sir.

Before I recognize Mr. Lee, I would like to recognize Dr. Boustany so he can enter a statement for the record.

Mr. BOUSTANY. Thank you, Mr. Chairman. I appreciate it.

I ask unanimous consent to enter into the record a statement regarding this very important issue from my home State of Louisiana.

Chairman JOHNSON. Without objection.

[The information follows: The Honorable Charles Boustany Submission]

Opening Statement for Charles W. Boustany Jr., MD
Social Security Subcommittee Hearing on
Social Security & Public Servants: Ensuring Equal Treatment
March 22, 2016

- Chairman Johnson, Members of the Subcommittee, I extend my deepest appreciation for the important hearing taking place today, and the opportunity to speak.

- As Members of Congress, elected by the people we represent, it is our duty each and every day to ensure the government is *working* for the people!

- Over the years I have served the people of Louisiana's Third Congressional district, I've received countless letters from constituents that have selflessly devoted a lifetime's worth of work in service to their communities as teachers, firefighters, police officers, public transit employees, and the like.

- I was horrified to learn that simply because one chooses the life of a public servant, and receives retirement benefits as a result, that they will no longer be able to collect the full amount of Social Security owed to them.

- One constituent whose story has stayed with me is Mr. William Watson. Mr. Watson contacted me in 2015 to ask why his wife, a teacher in my district for many years, would not receive the full Social Security survivor benefits she is owed when he passed away; after all, he said, "...I faithfully paid into Social Security all my life, and have depended on my wife having the earned financial security through Social Security benefits when I'm no longer here to take care of her. If I earned those benefits, and my wife has served her community as a teacher all her life, why would the government penalize us for seemingly doing everything right?"

- Mr. Watson raises a valid point. The current impact of the Social Security Windfall Elimination Provision and the Government Pension Offset is detrimental and must be fixed.

- Mr. Chairman, I hope today's hearing is the first step toward swift correction of the GPO issue; folks like Mr. Watson and his wife are depending on us!

- I stand ready to work with you, and other members of the Committee, to work with our constituents to ensure meaningful and correct changes are made, so that certainty is provided to those who have provided so much to all of us.

Mr. BOUSTANY. Thank you.

Chairman JOHNSON. Okay. Mr. Lee, I believe you are next in line. You are recognized for five minutes.

STATEMENT OF TIM LEE, EXECUTIVE DIRECTOR, TEXAS RETIRED TEACHERS ASSOCIATION

Mr. LEE. Thank you, Chairman Johnson, Mr. Larson, Mr. Neal, Members of the Subcommittee.

I am Tim Lee. I am the Executive Director of the Texas Retired Teachers Association. I appreciate the opportunity to be here today to testify on behalf of TRTA's over 80,000 members on the Windfall Elimination Provision and the Government Pension Offset.

TRTA is the largest association for retired public school and higher education employees and now ranks number one in membership in the Nation. TRTA is part of a growing ad hoc coalition of public employee retiree associations, public employee organizations, and some of the nation's largest public employee retirement systems who are working together to support the passage of fair and equitable WEP reform legislation.

Some of TRTA's closest partners, such as the Retired State and County Municipal Employees Association of Massachusetts and the Association of Texas Professional Educators, are here today in support of your efforts to pass WEP reform this session.

I have spoken with many of the leaders of other organizations that could not be here today, and they also extend their appreciation to each of you for this hearing.

We have already listened to testimony today about the origins of the WEP and the GPO, and this is good background information, but it does not really capture the sense of hardship these two provisions create for both retired and active workers.

For private sector employee contemplating a career shift in public education, the impact is the future benefit loss felt after years in another field, and for those contemplating education as a career, from the beginning the provisions provide arguments against entering the profession at all.

As a parent with four children in public schools, this is very concerning to me as I want education and other vital public service roles to be highly sought and rewarding for the best and most talented job seekers.

And for our retirees, the consequences are very severe in that they lose dollars for their benefits every month.

Setting aside our views regarding underlying arguments for both the WEP and the GPO, TRTA has always believed the congressional response to these arguments have been arbitrary and based on incomplete data and faulty reasoning. Like many organizations with similarly affected membership, TRTA has long supported legislation to fully repeal the WEP and the GPO.

However, despite large numbers of bipartisan cosponsors, little has changed in almost 30 years these provisions have impacted public workers. We acknowledge that a full repeal is costly and denies any merit that may support the initial basis for their enactment.

Over the years congressman Brady has graciously worked with our organization and others to find a fair and reasonable solution

to this growing problem. As early as 2004, Congressman Brady wrote, in part, "A teacher's Social Security should be based on the same thing every American's Social Security is based on: work history and contributions, not more and certainly nothing less."

Today H.R. 711, the Equal Treatment of Public Servants Act, is before you for your consideration. Replacing the current WEP calculation with a formula that takes into consideration the individual's entire working career is an important step towards greater fairness in the system. While the increased benefit that will become available to those impacted does not fully restore the Social Security earnings lost under the current formula, the additional income will be significant for the poorest retirees in our ranks.

In Texas, the vast majority of TRTA pensioners earn in very modest retirement benefits, and replacing and reforming the WEP is a need. Our retirees are in desperate need for fairness and for the maximum possible increase in Social Security benefits.

In October of last year, the Social Security Advisory Board published a position paper on the WEP, acknowledging that when Congress established the WEP formula and the Social Security Administration lacked data on earnings in jobs not covered by Social Security that are necessary to make an exact benefit adjustment.

Beginning in 2017, the Social Security Administration will have 35 years of data on earnings from both covered and non-covered employment. According to the SSAB's paper, the availability of this complete and complex data means that Congress can now apply the more accurate approach. This greater accuracy should implore Congress to repeal the arbitrary WEP formula and provide fairness to government workers by adopting H.R. 711.

Even more recently, it is important to note the President's fiscal year 2017 budget proposes to adjust Social Security benefits based on the extent to which workers have non-covered earnings. While we do appreciate the President's proposal, we do not see a need to delay this important transition for ten years as his proposal suggests.

It is critically important to note and acknowledge the need for the alternative approach based on actual earnings. I can assure members of this Committee that the thousands of retired public workers impacted by the current WEP formula would appreciate action now instead of waiting another decade in the future.

After years of failed attempts to find a solution and underlining the inadequacies associated with the WEP, TRTA appreciates the support which we now find from Members of Congress, the SSAB, and the Obama Administration. We believe it is time for Congress to enact H.R. 711, The Equal Treatment for Public Servants Act. H.R. 711 will permanently repeal the current WEP and it will provide public servants, teachers, firefighters, police officers and other State and local employees equal treatment under the law on the benefits they have provided and reduce the WEP for current retirees as much as 33 percent.

[The prepared statement of Mr. Lee follows:]

U. S. House of Representatives
Committee on Ways and Means

Statement of Tim Lee, Executive Director
Texas Retired Teachers Association, Austin, Texas

Testimony Before the Subcommittee on Social Security
Of the House Committee on Ways and Means

"Social Security and Public Servants: Ensuring Equal Treatment"

March 22, 2016

Chairman Johnson, Ranking Member Becerra and distinguished members of the subcommittee. I am Tim Lee, the Executive Director of the Texas Retired Teachers Association (TRTA). I appreciate the opportunity to be here today to testify on behalf of TRTA's over 80,000 members on the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) – two provisions of the Social Security Act which negatively affect public retirees who were not covered by Social Security.

As background, TRTA, which was founded in 1953, is the largest association for retired public school and higher education employees and now ranks number one in membership in the nation. TRTA has more than 80,000 members who continue to be involved in local public school education and in the well-being of their communities. In 2014, TRTA members contributed 5,585,267 volunteer hours, a value of $130,695,248 given to Texas. Seventy-five percent of all Texas retired teachers are woman and 95% of all Texas public school employees are not covered by Social Security through their school district employer.

In addition to speaking on behalf of TRTA, I'm proud to be part of a growing ad hoc coalition[1] of public employee retiree associations, public employee organizations, and some of the nation's largest public employee retirement systems who are working together to support the passage of fair and equitable WEP reform legislation. While we are all strong supporters of the Social Security system, we are troubled that benefits earned by many of our members are unfairly reduced based on the arbitrary provisions of WEP and GPO.

[1] In addition to TRTA, the organizations that support H.R. 711 include: Association of Texas Professional Educators, California Public Employees Retirement System, California Retired Teachers Association, Colorado School and Public Employees Retirement Association, Houston Firefighters' Relief and Retirement Fund, International Union of Police Associations, AFL-CIO, Illinois Retired Teachers Association, Louisiana Retired Teachers Association, Missouri Retired Teachers Association, National Active and Retired Federal Employees Association, National Association of Police Organizations, National Conference of State Social Security Administrators, Ohio Public Employees Retirement System, Retired State, County and Municipal Employees Association of Massachusetts, School Employees Retirement System of Ohio, School Employee Retirees of Ohio, State Teachers Retirement System of Ohio

In order to put today's discussion in some context, allow me to take a moment to very briefly reflect on the origins of both the WEP and GPO

The WEP, which was enacted in 1983, was based on recommendations of the bipartisan National Commission on Social Security – the so-called Greenspan Commission. The purpose was to remove an unintended advantage that the regular Social Security benefit formula provided to persons who also received pensions from non-Social Security-covered employment.

> *"The National Commission is concerned about the relatively large OASDI benefits that can accrue to individuals who spend most of their working careers in noncovered employment from which they derive pension rights, but who also become eligible for OASDI benefits as a result of relatively short periods in covered employment with other employers. Accordingly, the National Commission recommends that the method of computing benefits should be revised for persons who first become eligible for pensions from non-covered employment, after 1983, so as to eliminate "windfall" benefits.*
>
> *The result of such a work history is to produce OASDI benefits that contain "windfall" elements -- the benefits payable are relatively high compared to the proportion of time spent and the OASDI taxes paid during covered employment. This results from the weighted benefit formula, which treats these individuals in the same manner as if they were long-service, low-earnings workers. Specifically, the National Commission believes that these individuals should receive benefits which are more nearly of a proportionate basis than the heavily-weighted benefits now provided."*[2]

According to Social Security data presented in a Congressional Research Service report published in June of 2015[3], about 1.6 million Social Security beneficiaries were affected by the WEP as of December 2014

The GPO, which was originally enacted as part of the 1977 Social Security Amendments, was designed to treat 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. Congress amended the law in 1983, reducing the dollar for dollar reduction to a two-thirds offset.

According to Social Security data presented in a Congressional Research Service report published in April 2014[4], about 615,000 Social Security beneficiaries had spousal or widow(er)'s

[2] http://www.ssa.gov/history/reports/gspan5.html
[3] Social Security: The Windfall Elimination Provision (WEP), Congressional Research Service, Gary Sidor, Information Research Specialist, June 30, 2015

benefits reduced by GPO as of December 2013. According to the report, this number doesn't include those who were potentially eligible for spousal or widow(er)'s benefits but were deferred from filing for them because of their expectation that GPO would eliminate their benefit. About 81% of all affected persons were women.

Setting aside our views regarding the underlying arguments for both the WEP and the GPO, TRTA has always believed the congressional responses to these arguments have been arbitrary and based on incomplete data and faulty reasoning.

For current retirees impacted by these provisions, it can mean hundreds of dollars a month lost in much-needed Social Security benefits. For the private sector employee contemplating a career shift into public education, the impact is the future benefit loss felt after years in another field. And, for those contemplating education as a career from the beginning, the provisions provide arguments against entering the profession at all.

For decades now, members of TRTA and other organizations nationwide have suffered under the financial hardships imposed on public retirees by the Social Security system. Carefully constructed personal retirement plans have been destroyed because of the WEP and GPO. Despite improved educational efforts on the part of the Social Security Administration, public employee retirement systems, and organizations like ours, all too often, teachers and other affected school employees only find out about these penalties when they go to apply for their benefits. By then, it is too late to make alternative financial planning decisions, and public retirees are left to cope with what is often a greatly diminished retirement income.

Like many organizations with a similarly affected membership, TRTA has long supported legislation to fully repeal the WEP and the GPO. However, despite large numbers of bipartisan co-sponsors, neither Democratic nor Republican majorities have made a substantial effort to repeal these provisions. We acknowledge that a full repeal is costly and denies any merit that may support the initial basis for their enactment.

Nevertheless, we are deeply grateful to those Members of Congress who have supported our repeal efforts and we appreciate the fact that countless Members realize the impacts of these penalties are not what were originally intended when they were enacted.

Over the years, we have deeply appreciated the willingness of Congressman Kevin Brady (R-TX) to work with our organization and others to find a fair and reasonable solution to this growing problem. As early as 2004, Congressman Brady wrote[5] in part:

> *"Many retired and soon-to-be retired teachers have either worked a second career or held a second job during their teaching career, often because of low-paying teacher salaries. They know*

[4] Social Security: The Government Pension Offset (GPO) , Congressional Research Service, Gary Sidor, Information Research Specialist, April 23, 2014

[5] The VOICE, 2nd Quarter Edition, The Voice is a quarterly publication mailed exclusively to TRTA members.

firsthand the WEP is painful. Due to the antiquated WEP formula, they watch helplessly as their own Social Security benefits are reduced by as much as ($400) per month." In Texas, 40% of TRTA's members report being negatively impacted by the current unfair WEP formula. With an average monthly annuity of $1900, TRS Texas annuitants already struggle financially to meet today's growing costs.

"A teacher's Social Security should be based on the same thing every Americans' Social Security is based on: work history and contributions. Nothing more and certainly nothing less."

In 2014, working hand in hand with the Retired State, County and Municipal Employees Association of Massachusetts, we were pleased to see the introduction of the "Equal Treatment for Public Servants Act." This bipartisan bill, sponsored by Congressmen Kevin Brady (R-TX) and Richard Neal (D-MA), proposed to permanently repeal the current Windfall Elimination Provision and replace it with a new and fairer formula that treats public servants like the rest of American workers. In their Dear Colleague letter seeking cosponsors, they wrote:

*"**There is nothing fairer, than equal treatment under the law.** (My) bill guarantees public servants will receive the Social Security they earned while they paid into the federal program. Their Social Security amount will no longer be figured by an arbitrary WEP formula, but will be based on each worker's real-life Social Security contributions and work history, just like everyone else."*

Today, H.R. 711 "The Equal Treatment of Public Servants Act" is before you for your consideration.

The WEP, as currently designed, penalizes people who have dedicated their lives to public service, often at a personal financial sacrifice. Teaching is a rewarding career, but it is not lucrative. In order to support their families, teachers typically work in summer jobs and pay Social Security taxes. Many do so without realizing they will receive a reduced benefit because of the WEP. They understand they will not receive the maximum Social Security benefit because, frankly, they have not earned one. But they do believe they will be treated the same as everyone else who meets the minimum eligibility criteria of 40 quarters of covered Social Security employment.

Another problem is somewhat unique to those employees who also earned low wages in uncovered positions. These employees are essentially getting hit twice – once in the form of a low pension and again when their Social Security benefit is reduced by the WEP. H.R. 711 corrects this unintended consequence.

Replacing the current WEP calculation with a formula that takes into consideration the individual's entire working career is an important step towards greater fairness in the system. While the increased benefit that will become available to those impacted does not fully restore Social Security earnings lost under the current formula, the additional income will be significant for the poorest retirees in our ranks.

Additionally, many states experience severe teacher shortages. To meet increasing demands for qualified teachers, many school districts will seek to recruit mid-career individuals from other professions, most of which are covered by Social Security. While these individuals may be willing to make salary sacrifices to pursue a second career in education, they would be unwilling or unable to accept further financial sacrifices that Social Security will impose upon them for their career choice. Reducing the impact of the WEP will also reduce this obstacle to teacher recruitment.

Congressmen Brady and Neal, and their growing list of cosponsors, are not the only ones that have recently recognized the need to correct the fundamental unfairness associated with the WEP.

In October of last year, the Social Security Advisory Board (SSAB) published a position paper entitled, "The Windfall Elimination Provision – It's Time to Correct the Math." The paper acknowledges that when Congress established the WEP formula the Social Security Administration lacked data on earnings in jobs not covered by Social Security that are necessary to make an exact benefit adjustment. The report also notes that "Although Congress intended to treat comparably workers with non-covered earnings and workers who worked their entire career in employment covered by Social Security, the formula is inexact."[6]

Beginning in 2017, the Social Security Administration will have 35 years of data on earnings from both covered and non-covered employment. According to the SSAB's paper, the availability of these data means that Congress can now apply the more accurate approach described in the 1983 Greenspan Commission report.

Even more recently, it's important to note the President's Fiscal Year 2017 Budget, released on February 9, 2016 proposes to transition after ten years to an alternative approach, which would adjust Social Security benefits based on the extent to which workers have non-covered earnings. Although the details regarding the President's proposal are not exactly clear to us and while we don't see a need to delay this important transition for 10 years as his proposal suggests, it is critically important to note the acknowledgement of the need for an alternative approach based on actual earnings.

After years of failed attempts to find a solution to the underlying inequities associated with the WEP, TRTA appreciates the support which we now find from Members of Congress, the SSAB, and the Obama Administration. We believe it's time for Congress to enact H.R. 711, "The Equal Treatment of Public Servants Act."

H. R. 711 will permanently repeal the current WEP and will provide public servants – teachers, fire fighters, police officers, and other state and local employees – equal treatment under the law on the benefits they have earned!

[6] The Windfall Elimination Provision – It's Time to Correct the Math, Social Security Advisory Board, October 1, 2015

H. R. 711 will reduce the WEP for current retirees by as much as 33%! Future retirees will see the WEP reduced as much as 50%! Any increase in our public service retirees' fixed incomes greatly bolsters their retirement security!

H. R. 711 provides more than hope to current and future retirees. It provides an equitable solution to a long-standing and unfair Social Security issue!

And, according to the Social Security Administration's Chief Actuary, H. R. 711 achieves all of these goals without negatively impacting the Social Security Trust Fund.

Before I conclude, I'd like to suggest that we all must now work together to find a similar solution to the challenges and unfairness associated with the GPO. The SSAB has promised a separate paper which will analyze the GPO and will propose options to improve it. Similarly, President Obama's budget supports a proposal for enhancing and modifying the approach currently taken to adjust spousal or widow(er)'s benefits.

Although these proposals aren't nearly as developed as the WEP proposal embodied in H.R. 711, they offer hope to TRTA members and present an opportunity for us to find relief for those adversely affected by its arbitrary formula.

In conclusion, on behalf of TRTA's 80,000 members and millions of other public employees and retirees from every state in this nation, I appreciate the opportunity to be here today and I urge you to pass fair and equitable WEP reform during this Congress.

Thank you.

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Chairman JOHNSON. Thank you, sir.

Mr. LEE. Thank you.

Chairman JOHNSON. Ms. English, Please proceed.

STATEMENT OF JEANNINE ENGLISH, PRESIDENT, AARP

Ms. ENGLISH. Thank you. On behalf of our 38 million members throughout 50 States, the District of Columbia, Puerto Rico, and the U.S. Virgin Islands, including our National Retired Teachers Association members, and all Americans 50 and over, AARP thanks Chairman Johnson, Ranking Member Becerra, and members of the Social Security Subcommittee for the opportunity to testify today in support of The Equal Treatment of Public Servants Act.

We are happy to join numerous other organizations representing retired educators, firefighters, law enforcement officers, Federal workers who support this bipartisan effort. Both H.R. 711 and a similar proposal included in President Obama's fiscal year 2017 budget request offer a resolution to the longstanding issue of calculating a fair Social Security benefit for workers employed by both the private sector and for employers who do not participate in Social Security.

The Windfall Elimination Provision, or WEP, was intended to recover an unfair advantage that Social Security benefit formula provided to workers in dual careers. Without the WEP, some public sector employees who do not pay Social Security taxes would receive a higher replacement rate of their earnings than workers who paid Social Security taxes on all of their equivalent earnings.

The one size fits all approach of the current system has several drawbacks. It cannot address the great diversity in the earnings of State and local workers.

In addition, research has shown that the WEP can be regressive and disproportionately affects lower earners. For decades, efforts to design a fair and accurate method to calculate Social Security benefits of these workers with dual careers was hampered because there was no effective method for Social Security to accurately track all earnings for State or local government employment.

Fortunately, more recent data records are making it possible to do more to easily track earnings from all employers. As a result, it is now possible to adopt and administer a fair solution.

Under The Equal Treatment for Public Servants Act, the current WEP will be replaced by the Public Servants Fairness Formula, PSFF. The PSFF will first calculate Social Security benefits of a worker with public and private sector earnings as if all of those earnings were subject to Social Security taxes, using the same formula that applies to all workers.

To ensure there is no windfall, the benefit will then be multiplied by the fraction of earnings on which the worker paid Social Security taxes. This new calculation will allow for benefits that accurately reflect the individual's lifetime earnings of dual career workers, while recognizing that not all of those earnings were subject to Social Security taxes.

President Obama has recently proposed a similar process to replace the WEP. We are encouraged by the President's support for an approach that is generally consistent with H.R. 711. Millions of retired State and local workers, including many teachers, have re-

ceived a Social Security benefit that is excessively reduced because the current WEP formula fails to consider an individual's specific work history.

AARP's founder, Dr. Ethel Percy Andrus, established the National Retired Teachers Association to serve the needs of retired educators. Today the NRTA is an important part of AARP's history and our organization. We have listened to our members throughout the country and others affected by the WEP, and we believe that H.R. 711 is an opportunity to treat more fairly the 1.6 million workers affected by the WEP, including many teachers who belong to the NRTA.

We applaud the committee members for working to advance a bipartisan solution to this issue. We are pleased that this effort builds on Congress' work last year to achieve bipartisan solution to fund the Social Security Disability Insurance Program with reasonable anti-fraud protections.

We are encouraged that the committee and this Congress can likewise reach agreement with the Administration to address the WEP this year. AARP stands ready to help on this and other proposals to strengthen and improve Social Security and protect the income security needs of America's families.

[The prepared statement of Ms. English follows:]

STATEMENT FOR THE RECORD

SUBMITTED TO THE

HOUSE WAYS AND MEANS
SOCIAL SECURITY SUBCOMMITTEE

Social Security and Public Servants:

Ensuring Equal Treatment

March 22, 2016

AARP
601 E Street, N.W.
WASHINGTON, D. C. 20049

Submitted By

Jeannine English

President

AARP

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Government Affairs

On behalf of our 38 million members, including our National Retired Teachers Association members, and all Americans age 50 and over, AARP thanks Chairman Johnson, Ranking Member Becerra and members of the Social Security Subcommittee for the opportunity to testify today on the Equal Treatment of Public Servants Act of 2015 (H.R. 711). AARP has members in all 50 States and the District of Columbia, Puerto Rico, and U.S. Virgin Islands, and is a nonpartisan, nonprofit, nationwide organization that helps people turn their goals and dreams into real possibilities, strengthens communities and fights for the issues that matter most to families such as healthcare, employment and income security, retirement planning, affordable utilities and protection from financial abuse.

AARP is pleased to support the Equal Treatment for Public Servants Act, sponsored by Chairman Brady and Select Revenues Subcommittee Ranking Member Neal. We are happy to join numerous other organizations representing retired educators, firefighters, law enforcement officers and federal workers who support this bi-partisan effort. Both H.R. 711, and a similar proposal included in President Obama's Fiscal Year 2017 budget request, offer a resolution to the longstanding issue of calculating a fair Social Security benefit for workers with employment in both the private sector and certain state or local governments, or who started work with the federal government before 1984.

The Windfall Elimination Provision (or WEP) was intended to remove an unfair advantage that the Social Security benefit formula provided to workers who had earnings from work not covered by Social Security. This is because the Social Security benefit formula begins with a worker's average Social Security-covered earnings over a full career of 35 years. Zeros are entered for years in which a worker did not work in a Social Security-covered position and did not pay Social Security taxes on his or her earnings. When the Social Security Administration (SSA) averages a split-career worker's earnings over the full 35 years, a worker who has split time between covered and uncovered employment often appears to have been a lifetime "low earner." As such, this worker would gain from the progressive elements of the benefit formula by receiving a higher replacement rate of his or her earnings than the worker would receive if all the earnings had been subject to the Social Security payroll tax.

In 1983, Congress noted the unfairness in permitting split career workers a higher replacement rate than workers who had identical earnings, but who had never worked for an employer who did not participate in Social Security. Congress labelled this outcome a "windfall" for workers who split their careers between government and Social Security-covered work, and created the WEP to eliminate it. Congress reached a compromise on a one-size-fits-all fix. Normally, Social Security's benefit formula applies three progressive wage factors to calculate a worker's benefit -- 90, 32 and 15 percent. The 1983 law lowered the first factor (90 percent) to 40 percent. In addition, a worker's WEP reduction cannot exceed more than one half of the pension from the non-covered government work. Moreover, the WEP phases out for workers with 21-30 years of "substantial" Social Security-covered work.

The one-size-fits all approach of the current WEP formula has several drawbacks. It cannot address the great diversity in the earnings of state and local workers. Research has shown that the WEP can be regressive, disproportionately affecting lower earners. This is because the WEP reduction is limited to the first bracket of the benefit formula, which is the bracket involved in calculating most of the benefits payable to a low earner. In addition, low earners may be less likely than high earners to benefit from the provision that phases out the WEP after 30 years of "substantial" work, which means earnings of at least $22,050 in 2016.

For decades, the challenge has been to design a fair and accurate method to calculate the Social Security benefit of these split career workers. Until recently, efforts to design a fairer system were hampered by the fact that there was no effective method for Social Security to accurately track all earnings from state or local government employment. Fortunately, more recent data records are making it possible to more easily track earnings from all employers, including state or local governments. As a result, it is now possible for Congress to adopt and the Social Security Administration to administer a fair solution.

Under the Equal Treatment for Public Servants Act, the current WEP will be repealed and in its place the Public Servant Fairness Formula (PSF) will apply prospectively to those turning 62 after 2016. Utilizing data matching now available to the Social Security Administration, the PSF will first calculate the Social Security benefits of a split career earner as if all of his or her earnings were subject to FICA taxes, using the same formula that applies to all other workers. To adjust this benefit so that a split career earner does not receive a windfall, the benefit calculated in this manner would then be multiplied by the proportion of the worker's earnings that were in fact subject to Social Security taxes. This new calculation will allow for benefits that accurately reflect the individual lifetime earnings of split career workers while recognizing that those earnings are not universally subject to Social Security taxes.

Similarly, in the Fiscal Year 2017 Budget Request, President Obama proposed a comparable process to more fairly calculate Social Security benefits for individuals who are subject to the WEP. We are encouraged by the President's support for an approach that is consistent with H.R. 711. Both proposals provide a workable starting point for a bipartisan solution.

Millions of retired state and local workers, including many teachers, have received a Social Security benefit that is excessively reduced because of a WEP formula that fails to consider an individual's specific work history. AARP's founder, Dr. Ethel Percy Andrus, established the National Retired Teachers Association (NRTA) to serve the needs of retired educators. Today, the NRTA is part of AARP's history and our organization. We have endeavored to listen to our members and others affected by WEP policy and to be sensitive to their call for fair receipt of both Social Security and government pensions. The Equal Treatment for Public Servants Act is an opportunity to more fairly treat the public servants affected by WEP, including the many teachers who belong to the NRTA. We believe the Brady-Neal compromise is a fair solution that will benefit the 1.6 million workers affected by the current WEP policy.

We applaud the members of the Committee for working to advance a bipartisan solution to this issue. We are pleased that this effort builds on Congress' work last year to achieve a mutually agreeable solution to fund the Social Security Disability Insurance program with reasonable anti-fraud protections. We are also encouraged that the Committee and this Congress can likewise reach agreement with the Administration to address the WEP this year. AARP stands ready to serve as a resource and partner in finding fair solutions on this and other proposals to strengthen and improve Social Security and protect the income security needs of American families.

Thank you.

Chairman JOHNSON. Thank you. I appreciate that testimony.

And as is customary for each round of questions, I will limit my time to five minutes and ask my colleagues to also limit their time to five minutes.

Dr. Fichtner, welcome again.

Mr. FICHTNER. Thank you, sir.

Chairman JOHNSON. It is not every day the President and the chairman of the Ways and Means Committee agree on something.

Mr. FICHTNER. It sure is not.

Chairman JOHNSON. And so when it comes to WEP, we are on the same page but with a few differences. So when does H.R. 711 take effect?

Mr. FICHTNER. H.R. 711 would take place starting in 2017, sir, where the President's proposal would start ten years later in 2027.

Chairman JOHNSON. Does the bill help only new beneficiaries or does it help current seniors as well?

Mr. FICHTNER. The current bill offered by Mr. Brady and Mr. Neal helps current beneficiaries as well as future beneficiaries. It is equal treatment for equal beneficiaries.

Chairman JOHNSON. You are saying both.

Mr. FICHTNER. Both, yes, sir.

Chairman JOHNSON. And what about the President's proposal? When does the new benefit formula take effect?

Mr. FICHTNER. Not until 2027. So it would delay it for ten years, and as my old boss, Commissioner Astrue said, justice delayed is justice denied.

Chairman JOHNSON. Does the President's proposal provide any relief for current retirees affected by the WEP?

Mr. FICHTNER. Not for current retirees, no; just for future ones, sir.

Chairman JOHNSON. Mr. Lee, it is good to see you again.

In my opening statement I talked about Janice from Plano and her experience with the WEP. Her story is like that of so many Texans, and under Chairman Brady and Representative Neal's bill, Janice's benefits would increase.

Unfortunately, the President has proposed to take his time when addressing WEP. Can you tell us why you feel it is important to provide relief to those currently affected by the WEP and not just new retirees?

Mr. LEE. Mr. Johnson, it is also good to see you again, sir, and thank you for the invitation to come and present today.

Chairman JOHNSON. We are glad to have you.

Mr. LEE. Thank you so much.

We have thousands of our retirees that are in desperate need for additional dollars in their monthly annuities and their Social Security benefits. I have so many retirees that have very modest retirement benefits, and so the work that can be done today to advance proposal that does not delay it for ten years and puts a little extra money in our retiree's pockets will go a long way to help make ends meet for those folks.

Chairman JOHNSON. Is there any reason why using the same benefit formula for everyone is not the fairest way to go?

Mr. LEE. Mr. Chairman, we believe in fairness. We think this has been the best proposal that has been brought forward in a number of years, and fairness is the right way to go.

Chairman JOHNSON. Dr. Fichtner, some argue that since the WEP and GPO are unfair, the only fair thing to do is repeal them. What do you think?

Mr. FICHTNER. I think that would actually be the opposite method. Repealing them would actually make things more unfair, sir than making things fair.

Chairman JOHNSON. And, Mr. Goss, can you tell us how you think about repeal? How would that affect Social Security's finances?

Mr. GOSS. Well, I would agree with Dr. Fichtner to the extent that repealing the WEP and the GPO would then not take into account whatever the non-covered earnings that people have had in the past. So some approach does certainly make sense.

Chairman JOHNSON. You know, this is a popular subject, and we have had a number of non-subcommittee members, non-committee members join us today, and we welcome you.

Without objection we will follow our custom of allowing members of the Ways and Means Committee who are not Members of the Subcommittee to ask questions after the Members of the Subcommittee have completed their questioning.

Other members may make submissions for the record which will remain open for two weeks.

I recognize Mr. Larson.

Mr. LARSON. Well, thank you again, Mr. Chairman, and I want to thank our witnesses as well.

Mr. Goss, I would like to go back to your testimony, and I think it is important as well for the record, and I understand the philosophical notion and the fairness of making these adjustments with respect to both the WEP and the GPO, and I wonder though if you can explain to us as you were going through your diagrams who would be the losers in this.

What happens here? That seems to be some of the concern that is raised by the NEA and others, and I was just trying for the record to better understand this.

Mr. GOSS. Well, it is true, as several have mentioned, that there would be a lot of dare we say winners, that is, people who would be less strongly affected by the new proposal than what we have now.

But there would, as in almost any change, there would be some people who would be affected somewhat more. Of the roughly 1.5 million worker beneficiaries now affected if we were to be able to apply the new formula to them, about 16 percent or about a quarter million of those folks would be reduced by about $13 per month.

That is not a strong change. This would be about an eight percent reduction in their benefit level. These are people who are currently affected, but because of the size of the pension that we know of, they are being affected relatively little. They would be affected only slightly more under the new formula approach.

The much larger group that would be affected you might say negatively would be out of the 15 million people who are worker beneficiaries today, if we were to apply the new formula to them, who

have some non-covered earnings but are not reduced currently for the Windfall Elimination Provision, a large majority of them, 93 percent, would have some very small reduction under the new formula. We estimate that that reduction would be on the order of $27 per month, on average, which is only a two percent reduction ion the benefits for those individuals.

Breaking that down into the people most affected versus least affected by applying the new formula to those who currently are not being reduced by the WEP, the group that would be the least affected would be affected by only $3 per month on average reduction, and the percentage reduction would round to zero percent. It would be less than half a percent reduction.

The group of that 14 million that would be most affected would be affected by a reduction in their benefit of about $46 per month, which is only a $3 per month reduction for those individuals.

So there would be some individuals obviously who are not affected by the WEP at all now with this broader application of the under the new proposal would be affected to the smaller extent.

Mr. LARSON. But as Ms. Richardson pointed out, because of the progressivity within this that is why it is getting the favorable review from the panelists.

What does an average Social Security recipient receive today?

Mr. GOSS. On average Social Security recipients are getting on the order of $1,300. This is retired worker beneficiaries, around $1,300 per month.

Mr. LARSON. And as I said earlier, we have not made an adjustment really to Social Security since 1983 when it was, I think, unwisely not indexed at the time, which places us in this horrible actuarial situation that we find ourselves in wondering about the solvency of the program.

I think one of the mistakes that we make is to refer to this as a tax instead of an insurance premium. This is, after all, an insurance premium that is paid by both the employer and by the employee, but it is insurance nonetheless that the employee has paid for.

And I hear this everywhere I go in my district, that this is the insurance I paid for, and I do not know of any insurance premium that has not risen since 1983 in any major category. So that when we look at these things, if we look at it going out, looking at a premium perspective and to make sure as they do in all insurances that they are actuarially sound, your advice on this is going to be tantamount.

And I thank you for your testimony.

Chairman JOHNSON. Thank you.

Mr. Dold, you are recognized.

Mr. DOLD. Thank you, Mr. Chairman.

And I certainly want to thank all of you for coming today and for your testimony.

And just to pick up where my good friend Mr. Larson was leaving off in terms of an insurance policy, one of the keys to an insurance policy is certainty. So, again, having that certainty is extremely important.

And we hear it each and every day. We hear it from businesses. We hear it from individuals. Planning and having certainty is absolutely critical.

And so individuals who are planning for retirement rely on the statements that they receive from Social Security to have a sense of what the benefit is that they can expect going forward. However, those statements do not take into account the Windfall Elimination Provision or the Government Pension Offset.

So people who are subject to the WEP or the GPO may not know how they will be affected until they actually come into retirement and they apply for their benefits, and it is not until then that they learn how much less they will receive on Social Security, whether it be that benefit that they were expecting.

Not only is this unfair; it interferes with the ability of retirees who have worked in public service jobs, including educating our children, from being able to enjoy the retirement that I believe they so richly deserve.

Now, some of the things that I have heard, and again, I am sure you can imagine we have heard a lot from constituents. One wrote in to me, Lucile, who is a teacher from Vernon Hills, and she taught in a Catholic school for many years and switched to the public school system after her husband passed away. She worked in the public school system for 17 years, and she wrote to let me know that she was trying to do her retirement planning when she learned that because of WEP, she will not receive any of her late husband's Social Security benefits and hers will be reduced by two-thirds.

In addition, because she has only worked for 17 years in the public school system, she will not qualify for a full pension benefit.

Robert, who is a former postal worker from Wheeling, learned that he would not receive his Social Security benefits for his covered employment because he received a pension from the Federal Government for his non-covered employment.

Nick, a retired educator from Deerfield, wrote in to express the unfairness of the Windfall Elimination Provision, and he notes that he has paid into Social Security and deserves the benefits that he has earned, and that only Illinois and about 15 other States reduce Social Security benefits along those same lines.

Each of these people, and again, there are thousands and thousands of others that have been negatively impacted, and I do believe that this is a bipartisan effort for us to be able to try to solve this problem.

So, Mr. Lee, let me just first direct this. When teachers receive their Social Security statements or their statements if it is not Social Security, are their estimated benefits accurate?

Mr. LEE. Congressman, I think you are exactly right in saying that the amount of monthly benefit they may receive may be accurate, but it does not reflect the impact of the Government Pension Offset or the Windfall Elimination Provision.

In your first example, it sounded like that individual was going to be hit with a double whammy, both with Government Pension Offset and the Windfall Elimination Provision.

So to the extent that they are accurate, yes, but they do not provide good financial accounting for the fact that the WEP will affect

them, and when they go to retire to collect the benefit, it is a very big surprise, and it does impact how they are able to make ends meet.

Mr. DOLD. Dr. Fichtner, Ms. English, how important is it that those statements, regardless of where they are, are accurate?

Mr. FICHTNER. Congressman, it is very important. For many people the Social Security statement that they get in the pension plan is the one time a year they sit down and try to figure out their adequacy for retirement planning. If those statements and the benefits estimate in those statements are wrong, we could be doing a lot of harm to people as they try to plan for a secure retirement.

Mr. DOLD. Mr. Goss.

I do not mean to cut you off, Ms. English, if you wanted to add in.

Ms. ENGLISH. The only thing I wanted to add is that is absolutely right. We talk to our members all the time, and if they cannot plan for their Social Security, their pension, and their savings, they cannot plan for their future, and so knowing what they are going to have in Social Security is crucial.

Mr. DOLD. Mr. Goss, let me just say, I understand you cannot be a clairvoyant, and I recognize that situations are happening you do not know that they may have had a different work time somewhere else. How can we try to avoid this?

Mr. GOSS. Well, you make an extremely good point. Due to the complexity of the current approach where one would have to know the size of the pension and when a person was going to receive a pension based on non-covered employment, we simply do not have that information available.

We do have more detail benefit calculators available on the WEP principally used by financial planners, not by citizens because of the complexity.

There is no question but that this new approach would afford us in the Social Security statements the ability to take into account those years of non-covered earnings and give a much better estimate for individuals, especially if they indicate during the remainder of their career where they think they will be working. We can give a very good assessment.

Mr. DOLD. And in my last one second, the legislation that we are proposing today would rectify this problem; is that correct?

A nod I am seeing, Dr. Fichtner.

Mr. FICHTNER. Yes, sir.

Mr. DOLD. Okay. Thank you so much.

Mr. Chairman, my time has expired.

Chairman JOHNSON. Thank you.

Mr. Kelly, you are recognized.

Mr. KELLY. Thank you, Chairman.

And thank you all for being here,

My wife is a teacher back home in Pennsylvania and my daughter is a teacher. My wife taught elementary; my daughter in secondary. So we have approximately 35,000 Social Security beneficiaries that are all adversely affected by the WEP Program.

Mr. Lee, you talked about this pretty clearly. The bulk of my life has been in the private sector, and one of the things is if you are going to attract the best people, you have got to have the best ways

of attracting them. Most of that is through a compensation package that makes sense, that allows them to get through their everyday life, and then allows them to get ready for the time that they retire.

So looking at what we have today, and this is really one of those days where we all agree on the same thing, but to attract the best people, and I really do believe teachers are the key and education is the key for anybody getting from what level they are to the next level higher, and they can do it by themselves by preparing for a job that they want in the future that actually does allow them to sustain their lifestyle, family and children and take care of everybody.

So if you can just talk a little bit more about when it comes to what we have to do to attract more teachers, to attract more people to go into that profession to make it seem to them, and I would just share this. My daughter was at Notre Dame, and she was in preprofession of science, and she was having trouble from the standpoint of it was not exactly what she wanted. She was a track girl. She ran cross-country in track.

And I said to her—her name is Charlotte but I call her Charlie—I said, "Charlie, you know what? You love kids. You love competing. Why do you not go into education?"

And she said, "I cannot make any money doing that, Dad. Why would I ever do that?"

And I said, "It is not always going to be about money. It is going to be at the end of your life not how much you have in the bank but how many people you have actually touched and how many people you have helped."

And she said, "well, that is easy for you to say, but it is not going to be that way for me."

So, by the way, she did become a teacher, and she is also coaching cross-country and track, and she started a program called Girls in the Run, which really helped a lot of little girls who did not feel really good about themselves for whatever reason and started them off by walking around the track and talking about what do you have to do to fit in and how you have to compensate for people who say things about you that are not real nice, but at that age that kind of goes with the territory.

But my point is to get people like my daughter Charlotte, to get Charlie to say, "Do you know what? I do not need to be—but I do have to have something that is sustainable."

That is a huge problem right now, is it not? Attracting the really top people to work with our kids, the most valuable asset we have going forward where our future is secured?

How hard is it right now to bring those folks into the fold?

Mr. LEE. Congressman, I appreciate that story and appreciate your wife's services as a teacher, and certainly I can tell you are a proud father.

I have a picture recently from one of my retirees who is 109 years old, and he is receiving a benefit from the Teacher Retirement System in Texas. So is his son and so is his son's son, and so it is a generational teaching family.

And I think that we have to support our educators. Obviously teaching is one of the most difficult positions that you can go into

as a career. My own daughter also, who is going to be 13 next month, wants to be a teacher, and so I think immediately about the obstacles that she will face.

I think one of the major obstacles that we can remove from that situation is creating a greater sense of transparency and helping somebody understand the value of not only the dollars they are receiving in their payroll today, but also the dollars they are putting away for their future retirement benefits through the State Teacher Retirement System, as well as into the Social Security system. That transparency will help them understand that the career of public education is not only helping the children today, but it will help those teachers when they retire in the future.

So I would say greater transparency, and of course everything that we can do to encourage our teachers, good teachers, to stay in the profession, and looking at the other professions where people are coming into schools. In Texas we have Troops to Teachers, obviously lots of military folks coming into teaching, and I know if they look at provisions like the Windfall Elimination Provision and say, "Look. If there is no reason, no benefit for me to go into teaching because I am going to be hurt because I do that financially in the future," I think that is the wrong message that we need to be sending.

So it is a big step forward today in looking at how can we treat people fairly and transparently in the future.

Mr. KELLY. And, Chairman, thank you again for this hearing because it is about fairness, and I think that we champion these people. We want them to touch our children's lives and we want to be part of that whole process, but then they look at it and say, "But at the end of my time, when I retire, I am not being treated fairly. So you want me to come in and do all of that, you want me to give you my life, and you want me to give all of my talents and my passion, but I am not going to be treated fairly."

And I think that is the problem. You all touched on that, and I think that is the answer.

So, Chairman, thank you so much for having this hearing today.

Chairman JOHNSON. Thank you.

Are you ready to question? You are recognized, Mr. McDermott.

Mr. MCDERMOTT. Thank you, Mr. Chairman.

I have been on this Committee long enough to remember the Notch Babies. So I sort of look at these questions where you are making decisions here that are ten years out before they take effect, and I am asking myself: what are we setting up here?

If I understand, Mr. Goss, one and a half million people or one and a quarter million will get an increase of something like 77 bucks on average, and then there is the 15 million that are going to get cut. And it looks to me like this bill is one where nobody wanted to raise any money. They do not want to do anything about the money situation in Social Security. They just wanted to shift it from one bunch to another.

So we have got the public employees, and I think this is a benefit for them they should have, but we are doing it at the expense of 15 million people who do not know it is coming. They do not belong to an organization that lets them know; is that correct?

Mr. GOSS. The numbers that I was speaking about are really in reference to sort of what in the long run the implications would be. The 14 million people who are not currently receiving any reduction for WEP, if we were to be able to apply the new approach to them, there would be 14 million who would be affected somewhat by that, but to a very small extent.

Mr. MCDERMOTT. What is the logic for that except for saving money, just cutting benefits from them?

Mr. GOSS. Well, the logic would be really just the basic logic of the notion of reflecting the replacement rate or the level of benefit people should get from their Social Security covered earnings to have that be commensurate with the level of their overall earnings on the basis of our progressive formula.

Really, I think the best way I could express the logic on that is for that portion of a person's career when they were working in State and local or Federal Government employment and not paying them or their employers the 12.4 percent combined payroll tax rate, that they would not, in effect, be getting credit towards Social Security benefits and having a higher replacement rate on the basis of not counting those earnings.

This new formula would look at those earnings in addition to their covered earnings and determine their overall level of earnings and their overall level of benefit replacement that would be deemed to be appropriate under our current formulas, and give them on their Social Security covered earnings no higher replacement than people would get who had had their whole career covered.

Mr. MCDERMOTT. When the bill passed here in 1983 and they advanced the retirement age from 65 to 67, I am sure there were thousands, millions of people in this country who never thought that was going to ever affect them, and they did not even hear about it. They were not paying any attention to it.

What kind of educational effort is there going to be for people to understand what their future benefits are? How do they sit down and plan their future?

If they are 55 today, they are going to be 65 when this kicks in ten years from now or whatever. How are they going to know what is going to happen to them then?

I mean, how will the ordinary citizen find out about this?

Mr. GOSS. I would imagine that Mr. Lee would be in really a very, very positive position under this new formula for future beneficiaries to indicate to them that you can simply look, and we have in your Social Security statement. We do identify not only your covered earnings, but also your earnings that are not covered through the Social Security statement.

Through a modification of that we could indicate to people on the basis of their covered and non-covered earnings what the implications of this new formula would be in a way that we really cannot with——

Mr. MCDERMOTT. I do not remember that.

Mr. GOSS. That education would be very possible.

Mr. MCDERMOTT. I do not remember the point at which I started getting announcements from Social Security about what my benefit was going to be. When does that start?

Does that start when you are 65? I got mine at 65. Does it start at 65 or 67 or whatever, or does it start ten years before where they tell you, "This is what your benefit is going to be"?

Mr. GOSS. The good news is even before that. We first start sending statements to people when they attain age 25, and I think our current practice now is to do it every five years thereafter until they reach something like 60, and then we do it even more often, perhaps every year at that point. So the notices are available for people either online or if they are not signed up, they receive those through the mail.

Mr. MCDERMOTT. And it will tell them what their benefit cut would be from what they presently have or it will just tell them what the benefit is going to be?

Mr. GOSS. Well, if we enact H.R. 711 or the equivalent through the President's budget proposal, once that goes into effect for people who will be affected by the new formula, we will be in a position to modify the calculation shown in the Social Security statement and indicate to people what their benefit would be without and with, probably just with, the implications of this new formula change.

Mr. MCDERMOTT. I will not be here in 2027. So I will not meet the next crop of Notch Babies, but I will bet you there is going to be somebody organizing these people and telling them.

Thank you. I yield back the balance of my time.

Chairman JOHNSON. Thank you for your question.

Mr. Renacci, you are recognized.

Mr. RENACCI. Thank you, Mr. Chairman, for holding this hearing. I want to thank the members of the panel for their testimony.

I would also like to thank Chairman Brady and Mr. Neal for their hard work on this issue and for working towards really a common sense solution to address the outdated and arbitrary formula.

While WEP may impact every State, my State of Ohio has more than 120,000 people who will be subject to the Windfall Elimination Provision, trailing only behind the significantly larger States of California and Texas. This is due to the State having multiple pension funds that predate Social Security and whose members do not have income that contributes to Social Security.

Mr. Chairman, I ask unanimous consent that a letter from the Ohio Public Employees Retirement System in support of H.R. 711 be included in the record.

Chairman JOHNSON. Without objection.

[The information follows: The Honorable Jim Renacci Submission]

OPERS
Ohio Public Employees Retirement System

March 22, 2016

The Honorable Sam Johnson
Chairman, Subcommittee on Social Security
House Committee on Ways and Means
2304 Rayburn HOB
Washington D.C. 20515

Dear Chairman Johnson,

I am writing on behalf of the Ohio Public Employees Retirement System (OPERS) to provide comments regarding the need for equal treatment of public servants, especially as it pertains to the application of the Social Security Act's Windfall Elimination Provision (WEP) and Government Pension Offset (GPO).

Together, these two provisions present a significant challenge for our members who are eligible for both Social Security benefits and a public pension based on employment that was not covered by Social Security. These individuals will lose some or all of their Social Security benefit simply because they chose a career in public service and were eligible for a Social Security benefit based on their own service or the service of a spouse.

The unfortunate fact of the matter is that many of Ohio's public servants will be impacted by the WEP and/or the GPO. This is because most public employment in Ohio is not covered by Social Security. Instead, Ohio's public servants contribute to one of five statewide public retirement systems, based on their occupation. Of these, OPERS is the largest in Ohio and the eleventh-largest public retirement system in the United States, with total fund assets approaching $86 billion and more than one million active, inactive and retired members.

Even though OPERS makes every effort to educate its members regarding the impact of the WEP and GPO, many of them are surprised and frustrated to learn just how much their OPERS pension will affect the amount of their anticipated Social Security benefits. These individuals thought they were doing all the right things. They answered the call to public service and tried to plan for a secure retirement, only to discover that their plans were based on a commitment that is no longer valid. Further complicating matters is the fact that many of these affected individuals have little margin for error. The average annual OPERS pension is around $25,000. Depending on the amount of

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their personal savings (if any), the loss of a significant part of their Social Security benefit can leave a substantial hole in their retirement budget. In this regard, the GPO is especially onerous, as it disproportionately impacts women, many of whom have spent most of their lives raising their families and may have worked outside the home for only a short period of time.

The WEP and the GPO have been described as necessary to remove any "advantage or 'windfall' ... [that public servants in non-covered states] would otherwise receive as a result of the interaction between the Social Security benefit formula and the workers' relatively short careers in Social Security-covered employment."[1] For public servants in non-covered states however, it is clear that these provisions have shifted the balance too far in the opposite direction, to the point that individuals with prior Social Security service are now at a disadvantage if they choose a career in the public sector in certain states.

The question then becomes how to effectively address these provisions in a way that is fair for all Social Security recipients. OPERS is currently in its 81st year of providing retirement security to Ohio's public servants. We appreciate Social Security's important contributions toward ensuring that American workers have access to a secure retirement. In the not-too-distant past, a Social Security benefit was one part of secure retirement, along with pension benefits and personal savings. It is unfortunate that, with the decline of defined benefit pension plans in the modern workplace, many workers have been forced to rely more heavily on their Social Security benefits to make ends meet throughout their retirement. Understanding that, we are not seeking a solution that will harm Social Security or impede its mission.

In the same way, we urge the members of this Subcommittee to consider solutions that will not harm existing public retirement systems in non-covered states. Some observers have suggested that non-covered public servants could simply be folded into the Social Security System, thereby solving the WEP/GPO problem. This policy of "mandatory coverage" is far from a solution however, as it would devastate systems like OPERS. If contributions or employees are redirected from existing public retirement systems to Social Security, the results could be catastrophic. For example, if mandatory coverage was implemented in Ohio, OPERS-covered public employers might have to contribute an additional 6.2% (the current employer contribution under Social Security) of payroll on top of their current contributions to OPERS, which would significantly increase costs for Ohio's taxpayers. Alternatively, if the total employer contribution stayed the same, and the 6.2% was simply reallocated from OPERS to Social Security, the resulting loss of income would force OPERS to implement immediate and drastic benefit cuts. This is

[1] Alison M. Shelton, Congressional Research Service, Social Security: The Windfall Elimination Provision (WEP), January 29, 2010.

to say nothing of the increased burden on Ohio's public servants who would be required to contribute more than 16% of their income to OPERS and Social Security. Clearly, mandatory coverage is not a viable solution.

Fortunately, there is an acceptable solution in the form of the Equal Treatment of Public Servants Act of 2015 (HR 711), which was sponsored by US Representative Kevin Brady (R-TX). Though OPERS has long supported a full repeal of the WEP and GPO, the costs associated with such repeal are prohibitive. Each Congress has produced at least one repeal bill, and while OPERS has advocated in favor of these initiatives, they have seldom received a hearing. To our knowledge, Representative Brady's legislation, which would reform (not repeal) the WEP, is the first bill to account for the costs of modifying that provision. Under HR 711, retirees who are currently subject to the WEP would have their Social Security benefits recalculated and many would receive a larger percentage of the benefits they earned throughout their Social Security-covered careers. Future retirees would be subject to a revised WEP formula that takes their non-covered employment into account when calculating their Social Security benefits. As a result, the significant offsets applied under current law would be decreased. We believe that HR 711 is an important and reasonable first step to addressing an issue that impacts so many of Ohio's public servants. This issue is too important to wait any longer.

Public service is a calling. It should not be penalized or discouraged. These are the men and women that patrol our neighborhoods, fix our roads, and staff our libraries. They maintain our public parks and clean the restrooms in public buildings. They are our friends and neighbors. They took these positions based in part on the opportunity to build a secure retirement. We should honor their service by preserving that opportunity.

We hope that you will support HR 711. We appreciate the opportunity to comment on this important issue, and look forward to working with you to support Ohio's public servants. If you have questions or require further information regarding OPERS' comments, please do not hesitate to contact us.

Sincerely,

Karen E. Carraher
Executive Director

cc: The Honorable Xavier Becerra, Ranking Member, Subcommittee on Social Security; Members of the Subcommittee on Social Security

277 East Town Street Columbus, Ohio 43215-4642 1-800-222-7377 www.opers.org

Mr. RENACCI. In my five years representing Northeast Ohio I have heard from countless constituents who have spent part of their career serving their community as public school teachers and police officers, firefighters or State employees who have been impacted by the Windfall Elimination Provision. Like many of my colleagues, the stories I hear from constituents have real impact on their lives and their planned retirement.

While efforts have been made both by the State and Federal level to better educate individuals impacted by WEP, still many retirees do not realize that they will lose benefits due to WEP until their first benefit check.

This was the unfortunate case of a constituent of mine named Thomas, who is currently retired in Medina, Ohio. Thomas worked many years starting as a teenager in a variety of jobs that paid into Social Security prior to joining the City of Cleveland Police Force where he served the community for 27 years.

Throughout his time working in public law enforcement, he also worked as a private contractor paying into Social Security only to be told that he would receive reduced benefits due to WEP.

I have also heard from Tina who lives in Brunswick, Ohio, who spent more than 20 years working in the private sector before being hired by the Brunswick City School District in 2008. She is planning to retire in the next five to seven years and is already preparing for an impact that the current WEP formula will have on her retirement.

Under the President's proposal, we have heard the Windfall Elimination Provision will not be fixed for ten years. That is an awful long time when we have the data to fix it starting next year in order to provide a solution for individuals like Tina and Thomas.

Mr. Lee, can you give me any reason why we should wait ten years?

Mr. LEE. No, sir. I think that you set that up very well. Those are problems that need to be addressed now. We have recognize the arbitrary nature of the current Windfall Elimination Provision formula.

We know how to fix it today. We have had excellent testimony and the work that you have done and many members of this Committee have done and have made it available to present a reasonable solution. I think now is the time to do it.

Mr. RENACCI. Thank you.

Mr. Fichtner, often one of the reasons to wait would be implement a change, is to give people, you know, time to plan. However, since we know the Social Security statements are not accurate for those affected by WEP and GPO, how does this delay really help them?

Mr. FICHTNER. The delay actually would not really help them. It is just giving them proper information to make the proper planning they need to do.

And the other point, to follow on Mr. lee's point and yours as well, is that if we delay making this change until 2027 instead of doing it in 2017, there are beneficiaries now who are being affected by the WEP that are getting a lower benefit than they would in a proportionate amount.

So we are basically delaying giving them the benefit that they deserve, and again, justice delayed is justice denied.

Mr. RENACCI. Thank you.

You know, this is a great opportunity where we can work together as a bipartisan group to get things accomplished. So I agree that we need to work together. As a cosponsor of H.R. 711, I again want to thank you, Mr. Chairman, for holding this hearing and for working towards this common sense solution.

I yield back.

Chairman JOHNSON. Thank you, sir.

Mr. Smith, do you care to question?

Mr. SMITH. Yes, just briefly. Thank you, Mr. Chairman.

I am happy to be back on the Social Security Subcommittee. I know changes have been made along the way. We have got some work to do, and we have had young people filing in and out of the room. I hope that this might spark some interest in their financial futures, and as we work hopefully together to address the solvency of Social Security, this issue is one that I hope we can resolve here fairly quickly.

I believe it is appropriate that we work to improve Social Security so we can ensure benefits are paid out accurately and reflect the need of beneficiaries as well.

So I thank the Chairman for calling today's hearing.

One question, Ms. Richardson. Whether or not the WEP and GPO apply is based on if a person is also receiving a pension. What information does the Social Security Administration use to actually make the determination?

And are you relying on beneficiaries to provide this information when they claim the benefit?

Ms. RICHARDSON. Under the current law, yes, we are. We rely on self-reporting, and that is part of the challenge of administering the current law.

Mr. SMITH. Okay. By fixing the WEP and GPO in the way the President proposes, would you need pension information for new beneficiaries once the policy goes into effect?

Ms. RICHARDSON. We would need pension information for those current beneficiaries, but at the point in 2027, when the Administration's proposal would take effect, we would use just the non-covered earnings data for newly eligible beneficiaries.

So for any of those beneficiaries up to that point who will continue to receive benefits after that point in 2027, yes, we would continue to need their pension information. We need the details about when the pension starts, when it stops, and when the amount changes.

Mr. SMITH. Okay. Thank you.

Does anyone else wish to comment?

[No response.]

Mr. SMITH. If not, I yield back. Thank you.

Chairman JOHNSON. Thank you.

Mr. Rice, do you care to question?

Ms. RICE. I yield, Mr. Chairman.

Chairman JOHNSON. Thank you.

Mr. Tiberi.

Mr. TIBERI. Thank you, Mr. Chairman.

I appreciate you holding this hearing today, and I want to thank Mr. Brady and Mr. Neal for their leadership.

I am going to associate myself with Mr. Renacci's comments. Being from Ohio, I, too, know the perils that many of my constituents face and have heard from many of them over the years that I have been in Congress, including my mother-in-law who is impacted by this Windfall Elimination Provision.

Last fall I was contacted by a woman by the name of Liz Mackey. Ms. Mackey worked as a nurse for 18 years before an injury forced her out of that very noble profession, Mr. Chairman, and rather than retire on disability, she decided to pursue another career, put herself through school, became an employee in Franklin County Government in Columbus, and worked in a job that paid much lower than she did get paid as a nurse for 18 years.

So as a result of that decision, Mr. Chairman, that decision to keep working instead of giving up, she will see her Social Security benefit greatly reduced by this WEP provision unless we fix it.

And so she cannot wait another ten years. She needs this fixed now.

Dr. Fichtner, in your testimony you discussed how using the proportional formula devised in this bill instead of WEP allows that same benefit formula to be used for all workers. Can you explain how that would be impacting someone like Ms. Mackey who had a job in the private sector at a higher scale and then went to public service work working for government in a Public Employee Retirement System at a lower scale?

And now Ms. Mackey who may be choosing between taking a non-covered job in the future or retiring simply to keep a higher retirement benefit, the perverse incentive, if you will.

Mr. FICHTNER. So, Congressman, there is a perverse incentive sometimes to try to seek additional employment and just for the sole purpose of getting years of coverage under Social Security when you have also non-covered employment.

The benefit of going to a proportional formula is it is one formula that applies to everybody. So it is transparent. Under the current formula, the first bend point, as Chief Actuary Goss mentioned, changes. Instead of being 90 percent it could be lowered to as much as 40, but it scales down depending on years of coverage.

So it is very confusing. It is not very transparent, and people cannot plan accurately. Going under the plan by Congressman Brady and Congressman Neal, that would make it one formula that would apply to everybody, and it would be proportional for those years that are non-covered earnings, which means you could have one formula for Social Security that could do a better job in the statement of telling people what their benefit would be, and it would no longer give a perverse incentive to game the system.

Mr. TIBERI. Mr. Renacci brought this up with respect to police officers, but I know it was brought up that teachers and others face the same impact they have supplemental jobs, second jobs throughout their career paying into Social Security in their supplemental jobs that are paying into the Public Employee Retirement System in the primary job.

Mr. Lee, you brought up in your testimony how WEP can be particularly harmful to teachers in our State of Ohio. So does the approach taken in the new formula effectively stop that?

Mr. LEE. Yes, sir. And, first of all, I want to say that many of my friends in Ohio speak very highly of the gentleman on this Committee and they appreciate your service. I know quite a few retired teachers from your State that are watching today and are very interested, and they have sent email expressing appreciation for your participation today.

We look at this situation as a very unfair formula, a very arbitrary formula and confusing and needs to end with the work done for the folks here today and Mr. Brady and others, this formula has become fair, and if you ask educators what they value more than maybe anything else, it is fairness. They just want to be treated fairly under the law.

In this current situation we do not believe it is fair. A person who is a high wage earner and perhaps administrator level position is going to be hit one way, and a person who is in a low wage position is going to be hit exactly the same, and so a person earning lower income needs to be treated differently based on their earnings than somebody who is maybe in a higher paid position.

And so that is what the current formula is trying to fix, get rid of the arbitrary nature of the existing WEP and replace it with something that is fair based on their earnings over their career.

Mr. TIBERI. Thank you. My time has expired.

Mr. Chairman, I'm a proud sponsor of this legislation, and I want to thank you for your leadership.

Chairman JOHNSON. God bless you. Thank you.

Mr. Larson, you are recognized.

Mr. LARSON. Thank you, Mr. Chairman.

And what a great hearing this has been, and I want to thank the members that have joined us as well.

And I want to go back to something that both you and Mr. Renacci said with respect of the ten-year gap and why this legislation that takes effect in 2017 comes under what Martin Luther King would call the fierce urgency of now.

And so I commend this Committee that has been in a nonpartisan way grappling with this issue, and I think this bodes well for the overhaul and the work that still needs to be done on Social Security.

Mr. Chairman, I commend you for always being fair and thoughtful and I hope that we in the not too distant future can have a hearing that focuses on the actuary soundness of this and bring our actuaries here and talk about in a nonpartisan way how we can come up with constructive solutions that make it, I think as Mr. Goss said, sustainably solvent for the whole program.

I think that is what we are all interested in as members here who understand how vital a program that Social Security is to all Americans.

Again, kudos to Mr. Brady and Mr. Neal, and thank you again, Mr. Chairman, for having this hearing.

Chairman JOHNSON. Thank you.

And I want to thank all our witnesses for their testimonies today. Thank you also, the members that are still here. I appreciate your presence.

It is clear that current law is not working, and we need to fix the WEP and GPO so that all workers are treated fairly, and the time to act is now.

I look forward to working with all my colleagues on this important legislation. And with that, this Subcommittee stands adjourned.

[Whereupon, at 11:30 a.m., the subcommittee was adjourned.]

[Member Questions:]

SOCIAL SECURITY
Office of the Chief Actuary

April 25, 2016

The Honorable Sam Johnson, Chairman
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives
Washington, D.C. 20515

Dear Chairman Johnson:

On April 11, I received your question related to the hearing of the subcommittee on March 22, 2016 on "Social Security and Public Servants: Ensuring Equal Treatment." Thank you for this question and for the opportunity to engage on this topic at the hearing last month.

The question you raised is:

> How would the President's proposal to replace the Government Pension Offset (GPO) affect the benefits received by public servants?

First, let me mention the letter sent to Office of Management and Budget Director Sean Donovan on February 10, 2016 where we provided analysis and estimates for the President's proposal to change the Windfall Elimination Provision (WEP) as well as the GPO that was included in the President's Fiscal Year 2017 Budget. This letter is available at https://www.ssa.gov/OACT/solvency/FY2017Budget_20160210.pdf . This letter provided a brief but hopefully complete description of the changes intended at that time for the President's proposal.

The President proposed to require State and local governments who have had employees (public servants) working in positions not covered under Social Security to report to the Social Security Administration any payments made from a disability or retirement plan based on that non-covered employment. The receipt of these reports would allow for more complete application of the WEP and GPO provisions in current law for individuals becoming eligible for Social Security monthly benefits before January 1, 2027. We have estimated that based on this reporting application of the present law GPO provision will result in benefit reductions for approximately 100,000 former public servants with monthly benefit reductions averaging $400 to $450. Benefit reductions based on the pension data obtained would be applied for both past and future benefits for those affected.

The President's proposal further specified that for those individuals becoming eligible for Social Security monthly benefits after December 31, 2026, a new formula would be applied for the GPO. The new GPO would be applied for all spouse and widow(er) beneficiaries who are age 62 and older or entitled as a disabled worker, disabled widow, or disabled adult child, and have received earnings that were not covered under Social Security, as included in the Social Security

earnings records. For such individuals, we would calculate a primary insurance amount (PIA) based on their Social Security covered earnings only, and another PIA (super PIA) based on treating all past earnings in SSA records as if they had been covered. The individual's auxiliary benefit would then be reduced by the difference, if any, between the super PIA and the PIA, multiplied by the appropriate age-reduction factor.

To assess and illustrate the effects of the new GPO formula on public servants becoming eligible for Social Security benefits starting in 2027, we look at the effect the new formula would have on current beneficiaries in 2016, as if the new formula had been fully in effect for all past years, compared to the actual effect of the current GPO formula in that year. This comparison gives us a good sense of the ultimate effect the new GPO formula will have on the generations of beneficiaries becoming eligible in 2027 and later.

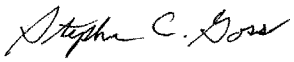
Currently about 650,000 Social Security beneficiaries have their benefits reduced by the GPO. We estimate that 46 percent of these beneficiaries would have no change in their benefits using the new formula as their auxiliary benefit would still be completely offset. We estimate that about 37 percent would have a smaller offset under the new formula increasing their benefits by roughly $300 per month on average compared to current law. Finally, we estimate that about 18 percent would have a larger offset reducing their monthly benefit by about $160 per month on average compared to current law.

In addition, we estimate that there are currently over 6 million auxiliary beneficiaries who have some non-covered earnings in SSA records, but are not reduced by the GPO. Of this number we estimate that about 12 percent would have no change in their benefit with the application of the new formula because their non-covered earnings are minimal and would in fact not affect the computation of the super PIA. The remaining 88 percent would have their monthly Social Security auxiliary benefit reduced by about $56 on average, for an average reduction of about 4 percent in their total monthly Social Security benefit. For the half of the roughly 6 million beneficiaries in this group reduced the least (including those with no reduction), their average reduction in monthly Social Security benefit would be about $10. For the half most reduced, the average reduction in their monthly benefit would average about $88.

Please keep in mind that these illustrations of the effects of the new GPO formula reflect what the "mature" effect of the new formula would be on current beneficiaries assuming this formula had always been in effect, as compared to the actual effects of the current law GPO on these beneficiaries. For the beneficiaries who would become eligible after December 31, 2016, the numbers affected would differ somewhat and the dollar reductions or increases in benefits will be larger reflecting the growth in benefit levels generally from 2016 levels.

We hope this analysis will be helpful. Please let me know if we can be helpful in any other way.

Sincerely,



Stephen C. Goss
Chief Actuary

Q1. In your testimony, you discuss how the Social Security Administration (SSA) had limited data on noncovered earnings when the Windfall Elimination Provision (WEP) formula was established and point out that more data is now available. Please describe this new data set that includes information on noncovered earnings.

Every year, employers and the Internal Revenue Service (IRS) send us information on the earnings of U.S. workers. We store this information and use it to calculate benefit amounts under the Old-Age, Survivors, and Disability Insurance (OASDI) program.

Since 1978[1], employers have sent us earnings information using IRS Form W-2, which includes information regarding earnings on which neither the worker nor his or her employer contributed the Social Security payroll tax ("non-covered earnings"). Although State and local entities were required to report non-covered earnings beginning in 1978, their compliance was generally inconsistent from 1978 to 1981.[2] As a result, our non-covered earnings information from that period contains some inconsistent or duplicative records.

We calculate retirement benefits using a person's highest 35 years of earnings, indexed for inflation. When WEP was enacted in 1983, we had only five years of non-covered earnings data in our records. However, starting in 2017, we will have 35 years of reliable non-covered earnings data in our records. The President's Budget for Fiscal Year 2017 recommends an effective date of 2027 for replacing WEP with a formula that considers both covered and non-covered earnings. By then, our non-covered earnings information would be more complete for people who worked longer than 35 years.

Q.2 The SSA gives beneficiaries with overpayments the option to apply for a waiver of repayment. What are the criteria for granting a waiver and how does a person receive one?

We will waive recovery of an overpayment when a person is both without fault in causing it and recovery of that overpayment would either:

a. defeat the purpose of the program involved; or

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[1] The Social Security Financing Amendments of 1978 (P.L. 95-216) required employers to report earnings annually to Social Security.

[2] See Testimony of Martin H. Gerry before the House Ways and Means Subcommittee on Social Security, July 20, 2004. https://www.ssa.gov/legislation/testimony_072004.html

b. be against equity and good conscience; or,
c. (for the Supplemental Security Income (SSI) program only) impede efficient or effective administration of the program because of the small amount involved.[3]

What constitutes "*fault*" depends upon whether the facts show that the incorrect payment resulted from an incorrect statement made by the individual that he or she should have known was incorrect; failure to furnish information which he or she knew or should have known to be material; or acceptance of a payment which he or she either knew or could have been expected to know was incorrect.[4] We could, for example, find an individual who did not disclose that he or she was in receipt of a pension to be "*at fault*" and not approve his or her request for waiver.

"*Defeats the purpose*" means that recovery of the overpayment would deprive a person of income or resources he or she needs to pay for ordinary and necessary living expenses, such as rent, mortgage, utilities, and medical expenses.[5] And, in general, recovery is "*against equity and good conscience*" when a person changed his or her position for the worse or relinquished a valuable right because of reliance upon a notice that payment would be made or because of the incorrect payment itself.[6]

Whenever we determine that we have made an overpayment, we notify the person and inform him or her of the ways in which we will seek recovery, unless the overpayment is immediately repaid. That notice also instructs the person to contact us promptly if he or she wishes to appeal the fact of the overpayment, request that we waive recovery or accept a lesser rate of withholding, or repay through installments.[7]

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[3] 42 U.S.C. § 404(b) and § 1383(b)(1)(B);
[4] 20 CFR § 404.507
[5] 20 CFR § 404.508 and § 416.553
[6] 20 CFR § 404.509 and § 416.554
[7] 20 CFR § 404.502a

A person can request a waiver at any time and in several ways, including by completing a form[8] or by making a verbal request to one of our field office or debt management branch employees.

Q.3 Beneficiaries with overpayments may also request a change in the terms of their repayment plan. What is the minimum monthly repayment amount? How long can a repayment plan last?

If an overpaid person receives Old-Age, Survivors, and Disability Insurance (OASDI) benefits then we will recover an overpayment by withholding his or her full monthly benefit. However, if we determine that withholding the full monthly amount would defeat the purpose of the OASDI program, then we will recover a lesser amount. But in no case will we recover less than $10 per month.

The recovery period varies depending on the beneficiary's income and assets, but, in general, we set the withholding rate at an amount that would collect the full overpayment within 36 months.

The President's Budget for 2017 includes a legislative proposal that would increase the minimum collection of overpayments in the OASDI program to 10 percent of the monthly payment. This proposal would conform the minimum monthly collection for OASDI payments with the statutory standard that already exists for the means-tested SSI program, which already uses this 10 percent rule.[9]

[8] SSA-632-BK, Request for Waiver and Recovery Questionnaire

[9] 42 U.S.C. § 1381(b)(1)(B)

[Member Submissions for the Record follow:]

Congress of the United States
Washington, DC 20515

March 21, 2016

The Honorable Kevin Brady
Chairman
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Sander Levin
Ranking Member
House Committee on Ways & Means
1106 Longworth House Office Building
Washington, DC 20515

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
House Committee on Ways & Means
1102 Longworth House Office Building
Washington, DC 20515

The Honorable Xavier Becerra
Ranking Member
Subcommittee on Social Security
House Committee on Ways & Means
1106 Longworth House Office Building
Washington, DC 20515

Dear Chairmen Brady and Johnson and Ranking Members Levin and Becerra,

Thank you for scheduling a hearing on Social Security provisions that affect certain public employees. As you know, we have introduced H.R. 973, the Social Security Fairness Act of 2015. This legislation would eliminate the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO), two titles of the Social Security Act that unfairly reduce or in some cases eliminate Social Security benefits for millions of Americans who have devoted much of their careers to public service.

The Windfall Elimination Provision (WEP) reduces the earned Social Security benefits of individuals who also receive a public pension from a job not covered by Social Security. For example, educators who do not earn Social Security while employed by public schools but who work part-time or during the summer in jobs covered by Social Security have reduced benefits even though they pay into the system just like everyone else. 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. This can ultimately reduce benefits by as much as 40 percent.

Similarly, the Government Pension Offset (GPO) reduces by two-thirds the benefit received by surviving spouses who also collect a government pension. 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.

Reductions to Social Security benefits hurt state and local governments' ability to recruit and retain public employees. The loss of earned Social Security benefits and survivor benefits means mid-career job changes from private to public employment can result in the employees paying a lifetime cost in reduced retirement benefits.

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Our legislation would fully repeal these inequitable provisions, and ensure that dedicated firefighters, police officers, teachers, and other public servants are not denied the benefits they worked hard to earn. H.R. 973 enjoys broad support from various groups, including but not limited to, the National Education Association, the National Fraternal Order of Police, the National Committee to Preserve Social Security and Medicare, the Senior Citizens League and the National Association of Letter Carriers. As of March 21st, H.R. 973 also has 137 bipartisan cosponsors.

Again, we thank you for scheduling this important hearing and appreciate your attention to our legislation.

Sincerely,

Rodney Davis
Member of Congress

Adam B. Schiff
Member of Congress

April 4, 2016

Chairman Sam Johnson
Social Security Subcommittee
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Johnson:

We are writing to you on behalf of the thousands of retired employees across the state of Louisiana who are currently being penalized under the Windfall Elimination Provision and the Government Pension Offset. Because of unfairly determined Social Security benefits, many of these employees are faced with unnecessary financial hardship. These are public servants who have contributed to the Social Security system and are entitled to a calculation that reflects their years of service.

We appreciate the hearing on March 22, 2015 for H.R. 711, The Equal Treatment of Public Servants Act, by Chairman Brady. Under this bill, the current and inadequate Windfall Elimination Provision would be repealed and a new formula would ensure that Social Security calculations reflect the contributions made by these employees. Also, estimates indicate that the costs associated with this bill over a 10 year period would have a cost-neutral effect on the budget.

Again, we appreciate your consideration of the impact that the current calculation has on thousands of retirees across Louisiana. They cannot afford to continue being penalized for their time of service to state and local government through decreased Social Security benefits. For this reason, we urge you to consider H.R. 711 and address the Government Pension Offset in a timely manner.

Sincerely,

Garret Graves
Member of Congress

[Public Submissions for the Record follow:]

Lee Saunders
President

Laura Reyes
Secretary-Treasurer

Vice Presidents

Ken Allen
Portland, OR

Richard L. Caponi
Pittsburgh, PA

Ken Deitz, RN
San Diego, CA

Greg Devereux
Olympia, WA

Danny Donohue
Albany, NY

David R. Fillman
Harrisburg, PA

Kathleen Garrison
Lexington, KY

Mattie Harrell
Hackensack, NJ

Johanna Puno Hester
San Diego, CA

Danny J. Homan
Des Moines, IA

Melvin Hughes Sr.
Houston, TX

Salvatore Luciano
New Haven, CT

John A. Lyall
Washington, DC

Kathryn Lybarger
Oakland, CA

Roberta Lynch
Chicago, IL

Christopher Mabe
Westerville, OH

Glenard S. Middleton Sr.
Baltimore, MD

Ralph Miller
Los Angeles, CA

Gary Mitchell
Madison, WI

Victoria E. Mitchell
New York, NY

Douglas Moore Jr.
San Diego, CA

Frank Moroney
Boston, MA

Michael Newman
Sacramento, CA

Henry Nicholas
Philadelphia, PA

Randy Perreira
Honolulu, HI

Steven Quick Sr.
Harrisburg, PA

Lillian Roberts
New York, NY

Eddie Rodriguez
New York, NY

Lawrence A. Roehrig
Lansing, MI

Joseph P. Rugola
Columbus, OH

Eliot Seide
South St. Paul, MN

Mary E. Sullivan
Albany, NY

Braulio Torres
San Juan, PR

Jeanette D. Wynn
Tallahassee, FL

97-15
11/15

Statement for the Record

by the

American Federation of State, County and Municipal Employees (AFSCME)

before the

Subcommittee on Social Security, Committee on Ways and Means

U.S. House of Representatives

on

Social Security and Public Servants: Ensuring Equal Treatment

March 22, 2016

American Federation of State, County and Municipal Employees, AFL-CIO
TEL (202) 429-1000 FAX (202) 429-1293 TDD (202) 659-0446 WEB www.afscme.org 1625 L Street, NW, Washington, DC 20036-5687

Statement for the Record
by the
American Federation of State, County and Municipal Employees (AFSCME)
Before the
Subcommittee on Social Security, Committee on Ways and Means
U.S. House of Representatives
on
Social Security and Public Servants: Ensuring Equal Treatment
March 22, 2016

The American Federation of State, County and Municipal Employees (AFSCME) submits this statement on behalf of our 1.6 million working and retiree members for the hearing held March 22, 2016 on the Social Security provisions that affect certain public employees.

AFSCME is a strong supporter of the Social Security system. We are troubled that the retirement income and Social Security benefits of many of our members and their families are unfairly reduced because of two amendments to Social Security, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). These provisions penalize ordinary public sector retirees who have worked hard and played by the rules. **Congress must take action to eliminate the harmful consequences and serious inequities of these provisions by repealing both GPO and WEP.**

Government Pension Offset

GPO is a federal law that has had a devastating effect on many Americans. It applies to nearly everyone receiving a public pension from work not covered by Social Security. Nationwide, roughly 27% (or more than one in four) state and local government employees are not covered by Social Security. Public employers in these states operate their own pension plans for their employees. The city, county, state and/or federal employees who are not covered by Social Security are found in all 50 states. The concentration of these impacted workers varies from state to state. In 11 states, over half of the public employees are not covered by Social Security. These states include Alaska, California, Colorado, Connecticut, Illinois, Louisiana, Maine, Massachusetts, Nevada, Ohio and Texas. Further, the percentage of employees ineligible for Social Security in Ohio, Maine, and Louisiana exceeds 75%. In Ohio, 97% of state and local employees are ineligible for Social Security.

If the public pensioner is also eligible for a Social Security spouse or widow's benefit, this law requires that this benefit must be cut by an amount equal to two-thirds of the public pension. For the great majority, the GPO fully eliminates the earned Social Security spousal or widow(er) benefit. The remainder experience a dramatic benefit reduction. As of the end of 2013, the GPO reduced or eliminated all of the Social Security spousal or widow(er) benefit for over 614,000 retired federal, state and local government employees. In California, some 91,550 beneficiaries lost all or some of their spousal or widow(er) benefit because of the GPO; in Connecticut, 8,196; Florida, 24,771; in Illinois, 43,723; in Ohio, 86,019; in Oregon, 4,351; in Pennsylvania,7,906; in South

Carolina, 4,564; in Texas, 71,145; in Washington, 5,922. Disproportionately (81%) women lost their spousal or widow(er) benefit because of the GPO.

Thousands more will be affected in the future. The GPO affects low-wage workers, particularly women. AFSCME often hears the panicked concerns about the GPO from our retirees. Most come from retirees with modest pensions, particularly those retired from relatively low paying occupations, such as school custodians, nurses' aides and clerical workers. Many of these employees retire after a full-length career, but may have worked only a 30-hour week. Others may have had less than a full career – say 15 or 20 years following child rearing or divorce. Most of those adversely affected are women who began their careers expecting to retire with both a public pension and a Social Security spousal benefit. It is a frightful shock when they realize that they will not receive a much-needed portion of their expected retirement income.

According to current law, retirees cannot receive a Social Security benefit based on their own work record and receive a full spouse or widow's benefit. Rather, they can only collect the larger of the two. This is commonly referred to as the "dual entitlement" rule. For the purpose of the GPO, Congress made a determination in 1983 to arbitrarily equate two-thirds of a public pension (earned from work not covered by Social Security) with a Social Security earned benefit. The GPO essentially applies the dual entitlement rule to this portion of the pension and equates the remaining one-third portion of the public pension to a private pension benefit.

However, the situations really are not comparable, making the GPO formula capricious. Our experience bears witness to flawed reasoning underlying the GPO. It ignores the generally large contributions made to public pensions by both employers and their employees. In jurisdictions that don't participate in Social Security, the average total contribution to a public pension can amount to 21% of pay or more, compared to a much lower total of only 12.4% under Social Security. For example, in Ohio, school district employers contribute 14% of payroll to the pension and the workers' share of contributions is 10% of their paycheck. The total of these contributions – 24% – is nearly double the combined employer-employee contribution rate of 12.4% under Social Security.

This disparity in the level of contributions toward guaranteed retirement benefits is important. Generally, private pension plans are financed solely by employers but public pensioners typically put in more than half of the total pension contribution. Most private pensioners only pay into Social Security, yet they can receive a full pension AND a full Social Security benefit, with no offset of any kind. In effect, public pensioners are penalized for their contribution to their own retirement.

Taxation during retirement represents another example of unfair and unequal treatment under the GPO. A public retiree's entire pension is subject to federal income tax – including the part that is deemed equivalent to Social Security. Most Social Security benefits, however, are tax-free. So, the public retiree is effectively hit twice – once with taxes and again with the GPO. It is simply not right.

When Congress first enacted GPO, Congress thought many public retirees were getting multiple government pensions, leading to higher incomes in retirement than they had while working. The truth is very few AFSCME retirees fit this description.

Here are two examples of retirees hit by the GPO. They could not be confused with so-called "double and triple dippers."

Mary retired in 1993 after working for almost 28 years with the Sandusky, Ohio schools. In 2007, when she was 75, her School Employee Retirement System of Ohio (SERS) pension was $688 a month and she received a spousal benefit from Social Security of $122 after the offset. After her then Medicare Part B premium of $96.40 was deducted from her Social Security benefit, she was left with a monthly check of $25.60. That results in a total of $713.60 for her monthly income. In 2006, Mary received a cost-of-living adjustment (COLA) of $14 to her SERS pension, yet with the GPO that increase was cut back to zero. The result was no cost-of-living increase for Mary. Further, she reported each of these miniscule COLAs or she would have been subject to a penalty from Social Security.

By reducing Mary's survivor benefit the GPO is harming the financially dependent spouse. Clearly, Congress did not have Mary, or others like her, in mind when it passed GPO.

Annette became an AFSCME retiree member in 2003 when she retired from her job as a clerical worker employed by the City of Los Angeles and became a pensioner in the Los Angeles City Employees Retirement System. She had never heard of the GPO and thought she would be able to collect a Social Security widow's benefit based on the work record of her deceased husband. However, she had a rude awakening. She found out that applying the GPO's two-thirds offset to her modest $1,300 pension would eliminate her Social Security widow's benefit of $812 a month. The reduction was hard for her to understand. She knew that, as a city employee, she had contributed the same percent of earnings into her pension as a private-sector worker contributes to Social Security. She knew that most private sector workers contribute nothing to their pension funds; their employers finance them. In addition, she knew that her own employer had made a substantial contribution to her pension – putting in as much as 16 and a half percent of payroll in any given year. She also knew that if she had never worked a day, she would be entitled to a full widow's benefit from Social Security. It seemed so unfair.

Annette's financial situation turned worse when she learned that she would not only lose the Social Security widows' benefits her husband earned, but would also be financially hit by a second Social Security offset known as the Windfall Elimination Provision.

Windfall Elimination Provision

Like the GPO, the WEP also affects individuals receiving public pensions from work not covered by Social Security. When the public pensioner also worked in a Social Security-covered job for at least a decade, the WEP creates a public pension offset that can greatly reduce that person's earned Social Security benefit. The maximum reduction in 2016 is generally $ 428.00 a month.[1]

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[1] For impacted public retirees if their retirement benefits start after full retirement age or their on-covered pension starts later than your eligibility year, the WEP reduction may be greater than this maximum.

In 2014, the WEP affected some 1.6 million Social Security beneficiaries who are retired federal, state and local government employees. The WEP impacts retired workers' Social Security benefits as well as Social Security benefits to provide a modicum income security for disabled workers, spouses and dependent children. In California, some 220,783 beneficiaries saw their Social Security benefits reduced because of the WEP; in Connecticut, 16,667; Florida, 90,015; in Illinois, 85,723; in Ohio, 120,859; in Oregon, 15,752; in Pennsylvania, 35,084; in South Carolina, 17,348; in Texas, 148,925; in Washington, 29,949. The majority (61%) of retired workers who lose part of their Social Security benefit because of the WEP are men.

The WEP considers part of a retiree's public pension (from non-covered employment) as equivalent to their earned Social Security benefit. By law, Social Security does not allow retirees to collect two full Socials Security benefits. So, instead of Social Security's normal benefit formula, WEP retirees' benefits are calculated using a modified formula.

Theoretically, Congress created the WEP as a way to distinguish between low-wage workers and those who only *appear* to have had low-wage careers. The second category comprises workers who qualify for good pensions from *primary jobs* in the public sector that pay them well but do not cover them under Social Security; these workers also have *secondary jobs* in the private sector, at low wages or short hours, but with Social Security coverage. The problem comes when the Social Security benefit formula is applied to their covered earnings, which makes them appear to be low-wage earners. That matters in figuring benefits because Social Security's benefit formula is weighted in favor of those who had low earnings throughout their work lives.

Congressional supporters of WEP believe that public employees with secondary jobs are getting an unfair advantage from the weighted Social Security benefit formula, which was designed to give low-wage workers a decent income upon retirement. This is a faulty assumption. In reality, the Social Security Administration (SSA) does not determine what a public employee has earned in total wages. The WEP modified formula assumes all these workers are high earners or low earners. This forces SSA to treat all workers receiving both a public pension and Social Security benefits as high earners indiscriminately.

In fact, public employees and retirees who take second jobs are most likely to do so because they have always been low-wage earners and receive low public pensions. Many of them are exactly the people that the *normal* Social Security benefit formula is designed to protect and help. In addition, the WEP modified formula causes a proportionally larger cut in benefits for workers with lower average monthly earnings and monthly benefit amounts. This occurs because the percentage factor in the lowest bracket of monthly earnings is the largest percentage cut. These deeper cuts to lower-wage workers creates a very arbitrary penalty that is especially unfair because these workers pay the same percentage in payroll contributions on their Social Security-covered earnings as all others. Why should they be penalized by this unfair statutory provision?

Conclusion

AFSCME calls upon Congress to eliminate the harmful consequences and serious inequities of these provisions by repealing both GPO and WEP. Both GPO and WEP are

problematic and based on similar faulty assumptions. Both GPO and WEP warrant remedy and repeal. If the Subcommittee considers approaches that may establish measures that fall short of full repeal, we urge that any such changes serve as an interim redress on a path towards full repeal of both GPO and WEP. Bills have been introduced that both repeal and reform GOP and WEP. Rep. Davis' (R-IL) bill H.R. 973 would repeal both, Chairman Brady's (R-TX) bill H.R. 711 reforms WEP; and Rep Smith's (D-WA) bill H.R. 4728, would expand the exception to WEP.

Modifying the complicated and confusing existing WEP formula will likely advantage some retirees than the current WEP formula and disadvantage other retirees. Any proposed changes to the current WEP formula and provision must include a thorough and public analysis of how the proposal affects current and future retirees. Proposals should not aggravate the existing inequities of WEP and GPO by visiting them on more retirees and their survivors.

Lastly, we do not support mandatory Social Security coverage in the public sector. Mandated coverage would negatively affect the financing of many state and local government plans and would adversely affect the retirement security of hundreds of thousands of public sector workers. This would be true even if the mandated coverage applies only to future employees. Addressing the injustice and fundamental flaws in GPO and WEP makes far more sense.

We look forward to working with the Subcommittee to rectify these arbitrary and unwarranted penalties to active and retired public sector workers.

To the Honorable Members of the House Committee on Ways and Means:

This letter pertains to H.R. 711, the Equal Treatment of Public Servants Act of 2015. I am a 57-year old Finance professor who, since the age of 21, has been completely out of the labor force for only one year (graduate school), and who did not pay into Social Security for a further nine years because I was employed by a state university in Illinois where the employees were not allowed to participate in Social Security. Nevertheless, by the time I am eligible to receive Social Security in 2020 I will likely have paid into the system for 31 years, and during most of those years I have contributed the maximum possible amount in payroll tax because my covered earnings exceeded the maximum taxable amount. Under current law (because I will have 30+ years of substantial covered earnings) I will not be subject to the Windfall Elimination Provision of Social Security. Given the low likelihood that I will get the Illinois pension I am owed due to the severely underfunded status of the pension systems and the financial difficulties the state faces, I was counting on at least receiving the Social Security benefits I have been promised under current law to ensure a moderately comfortable retirement. **Imagine my dismay, therefore, when upon close examination of H.R. 711 in conjunction with my earnings record, I determined that it would REDUCE my Social Security benefit by approximately 12 percent, even though I am less than five years away from being benefit eligible!**

I provide my covered and non-covered earnings record, and details of my calculations, below. I am very knowledgeable about how Social Security benefits in general are determined and how the current Windfall Elimination Provision works, but I am less adept at reading arcane legislative language. While I believe that I have interpreted the provisions of H.R. 711 correctly, I apologize if any of my interpretations below are incorrect. In addition, the analysis below as it pertains to my own situation requires me to forecast the Social Security Average Wage Index series for the years 2015 to 2018 - this series is used to construct index factors for each individual to compute Average Indexed Monthly Earnings (AIME's) and to determine the bend points in the Social Security benefit formula that will apply to someone like myself who will become benefit eligible in 2020. I assume the Average Wage Index, which was last published for 2014, will increase 2.25% in 2015 and 2.60% in each of the years 2016-2018. I also assume I will earn the maximum taxable amount in covered earnings in the years 2016-2020.

Earnings History and Indexation

	Wage Indexing Factor	SS Earnings	Indexed SS Earnings	All earnings	Indexed All Earnings
1980	4.1011	7,200	29,528	7,200	29,528
1981	3.7260	0	0	0	0
1982	3.5316	23,393	82,615	23,393	82,615
1983	3.3676	24,996	84,175	24,996	84,175
1984	3.1806	28,908	91,944	28,908	91,944
1985	3.0506	33,150	101,128	33,150	101,128
1986	2.9627	35,934	106,461	35,934	106,461
1987	2.7851	38,292	106,645	38,292	106,645
1988	2.6543	41,310	109,650	41,310	109,650
1989	2.5532	46,744	119,349	46,744	119,349
1990	2.4405	32,730	79,878	51,300	125,198
1991	2.3528	0	0	53,400	125,641
1992	2.2375	0	0	55,500	124,183
1993	2.2185	0	0	57,600	127,783
1994	2.1605	0	0	60,600	130,925
1995	2.0772	0	0	61,200	127,125
1996	1.9804	6,169	12,217	62,700	124,169
1997	1.8712	0	0	65,400	122,375
1998	1.7781	0	0	68,400	121,623
1999	1.6843	0	0	72,600	122,277
2000	1.5960	0	0	76,200	121,615
2001	1.5588	37,428	58,343	80,400	125,328
2002	1.5433	84,900	131,029	84,900	131,029
2003	1.5065	87,000	131,066	87,000	131,066
2004	1.4396	87,900	126,539	87,900	126,539
2005	1.3888	90,000	124,989	90,000	124,989
2006	1.3277	94,200	125,073	94,200	125,073
2007	1.2701	97,500	123,835	97,500	123,835
2008	1.2415	102,000	126,637	102,000	126,637
2009	1.2605	106,800	134,626	106,800	134,626
2010	1.2314	106,800	131,518	106,800	131,518
2011	1.1940	106,800	127,522	106,800	127,522
2012	1.1579	110,000	127,366	110,000	127,366
2013	1.1433	113,700	129,989	113,700	129,989
2014	1.1041	117,000	129,176	117,000	129,176
2015	1.0799	118,500	127,971	118,500	127,971
2016	1.0526	118,500	124,731	118,500	124,731
2017	1.0259	125,400	128,654	125,400	128,654
2018	1.0000	128,657	128,657	128,657	128,657
2019	1.0000	131,998	131,998	131,998	131,998
2020	1.0000	135,422	135,422	135,422	135,422

Note: in each year, for both covered SS earnings and all earnings, I include only up to the maximum taxable amount under Social Security.

Benefit Computation Under Current Law:

The sum of my high 35 years of indexed SS earnings is $3,428,730, and my Average Indexed Monthly Earnings thus equals $3,428,730 / 420 = $8,163.64. If the SS Average Wage Index evolves as I have assumed, the bend points in the benefit formula will be $945 and $5,693 for someone who becomes eligible for benefits in 2020. Because I will have 30 years of substantial covered earnings, I will not be subject to the Windfall Elimination Provision under current law, and my Primary Insurance Amount (PIA) will be computed as follows:

PIA = (0.90 x 945) + 0.32 x (5,693 – 945) + 0.15 x (8,163.64 – 5,693) = $2,740.46

Benefit Computation Under H.R. 711:

As I understand it, the bill provides that the PIA will be determined as per the following formula:

$$PIA = \left[\frac{AIME\ determined\ from\ covered\ earnings}{AIME\ determined\ from\ all\ earnings}\right] \times PIA\ using\ all\ earnings$$

I assume the intent of the bill is that both the numerator and denominator in the above formula will be calculated only using earnings up to the maximum taxable amount under Social Security each year, and that only the high 35 years of indexed earnings will be used in both the numerator and denominator. However, these are not clearly spelled out in the legislative language, and if my interpretation is wrong then the impact on my benefit will be even more extreme than what I calculate below.

My AIME determined from covered earnings will be $8,163.64 as calculated in the section above. My high 35 years for all indexed earnings would include the years 1986 – 2020 and total $4,387,144, so my AIME determined from all earnings would be $4,387,144 / 420 = $10,445.58. The PIA using this higher AIME would be (0.90 x 945) + 0.32 x (5,693 – 945) + 0.15 x (10,445.58 – 5,693) = $3,082.75. Thus my final PIA using the formula above will be:

$$PIA = \left[\frac{8{,}163.64}{10{,}445.58}\right] \times 3{,}082.75 = \$2{,}409.29$$

This reduction in my PIA of $331.17 if H.R. 711 is adopted represents a 12.08 percent diminishment.

I should note that the actual dollar amount of my Social Security benefit will be determined jointly by my PIA and the age at which I claim - I will only receive my full PIA if I wait until full retirement age (66 years and 8 months in my case) to claim. However, the percentage reduction applied to my PIA for claiming early will not change as a result of H.R. 711; consequently the diminishment of my benefit in percentage terms would be the same regardless of when I claim benefits based on the above earnings record, but the diminishment in dollar terms would be lower if I claim before full retirement age. It is also the case that both PIA's above are in current dollars and not adjusted for future inflation.

I recognize that due to my relatively high income I am unlikely to have the sympathy of many members of the committee – although I will note that I grew up lower middle class at best, did not inherit any money from my parents or other relatives, did not marry into money, and achieved what I have in life solely through my own talent, hard work and determination. I offer my own circumstances merely as a detailed case study of what I believe are the unintended consequences of this legislation. I have done quite a bit of analysis and I believe that my situation is far from unique. I sincerely believe this legislation will inflict great harm on tens, perhaps hundreds of thousands of individuals who, like me, have paid into Social Security for a long time while having relatively brief periods of non-covered employment, but unlike me earned much lower salaries during their careers. For example, a prototypical lower middle income person who began working (like me) in 1980, had one year of no earnings, 10 years of non-covered employment, and earned one-half of the Social Security average wage in his/her first 5 years of work and the average wage in subsequent years, and became eligible for benefits in 2020, would suffer a 7.21 percent PIA diminishment under this legislation by my calculations. A middle-to-upper-middle income individual in similar circumstances who earned the average wage in his/her first 5 years of work and twice the average wage thereafter would suffer a 12.83 percent PIA diminishment.

I believe that this legislation, as currently structured, does two things. First, it dramatically hurts individuals of all income classifications who have had long careers with substantial earnings under Social Security and only short stints in non-covered employment. The main reason for this is that, contrary to current law, people who have paid substantial sums into Social Security for 30 or more years will no longer be exempt from the Windfall Elimination Provision (WEP). A second issue is that (unlike myself) many folks who have only briefly worked in non-covered employment will not have done so for enough years to qualify for a pension based on that employment, or will receive only very low pensions. Under current law, these individuals are protected because the WEP reduction cannot be more than one-half of any pension received based on non-covered employment. However, there is currently no such protection in H.R. 711 and a great many individuals who will not even be eligible to receive non-covered pensions will have their Social Security benefits reduced if this legislation is signed into law. I strongly urge the sponsors of this legislation to correct these flaws, i.e. to restore the exemption from the WEP for those with 30 or more years of substantial earnings in covered

employment and the protections contained in current law for those who are receiving zero or low pensions based on non-covered employment. It must be acknowledged, however, that fixing these injustices would reduce the revenues generated from diminishing the Social Security benefits of unfortunate folks like me to provide windfalls for others (see below).

The second thing this legislation does, that is obvious upon reflection, is to collectively increase Social Security benefits for those already eligible to draw benefits at the expense of those, like myself, who are not yet eligible but may be only a few years away from eligibility and are too old to make compensating adjustments. Why is this the case? Because for people who are eligible to claim in 2016 or in prior years (born in 1954 or earlier), the Windfall Elimination Provision under H.R. 711 will be calculated two ways, according to current law and according to some variant of the new system, and affected individuals will receive the higher of the two calculations. Thus, clearly, no one who is currently receiving benefits and is subject to the Windfall Elimination Provision will see his/her benefit reduced, but some of these folks will receive increases based on the new formula and their individual circumstances. Thus, as a group, current eligibles will see their benefits increase. If the bill is truly revenue-neutral, then the laws of mathematics imply that those who are not yet eligible must collectively have their benefits reduced to make up for the shortfall, so it stands to reason that among those individuals born in 1955 or later years the number of people like myself who will be negatively affected by H.R. 711 will exceed the number who are positively affected. From a public policy perspective, I simply cannot comprehend why it is desirable to collectively increase the benefits of those born in 1954 and earlier, at the expense of those born in 1955 and later, when the former group (who enjoyed lower payroll tax rates early in their careers and have a lower full retirement age) is already getting a better deal under Social Security. In what way is it fair or just to take money away from the generational have-nots in order to give even more to the generational haves?

In summary, I believe that H.R. 711, at least in its current form, is deeply flawed and will do great harm to many individuals such as myself who were born in 1955 and later years, had only short stints of non-covered employment and who are already receiving a raw deal under Social Security compared to previous generations. I strongly urge the Committee to either modify the flaws in the bill that I discuss in detail above, or to reject the bill outright and leave well-enough alone. The Windfall Elimination Provision in its current form has been settled law

for over 30 years; indeed, I was aware of it in 1990 when I took a job without Social Security coverage and I have structured my career in covered and non-covered employment in such a way that I would not be unduly harmed by this provision. To change the rules of the game now, just a few short years before I am eligible to claim Social Security and too old to recover from the blow that this legislation inflicts on me, is just plain wrong.

ATPE Supports the Equal Treatment of Public Servants Act

ATPE has a long-standing position supporting the repeal of the Windfall Elimination Provision (WEP), a provision in Social Security law that can reduce retirement benefits for public educators eligible for a pension through publicly subsidized agencies. ATPE believes this provision contributes to the shortage of certified teachers in Texas. This provision is especially detrimental to efforts designed to attract private-sector professionals to the education profession, as these individuals typically have a significant number of years vested in the Social Security system. ATPE believes that repealing and/or reforming this arbitrary reduction of benefits would be an effective way to attract new teachers to the profession and retain experienced educators who may be considering leaving the profession.

ATPE understands the initial purpose of the WEP and that repealing it completely would carry a significant cost. However, this provision is causing major unrest and low morale within the education community. The arbitrary formula used by WEP contributes to an overall negative view of the teaching profession, which further impacts recruitment and retention of quality educators in our public schools, especially second-career employees from the private sector. We urge you to provide relief to Texas school districts and employees by addressing this issue during this Congress. Please join ATPE in supporting the Equal Treatment of Public Servants Act (H.R. 711).

ATPE opposes mandating Social Security coverage for all Texas public school employees as a means to address this issue due to the possible damage it would cause to the Teacher Retirement System (TRS). Additional payroll taxes needed to support statewide Social Security would inevitably reduce the state's contributions to TRS, thus compromising the system's stability and ultimately reducing benefits for retired educators.

The more than 100,000 members of ATPE urge passage of H.R. 711, and any action that would reduce the punitive federal Social Security laws that harm Texas educators.

Barbara G. Willis
Columbia, MO

April 4, 2016

Dear Committee Members,

I am reaching my retirement age in a couple of months but found out that Social Security is not going to be there for me because I am a former federal employee. I also found out that I am penalized on my personal earnings due to not working enough years and then penalized if I claim as a divorced spouse because I did work and will have a small pension from my federal employment. So it seems that according to current law, I am not going to get the help I need in retirement because I both didn't work and did work.

I did not choose to not work enough years. I did choose to raise a wonderful child with a disability. My ex-husband abandoned us and did not help with medical bills and failed to provide child support for many years. The medical bills were in the hundreds of thousands every year so my co-pays even while I had insurance were in the tens of thousands every year. It was not a situation where a medical emergency forced me into bankruptcy because the bills never stopped and continue to this day.

Why is social security very important to me as I get older and become unable to work? Because the laws also punished me for needing help for my child by taking every single dime I had put away for retirement before I could get the help needed. In other words, the law slapped me down from my careful planning for old age, then social security slapped me down for caring for my special needs child, and then came back to slap me down one more time because I had worked an qualified for a pension from federal employment.

Please correct this problem. It is a horrible thing to hope that I die before I can no longer work to support myself. But that is the situation as it is today. I do not have extended family who can care for me as I age. For the very small amount I could have received under the social security rules that I worked under for my whole life will be the difference of being homeless and destitute or at least being able to have a roof over my head and food on the table. I should not be punished for having worked, for having not worked enough, or for loving my child.

Sincerely,
Barbara G. Willis

Dear Chairman Kevin Brady

WHEREAS, After 1976, Anchorage Firefighter were not allowed to participate
in the Federal Social Security System; along with others because THE MUNICIPALITY OF ANCHORAGE, ALASKA opted out of Social Security to save some
money. All of my quarters were paid into Social Security before I became a Anchorage Firefighter. Along comes WEP, & now because of WEP I only receive
40% of my Social Security .That is a big hit, when you are on a fixed pension! It is like being penalized for working for the city. But a bigger travesty is when I die, My wife will then only receive 40% of her Social Security. How is that fair, or just, or legal! She had NOTHING to do with working for the City of Anchorage. Yet she will be penalized, because I worked there.
Please just think for a moment if one of your retirement benefits that you worked for was cut, you did not receive what Social Security told you were to receive how would you feel. Or how would your family feel when you are gone.
Thank you, & please help, we worked hard for these benefits that we were promised.
D K Bohac

April 5, 2016

The California Retired Teachers Association (CalRTA) has approximately 44,000 members and represents the 260,000 retirees in the California State Teachers' Retirement System (CalSTRS). Both current and future CalSTRS retirees are penalized by the Social Security benefit reductions caused by the spousal offset and the Windfall Elimination Provision (WEP).

California has a significant teacher shortage; we will need more than 120,000 new teachers in the next decade. Recruiting and retaining these new educators, however, will be difficult because the WEP penalizes individuals who have changed, or will change, careers to enter teaching.

Approximately 39% of California's teachers enter CalSTRS on or after age 35. These individuals lose Social Security retirement benefits because of the WEP. The WEP hurts California's ability recruit new teachers for mathematics, science, technology, and engineering classes. These new teachers, who may have been in Social Security prior to teaching, will lose their earned Social Security retirement benefits if they transfer to California public schools. The WEP significantly reduces the ability to encourage individuals who are in private industry to leave and bring their skills and knowledge to California's classrooms.

The WEP also hurts veterans who have paid into Social Security and are recruited into teaching as a second profession. In California, the WEP can have the effect of harming veterans.

One justification for the WEP is that there is no harm because the affected individuals will have their other, non-Social Security pension. That is not accurate; there is harm. The California teacher retirement pension primarily is based on length of service and average salary. Second-career teachers do not earn a significant number service years; second-career teachers start at the bottom of the salary schedule and in 10 to 15 years they are only at the middle of the salary schedule. Fewer years of service, lower salaries, and smaller pensions is not a justification for the WEP.

H.R. 711 recognizes the current WEP is discriminatory and hurts California's ability to attract qualified teachers and some public employees in every state; H.R. 711 repeals the WEP. The legislation creates a more equitable calculation of earnings to recognize that every affected person has a different Social Security and non-Social Security earnings history. The current WEP is a one-size fits all penalty. The H.R. 711 new program is more nuanced and ensures equitable treatment based on the earnings history. H.R. 711 also includes current retirees to provide them the same equity provisions as future retirees.

For all of these reasons, CalRTA supports H.R. 711's repeal of the WEP and establishment of a more equitable earnings history-based calculation.

Thank you for your consideration of this written testimony.

California Retired Teachers Association
800 Howe Ave., Ste. 370 • Sacramento, CA 95825 • 916-923-2200 • www.calrta.org

HARRY KEILEY
CHAIR OF THE TEACHERS' RETIREMENT BOARD

OF THE
CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM

HEARING ON

SOCIAL SECURITY AND PUBLIC SERVANTS: ENSURING EQUAL TREATMENT

BEFORE
THE SUBCOMMITTEE ON SOCIAL SECURITY OF
THE COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

March 22, 2016

SUBMITTED FOR THE HEARING RECORD

Introduction

Thank you for providing this opportunity to express the views of the California State Teachers' Retirement System regarding the assurance of equal treatment of public servants as it relates to Social Security. Because CalSTRS members do not participate in Social Security for their public education service, but often have earned Social Security benefits from other employment, existing federal policies have a significant impact on the educators of California's children.

CalSTRS provides retirement, disability and survivor benefits to almost 900,000 active and retired public school teachers and their beneficiaries. California public school teachers are the largest single group of state and local government employees in the country who do not participate in the Social Security system.

Established by state law in 1913, CalSTRS began operation 22 years before Social Security was created. At the time Social Security was established, California's teachers and all other state and local government workers were barred by Federal law from participating in Social Security. Through sound management over more than a century, CalSTRS has developed into the largest educator-only pension fund in the world, and second largest public pension system in the United States with over $184 billion in assets. CalSTRS pays more than $12 billion a year in benefits to more than 280,000 retired and disabled public school teachers and their beneficiaries. The State of California has prefunded its future retirement liabilities.

Harsh Impact of Current Federal Law on Retired Teachers with Modest Incomes

CalSTRS members do not pay the Social Security payroll tax on their earnings from CalSTRS-covered service, and therefore are not entitled to Social Security benefits for such service. Nonetheless, many CalSTRS members have earned and become eligible for Social Security benefits from other employment. When they receive their CalSTRS pensions, these teachers' Social Security benefits are reduced by the Windfall Elimination Provision (WEP) formula.

The Teachers' Retirement Board, which governs CalSTRS, has previously expressed its strong concerns about the significant adverse impact the WEP has on public education in California. Many California educators have complained that the WEP unfairly reduces the Social Security benefits that they have earned from other employment. In addition, the WEP adversely affects California's ability to recruit teachers into second careers from other professions as well as teachers from other states. Accordingly, the board has consistently supported California legislative resolutions requesting the President and U.S. Congress enact legislation that removes the burdensome effects of the WEP, and submitted statements to the U.S. Senate and the U.S. House of Representatives in 2007 and 2008, respectively, with our analysis of the issue and alternatives to the current offset.

Absent full repeal of the WEP, the board supports efforts to eliminate the inequities, arbitrary effects, and particularly the harsh impact on lower and moderate income retirees that result from its application. The WEP formula is arbitrary because there is little or no correlation between the offset formula and the public pension that triggers application of the offset.

WEP Hinders Efforts to Attract Qualified Teachers

The WEP creates an impediment to people who might otherwise want to become public school teachers in California, and hinder efforts by school districts to attract new talent to the California classroom. California is experiencing a significant teacher shortage, and the existence of the WEP hinders efforts to address that shortage. Although many enter the teaching profession at the beginning of their career, many others choose to become teachers as a second career, often after lengthy work in the private sector covered by Social Security. Still others may move to California after beginning their careers as educators in a state in which their earnings are covered by Social Security. In fact, 25 percent of those teachers receiving their initial California teacher credential in 2013–14 completed their teacher preparation program in another state. CalSTRS is very concerned that the WEP may cause people to decide not to become public school teachers in California because their Social Security benefits will be substantially adversely affected by their public school service. California would be better able to recruit and retain educators if these professionals did not face reductions in their future Social Security benefits.

Impact of WEP in Detail

While the intent of the WEP was to eliminate "windfall" benefits, often the actual effect is to reduce even modest Social Security benefits, which threatens the financial security of many state and local retirees. For example, many teachers earn Social Security coverage because of part-time jobs they had during their high school and college years or by working in private employment during the summer months after they became teachers. Such jobs will result in modest Social Security benefits, but these workers will be subject to the same WEP reduction as workers who receive much higher Social Security benefits. The reverse is also true. Workers who receive relatively modest public pensions see their Social Security benefits reduced under the WEP at the same rate as workers who receive more substantial public pensions.

Following are examples showing the benefits that are payable under two scenarios, including before and after the application of the WEP. The two workers' benefits change based on the years they worked in covered and non-covered employment, rather than their total number of years worked or their salaries. To ensure that it is the impact of the covered and non-covered employment pattern that is being gauged, not years of service or salary, we assume each of the two individuals retires at age 62 with a total of 30 years of employment, some in the private sector and some in the public sector, and annual wage increases equal to Social Security's national Average Wage Index over the course of their careers.

Impact of WEP Depending on Employment Pattern

	John	Diane
Years of Employment Covered Under Public System	20	10
Monthly Public Pension	$ 1,942	$ 971
Years of Employment Covered Under Social Security	10	20
Monthly Social Security Benefit Prior to WEP	$ 718	$ 1,053
Monthly Social Security Benefit after WEP Applied	$ 387	$ 722
Monthly Combined Benefits	**$ 2,329**	**$ 1,693**
WEP Impact	**$ 331**	**$ 331**

When the WEP is applied, the worker's Social Security benefit is reduced by the same maximum dollar amount regardless of the number of years of covered employment unless the worker has 21 or more years that were covered. (With covered years between 21 and 29, benefits are reduced on a sliding scale when the WEP is applied.) Each educator's monthly Social Security benefits are reduced by $331 (adjusted from the full retirement age offset of $428) with the application of the WEP.

Even though John and Diane have the same combined years of service and the same earnings patterns, Diane's combined benefits are $636 lower than John's combined benefits. This occurs because under the WEP, no allowance is made for additional years of covered employment until the worker has 21 or more years that are covered under Social Security.

In the example, both educators had the same earnings patterns throughout their careers. However, the same maximum WEP offset would apply to any individual of the same retirement age, including one with relatively low lifetime earnings who earns a much smaller combined benefit.

H.R. 711

Absent full repeal of the WEP, the board supports efforts to eliminate the inequities, arbitrary effects, and particularly harsh impact on lower income retirees. Accordingly, the board appreciates the bipartisan efforts of Ways and Means Chairman Brady and Rep. Richard Neal (D-MA) to address the inequitable impacts of the WEP.

H.R. 711, the Equal Treatment of Public Servants Act of 2015, provides an alternative calculation of the WEP with a formula based on actual work history for individuals turning age 62 after 2016. Under this bill, Social Security benefits would be calculated as if all the worker's earnings were subject to Social Security taxes (using the standard benefit formula). This amount would then be multiplied by the percent of earnings covered by Social Security. This ensures Social Security benefits are based only on Social Security wages. As a result, a person with 10 years of Social Security-covered employment would be less affected by the offset than would a person with 20 years of covered employment, and the Social Security benefit of a person with lower average monthly earnings would be reduced less than a similarly situated individual with higher lifetime earnings. Each of these measures is a positive step toward addressing the inequities of the current formula. In the earlier example, John's combined benefit under the H.R.

711 calculation would be $2,404, a reduction of $256, and Diane's combined benefit would be $1,895, a reduction of $129. The lower reduction in Diane's benefit reflects the fact that she had a shorter career not covered by Social Security than did John.

H.R. 711 is a significant improvement over the current WEP, and calculates the Social Security benefits for those who receive a CalSTRS benefit on a more equitable basis. There is one aspect of the proposal that concerns the Teachers' Retirement Board. Currently, the WEP applies only to those people who are eligible to receive a pension from noncovered employment, such as from CalSTRS. Under H.R. 711, a person's Social Security benefit would be reduced if the person had noncovered employment, even if the person never received a pension from noncovered employment. This could occur if the person worked a few years as a California public school teacher, and then left the profession. If the person worked for less than the five full years necessary for vesting, that former educator would never be eligible for a CalSTRS benefit, but her Social Security benefit would be reduced. As of June 30, 2015, there were almost 150,000 CalSTRS members no longer working in CalSTRS-covered service who did not work long enough to qualify for a future CalSTRS retirement benefit and their Social Security benefit would be reduced by some amount. (This compares to the 250,000 members currently receiving benefits from CalSTRS.) We recognize that applying this formula to individuals who will never receive a pension helps offset the cost of increased Social Security benefits that would be paid concurrently to those subject to the current WEP, but wanted to alert the Committee to the impact on this population.

Conclusion

If full repeal of the WEP offset proves too costly, CalSTRS believes that modifications would be appropriate steps to ameliorate the harsh adverse effects on retirees with relatively modest benefits that arise from the current arbitrary formula. Accordingly, CalSTRS appreciates the leadership that Chairman Brady, Rep. Neal, Rep. Becerra, and members of California's delegation have provided to address the issues associated with the WEP. CalSTRS looks forward to working with the Ways and Means Committee as the Committee continues its important work to address the current inequities of the WEP.

Dear Representatives,

I would like to take this opportunity to thank you for looking into this matter as it is very important to the American people. I receive Social Security and with the penalty I lose approximately $200 per month. To some, $200 may not seem like much, but to many it can help to pay a few bills. Please help and thank you for your time and effort in this matter.

Sincerely yours,

Carmine L. Rumo

Carol S. Tyler

tylerc@parmacityschools.org

April 2, 2016
Representative Sam Johnson, Chairman
House Ways and Means
Social Security Sub-Committee
U.S. House of Representatives
Washington, D.C.
RE: Comment on March 22, 2016, Hearing on H.R. 711,
"Social Security and Public Servants: Ensuring Equal Treatment"

Dear Members of the Committee:
I am writing on behalf of the Committee for Social Security Fairness, a nation-wide group of public servants, mostly retired, who have been or will be affected by the Social Security Offsets, the Windfall Elimination Provision and the Government Pension Offset.

We believe that the current Windfall Elimination Provision formula is arbitrary, punitive, and that it results in unequal treatment of retired Americans. Our public pensions have been contributed to and are taxed differently than are Social Security earnings. We believe that only a complete repeal of this offset would provide a sufficient remedy. A great many of us, however, are pleased that you are considering a formula that would result in a greater return in investment for the contributions that we have made to Social Security over the years.

Your own Congressional Research Service report—Social Security: The Windfall Elimination Provision (WEP), dated April 16, 2014 (the most current)—illuminates two of the issues that we find most egregious:

1) ***The current WEP causes a higher reduction of benefits for low-income retirees.*** *We have members who are school bus drivers in Louisiana. Why are we cutting the paid Social Security benefits for these workers? One of our members, a California teacher, earned $600 a month in Social Security benefits working for a city childcare center, later, after transferring to the local school district, she earned $900 a month in a teacher*

retirement pension. Because of the WEP, her Social Security benefits were cut in half. Instead of receiving a total of $1,500 a month, she is getting only $1,200.

How would H.R. 711 mitigate this problem? How does H.R. 711 protect low-income workers?

2) Because of the often temporary, low-pay, or part-time nature of the employment of women in this society, ***women have been less likely to be affected by the provision of the WEP that eliminates the penalty for people with 30 years of "substantial" earnings.*** *As part of this provision, the WEP penalty is reduced for people with more than 20 years of "substantial" earnings and is reduced by 5% every additional year until it is eliminated at 30 years of substantial earnings.*

In a Social Security Fairness survey we conducted last year, out of the more than 2,200 persons affected by the WEP who answered our question, 80% of them stated that they were NOT aware of this provision. Because of this failure, they had no opportunity to reduce the effect of the WEP by working longer in a Social Security-paying job before they retired.

How does H.R. 711 affect people who have both a short non-covered public employment and a short Social Security covered work history?

The lack of clear and accessible communication about both of the Social Security penalties has been one of the most outrageous aspects of the Social Security offsets. *The Social Security Administration has failed to adequately warn recipients ahead of time that they would not be getting the amount in retirement benefits that their statements said they would. Public employers were required by Congress only at the beginning of 2005 to notify their newly-hired employees that they would be affected by the offsets. Not knowing about the offsets has caused harsh financial problems for retirees.*

The Committee for Social Security Fairness, in our 2015 survey mentioned above, obtained survey responses from more than 3,250 persons affected by one or both the Government Pension Offset and the Windfall Elimination Provision. Responses came from every state and

from a few foreign countries. Only 5% of these retirees had known about the offsets when they began work for their public agency. Nearly 30% only learned that their Social Security retirement benefits would be cut from the amount that their statements said they would be earning when they walked into the Social Security office to claim their benefits.

This failure to notify public servants that they would not be getting the retirement benefits that the Social Security Administration said they would has distorted many retirement plans. Of those affected by the WEP, 35% reported themselves to be 65 years old or older and still working. Eighteen percent said they had not been able to afford necessary health or dental services. Nearly 3% had taken public assistance.

More than half of those affected by the WEP said they would have planned differently for retirement, including planning to work longer. Twenty percent said they would never have worked for a government agency. More than 500 teachers said they would have forgone those summer jobs they took in order to make up their Social Security quarters. Since, apparently, lawyers don't have any idea about these offsets, and public workers haven't known, 7% reported having gotten a bad legal settlement. An example: one woman said that she had had to give her husband 40% of her teacher pension in a divorce settlement, but when she retired, because of the Government Pension Offset, she could not get any of her expected Social Security spousal benefit. The GPO usually eliminates ALL Social Security retirement benefits for those affected.

How will H.R. 711 compensate these retired public workers for the failure of the Social Security Administration to give them accurate information about their earned benefits? A slight improvement in their monthly Social Security benefits because of H.R. 711 would be welcome, but it would make a only a small dent in the tens of thousands of dollars that have been unfairly withheld from these deserving, mostly low and middle income, public servants.

We thank you for considering these issues and realizing that the WEP and GPO result in a process of means-testing middle and low-income Americans in a way that no other persons with different forms of income are affected. Our public employees are punished first by not

earning Social Security benefits while they are working for public agencies, and then they are punished again by having the Social Security benefits they have already earned in other work cut back when they retire.

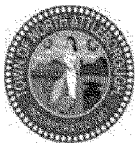
Sincerely,

Bonnie Cediel
The Committee for Social Security Fairness
P.O. Box 7486
Berkeley CA 94707
Tel: 510 524 7412
Fax: Please call ahead

The WEP and the GOP do not effect only high income earners, Teachers and Public Safety officials. There are clerical, laborers, librarians, secretaries and many other lower paying positions that will be unfairly effected by this unfair reduction in Social Security pensions.

Please support HR 711 and pass this bill

Elaine Jamieson, CMMAT
Assistant Treasurer
Town of North Attleboro, MA
508-699-0114
Fax: 508-699-0133



Please be advised that the Massachusetts Secretary of State considers e-mail to be a public record, and therefore subject to the Massachusetts Public Records Law, M.G.L. c. 66 § 10.

March 28, 2016

Dear Committee Members:

I am writing on behalf of myself and my husband Gary, a retired Denver Public Schools teacher. Gary retired in July 2014 after 25 years of service. Prior to his teaching career, he spent 20 years in the private sector. He receives a monthly pension from the school district, with approximately 27% of the gross amount withheld for health insurance for him and myself. This includes a subsidy from his former employer. Unfortunately the health-exchange program is not a viable option for us, as we make "too much money" for a subsidy.

After federal income taxes are deducted, we receive approximately 57% of the gross amount of Gary's monthly pension payment.

He is 66 years old and began collecting Social Security in late 2015. With the "windfall" deduction, his status as a teacher, and the Medicare Part B deduction, our bottom line is less than 50% of the full Social Security payment quoted by a representative from SSA.

I am still working and, like my husband, I spent about half my career in the private sector and the other half in the public sector (though I am not a teacher). I expect and understand why there is a deduction for people who didn't work all their lives in jobs that paid into the Social Security system. However, I do object to the further financially punitive measures imposed on certain public servants.

If the committee intends to create a bill that would remove these measures so as to foster equal treatment for public servants, I would submit my family as a prime example of why this should be done. This is the actual reality of retired teachers, rather than the well-perpetuated myth that they are lazy bureaucrats taking up oxygen until they can draw on a cushy retirement.

Thank you for bringing this matter to the forefront. I look forward to the passage of a bill that would address this inequity.

Sincerely,

Faith B. Gregor
Denver, Colorado

I am submitting my comments for myself and as a member of Retired State Employees Association at 9412 Common Street, Suite 7 in Baton Rouge, LA< 70809. The phone number is 225-930-0961 and Fax is 225-930-0964.

Both the Windfall Elimination Provision and the Government Pension Offset affect myself and many people that I know. My Social Security benefit is cut in half because I receive a state retirement benefit. I have worked in the private sector fulfilling all requirements in paying into Social Security. When I chose to serve in local and state government because of my desire to serve my community, I have been penalized. This is definitely unjust treatment for those who want to be of service to the public. I am, therefore, in support of HR 711 which will help to correct a law which hurts those of modest means.

I sincerely hope that The Government Pension Offset be eliminated or corrected since it unfairly harms unjustifiably spouses who receive little to none of their deceased spouse[1]s Social Security survivors benefits. I do not understand how a law could have been passed in the United Stated Congress that harms so many public servants in this country.

I am very grateful that the Ways and Means Committee is addressing these laws and hopefully will result in a just outcome.

Sincerely,
Gayle Joseph
gaylejoseph@att.net

Dear Representatives of The American People:

PLEASE URGENTLY consider **REPEALING the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)** by passing **H.R. 973 the Social Security Fairness Act of 2015, sponsored by Republican Representative Rodney Davis**.

https://www.congress.gov/bill/114th-congress/house-bill/973/text

H.R. 973 has been STUCK in the HOUSE COMMITTEE OF WAYS and MEANS for too many months as Retirees, whom have been counting on receiving their F U L L SOCIAL SECURITY benefits for their **retirement planning**, suffer with **short** financing from month to month, and going into debt.

Please **UNDO** the INJUSTICE and WRONG ACTIONS that has been committed towards those who have built and protected OUR AMERICA. They should NOT take second place to our Veterans.

Many of America's Retired FIRST RESPONDERS, TEACHERS, FEDERAL EMPLOYEES, and other Government Employees, whom have contributed towards the SECURITY of our great United States **with their lives**, to keep America SAFE and FREE, has been SHORT-CHANGED and ROBBED of receiving their FULLY PAID RETIREMENT BENEFITS in Social Security Retirement Benefits.

I do NOT support H.R. 711, sponsored by Texas Representative Kevin Brady, which is just an ADJUSTMENT to the formula, from what I understand, and which will take way too long for America's retired First Responder, Educators, and other Government Employees to receive their **rightly earned FULL** retirement benefits.

The 100% REPEAL of WEP and GPO has been promised for DECADES, and has been a bi-partisan issue, in agreement, for repeal.

WHAT HAPPENED?

For myself, I am SERIOUSLY CONSIDERING the CANCELATION of my LONG-TERM-CARE INSURANCE POLICY, which I have $40,000 of my money tied up into, money I will NEVER see if I do cancel that policy.

I do NOT wish to use Government Assistance Programs.

Sincerely,

Hazel Higa
toratoo@aol.com

cc: Hillary Clinton for America

April 4, 2016

To Members of the Ways & Means Committee:

I am writing to express my concerns about the abject unfairness of the Windfall Elimination Provision(WEP) of the Social Security Law. I am 64 years of age and retired this past year due to heart problems that interfered with my job performance as a speech/language pathologist in the Boston Public Schools. I began working in 1967 at the age of 16 and have paid into Social Security every year up until I became employed as a public school speech therapist in 1995. After working in that field for twenty years, I now receive a modest pension that will not increase substantially for the remainder of my life.

It was my misfortune to earn very little during my younger years, when I worked low skilled jobs. Given the current formula for the WEP, I had "substantial earnings" for only eight years, thus making my social security payout subject to the WEP reduction. My expected social security benefit, if taken at age 66, will be cut in half($434 per month as opposed to $842 without the WEP penalty). How can this be considered fair? I had worked and paid into SS for all of my working life before I took a public sector job. I made very little money during that time but I did follow the laws and paid my share into the system. Now I am told that, because I did not have "substantial earnings," I will be penalized financially for the rest of my days because I now have a WINDFALL: a public sector pension. I would hardly call my pension a windfall, though don't misunderstand: I am tremendously grateful for my retirement package. Yet, to be penalized by the substantial reduction in SS benefits that I paid into over the years seems draconian and grossly unfair. This insult is made worse by the fact that my SS fact sheet fails to mention the impact of WEP on my SS benefit, giving me the impression that I will receive twice as much as I actually will when collecting at age 66.

Please change the formula or, better yet, abolish the WEP provision. The current formula punishes me for not making enough money when I was younger. This is not how the United States of America should be treating the citizens who have worked here all their lives and contributed in good faith.

Sincerely,

March 23, 2016

The Honorable Sherrod Brown
United States Senate
713 Hart Senate Office Building
Washington, DC 20510-3505

Dear Senator Brown:

RE: Support H.R. 711 and Repeal the WEP

As you know, the Windfall Elimination Provision (WEP) reduces Social Security benefits earned by Ohio's public employees who worked in private sector jobs.

As a public employee who has dedicated my life to public service, I urge you to support H.R. 711 introduced on Feb. 4, 2015, by Reps. Kevin Brady (R-TX) and Richard Neal (D-MA).

This important bipartisan bill:

- Repeals the WEP and replaces it with a proportional formula based on each worker's real-life Social Security contributions and work history

- Guarantees that Ohio's public servants will be treated like the rest of American workers, receiving the benefits they earned while they paid into Social Security

- Does not shorten the solvency of the Social Security trust fund

I hope I can count on you to step up for Ohio's public employee retirees and co-sponsor this legislation.

Thank you.

Sincerely,

Jan Rozboril

House Ways and Means Committee

April 5, 2016

To whom it may concern,

I write in support of the Equal Treatment of Public Servants Act of 2015, H.R. 711, which has been proposed by Reps. Brady and Neal.

I am in a group of people hit the hardest by the carelessly written Windfall Elimination Provision. I went into teaching at the age of 40, have worked in a combination of public and private schools, and needed to be quite resourceful during the recession of '08. My state pension will not be large (certainly not enough to live on) and I am concerned about income in retirement. Additionally, I know people already over 70 who cannot afford to retire.

I am grateful for your consideration of this bill. Please recommend it to the full House and if possible, extend even more protection to those of us already over 60 and with the lowest incomes.

Once again I thank you for drafting and considering this bill.

Sincerely,

June Melchior

Oakland, California

jamelchior@yahoo.com

My wife worked enough quarters on low wages to qualify for Social Security. When we first started a family, we decided it was more cost effective for her to leave her job and be a stay at home mother for a few years. Day care costs were almost as much as she was making. When she re-entered the job force it was as a secretary in the state school system (MA). She just retired with 12 years of service. Her retirement income is under $10,000 a year. Her Social Security at 62 years of age before W.E.P., will only be around $10,000/yr. After W.E.P., her Social Security will be around $6,000/yr. How would anyone be able to survive on this income? The W.E.P. Is totally unfair to individuals in this situation. She would either have to work until she died, or go on welfare. She put in to the system and should not be punished.

Keith Buckhout
413-527-1089
Sent from my iPad

April 4, 2016

Representative Sam Johnson, Chair
Social Security Subcommittee
Ways and Means Committee
House of Representatives
Washington, D.C.

RE: Hearing on HB 711, Equal Treatment of Public Servants Act of 2015

Dear Representative Johnson:

I am writing on behalf of myself and my immediate family. I retired about two years ago from state government employment where I worked in transportation. I worked for the state of Alaska for less than half of my total working years. I worked within the Social Security system in the 1970's, 1980's and early 1990's. I joined state government for the most recent 18 years of work. I am glad that HB711 reduces the unfair deduction in social security benefits for people like me, but it doesn't go far enough. I ask that you revise HB 711 so that it repeals entirely the Windfall Elimination Provision (WEP). It is unfair to reduce my social security benefit that was fairly earned in the years that I worked outside of government. I should receive 100% of the benefit, just as my annual social security statements show I would. It was very frustrating to learn, as I approached retirement age, that I would not receive my social security benefit in its entirety. Please revise HB711 to completely eliminate the WEP.

Sincerely,

Kristine Benson
Juneau, Alaska

cc: Representative Young
Senator Murkowski
Senator Sullivan

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MEMORANDUM

TO: UNITED STATES HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
HONORABLE CHAIRMAN KEVIN BRADY
HOUSE WAYS AND MEANS SOCIAL SECURITY SUBCOMMITTEE
HONORABLE CHAIRMAN SAM JOHNSON

FR: LOUISIANA SCHOOL BOARDS ASSOCIATION
Scott M. Richard, LSBA Executive Director

DATE: March 18, 2016

RE: HEARING –TUESDAY, MARCH 22, 2016
"Social Security and Public Servants: Ensuring Equal Treatment"
LSBA Submission of Written Comments

The purpose of this correspondence is to provide you with written comments for the abovementioned hearing of the House Ways and Means Social Security Subcommittee scheduled for Tuesday, March 26, 2016.

On behalf of the six hundred forty-three locally elected school board members that comprise our membership from the sixty-nine school boards in the state of Louisiana, the Louisiana School Boards Association respectfully requests favorable action in regards to H.R. 711, the "Social Security and Public Servants: Ensuring Equal Treatment" legislation.

Many public employees, current and retired, associated with local school system employment in Louisiana are negatively impacted by the current provisions in place. It is our hope that a fairer formula that treats teachers and other school system public employees/retirees is established as a result of this legislation. The current impact of the Social Security Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) is detrimental to current and former school system employees.

Please find enclosed in this correspondence House Concurrent Resolution Number 12 filed in the current 2016 Regular Session of the Louisiana Legislature requesting that the United States Congress consider eliminating WEP and GPO provisions for Louisiana's citizens. This resolution has been approved and communicated to the United States Congress repeatedly over the past several years.

We appreciate your most serious consideration regarding this request. Please include this correspondence as an official submission of written comments relative to this matter. Please do not hesitate to contact me directly for additional information.

SR

7912 SUMMA AVENUE · BATON ROUGE, LA 70809 · TELEPHONE (225) 769-3191 · FAX (225) 769-6108 ·WEBSITE: WWW.LSBA.COM

2016 Regular Session

HOUSE CONCURRENT RESOLUTION NO. 12 BY REPRESENTATIVE FRANKLIN

A CONCURRENT RESOLUTION

To memorialize the United States Congress to take such actions as are necessary to review and consider eliminating provisions of federal law which reduce Social Security benefits for those receiving pension benefits from federal, state, or local government retirement or pension systems, plans, or funds.

WHEREAS, the Congress of the United States of America has enacted both the Government Pension Offset (GPO), reducing the spousal and survivor Social Security benefit, and the Windfall Elimination Provision (WEP), reducing the earned Social Security benefits payable to any person who also receives a public pension benefit; and

WHEREAS, the GPO negatively affects a spouse or survivor receiving a federal, state, or local government retirement or pension benefit who would also be entitled to a Social Security benefit earned by a spouse; and

WHEREAS, the GPO formula reduces the spousal or survivor Social Security benefit by two-thirds of the amount of the federal, state, or local government retirement or pension benefit received by the spouse or survivor, in many cases completely eliminating the Social Security benefit even though their spouses paid Social Security taxes for many years; and

WHEREAS, the GPO has a harsh effect on hundreds of thousands of citizens and undermines the original purpose of the Social Security dependent/survivor benefit; and

WHEREAS, according to recent Social Security Administration figures, more than half a million individuals nationally are affected by the GPO; and

1 WHEREAS, the WEP applies to those persons who have earned federal, state, or
2 local government retirement or pension benefits, in addition to working in employment
3 covered under Social Security and paying into the Social Security system; and
4 WHEREAS, the WEP reduces the earned Social Security benefit using an averaged
5 indexed monthly earnings formula and may reduce Social Security benefits for affected
6 persons by as much as one-half of the retirement benefit earned as a public servant in
7 employment not covered under Social Security; and
8 WHEREAS, the WEP causes hardworking individuals to lose a significant portion
9 of the Social Security benefits that they earn themselves; and
10 WHEREAS, according to recent Social Security Administration figures, more than
11 one and a half million individuals nationally are affected by the WEP; and
12 WHEREAS, in certain circumstances both the WEP and GPO can be applied to a
13 qualifying survivor's benefit, each independently reducing the available benefit and in
14 combination eliminating a large portion of the total Social Security benefit available to the
15 survivor; and
16 WHEREAS, because of the calculation characteristics of the GPO and the WEP, they
17 have a disproportionately negative effect on employees working in lower-wage government
18 jobs, like policemen, firefighters, teachers, and state employees; and
19 WHEREAS, Louisiana is making every effort to improve the quality of life of its
20 citizens and to encourage them to live here lifelong, yet the current GPO and WEP
21 provisions compromise their quality of life; and
22 WHEREAS, the number of people affected by GPO and WEP is growing every day
23 as more and more people reach retirement age; and
24 WHEREAS, individuals drastically affected by the GPO or WEP may have no choice
25 but to return to work after retirement in order to make ends meet, but the earnings
26 accumulated during this return to work can further reduce the Social Security benefits the
27 individual is entitled to; and
28 WHEREAS, the GPO and WEP are established in federal law, and repeal of the GPO
29 and the WEP can only be enacted by congress.

1 THEREFORE, BE IT RESOLVED that the Legislature of Louisiana does hereby
2 memorialize the United States Congress to take such actions as are necessary to review the
3 Government Pension Offset and the Windfall Elimination Provision Social Security benefit
4 reductions and to consider eliminating or reducing them.
5 BE IT FURTHER RESOLVED that a copy of this Resolution be transmitted to the
6 presiding officers of the Senate and the House of Representatives of the Congress of the
7 United States of America and to each member of the Louisiana congressional delegation.

DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

HCR 12 Original 2016 Regular Session Franklin

Memorializes congress to review and eliminate the provisions of federal law which reduce Social Security benefits for persons receiving pensions from federal, state, or local governmental retirement systems.

HCR12 by Representative A.B. Franklin

SOCIAL SECURITY SYS: Memorializes congress to consider eliminating the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) Social Security benefit reductions

Current Status: Pending House Retirement

Text ▸ Digests ▸ Authors ▸

HCR12 Original

Digest of HCR12 Original

A.B. Franklin (primary)

Date	Chamber	Journal Page	Action
03/15	H	3	Read by title, under the rules, referred to the Committee on Retirement.
03/14	H	102	Read by title. Lies over under the rules.

sort history by ascending dates

2016 Regular Legislative Session Hyperlink:

http://www.legis.ia.gov/legis/BillInfo.aspx?i=229970&sbi=y

To Whom It May Concern:

I would greatly appreciate your consideration of H.R. 711. I currently am an employee for a public school, but I previously worked in the private sector where I paid into social security. I feel it only fair that I am entitled to my full social security benefits - just like everyone else. The Windfall Elimination Provision (WEP) needs to be eliminated.

I ask you to please support H.R. 711. This is the only fair solution for people who have both private sector and state and local government service.

Lynn S. Goughnour
Department of Teaching & Learning
PARMA CITY SCHOOL DISTRICT
PH: 440-885-8316
FAX: 440-885-8755

MAINE ASSOCIATION OF RETIREES

April 5, 2016

Dear Representative Kevin Brady, Chairman House Ways & Means Committee

Representative Sam Johnson, Chairman, Sub-Committee on Social Security

Members of the House Ways and Means Committee and the Social Security Sub-Committee:

Re: [3]H.R. 711, Social Security and Public Servants, Ensuring Equal Treatment[2]

On behalf of the Maine Association of Retirees and our over 14,000 public service retirees[1] membership, I am submitting for your consideration the following comments:

The State of Maine has thousands of public service retirees who are affected by the Social Security Administration[1]s Offset and Windfall provisions.

MAR and our membership greatly appreciate the hearings which you recently held on H.R. 711. Too many retirees have been adversely affected by the Social Security provisions even though they contributed to Social Security and have attained the necessary quarters to receive S.S. benefits. This is unfair and has greatly impacted the quality of life of too many senior citizens here in Maine and elsewhere across the nation.

Just last week, I delivered nearly 100 written comments from Members of the Maine Association of Retirees to United States Senator Susan Collin[1]s office describing how the Social Security Off-set and Windfall provisions have forced some retirees to abandon their homes and to make daily decisions between purchasing food or medicines. It is unfair and unjust that

these retirees are being denied Social Security benefits which they have earned.

Among the greatest injustices is when a spouse, who is covered by Social Security dies, and the normal survivor benefits are denied to the widow.

In Maine, public service employers including the State of Maine and the Maine Public Employees Retirement System have done little to inform employees during the hiring process and during their working years about the possible effects of the Off-set and Windfall provisions. While the Maine Association of Retirees has limited access to working employees, we have tried to educate public service employees so as to help them prepare for their retirement years.

Thank you Congressman Brady, Congressman Johnson, Members of the House Ways and Means Subcommittee on Social Security, and the many sponsors of H.R. 711 including Maine[1]s Congresswoman Chellie Pingree and Congressman Bruce Poliquin for bringing this most important issue forward and for the Public Hearing on March 22, 2016.

Sincerely,

Joe Pietroski
Legislative & Financial Manager
Maine Association of Retirees

280 Maine Avenue
Farmingdale, Maine 04344
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Toll-free: 1-800-535-6555
Cell: 207-240-3652
FAX: 1-207-582-4764
Web: www.maineretirees.org

jpietroski@maineretirees.org

cc: Congresswoman Chellie Pingree
Congressman Bruce Poliquin
Senator Susan Collins
Senator Angus King

AARP Friends,

I was in total disbelief upon learning of this. Thank you for reading it. Your assistance is greatly appreciated.

Repeal WEP / GPO

I am a current 33-year Texas schoolteacher looking to retire in a few years. Eighteen (18) of my years were served in districts where I **paid fully** into social security. The government/WEP says I can only receive 40% per year ($4,008 at age 62) of the monies I've paid in and am eligible for ($10,020 at age 62). ***I recently read a national newspaper article revealing that a Cuban immigrant, who has never lived or worked in our great country, can come to the United States, live with a child, and is thus eligible to receive $700 per month from social security***. **NOW THAT'S RIDICULOUS!** This article went on to state that two (2) of these cases involved immigrants living in households with yearly earnings of $100,000-plus. And ***I'm merely asking for the money---my money---that I paid into the system...no more, no less***. This is not only absurd but un-American! That $6,000 per year that the government/WEP is stealing from me will amount to big money over the course of my retirement. Plus, it would certainly help to add to my piddly teacher retirement.

Also, why are some states affected (15-18 I believe) while others are not? I have next-door neighbors who are retired Oklahoma schoolteachers that receive ALL of their social security monies in addition to their teacher pensions. Shouldn't all workers who paid into social security receive those monies they simply are eligible for? Keeping money from me that I paid into the system---money meant to supplement my retirement income---makes absolutely no sense. It's flat out wrong!

Can you help me and the other 1.5 million affected by this? Will you help me? If not, please direct me to someone who can. Thank you very much.

Marty G. Nichols
Sherman, Texas

STATEMENT FOR THE RECORD
U.S. HOUSE OF REPRESENTATIVES

Committee On Ways And Means
Subcommittee On Social Security

Statement of Frank Valeri, President
Shawn Duhamel, Legislative Director
Retired State County and Municipal Employees
Association of Massachusetts

"Social Security and Public Servants: Ensuring Equal Treatment"

March 22, 2016

On behalf of our 62,000 members, all of whom are retired Massachusetts public employees, the Retired State Country and Municipal Employees Association of Massachusetts (Mass Retirees) thanks Chairman Johnson and the members of the Social Security Subcommittee for the opportunity to offer our testimony on H.R. 711: Equal Treatment of Public Servants Act of 2015.

We offer our full support for H.R 711 with the goal of restoring fairness and equity to Social Security for those retirees currently impacted by the Windfall Elimination Provision (WEP), as well as all future public retirees working outside of the Social Security system. In addition, we would like our testimony to also draw attention to those current and future public retirees who fall victim to the Government Pension Offset (GPO) – many of whom are lower income retirees and predominately women.

For the past several years, Mass Retirees has worked closely with Chairman Kevin Brady and Ways and Means Senior Member Richard Neal in the bi-partisan development of what is now known as H.R. 711. We owe our full thanks and gratitude to both Chairman Brady and Mr. Neal for their commitment to resolving this inequity in the law.

We are also proud to join with our colleagues in Texas and Ohio as part of a growing national coalition of retired public employee organizations and active employee unions committed to resolving the issues of WEP and GPO. Together we have arrived at what we believe to be a fair and equitable compromise to address the WEP, while we continue to search for a solution to the GPO.

Having one of the oldest public pension systems in the nation, Massachusetts was originally excluded from participation in Social Security at its creation in 1935. Decades later, when public employees were allowed to participate in Social Security, the Commonwealth and its political subdivisions had well established contributory retirement systems and entrance into Social Security would have created a substantial hardship for both taxpayers and plan participants alike.

Since 1968, Mass Retirees has been the lead advocate for Massachusetts Public Retirees. Our involvement with the issues of WEP and GPO began in 1983, when Congress enacted WEP and amended GPO (first enacted in 1977) in an attempt to equalize Social Security benefits for covered vs. non-covered service. At that time, Social Security did not possess the data or the technology necessary to accurately compute benefits.

Over the past thirty-three years the severity of the WEP has been increasingly felt by a growing number of our members. At present, approximately 40% of our membership is impacted by the WEP. Many have lost a sizeable portion of their anticipated Social Security benefit.

For a lower income retiree, the loss of hundreds of dollars per month in vital retirement income brings about a severe financial hardship for the retiree and their family. In many instances, such a loss in unrecoverable income forces increasingly tough life choices.

We also believe that the inherent arbitrary nature of the WEP is unfair. This unfairness serves to undermine faith in not only Social Security, but also in the federal government to make good on promises made to American workers who paid into Social Security. The vast majority our members also worked in jobs outside of the public pension system, which were covered by Social Security.

While the nature of how our members achieve their Social Security quarters varies, we know that many work a second job paying into Social Security in order to receive a retirement benefit. A good number of retirees have consistently paid at or beyond substantial earnings and made contributions into the system through their covered service.

The accurate accounting of a worker's lifetime contribution to Social Security will achieve an equitable outcome, whereby all American workers receive Social Security benefits that are based on their actual service rather than arbitrary estimates.

Further, H.R. 711 places the same standards on all public as well as private sector retirees. Everyone is treated equally under the law.

Beyond the obvious impact of the WEP on retiree income, we continue to witness a subtle but growing impact on the ability of public employers to recruit and retain a qualified workforce. For instance, in Massachusetts it has become increasingly difficult to recruit new employees for technical or management level positions that have traditionally drawn upon experienced private sector employees. The impact of the WEP and subsequent loss of retirement income is a detriment to entering a public sector career.

In addition, we are losing an increasing number of government employees as they near their pension vesting date of 10-years. While somewhat anecdotal, the WEP is known as a main underlying reason for severing public service prior to vesting. The passage of H.R. 711 will remove the prospect of an arbitrary loss of Social Security benefits from any consideration of whether to accept or remain in a public sector job.

While the number of organizations in support of H.R. 711 continues to grow, there are some who argue the bill does not go far enough in adjusting the Social Security benefits of current retirees. Others express concerns of the changes proposed in the bill, in its current form, make to the so-called "thirty-year" rule.

First, let's look at the adjustment of Social Security benefits of those retirees currently impacted by the WEP. While our Association has a long history of advocating for a full repeal of both WEP and GPO, we now believe that doing so is not only unachievable, but also would create a situation of new inequality. Chiefly, a full repeal of WEP would provide public retirees with non-covered service outside of Social Security with an artificial increase in Social Security benefits beyond what they earned. While our members do not deserve less than they earned, none are advocating for more than they deserve. We now understand that a full repeal of the WEP would create an unfair system, whereby some would receive more than they earned.

A principal aspect of the bipartisan approach to achieving WEP relief is the accepted requirement that any proposal must be cost neutral in terms of its impact on Social Security. When the rationale behind H.R. 711 and the adjustment of the current WEP'd benefit was first devised, it was based on savings analysis available at that time, which allowed for adjustments up to 33%.

As the Social Security Administration and the Committee continue to evaluate the financial ramifications of H.R. 711, we respectfully ask that every consideration be given to increasing the maximum adjustable rate for current retirees to a higher level, if additional savings are realized.

As to the second criticism, it is also our hope that an equitable solution be reached to accommodate those who might be negatively impacted if the "thirty-year" rule were to be eliminated. We believe it to be unfair to abruptly change the rules on those active employees or retirees not yet eligible for Social Security benefits. As stated above, many non-covered public employees simultaneously work a second job, making substantial contributions to Social Security with the full intention of achieving 30+ years of service under Social Security with substantial earnings.

This practice is especially true amongst our nation's fire fighters. Many of our members, who are retired fire fighters, worked a second job under Social Security with the full knowledge that by making substantial earnings for such thirty plus years of covered service they would be exempt from the provisions of the WEP.

Again, we believe it inherently unfair and unintended for current workers to be negatively impacted by a loss of the "thirty-year" WEP exclusion.

While not addressed within H.R. 711, we commend the Committee, as well as Chairman Brady and Mr. Neal, for the continued efforts to achieve relief from the GPO. As is the case with the current WEP law, GPO provides an arbitrary reduction in Social Security benefits through the use of an outdated methodology. We believe that a better fair way is achievable.

Public retirees, most harmed by the GPO, tend to be career public servants whose purchasing power significantly dwindles as they age. The current 2/3 formula used by the GPO eliminated most, if not all of one's potential spousal benefit.

Retired teachers are a prime example. Due to the school calendar and teaching schedule, most teachers have little to no opportunity for outside employment and Social Security participation. Thus, many do not qualify for a Social Security benefit of their own. This proves especially difficult when dealing with the loss of a spouse and the financial implications that accompany that loss.

Further, the current GPO law also continually offsets pension COLAs by 2/3. In practice this results in nearly a dollar-for-dollar reduction in Social Security benefits for each dollar in a COLA. This especially affects the lower paid public retiree, who is significantly harmed by the existing GPO reduction. Understandably this practice not only adds further frustration to the impact of the GPO, but also places SSA with an unfortunate administrative burden.

We ask that the Committee consider eliminating the GPO's COLA offset as part of H.R. 711. It is our understanding that given the arbitrary nature of the COLA for many public retirees, there is no cost to SSA in eliminating further COLA offsets. This small change would go along way toward bringing about fairness and equity for those impacted by the GPO.

Another point to consider when examining the impact of the GPO is the fact that many of the retirees hardest hit by the loss of Social Security benefits do in fact qualify for Medicare A & B. Since 1986, all public employees have contributed to Medicare – regardless of their eligibility for Social Security. Medicare Part B premiums are billed quarterly and directly to those retirees enrolled in Medicare, but not receiving a Social Security benefit. As direct payers, they face the possibility of a substantial premium change, which they in fact did this year. For our members who were hit with this increase, it added insult to injury.

In closing, we again commend Chairman Johnson and the Subcommittee for providing a public forum to spotlight this critical issue for so many public retirees and the balanced approach toward addressing it, as offered by H.R. 711. As always, we remain available to answer any questions by the Committee and its staff.

I retired in January 2009, with 29 years and 4 months total Federal service, and am receiving a CSRS annuity. I paid the required deposits for both my active duty military (Army) service and a temporary GS position, in order to receive my full annuity. Since I spent the bulk of my career as a GS-07 and GS-11, my annuity is less than $40K per year.

My concern is that I worked in the 'public sector' before and after my military and civilian service, as well as during my 26-year career tenure with the Department of Defense. The Social Security Administration (SSA) statement that I received indicated that I had earned enough credits to receive a full SSA pension. However, it also notified me that I will not get my full pension because my CSRS pension causes me to fall under the mandates of the Windfall Elimination Provision (WEP).

Because I was a divorced single parent, I was unable to begin contributing to the Thrift Savings Plan (TSP) until my youngest child was in high school. I cut back my expenditures to increase my contributions for the last few years, trying to catch up, but the 2008 stock market slide wiped out quite a bit. After retiring, I rolled over what was left of my TSP funds into a self-directed traditional IRA with a brokerage firm.

After retiring, I started a small service business, but suspended it because of medical problems. Although my health had been a factor in deciding to retire at 60, I did not anticipate needing surgery that limited my ability to work. After I recovered, I was able to work part time for a while, but again medical issues intervened.

I have contacted my elected officials in the past, and will continue to do so, in the hopes that the WEP and the Government Pension Offset (GPO) are repealed. I only want to receive the entire pension that I earned and am rightfully entitled to. When I turned 65, Medicare premiums were deducted from the little SS I was receiving. I am currently receiving only $140 per month net from SS. I am also unable to draw against my ex-husband's SS because of the Government Pension Offset.

Representative Sam Johnson, Chairman
House Ways and Means
Social Security Sub-Committee
U.S. House of Representatives
Washington, D.C.

RE: Comment on March 22, 2016, Hearing on H.R. 711,
³Social Security and Public Servants: Ensuring Equal Treatment²

Dear Members of the Committee:

Please Repeal WEP/GPO
HR 711 REPEAL WEP/GP0

Also see S 1651 and HR 973

I started working at age 16 after my father died of a heart attack. I worked 30 years in factory jobs in Ohio (now considered the rust belt). I paid into SS out of every pay check. Toward the end of that 30 years, company cut-backs and closings became very common and that kind of work was NOT STABLE (even if you could get it as an older worker). I took a very low paying county position; working in a school for special needs children. I worked for another ten years. If I had known that work in a public position, would have eliminated All of my Social Security disability and 70% of my Social Security retirement, I would have taken ANY other type of work.

My disability earnings from the school position is less than $600.00 a month. This tiny amount eliminates $1055.00 monthly income I should be getting from SSD, and will reduce my SS retirement to about $350.00 a month. When I took this position I wasn't told about WEP/GPO or its consequences. I wasn't given a choice to continue paying into SS. Even if I found work that I could do now, this same scenario would prevail. I can never work long enough to overcome that 10 years of public service.

I worked all my life so I could support myself and family. Now me and millions of other public servants (including military personnel) may have to depend on the charity of our children. It is degrading to us and our kids don't deserve that burden.

Repeal of WEP/GPO IS NEVER brought up for discussion by our candidates, congress or media.
Is that because it is a provision that only affects people in 15 states? This is a law that eliminates benefits paid into a FEDERAL program SS, but only eliminates these benefits in 15 states. WHY IS THAT ALLOWED TO CONTINUE? It is wrong and our President, and Congress need to completely repeal it now.

Now I hear that a non inclusive plan, non retroactive repeal is being considered. That is ridiculous we have been suffering long enough in the absence and earned our benefits. End it and pay all of us going forward. Don't cut us out. Billions of dollars have been saved/withheld since Ronald Reagan signed this into law. AGAIN WE PAID OUR REQUIRED TAXES AND EARNED THE BENEFITS. You have do this correctly, and completely because it will be considered fixed and impossible to improve further in the future.

This was a sneaky attack on seniors. We were not informed how it would affect our financial security that we worked for, all of our lives.
Please know the "Substantial Earnings" clause is a blatantly under-handed tactic and unequal standard to further delete deserving worker's their just benefits.

This law eliminated 30 yrs. of Social Security benefits I earned. I worked 30 yrs. in private industry then 10 yrs. in a low paying public job where I earned a minimal retirement benefit. This caused my SSD to be reduced to $0. And my SSR will be cut to the bone. I worked paid for and earned both retirements public and private I should be able to collect both.

This letter is to urge our congress to repeal WEP/GPO (windfall elimination provision) and (government pension offset) and protect Social Security. Both of these laws are unfair to workers and place an undue burden on them and their families.

The congress adopted two provisions in the Regan era WEP and GPO. Congress enacted the WEP in the belief that one should not receive a Social Security benefit as a low-wage earner plus receive a government pension from non-SS-covered employment. They considered this a windfall or double-dipping.

SSA uses a formula for computing SS benefits that provide individuals with low average lifetime wages a proportionally higher rate of return on their contributions to SS than individuals with relatively high average lifetime wages. Those who have spent most of their careers in non-SS-covered employment with a state or local government and a minimal amount of time in SS-covered employment will appear to SSA as lower-paid workers. Thus the erroneous notion of a windfall or double-dipping for all.

The problem is it doesn't account for the reverse, a worker that worked mostly in SS-covered employment. In that instance the worker is adversely and unfairly hurt by losing all or most of the SS benefit they paid taxes for and earned. It doesn't matter how small the public retirement is or how low the wages were, the earned public retirement causes WEP/GPO to apply. Both positions required certain payments into their systems to earn the benefits provided, therefore neither was a windfall or double-dipping. BOTH retirements were earned and paid for with the required payroll taxes or payments.

GPO is a provision that penalizes individuals who apply for Social Security spousal or survivor benefits, if they themselves worked for a state or local government in non-SS-covered employment and are entitled to a government pension from that employment. Once they receive that pension, their earned Social Security spousal or survivor benefits will be reduced by two thirds of their non-SS-covered pension.

GPO is unfair because it undermines the original intent of the dependent/survivor benefit which was to provide additional income to help financially dependent spouses once the breadwinner retires, is disabled or dies. GPO greatly reduces the dependent/survivor benefit and hurts those very people. Of those penalized 80% are women that have spent most of their lifetime raising their families.

The WEP penalizes workers that have had two jobs; one job paid the required SS taxes and entitled them to SS benefits, and a second job that paid into a separate retirement system and entitled them to a pension separate from SS. This pension was earned separately and differently from Social Security yet it is used to reduce the amount of the earned Social Security benefit. It doesn't differentiate for workers that worked most of their careers in private companies as opposed to those that worked most of their careers in public work. If you get a pension no matter how small you

lose SS benefits. All who pay full Social Security taxes should receive full Social Security benefits.

In fact when Social Security began, the Federal Government published an informational pamphlet that stated the following: Social Security is the largest source of income for most elderly Americans today, but SS was never intended to be your only source of income when you retire. You will also need other savings, investments, PENSIONS, or retirement accounts.

Why then are workers being penalized because they have earned another pension? This is exactly what we are supposed to do! It is blatantly unfair! If the pension was earned in private industry as opposed to public work there is no penalty. Also unfair!

The WEP affects workers that apply for their own Social Security benefits. If you do not have 30 yrs. Of ³SUBSTANTIAL² income per year in Social Security covered work you can lose all of your earned SS benefit. If you do have 30 years a complex formula can reduce your benefit significantly. In my case only 21 yrs. of my 30 yrs. SS covered work counted and it reduced my benefit for Social Security disability from $1055.monthly to $0.

In fact in 2014 a worker affected by WEP had to earn $21,750. annually for that year to be counted as ³SUBSTANTIAL² and count as a credit year toward the SS benefit payout. A worker not affected by WEP needs to earn only $4,880. annually to get a year of credit toward Social Security. That is a huge difference and discriminatory standard.

The "Substantial Earnings" requirement allows the higher paid worker to qualify for SS benefits and excludes the lower wage earner. The exact opposite of the laws intent.

I was also never given the opportunity to choose between systems. I would have chosen to continue to pay into SS since I had already paid into that system for 30 years. If I had known that my Social Security would be in jeopardy because the low paying Teachers Aide position for special needs students I took could cause WEP to apply and eliminate my SS benefit, I would have never taken that job. I and millions of other people were not notified about how extremely detrimental this would be.

This type of policy will keep good people from choosing public service as a

second career. Our communities and families will suffer for it. Seniors will lose the dignity of being able to support themselves as they intended to do. Families already stressed to the limit will have to take on the extra burden. Not all seniors have family available to take care of them. What will happen to them?

These provisions are currently affecting 1.4 million Americans. The provisions are not applied uniformly in all 50 states. It takes congress to repeal these provisions.
These provisions need to be repealed for the many reasons sited in this letter and for others to many to mention. They have not served their intended purpose and have only undermined public servants ie (teachers, firefighters, mail carriers etc.)and seniors, disabled persons, widows/widowers, dependent children, and low wage workers. They hurt communities and families.
Please Congress completely repeal WEP/GPO immediately. You have had long enough to know the harm it causes and that it is based on erroneous pretenses.

Sincerely,
Maxine Entingh. in Ohio
937.773.9513

Dear Rep. Brady,

I wish to add my support to the Equal Treatment of Public Servants Act of 2015. I began working at the age of 16 and until the age of 47 I continued to work in the private sector and contributing to Social Security. While working full time I completed a teaching degree and in 1995 secured a position teaching at a state supported community college.

As my options for retirement approach, I feel it only fair that my 31 years contributing to the Social Security system be recognized and that I am will be able to collect a fair benefit for my years in the system. I support your initiative of H.R. 711.

Sincerely,

Michele G. Miller, PhD, CMA (AAMA)

I have worked for 14 years in a job contributing to Social Security before I began working for the Parma City School District as a cleaner. I feel the Windfall Elimination Provision (WEP) is unfair and I fully support a proportional calculation of Social Security benefits, like the one proposed in H.R. 711, the Equal Treatment of Public Servants Act.

The already low wages I earn is barely enough. Upon my retirement, looming near, I cannot afford to forfeit my Social Security benefits I have earned because of my SERS pension.

Thank you for holding this hearing and for considering a proportional calculation that will help me receive the much needed Social Security benefits I have earned while work in the private sector.

Regards,

Nada Kubat
Parma City School District
(216) 447-0923

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April 5, 2016

The Honorable Kevin Brady
Chairman
House Committee on Ways and Means
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sandy Levin
Ranking Member
House Committee on Ways and Means
1106 Longworth House Office Building
Washington, D.C. 20515

The Honorable Sam Johnson
Chairman
House Committee on Ways and Means,
Subcommittee on Social Security
1102 Longworth House Office Building
Washington, D.C. 20515

The Honorable Xavier Becerra
Ranking Member
House Committee on Ways and Means,
Subcommittee on Social Security
1106 Longworth House Office Building
Washington, D.C. 20515

Dear Chairmen Brady and Johnson and Ranking Members Levin and Becerra:

Letter carriers serve in every community throughout the United States, often with long histories of other public service, including fighting for our country. Every day we make sure the Constitutionally-mandated Postal Service continues to remain an innovative, affordable service for the millions of Americans and small businesses who rely on it. On behalf of over 277,000 of these letter carriers, who are active and retired members of the National Association of Letter Carriers (NALC), I write to express my appreciation for the Committee's recent hearing on "Social Security and Public Servants: Ensuring Equal Treatment."

NALC is pleased that the Committee is exploring potential action with regards to the Windfall Elimination Provision (WEP) and hopes that the Committee will give equal consideration to addressing the Government Pension Offset (GPO) as well. NALC supports full repeal of both provisions of the Social Security law in order to protect dedicated postal and federal employees from the unfair financial impacts of both provisions.

Tens of thousands of retired letter carriers are already being harmed by these provisions. Indeed, approximately 85 percent of the NALC's 75,000 retired letter carriers are covered by Civil Service Retirement System (CSRS), and 90% of them have been adversely affected by reductions in their Social Security benefits as a result of these provisions.

And the number of adversely affected letter carriers will only continue to grow. Currently, nearly 36,000 active letter carriers remain are covered by CSRS and will be subject to the Social Security benefit reductions mandated by the WEP and GPO provisions.

Windfall Elimination Provision

Federal and postal employees covered under CSRS are subject to a 7.0 percent contribution toward their CSRS retirement annuities, and because they do not pay the 6.2 percent Social Security payroll tax, they do not earn Social Security benefits based on their time as an employee of the federal government. However, the Social Security benefits they earn during their time in non-government jobs are subject to reductions from the WEP provision, which can reduce their retirement incomes by as much as $413 a month.

But the WEP does not just affect employees covered by CSRS. It can also harm employees covered by the Federal Employees' Retirement System (FERS) because many of them also receive a public pension from a job not covered by Social Security.

Government Pension Offset

The Government Pension Offset (GPO) reduces or eliminates the Social Security spousal and survivor benefits of CSRS annuitants. These benefits were earned by their spouses in jobs covered by Social Security for which the spouses paid full OASDI payroll taxes. Under the GPO rule, for example, if a person worked for the federal government and was not covered by Social Security (as is the case with CSRS-covered service) any Social Security benefit for which the person is eligible as a spouse, widow, or widower would be limited to the amount that exceeds two-thirds of his or her government pension. This unfair provision frequently eliminates Social Security spousal and survivor benefits altogether.

Conclusion

Although we strongly believe the WEP provision should be repealed altogether, the NALC supports passage of the "Equal Treatment of Public Servants Act of 2015" (H.R. 711) as a first step. However, we do not believe it alone adequately addresses the devastating impacts of the unfair Social Security benefits formula, as applied to federal employees. Rather than simply altering the WEP formula, the NALC urges the committee to repeal both the WEP and GPO provisions entirely to prevent the Social Security benefits of annuitants – who have paid their fair share through their years of public service – from being dramatically reduced or eliminated.

NALC fully supports the Social Security Fairness Act (H.R. 973), introduced by Reps. Rodney Davis (IL-13) and Adam Schiff (CA-28), as the mechanism to best addresses the devastating financial impacts many federal employees currently face. Rather than altering the formula that unfairly reduces the Social Security benefits of annuitants, H.R. 973 would repeal both provisions and ensure that all federal employees have their Social Security benefits calculated in the same way as other American workers.

We must ensure that those who have given so much to our country have a sound retirement by repealing the WEP and GPO provisions of the Social Security law. Thank you for your work on this matter. We hope that in the future you will strive to help ensure all those who have dedicated their lives to public service receive the same retirement security as all other Americans.

Sincerely,

Fredric V. Rolando
President

U. S. HOUSE OF REPRESENTATIVES
COMMITTEE ON WAYS AND MEANS
Subcommittee on Social Security

Statement of
William J. Johnson on behalf of the
National Association of Police Organizations

"Social Security and Public Servants: Ensuring Equal Treatment"
March 22, 2016

Chairman Johnson, Ranking Member Becerra and distinguished members of the Subcommittee, my name is William Johnson and I am the Executive Director of the National Association of Police Organizations (NAPO). I am submitting this statement today on behalf of NAPO, representing over 241,000 active and retired law enforcement officers throughout the United States. NAPO is a coalition of police unions and associations from across the nation, which was organized for the purpose of advancing the interests of America's law enforcement officers through legislative advocacy, political action and education.

I would like to take this opportunity to make you aware of the adverse affect the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) have on public safety officers and their families who are outside of the Social Security system because of professional need.

Since 1935, state and local government employees have been deliberately excluded by Congress from mandatory participation in Social Security for two reasons: a Constitutional concern over whether the federal government could impose a tax on state governments; and because many state and local employees were already protected by public pension plans. Today, there are about 6.5 million such employees in the state and local workforce – including 76 percent of public safety officers.

As public safety officers often retire under job related disability, many state and local governments have opted to keep their employees in adequate pre-existing pension systems. While intended to be a "leveling" response, the GPO and WEP disproportionately harm our nation's public safety officers, who due to their profession, are not covered by Social Security.

The GPO reduces public employees' Social Security spousal or survivor benefit by two-thirds of their public pension. This has a detrimental effect on a law enforcement officer's retirement. If a spouse who paid into Social Security dies, the surviving public safety officer would normally be eligible for half of the deceased's benefit. However, if the surviving law enforcement officer had not been paying into Social Security while working, the GPO requires that this amount be offset by two-thirds of the survivor's pension, eliminating most or all of the payment. If these officers had not chosen to serve their communities, they would receive the full allotment of the spouse's benefit.

In addition to the GPO, public safety employees are also adversely affected by the WEP. Although most law enforcement officers retire after a specific length of service, usually while in their early to mid fifties, many look for new opportunities. Many take jobs in Social Security covered positions in the private sector that allow them to put their skills and experience to good use. Yet, when they retire from a non-Social Security paying job and move to one that does pay into Social Security, they are penalized by WEP. Instead of receiving their rightfully earned Social Security retirement benefit, their pension heavily offsets it, thus vastly reducing the amount they receive.

The WEP causes hard-working public safety officers to lose the benefits they earned themselves, thus punishing those who selflessly serve and protect our communities. The GPO and WEP unfairly penalize officers for choosing a public service profession that mandates early retirement by taking away hard-earned, and much needed benefits.

This issue is more than a retirement issue; it is a public safety issue. Not only do the GPO and WEP impact individual public safety officers and their families, they impact the public safety profession. The GPO and WEP discourage talented people from entering or staying in the public safety profession. Individuals who worked in other careers are less likely to want to become police officers or firefighters if doing so will mean a loss of earned Social Security benefits. Additionally, non-Social Security states are finding it difficult to attract quality law enforcement officers as more people learn about the GPO and WEP.

While NAPO continues to advocate for full repeal of the GPO and WEP, we understand there are significant fiscal challenges associated with this effort. We have therefore worked closely with other public sector organizations to find common ground on a meaningful WEP reform proposal. This collaboration, together with the leadership of both Chairman Kevin Brady and Congressman Richard Neal, has resulted in H.R. 711, the Equal Treatment of Public Servants Act of 2015.

H.R. 711 would repeal the WEP, replacing it with a new Social Security benefit formula designed to more accurately account for years a public employee paid into Social Security versus the years paid into a public pension system in a non-Social Security covered position. As a result of this change, the Social Security actuary has projected that the majority of current retirees impacted by WEP would see roughly one-third of their benefit restored. Those becoming eligible for Social Security after January 1, 2017 would have their benefit calculated under the new formula, thus receiving a benefit that more accurately reflects their actual participation in Social Security.

The approach taken in H.R. 711 is not only fair, but also provides a workable solution to a problem the public sector has been struggling with for over thirty years.

I would like to make one further point on this issue. NAPO believes that in solving the problems with the GPO and WEP, mandatory Social Security for the public sector should in no way be on the table for discussion. Mandating Social Security coverage for state and local employees will have a devastating effect on state and local retirement systems. State and local pension plans are uniquely suited to meet the needs of the public sector workforce. It is especially worth noting,

for instance, that mandatory Social Security coverage for state and local employees will disproportionately harm our uniformed public safety officers. 79 percent of police and firefighter disabilities are partial disabilities that do not prohibit the individual from taking a less physically demanding job. Public pensions typically award partial benefits to the partially disabled, while Social Security provides benefits only when the individual becomes totally unemployable. Additionally, as I have mentioned before, public pension plans allow public safety officers to retire prior to 62, the earliest possible retirement age under Social Security.

Mandatory Social Security coverage for government employees will also have a devastating effect on state and local budgets. Even if limited to new hires, the estimated cost to public employers for the first 5 years of mandatory coverage is $25 billion. This unfunded federal mandate would primarily be borne by state and local taxpayers in a number of major states in which NAPO has large constituencies – California, Texas, Massachusetts, Ohio, Illinois, Louisiana, Connecticut, Alaska, Nevada, and Missouri – as well as local governments in all 50 states.

Simply stated, mandatory coverage would negatively affect the financing of many state and local government pension plans and would adversely affect the retirement security of hundreds of thousands of public safety officers. NAPO believes that repealing or reforming the GPO and WEP makes much more sense.

The loss of income caused by the GPO and WEP is a financial strain on law enforcement officers and their families; a strain that those who spent their careers on the front lines protecting our nation's communities do not need. By significantly scaling back and reducing retirement pensions for law enforcement officers – as GPO and WEP do – officers and their families are provided much less protection against financial difficulties. This is no way to honor those who chose to serve our nation and its communities

We look forward to working with the Committee to remedy the arbitrary and unwarranted penalties faced by retired law enforcement officers and their families.

Thank you for your time and consideration of this important issue.

Thank you Chairman Johnson and members of the subcommittee. I am Clara McCullar, retired Postmaster of Michie, Tennessee, and current president of the National Association of Postmasters-Retired. I appreciate the opportunity to share the views of my parent organization, the National Association of Postmasters of the United States (NAPUS), as well as its retiree affiliate regarding legislation to modify the Windfall Elimination Provision (WEP). NAPUS is comprised of more than 23,000 active and retired Postmasters.

NAPUS commends Chairman Brady on introducing H.R. 711, the "Equal Treatment of Public Servants Act." We also applaud the bill's 64 current cosponsors. H.R. 711 is a positive step in addressing the genuine needs of retired Postmasters and other retired public employees. As members of this subcommittee knows, the WEP unfairly and arbitrarily reduces the earned Social Security benefits of retired and disabled workers who receive annuities from employment not covered by Social Security. This cohort group includes many retired and some soon-to-be retired Postmasters. Postmasters who have Social Security-covered employment contribute into Social Security just like private-sector employees; therefore, they should not be treated differently and financially penalized for their public service.

I would like to note for the record that NAPUS continues to advocate for the passage of legislation to lessen the punitive affect that the Government Pension Offset (GPO) has on the surviving spouses of many Social Security recipients. For this reason, NAPUS also supports H.R. 973, legislation to repeal the GPO and the WEP. This bill was introduced by Rep. Rodney Davis.

Under the WEP, Postmasters who have retired under the Civil Service Retirement System (CSRS) lose almost two-thirds of their earned Social Security benefit. This is simply not fair. In 1983, Congress enacted the WEP during a legislative frenzy to "save" Social Security. The misguided intent of the provision was to eliminate an illusionary windfall for public employees not covered by Social Security, yet who also worked in positions under which they earned enough credits to qualify for Social Security. The offset is

arbitrary, regressive and financially debilitating. The WEP victimizes many retired Postmasters who managed small post offices for which their salary history renders them ripe for financial distress without their full-earned benefits though the combination of CSRS and Social Security annuities.

Obviously, repeal of the WEP is the ideal alternative. Nonetheless, H.R. 711 is a positive and meaningful step forward. The measure divides WEP-impacted retirees into two distinct groups: those who have turned or will turn 62 prior to 2017, and future retirees who will turn 62 after 2017. For those in the former group, under the bill, the WEP penalty would be reduced by an unspecified percentage, not to exceed 50 percent. (Of course, NAPUS would have preferred the application to be retroactive for those who have already financially suffered from the WEP.) For future retirees in the latter group, the WEP formula would be revised to make it more equitable. NAPUS believes that this legislation would aid low and middle-income government retirees. In sum, the measure would replace the current arbitrary WEP offset with a better, more rational, mechanism to alleviate the impact that the WEP has on former public employees.

While H.R. 711 does not remedy completely how the Social Security law discriminates against public-employed retirees, the legislation strives to lessen the financial distress they suffer. Therefore, NAPUS urges the Subcommittee to report favorably the Equal Treatment of Public Servants Act, and for those House of Representatives to pass it.

Thank you.

STATEMENT FOR THE RECORD
BY

RICHARD G. THISSEN

NATIONAL PRESIDENT

NATIONAL ACTIVE AND RETIRED FEDERAL EMPLOYEES ASSOCIATION (NARFE)

BEFORE THE
HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON SOCIAL SECURITY

HEARING TITLED: "SOCIAL SECURITY AND PUBLIC SERVANTS: ENSURING EQUAL TREATMENT"

MARCH 22, 2016

Chairman Johnson, Ranking Member Becerra, and Subcommittee members:

On behalf of the five million federal workers and annuitants represented by the National Active and Retired Federal Employees Association (NARFE), I appreciate the opportunity to express NARFE's views regarding two provisions – the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO) – that apply arbitrary reductions to the Social Security benefits paid to many public servants, including federal retirees who also receive a government pension.

These unfair provisions cost more than two million retirees thousands of dollars each year in Social Security benefits, solely as a result of their government employment. They serve as a thankless reminder that our nation continues to undervalue public service. They should both be repealed.

While NARFE supports full repeal of the two provisions through passage of H.R. 973 and S. 1651 (identical bills titled the Social Security Fairness Act of 2015), introduced by Rep. Rodney Davis, R-IL, and Sen. Sherrod Brown, D-OH, respectively, NARFE also supports incremental improvements through reform legislation. Notably, NARFE supports H.R. 711, the Equal Treatment of Public Servants Act of 2015, introduced by Rep. Kevin Brady, R-TX.

The Windfall Elimination Provision (WEP)

The WEP unfairly deprives dedicated public servants of the full Social Security benefits earned through the contributions they paid into the system. They are denied these benefits solely because they also worked outside of Social Security-covered employment in government service. The WEP penalty often comes as a rude awakening, as the actual benefits received fail to meet the expectations created by the estimates provided by Social Security. All told, it has cost public servants hundreds of millions of dollars of Social Security benefits that they rightfully earned.

NARFE supports full repeal of WEP, but also supports the reform effort represented by H.R. 711.

Whom It Affects

The WEP applies to federal retirees who began their federal employment prior to 1983 and were covered by the Civil Service Retirement System (CSRS). Under CSRS, federal employees pay a 7 percent payroll contribution toward their CSRS retirement annuities. They do not pay the 6.2 percent payroll tax toward Social Security and, therefore, do not earn any Social Security benefits based on their federal work. The WEP does not apply to federal employees covered by the Federal Employees Retirement System (FERS), as these federal employees pay the 6.2 percent payroll tax in addition to their FERS retirement contributions and, therefore, earn Social Security benefits based on their pay.

The WEP also applies to state and local government retirees who did not pay Social Security payroll taxes in connection with their government employment, similar to CSRS. It does not apply to those who paid Social Security payroll taxes in connection with their government employment, similar to FERS.

As of December 2014, the WEP affected 1,623,795 beneficiaries, including 1,506,792 retired workers, 16,613 disabled workers, and 100,390 spouses and children.[1]

How It Operates

Normally, Social Security benefits are calculated using a progressive formula in which an individual's average indexed monthly earnings (AIME) are multiplied by three progressive factors – 90 percent, 32 percent and 15 percent – at different levels of AIME, resulting in a primary insurance amount (PIA) – the basic monthly benefit. In 2015, the first $826 of AIME is multiplied by 90 percent, then added to AIME over $826 and through $4,980, multiplied by 32 percent, then added to AIME over $4,980, multiplied by 15 percent.

Under WEP, the 90 percent factor is reduced to as low as 40 percent. For 2015, this would result in a monthly benefit that is $413 lower than under the regular benefit formula. This is an unfair reduction that causes a proportionally larger reduction in benefits for workers with lower AIMEs and monthly benefit amounts than those with higher benefit amounts. Simply, the WEP disadvantages those who have lower earnings.

H.R. 711, the Equal Treatment of Public Servants Act of 2015

H.R. 711 would alter Social Security benefit calculations for WEP-affected beneficiaries as follows:

- **For individuals who turn(ed) 62 prior to 2017**: The bill would reduce the current WEP penalty on their Social Security benefits by a certain percentage, not to exceed 50 percent. The exact amount will be determined by the Social Security Administration (SSA) actuary, but has been estimated at 32 percent. This penalty reduction would not be retroactive, but would be applied only to Social Security payments going forward, starting in 2017.

- **For individuals turning 62 in or after 2017**: The formula used to determine an individual's WEP penalty would be replaced with a new, fairer formula designed to more accurately account for the years a public employee paid into Social Security versus the years paid into a public pension system in a non-Social Security-covered position. Specifically, a beneficiary's AIME and PIA first would be calculated using both covered and non-covered earnings. The new PIA (monthly benefit) would then be multiplied by the share of the AIME that came from covered earnings to determine the actual PIA or monthly benefit amount. The new formula is expected to increase benefits for most, but especially those with lower lifetime earnings.

The bill also would direct the Social Security Administration (SSA) to use available data to improve enforcement of the WEP penalty for individuals who have underreported their public employment earnings to SSA. The amount of money saved through this improved enforcement of WEP will determine the amount of the reduction in the WEP penalty for individuals who turn(ed) 62 prior to 2017. The SSA actuary will make the final determination of how much

[1] *See* "Social Security: The Windfall Elimination Provision (WEP)," Congressional Research Service, p. 4, available at: https://www.fas.org/sgp/crs/misc/98-35.pdf.

money is estimated to be saved, and how much of a reduction in the WEP penalty will occur, but its current estimate is for the savings to result in a 32 percent reduction.[2]

Practically, H.R. 711 is cost-neutral in a 10-year budget window, and it will actually increase Social Security trust fund reserves over the long term. Unsurprisingly, the bill also has broad bipartisan support, as it represents a fair, measured way to provide relief from this unfair provision.

Absent full repeal, NARFE supports H.R. 711 and urges members of this subcommittee and members of Congress to advance the legislation this year.

H.R. 973 & S. 1651, the Social Security Fairness Act of 2015

H.R. 973 and S. 1651 are identical bills that repeal both the WEP and the Government Pension Offset (GPO), which reduces the Social Security spousal benefit of a beneficiary by two-thirds of his or her public pension that is based on non-covered public employment. NARFE supports both bills and urges Congress to advance this legislation.

The President's Budget for Fiscal Year (FY) 2017

The President's budget for FY17 proposes instituting a formula similar to the one proposed by H.R. 711 for future beneficiaries, but starting in 2027, rather than 2017. It also would use a similar method to recalculate the GPO. However, it does not include any rebates for current beneficiaries. Finally, instead of directing SSA to improve enforcement through use of available data, it would provide $70 million to state and local governments to facilitate development of systems to provide SSA with more complete employment records.

NARFE does not support the President's proposal, as it does not include any WEP relief for current beneficiaries.

The Government Pension Offset (GPO)

The GPO unfairly deprives dedicated public servants of their full Social Security spousal and survivor benefits. They are denied these benefits because they also worked outside of Social Security-covered employment in government service. The pension they earned through that government service reduces their spousal or survivor Social Security benefits by two-thirds of the government pension.

NARFE supports repeal of the GPO and is open to reform efforts. NARFE has not yet taken a position on the President's GPO reform proposal, as additional data is needed to determine its merits.

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[2] Estimates of the Financial Effects on Social Security of H.R. 5697, the "Equal Treatment of Public Servants Act of 2014," legislation introduced on November 13, 2014 by Representative Kevin Brady, available at: https://ssa.gov/oact/solvency/KBrady_20141113.pdf. (For purposes of this analysis, H.R. 5697 (113th Congress) is identical to H.R. 711 (114th Congress)).

Whom It Affects

The GPO applies to federal retirees who began their federal employment prior to 1983 and were covered by the Civil Service Retirement System (CSRS). Under CSRS, federal employees pay a 7 percent payroll contribution toward their CSRS retirement annuities. They do not pay the 6.2 percent payroll tax toward Social Security and, therefore, do not earn any Social Security benefits based on their federal work. The GPO does not apply to federal employees covered by the Federal Employees Retirement System (FERS), as these federal employees pay the 6.2 percent payroll tax, in addition to their FERS retirement contributions and, therefore, earn Social Security benefits based on their pay.

The GPO also applies to state and local government retirees who did not pay Social Security payroll taxes in connection with their government employment, instead receiving a government pension, similar to CSRS. It does not apply to those who paid Social Security payroll taxes in connection with their government employment, similar to FERS.

As of December 2013, 614,644 beneficiaries had spousal or widow(er)'s benefits reduced or eliminated by the GPO.[3] This number does not count those who were potentially eligible for spousal or widow(er)'s benefits but did not file for them because of their expectation that the GPO would eliminate their benefit completely. Of those affected, 451,785 had their benefit fully offset, while another 162,859 had their benefit partially offset.

Of those subject to the GPO, more than 341,000 were spouses, while more than 273,000 were widow(er)s. About 81 percent of all affected persons were women.

How It Operates

The GPO reduces the spousal or widow(er)'s benefit of someone who also receives a pension from government employment (whether federal, state or local) based on work that was not covered by Social Security. The GPO reduction is equal to two-thirds of the pension received from the non-covered government employment. In many cases, the reduction will eliminate the spousal or widow(er)'s benefit entirely.

While the GPO is intended to operate similarly to (and with a similar policy rationale for) the dual entitlement rule, the two-thirds reduction is excessive and based on a misguided rationale. The dual entitlement rule prevents a worker from receiving benefits based on their own work record and a full spousal or widow(er)'s benefit. Instead, they receive the larger of the two. The GPO essentially equates two-thirds of a public pension with an earned Social Security benefit, and assumes the remaining one-third is the equivalent of a private pension (and not subject to the dual entitlement rule).

But these assumptions are faulty and unfair for government retirees. First, Social Security benefits are not designed as full pensions. Instead, they are a safety net for those without

[3] *See* "Social Security: The Government Pension Offset (GPO)," Congressional Research Service, p. 8, available at: https://www.fas.org/sgp/crs/misc/RL32453.pdf.

adequate pensions and as a supplement for those with full (private or public) pensions and/or significant retirement savings. Two-thirds of a public pension is often more substantial than a small, earned Social Security benefit. Second, part of what allows public pensions to provide adequate retirement income is that employees often make significant contributions to their pension funds. For example, federal employees under CSRS contribute 7 percent of salary to the Civil Service Retirement and Disability Fund, and that 7 percent is matched by their agencies. Third, public pension benefits are subject to full federal taxation, while Social Security benefits are not.

NARFE opposes the GPO, and supports full repeal.

H.R. 973 & S. 1651, the Social Security Fairness Act of 2015

H.R. 973 and S. 1651 are identical bills that repeal both the WEP and the GPO. NARFE supports both bills.

The President's Budget for Fiscal Year 2017

The President's budget for FY17 proposes a new formula for determining Social Security spousal and widow(er)'s benefits for those currently subject to the GPO. Specifically, a beneficiary's AIME and PIA would be calculated using both covered and non-covered earnings. Any spousal or widow(er)'s benefit then would be reduced by the difference between the new PIA and the covered PIA – this is essentially the new GPO.[4] For individuals who have earned Social Security benefits through their own covered work history, any new GPO would be deducted from the excess benefit payable as a spouse or survivor. The President's proposal would not apply to benefit determinations until 2027.

NARFE has not yet taken a position on this proposal, as more data is needed to determine its effects. However, NARFE is pleased that the Administration has made efforts toward GPO reform.

Conclusion

The GPO and WEP penalize individuals who have dedicated their lives to public service, and their spouses, by taking away the Social Security benefits they earned. This results in thousands of dollars in lost benefits every year, drastically impacting retirees living on fixed incomes.

They are unfair provisions that devalue the public service of federal, state and local law enforcement and firefighters, nurses and doctors caring for veterans, prison guards, letter carriers, engineers, mechanics and technicians supporting our military and ensuring safe air travel, teachers and many more. Until they can be repealed, we should take this current opportunity for reform.

NARFE is encouraged by the ongoing various reform efforts, particularly with regard to H.R. 711. This bill would help mitigate the WEP penalty by providing some relief for both current

[4] This would also be multiplied by an age-reduction factor, which is not well-defined in any publicly available proposal.

beneficiaries through a rebate and future Social Security recipients by improving the formula going forward. This relief is long past due but would be very much appreciated by individuals who are being penalized for their public service.

NARFE applauds the continued and creative efforts of Chairman Brady to reform the WEP. He has not given up on a problem that many seem to have forgotten. We look forward to working with Chairman Brady and the members of the Ways and Means Committee to move this bill through the legislative process.

Thank you again for the opportunity to share our views with you.

1201 16th St., N.W. | Washington, DC 20036 | Phone: (202) 833-4000

Lily Eskelsen Garcia
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John C. Stocks
Executive Director

March 21, 2016

The Honorable Kevin Brady
Chairman
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The Honorable Sam Johnson
Chairman
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The Honorable Sander Levin
Ranking Member
House Committee on Ways and Means
1236 Longworth House Office Building
Washington, DC 20515-2209

The Honorable Xavier Becerra
Ranking Member
House Committee on Ways and Means,
Subcommittee on Social Security
1226 Longworth House Office Building
Washington, DC 20515-0534

Re: Social Security and Public Servants: Ensuring Equal Treatment

Dear Chairman Brady, Chairman Johnson, Ranking Member Levin, and Ranking Member Becerra:

On behalf of the three million members of the National Education Association and the students they serve, we would like to offer our views on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) in connection with the March 22 hearing, "Social Security and Public Servants: Ensuring Equal Treatment." NEA strongly supports the Social Security Fairness Act (H.R.973/S.1651), which would fully repeal both the GPO and WEP. We appreciate that the Equal Treatment of Public Servants Act (H.R.711) addresses inequities perpetuated by the WEP, but are concerned that it leaves the GPO intact and could actually broaden its application and enforcement.

Currently, the WEP reduces the Social Security benefits of 1.3 million people who also receive public pensions from work not covered by Social Security—for example, educators and other dedicated public servants who must take part-time or summer jobs to make ends meet. H.R.711 would replace the WEP with a new "public service fairness formula" for people who turn 62 during or after 2017. Under this formula, the Social Security Administration would take into account the years a public sector employee paid into Social Security versus the years that employee paid into a public pension system while working in a position not covered by Social Security. Under H.R. 711, Social Security benefits would be calculated as if all the worker's earnings were subject to Social Security taxes. This amount would then be multiplied by the percent of earnings covered by Social Security, thus taking into account that Social Security benefits are based on Social Security wages.

We recognize that H.R. 711 attempts to address existing inequities fairly. However, we have concerns regarding the:

- Potential impact on public employees who do not vest in a public pension plan and receive Social Security benefits subject to reduced benefits under the bill
- Fiscal challenges associated with the enforcement of the offset provisions for existing Social Security beneficiaries who are identified as having received overpayments
- Universe of beneficiaries who will no longer be exempt from the offsets because they have 30 years of Social Security-covered earnings

In addition, while we commend efforts seeking to address the harmful benefit reductions associated with the WEP, H.R. 711 fails to address the GPO, which reduces Social Security spousal and survivor benefits and affects a far larger number of people. Nationwide, more than one-third of educators and more than one-fifth of police officers, firefighters, and other public employees are not covered by Social Security and are, therefore, subject to the GPO. An estimated 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. The impact is harshest for those who can least afford the loss: lower-income women. Once the GPO kicks in, some have so little money they must turn to food stamps.

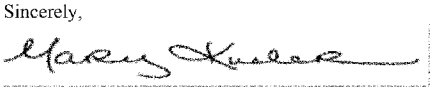
The following excerpt from a letter to NEA is but one example of the devastating impact the GPO and WEP can have:

> *My husband was diagnosed with glioblastoma, the most aggressive type of brain cancer. After surgery, radiation and chemotherapy, his sight was affected so he could no longer drive or read. Therefore, he could no longer work as a real estate appraiser. We lived on my teacher retirement pension, my small Social Security benefit ($250 a month before Medicare), and his Social Security check of $1,600. It was an adjustment having one income totally lost, but with careful management and no unforeseen unexpected expenses we could do it. My husband lost his battle in April. Within two weeks of his death his Social Security benefit no longer was coming. After a phone interview with a Social Security representative, I found out that I would see none of it. Now my income was almost cut in half again. Trying to deal with his death was compounded immeasurably by this huge loss financially. I still wonder how I am going to make it. My husband worked all his life and paid into Social Security. He was in the Marines and the Army and was a Vietnam vet. I worked as a teacher of young children most of my life as well as other jobs to earn my Social Security benefit. The GPO and the WEP are devastating to me. What can I do to help get these repealed? Heidi from Maine*

As noted above, NEA supports full repeal of both the GPO and the WEP. We are, however, open to incremental steps towards full repeal. We are neutral on H.R.711 pending the receipt of additional information on how H.R.711 would affect our members—specifically, who would gain and who would lose if it were to be enacted.

We thank the committee for calling attention to the vitally important issues associated with Social Security offsets—their resolution remains a priority for us and our members. We look forward to working with the committee to address these issues and thank you for the opportunity to offer these comments.

Sincerely,



Mary Kusler
Director, Government Relations

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LISA J. MORRIS
Executive Director

HELEN M. NINOS
Deputy Executive Director

March 22, 2016

The Honorable Sam Johnson
Chairman, House Ways and Means Social Security Subcommittee
2304 Rayburn HOB
Washington, D.C. 20515

Re: Hearing on Social Security and Public Servants: Ensuring Equal Treatment

Dear Chairman Johnson:

On behalf of the more than 197,000 active and retired members of the School Employees Retirement System of Ohio (SERS) who will be unfairly disadvantaged by the Windfall Elimination Provision (WEP) when they retire, the SERS Retirement Board wholeheartedly supports a proportional calculation of Social Security benefits, like the one proposed in H.R. 711, the Equal Treatment for Public Servants Act.

In a non-Social Security state like Ohio, all public employees who qualify for a pension are subject to WEP reductions. In a recent SERS membership survey, 54% of our members said they paid into Social Security for 11-20 years, which means they will lose the maximum $428 per month (in 2016) in Social Security benefits they earned. Because the majority of our membership works in low-paying school support positions, the reduction of the modest Social Security benefit they earned is enough to cause financial hardships in retirement.

A recent SERS retiree, Catherine, is a perfect example of the inequity the WEP causes. Catherine worked for 15 years in a Social Security job before she began working in the office of a Wayne County school district. She qualified for $675 in Social Security benefits at the time of retirement, but had to forfeit the maximum ($413 in 2015) because of her SERS pension. Despite properly reporting her pension amount to Social Security, she received the full $675 benefit for months before the correct amount was delivered. This created a situation where she had to repay the amount overpaid, which caused an additional hardship.

Even though SERS educates members about the WEP penalty long before they retire, most members do not realize the financial impact until they are ready to retire. The complaint we hear the most is that members believe that they should receive the Social Security benefits they earned.

RETIREMENT BOARD
CATHERINE D. MOSS *Chair, Retiree-Member*
BARBRA M. PHILLIPS *Vice-Chair, Employee-Member*
VACANT *Employee-Member*
NANCY D. EDWARDS *Appointed Member*
MADONNA D. FARAGHER *Employee-Member*
CHRISTINE D. HOLLAND *Employee-Member*
JAMES A. ROSSLER, JR. *Appointed Member*
DANIEL L. WILSON *Appointed Member*
BEVERLY A. WOOLRIDGE *Retiree-Member*

Thank you for holding this hearing and for considering a proportional calculation that will help our members receive the Social Security benefits they earned while working in private sector jobs.

Regards,

Lisa J. Morris
Executive Director
School Employees Retirement System of Ohio (SERS)
Ph: 614-222-5918
Fax: 614-340-1295

Representative Sam Johnson, Chairman
House Ways and Means
Social Security Sub-Committee
U.S. House of Representatives
Washington, D.C.

April 4, 2016

RE: Comment on March 22, 2016, Hearing on H.R. 711,
"Social Security and Public Servants: Ensuring Equal Treatment"

Dear Members of the Committee:

I am pleased that once again Congress had taken up the unfairness of the WEP. Another letter has been submitted by the *Committee for Social Security Fairness* which mentions, among other issues, the unfamiliarity of the legal system with this offset (or the GPO) resulting in bad legal settlements. I am particularly familiar with this outcome.

My husband filed for divorce after 24 years of marriage. I had worked 10 years in the public sector and part-time for 10 years in the "mom and pop" business we owned. During the latter period, our accountant suggested I not collect wages because I would be eligible for Social Security through my husband's participation. The business failed during the economic turmoil of the Carter years but fortunately my husband found a decent job and I began substitute teaching.

A few years later, during the divorce process, I earned my credential and began teaching. I was awarded 3 years of spousal support which I needed because I still had two children (legally adults) who still needed financial assistance which their father refused to provide. I was earning beginning wages and working night school and we were doing okay. However, after three years, I found myself in court again where I lost my spousal support because I had "saved" $15,000!

Despite my efforts to explain the money in my pension fund was in lieu of Social Security and included employer contributions, even my own lawyer did not seem to understand the situation. A few weeks later I received the judge's final decision that mentioned California teacher pensions were among the best in the country. What he did not take into consideration was that I began teaching in my late 40s and would not be getting very much of an already small SS benefit. Also, my pension increases are not tied to a COLA. I get 2% per year of only the original benefit when I retired. It is not compounded. Furthermore, I had to retire at 63, because of lengthy Cancer treatment, after only 19.5 years of teaching.

I don't quite understand how your proposal affects already retired public employees, but any increase would diminish my fears of an "inflated" future. Also, I believe that the additional money we would receive would be pumped back into the economy as many senior citizens would be less reluctant to spend and less likely to need additional assistance.

Thank you for reviewing this issue,
Pamela Chance

Thank you for this opportunity. Since moving to Colorado, my partner has worked for the school system. Because of this, she only qualifies for a portion of her social security, WEP. It is difficult to understand why working for a nonprofit, as our education, would cause a person to lose a portion of benefit for which they worked many years. Some states do not do
this. It seems only fair that someone who has done a variety of work would still qualify for this benefit in full. Many people have different aspects of their career or even take years off from the workforce. However these people do not have their social security docked for this reason. So for this reason, why would someone who decides to do public service after a different career have their social security reduced?? They have still worked for many years within the social security system and contributed as anyone else. So because of the WEP policy, it as though these people only
worked and contributed a fraction of these years.
Please reconsider this social security rule, WEP. It is unfair for those who have contributed, yet decided to provide other service as in the school system. Schools cannot support a better salary. I would hope that social security would not penalize a person for contributing to our children¹s education.
Thank you for this consideration.
Pamela Chipman

Dear Sirs:

Between My deceased husband and I, we have paid into Social Security for SEVENTY FIVE (75) years. I receive only, after deductions $106.00 a month. We both planned for our retirement with the expectations that the full benefit funds would support us in our old age. Upon retirement I found out that not to be the case.

This law has proven to be unfair and unjust to the people who worked all their life paying into this system. Not only has this law penalized me but has penalized my husband¹s benefits as well. I would be entitled to full benefits if it were not for WEP/GPO. This also amounts to double jeopardy

People from other countries, can come into this country and pay into SS and get the full benefit. This burden should be put upon them instead of hurting the people that were born in the United States of America and made this country great. PLEASE REPEAL THIS LAWŠŠ.

Patricia J Lopez

Sent from Mail for Windows 10

Good Morning Mr. Chairman:

I am writing this email on behalf of myself and any other persons who might be in the same position as myself.

I am a member of SERS in Ohio and I also have 17 years in Social Security. I turned 60 years old last June (2015) and decided it was nearing time to plan for retirement, even more so due to the changes that are being made in SERS effective July 2017.

In my meeting with SERS, they informed me that I would be losing approximately $400 per month in Social Security benefits due to the WEP. And, if I were to take my ex-husbands social security benefit, it could be significantly higher.

I was a stay at home Mom when my kids were young. I went to work part time in Social Security jobs when they went to school to supplement our income. Eighteen years ago, I took this full time job at a local school district which had great medical benefits and a retirement plan (SERS) for my kids, myself and my spouse. Unfortunately, after 34 years, we divorced.

WIth SERS changing their retirement plans, I technically should retire June 30, 2017. If I would retire then to get the highest monthly benefit, I would be short one year of receiving medical benefits at 50%. Therefore, my single monthly medical premiums would be $1200.00 for a single person. Along with that, I would be losing nearly $400.00 of my Social Security benefit.

Because I am divorced and "self-supporting", this reduction in my Social Security benefits (WEP), and the new retirement laws at SERS, are causing me to have to work at least until I am 67. Please do not get me wrong, I do not mind working and thank Goodness my health will allow that. It just does NOT seem fair, especially since I am a divorced woman, that I am not entitled to all of the Social Security I would receive if I were not receiving my SERS benefit. I paid into both of these plans, therefore, I should be entitled to collect BOTH of them, and it would surely HELP me financially, especially, since my healthcare will be a significant portion of the dollar benefit I will be receiving.

I appreciate your time listening to my situation, and hope you take this into consideration along with other hardships, etc. that have been submitted to you and your committee.

Sincerely,

Patti Gardner

--
Patti D. Gardner
Treasury Associate
Sycamore Community Schools
5959 Hagewa Drive
Cincinnati, OH 45242
513-686-1700 x 5012

To Chairman Kevin Brady, Representative Richard Neal and the Ways and Means Committee,

Thank you for your introduction of the Equal Treatment of Public Servants Act of 2015. Thank you as well for this opportunity to comment.
Since moving to Colorado thirteen years ago I have been working in the Mancos and Cortez Colorado school systems through the SanJuan Board of Cooperative Education Services. I am now approaching retirement and only qualify for a portion of my Social Security as a result of WEP. It is difficult to understand why working for a nonprofit service organization would cause a person to lose a portion of their Social Security benefit for which they have worked and contributed for so many years. Many states do not penalize in this way. It seems only fair that someone who has worked and paid into the Social Security system should still qualify for their total number of service years insurance benefit. This is especially true when, in most cases these public employees are providing highly necessary services in our communities. In my case I have worked for the past 13 years providing therapy services for students with special needs like Cerebral Palsy, brain and birth injuries, Autism and other physical and mentally disabling conditions. Most people have been free to follow different aspects of their careers and accept a variety of positions but do not have their Social Security docked as a result. So for this reason, why would someone who decides to do public service as part of a varied career have their Social Security reduced? We are not asking to have additional years added to the SS Insurance benefit we have earned, but rather simply be paid in full for those years worked and contributed within that system. Some of us have worked for many years within the Social Security system and contributed like everyone else; but because of the WEP policy, it is as though we only worked and contributed a fraction of the actual years. OUCH!

Please reconsider this Social Security WEP policy and make it equitable throughout all states. WEP is unfair to those who have been teachers, police officers, firefighters, and providers of other essential public services in the state of Colorado for example. Colorado schools already have a very difficult time recruiting talent to the profession in large part because they cannot provide a competitive salary. It is next to impossible to interest mid career therapists, teachers and other providers in switching from their private sector employment to accept a position in the schools when they find out about the heavy impact of WEP. As a result we experience long periods of time (18 months to secure a physical therapist, as an example) with empty positions, poorly met student needs and burn out of existing staff. We would hope that Social Security would not penalize us for our community service and contributions to our children¹s safety and education.

To those of you on the Ways and Means Committee, we too are serving our country just as you are. Please consider that many of us work for substantially lower pay and will be relying on the FULL number of years we contributed to the Social Security Insurance system to sustain us after we retire.

Please recommend revision and a formula that treats teachers, first responders, and other public service providers with fairness and respect.

With the highest regard for your service and consideration,

Respectfully submitted by:
Rebecca Siefer

School Employee Retirees of Ohio, Inc.

(614) 431-0387
(614) 431-0391 (fax)
info@ohio-sero.com

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Columbus, OH 43229
www.ohio-sero.com

March 23, 2016

The Honorable Sam Johnson
Chairman, House Ways and Means Social Security Subcommittee
2304 Rayburn HOB
Washington, D.C. 20515

Dear Chairman Johnson,

School Employee Retirees of Ohio, Inc. advocates for 197,000 active employees and retired members through the School Employees Retirement System of Ohio. We fully approve and support HR711 – "The Equal Treatment of Public Servants Act."

Retirees have continued to communicate to us that they feel they have been unfairly targeted by the reductions in the WEP. Many retirees claim that the contributions they have made during their work history are all diminished by the reductions under the current WEP calculations. It has been a constant complaint from the members "Why can't we just get the contributions that we made, like everyone else?" It appears to us that this bill will revise the calculation now used for public workers to be in line with what is used for private worker's. We appreciate and anticipate this fair calculation for public workers.

Unfortunately, retirees learn the full effects of the reductions when they are unable to make changes, so at a time when these retirees expected to be fully retired many have taken on additional jobs to supplement this loss to their retirement incomes.

We know our retirees will be grateful that this new legislation will give them the benefits they have earned and that they are no longer penalized for being a public servant. We look forward to working with you on this important legislation for our retirees for 2017.

Sincerely,
Valerie Rodgers
Valerie Rodgers
Executive Director
School Employee Retirees of Ohio, Inc.
Phone: 614-431-0387
Fax: 614-431-0391

1001 N. Fairfax Street • Suite 101 • Alexandria, VA 22314 • (703) 548-5568
e-mail: info@tsclhq.org • website: www.SeniorsLeague.org

March 22, 2016

The Honorable Kevin Brady
United States House of Representatives
1102 Longworth House Office Building
Washington, DC 20515

Dear Chairman Brady,

On behalf of the approximately one million members and supporters of The Senior Citizens League (TSCL), 4,441 of whom are your constituents, I would like to commend you for introducing the *Equal Treatment of Public Servants Act,* H.R. 711.

TSCL's members and supporters tend to be older, less affluent seniors. Many of them worked as devoted public employees for decades and are now unfairly affected by the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). As you know, these two provisions have not worked as intended since they were enacted in 1983. As a result, the earned Social Security benefits of many teachers, firefighters, police officers, and other public servants are reduced arbitrarily, often by one-half or more.

According to a recent study completed by TSCL, Social Security beneficiaries have lost over 20 percent of their purchasing power since 2000. Those who are subject to the WEP and the GPO have undoubtedly fallen even further behind. It is now more important than ever for Congress to address the inequities that have been created by the WEP and the GPO, and TSCL believes the *Equal Treatment of Public Servants Act* is a fair and responsible solution that would provide vital financial relief to those currently affected.

Your legislation, if enacted, would give America's public servants the Social Security benefits they have earned and deserve. The Senior Citizens League salutes you for introducing legislation that would make the Social Security program more equitable, and we are pleased to lend our enthusiastic support, and the support of our membership, to H.R. 711.

Again, thank you for being a positive voice for America's public servants in the U.S. House of Representatives.

Sincerely,

Edward Cates
Chairman, The Senior Citizens League

HR 711

I am writing on behalf of the Committee for Social Security Fairness, a nation-wide group of public servants. I have been affected by 40% reduction of my Social Security Benefit. The worst part, is not knowing how this would be revealed when I retire. Employees are told by the Social Security benefit person what you had earned and an approximate factor used to reduce Social Security during your application process. For me that is about $400 + per month. The factor used causes a higher reduction of benefits for low-income retirees.

I worked in private industry and Federal Government working range levels GS 4 to GS9, these positions are all FICA/Social Security jobs. The time period covers just less than 20 years of Social Security paid benefits. My Social Security Benefit would be about $1,300 to $1,400 per month. Social Security has applied a factor which reduces my monthly benefit to $823.

I worked 9.5 years for the State of Alaska, a non FICA employer. I receive a small pension and after expenses I receive less than $400 per month.

As you can see those of us Civil Servants thinking while taking care of the family and working little jobs it could provide $25K or so in retirement.

So if you add up my State of Alaska pension and the WEP social security, I receive about $1,223 per month

or $14, 676 per year. Know anybody who is living on this? What will happen to me if my spouse dies?

[3]The lack of clear and accessible communication about both of Social Security penalties has been one of the most outrageous aspects of the Social Security offsets[2] my spouse and I would have planned to differently if we had had all the information about this despicable injustice to civil servants.

With almost 20 years of Social Security earnings, I believed that these were two different pots of money are for my future not for WEP deductions.
Thank you

Sharon L. Keenan
slkeenan4@gmail.com
561-246-1059 cell
561-877-4548 home

April 4, 2016

The Honorable Sam Johnson
U. S. House of Representatives
Washington, D. C.

Dear Sir;

I am writing to ask that the windfall provision of Social Security be eliminated.

In support of my proposal, I make the following points:

1. I served nearly six years on active duty with the U. S. Army during the Vietnam era. Later I completed a total of twenty-one years of combined active duty and Colorado Army National Guard service.
2. Ten of those National Guard years were with the Fifth Battalion of the 19th Special Forces Group (Green Berets). I rose to the position of company sergeant major.
3. I concluded my National Guard service as the State Operations Sergeant Major in State headquarters.
4. During all of that twenty-one years of service I paid into Social Security.

During my National Guard service my full-time job was as a Trooper in the Colorado State Patrol. During my thirty years with the State Patrol I was promoted to the position of Captain. My last duty assignment was serving as the Colorado State Patrol action officer for the 2008 Democratic National Convention. I retired soon after the convention.

Because I receive a State pension, under current law, when I file for my Social Security benefit, my benefit will be reduced. All this because I served my State in an occupation that didn't withhold social security tax.

In my opinion this is patently unfair.

I paid into the system for over twenty-one years, and now, I will not receive the full benefit of my payments.

I urge your committee to change the windfall provisions of the Social Security law.

Texas Classroom
Teachers Association
PO Box 1489 | Austin, Texas 78767 | tcta.org
888-879-8282 | 512-477-9415 | Fax: 512-469-9527

Statement on Social Security and Public Servants:
Ensuring Equal Treatment
Before the House Ways and Means Committee
Subcommittee on Social Security
March 22, 2016

The Texas Classroom Teachers Association strongly supports revision of the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO), two federal laws that negatively impact our members. TCTA is a non-partisan, independent professional association representing 50,000 teachers and related non-administrative professional personnel in Texas public schools across the state who have a keen interest in this matter, and we appreciate the attention of this subcommittee and other members of Congress who are working toward solutions.

Texas teachers are among the millions of current and retired public employees who are affected by the WEP and GPO. For many years, TCTA has advocated on their behalf for full repeal of these provisions. Educators are all too often taken by surprise when they learn that the Social Security benefits to which they believed they were entitled will be significantly reduced or eliminated entirely. For some, this discovery has led to an early exit from the classroom (which in many cases does not alleviate the problem), and some potential educators have been deterred from entering the profession upon learning of the laws' impact on their Social Security benefits.

H.R. 711 by Congressmen Brady and Neal represents a logical effort to address the harmful impact of the WEP while acknowledging the policy reasons for its implementation. By using actual salary history rather than applying a single, somewhat arbitrary calculation as under the WEP, H.R. 711 introduces an element of fairness that is lacking in the current law, and many of our members would benefit from the revised calculation.

TCTA has concerns about certain details of the proposed legislation, primarily with regard to those retirees who have not been penalized under current law but would be under H.R. 711. Although the "winners and losers" approach ensures that the change in law is affordable, we fear that in a group that includes many relatively low-paid retirees, recovery of amounts deemed to be "overpaid" could have a significant and negative affect on their financial well-being. We would support grandfathering and/or phasing in of the law in order to minimize the impact on low-benefit retirees.

Having noted that concern, though, TCTA is in support of H.R. 711. We believe that short of full repeal, this legislation provides the best current opportunity for improving how Social Security benefits are calculated for our members who have both covered and non-covered employment.

It is our hope that in the near future we will have the opportunity to work with Congressional leaders on legislation to revise or repeal the Government Pension Offset to provide relief to employees negatively affected by that provision. In the meantime, thank you for your efforts on these issues, and we look forward to working with you in support of H.R. 711.

Statement for the Record
by Texas AFT
before the
Subcommittee on Social Security
of the Committee on Ways and Means
U.S. House of Representatives
on
Social Security and Public Servants: Ensuring Equal Treatment
March 22, 2016

Texas AFT (the Texas branch of the American Federation of Teachers) submits this statement on behalf of our 65,000 members, both active and retired, who have a vital stake in the hearing held on March 22, 2016, regarding Social Security offsets that adversely affect their retirement security.

The vast majority of Texas teachers and other school employees work in school districts that long ago elected not to participate in the Social Security system. A shock awaits many of these teachers and other education employees when they retire. These education employees may think that they have qualified for full Social Security benefits, based on their own work for other employers who did take part in Social Security, or based on their spouse's work at a job covered by Social Security. However, when they retire these educators find out that their Social Security benefits are cut—in some cases even eliminated because federal law deems their Texas Teacher Retirement System pension a "windfall" that justifies cutting their Social Security benefits.

Government Pension Offset

Consider the case of a widow eligible to receive a survivor's benefit of $600 a month from Social Security. Suppose she retires from a school district that does not take part in the Social Security system and in her own right has earned a TRS pension of $900 a month. Federal law imposes a so-called Government Pension Offset that reduces her Social Security survivor's benefit by two-thirds of the amount she receives from Texas TRS. That happens in this case to be a $600 offset—which means her survivor's benefit is reduced to zero.

Windfall Elimination Provision

Consider another case. This time, suppose the teacher qualified for Social Security benefits by working for another employer for 20 years before she went to work for the school district. Or suppose she worked at another job evenings and weekends and summers to qualify for Social Security. What happens when she retires from her job with a school district that doesn't take part in Social Security? She faces a severe cut in her Social Security benefits, because federal law contains the so-called Windfall Elimination Provision. Under this law, instead of receiving 90 percent of the first $856 of average monthly pre-retirement earnings, she receives only 40 percent. That's a $428 cut in her expected monthly Social Security benefit.

Social Security Fairness Act

With these offsets, Congress may have been aiming at well-to-do individuals who had earned high incomes while paying no Social Security taxes and would nonetheless qualify for substantial Social Security benefits based on a very limited history of employment in another job where they did pay Social Security taxes. Unfortunately, Congress misfired, hitting a lot of innocent people while aiming at a few individuals who tried to game the system.

These offsets severely and unfairly penalize recipients of public pensions, including Texas teachers and other school employees as well as police officers, firefighters, and other public servants. The offsets especially harm lower-income employees. And they discourage qualified individuals from entering the teaching profession in Texas lest they lose their earned Social Security benefits. More than a million public servants are adversely affected by these Social Security benefit offsets. The victims are concentrated in Texas and a dozen other so-called "non-Social-Security" states.

Texas AFT strongly supports the comprehensive repeal of both these unfair offsets that would be accomplished by the bipartisan Social Security Fairness Act, embodied in H.R. 973 by Reps. Rodney Davis of Illinois and Adam Schiff of California and S. 1651 by Sen. Sherrod Brown of Ohio and Sen. Susan Collins of Maine (cosponsored by 138 House members and 23 members of the Senate).

Under H.R. 973/S. 1651, the GPO and WEP would be eliminated from the calculation of Social Security benefits. Those already retired who have suffered the harsh impact of these offsets would see their future monthly benefits adjusted upward. Future retirees would be spared the unfair loss of earned Social Security benefits due to the GPO and WEP.

Congress should be helping retired public servants, not authorizing the Social Security Administration to penalize them for their dedicated service. These unjust offsets put a decent standard of living in retirement out of reach for many public employees. The offsets also hinder recruitment and retention of qualified teachers and other essential education personnel.

The price tag of implementing the Fairness Act is not small but could be covered several times over if Congress simply enforced current tax laws to capture taxes owed but lost annually due to under-reporting of income by corporations. Elimination of just the most egregious loopholes allowing abuse of overseas tax havens would more than suffice to cover the cost.

The Equal Treatment of Public Servants Act

Texas AFT measures alternative approaches such as H.R. 711, the Equal Treatment of Public Servants Act by Rep. Kevin Brady of Texas (with 65 cosponsors), against the benchmark established by the Social Security Fairness Act. H.R. 711 modifies the WEP offset but does not eliminate it. The bill does not address the GPO at all. For Texas AFT, the assessment of H.R. 711 depends on the answers to some important questions about the impact of the bill for good or ill. Ultimately, our assessment depends on whether this bill would serve as: (a) a stopgap, interim measure on the way to full repeal of both the WEP and the similarly unfair GPO; or (b) a

stopper, serving to block and preempt action on the Social Security Fairness Act, which would fully repeal both the WEP and GPO.

Though it has been described by some of its backers simply as a bill to repeal the WEP, H.R. 711 would keep the existing WEP in place for anyone who has reached age 62 before 2017. It tightens enforcement of the WEP provision, too, and provides for recoupment of benefits from anyone who should have been covered by the WEP but for some reason wasn't. The bill also ends one decent feature of the current law—an exemption from the offset for those with 30 years of employment covered by Social Security (and a partial exemption for those with 21 to 29 years).

H.R. 711 also for the first time would cut benefits for those who paid into a state or local pension plan but did not vest and hence never received a state or local pension. For those who reach age 62 from 2017 on, the existing WEP would be replaced by what has been called a "fairness formula" that would scale back a recipient's benefits to match the fraction of an individual's lifetime average earnings covered by Social Security.

The "savings" to the Social Security system achieved by these various changes would be plowed back into a rebate to those still covered by the existing WEP. The amount of the rebate is not specified in the bill, but some preliminary estimates suggest that more than $100 a month on average could be restored to many.

A number of outstanding issues and questions concerning the effects of H.R. 711 must be addressed. For example:

--A careful reckoning of exactly who the winners and losers would be is needed.

--The extension of the WEP's impact to employees not now affected, such as those who have never vested in a state or local pension system, could inflict new hardships on retirees, particularly on lower-paid public employees.

--Ending the exemption from the WEP for those with 30 years of employment covered by Social Security and the partial exemption for those with 21 to 29 years of covered employment is a particularly troubling step backward, in our view.

--For those who would be newly subjected to the WEP under this bill and who may be long retired and unable to make up for a benefit reduction by returning to work, what relief from the full impact of the WEP would be provided, if any?

--Another concern is the narrow focus of the bill on the WEP offset, leaving unaddressed the harsh burden of the GPO, which can be even more harmful than the WEP and affects still more public employees, plunging some of them into outright poverty.

Texas AFT welcomes this subcommittee hearing as an opportunity to draw renewed attention to the issue of Social Security fairness for the public servants affected adversely by the GPO and WEP. Taking a small, partial step toward greater fairness for these public servants could be

justified as an interim measure. The question still to be answered about H.R. 711 is whether it does indeed enhance fairness—both in the short run and by setting the stage for a comprehensive repeal of the GPO and WEP, as under H.R. 973/S. 1651, which Texas AFT maintains should be the ultimate goal.

Sirs and Madams,

I am writing to express my long simmering anger with the WEP (windfall elimination provision) of the Social Security Benefits Program. I am a retired municipal police officer from New Jersey. I retired in 2006 after twenty-seven years of service. I receive a pension from the NJ PFRS and I still work because I want to stay active.

I started contributing to Social Security in 1971 and continued doing so until 1980. From then until 2007 I was employed by the Moorestown Twp. Police Department in New Jersey and was enrolled in the NJ PFRS. I again started contributing in 2008 thru 2010. I have earned enough credits to qualify for benefits but because of the WEP, my benefits will be diminished. How collecting benefits that I earned through contributions can be seen as a "windfall" defies logic.

I could rant on about how unfair the WEP is in my case but it's not my nature to complain. I only ask that reasonable lawmakers look at the WEP and the GPO and how they affect real, working and retired public employees.

Sincerely,

Timothy R. Henry
Moorestown Twp. NJ PD (Retired)
Jupiter, Florida

Statement regarding the Windfall Elimination Provision (WEP)

I worked for more than 30 years under social security. Some of those years were for large corporations as an employee and some were as a self-employed information technology consultant. Some years were good and some not so good. I worked my way through college, working days and attending classes at night and working nights and attended classes days for many years in order to earn a BA and MBA. But I always worked and supported myself and my family with no outside assistance. Each year I received a statement from social security telling providing me with an expectation of approximately how much in social security benefits I could anticipate when I retired. A few of those years were in the service of our country and included a tour in Vietnam as a Marine.

In the late nineties, I joined the faculty at Cape Cod Community College. Technology had been reasonably good to me and I wanted to give back. I played a primary role in launching a networking technology program at the College. It was a significant reduction in pay in terms of my earning potential, but I felt compensated knowing I was helping younger people to enter a good profession and that I could count on social security.

At hire, there was no disclosure about the WEP. After several years at the College, I discovered it. During and after that time, I continued to receive the annual statements from social security that had no mention of WEP. Now they do.

I left the College early, taking an early retirement after only ten years of service there in order to return to the private sector in hopes of earning a better retirement. A primary reason I left the College was the WEP. I had concluded that I had lost a significant portion of my anticipated benefits and that if I continued there, I would start to fall behind in my retirement planning.

I am now turning 70 years old and must continue to work to earn a living. If WEP did not exist, I would have that option. I am fortunate in that I enjoy what I do. However, I have developed health issues over time and am not sure how long I will be able to work productively. People over 70 should not "have" to work – it should be an option.

I believe at a very minimum, WEP needs to be modified. The schedule for years of "credible earnings" to determine one's offset should be revised. Others are able to work only 40 quarters with a schedule of lesser earnings and qualify for benefits. This is not equitable. In addition, there are others who work in government and earn retirement benefits from their respective agency and from social security. One example is members of Congress. This lack of equity should not be left to stand.

Respectfully submitted,

Victor E. Smith

Sandwich, Massachusetts

April 4, 2016