GPO AND WEP SOCIAL SECURITY PROVISIONS

Unfair Public Pension Offsets

Social Security benefits are based on an individual’s earnings and paid according to a progressive formula that replaces a larger portion of previous earnings for working families. But, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) impose unfair offsets, which penalize many public employees. The offsets rely on a formula that does not take into account workers’ lifetime earnings. GPO-WEP offset formulas are enforced when a public employee is eligible for a pension from their work that is not covered (non-covered) by Social Security, but who also has worked in other employment where they earned Social Security benefits (covered). While both provisions were intended to adjust benefits for higher income earners, they both severely harm low-income and middle-class retirees and their survivors; the very people Social Security’s progressive benefit was designed to help.

How the Government Pension Offset (GPO) Works – Social Security pays benefits to the spouse of retired and disabled workers and to widow(er)s of deceased workers. The GPO offset requires a reduction in the Social Security spousal and widow(er)’s benefit received by public employees who earn a pension from non-covered employment. The GPO offset amounts to a two-thirds reduction in your public pension. If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

The GPO especially hurts low-wage public-sector workers, particularly women, who find the Social Security benefits they expected diminished substantially, if not eliminated entirely. This happens even if their public pension is very modest. The GPO provision was added to the law in the 1977 Social Security Amendments (P.L. 95-216) but didn’t become effective until 1983.

How the Windfall Elimination Provision (WEP) Works – The WEP offset reduces the Social Security benefit of a public employee who has job earnings in non-covered employment, but who also worked in covered employment and qualified for a Social Security benefit by working at least 40 quarters (or 10 years). It applies to people who split their careers and received both a pension from uncovered work and Social Security benefits based on fewer than 30 years in covered employment.

WEP reduces a worker’s standard monthly benefits by up to 55 percent. Basically, a worker’s earned Social Security benefit is cut by an arbitrary amount with middle- and low-income workers losing the largest amount of their monthly benefit, further reducing or entirely eliminating large portions of their Social Security. The WEP was enacted as part of the 1983 Social
Security Refinancing Act (P.L. 98-21) and designed to shore up the financing of the Social Security Trust Fund.

Many Individuals are Unfairly Impacted by GPO and WEP – The GPO-WEP provisions unfairly penalize approximately 25 percent of public workers, including but not limited to about 50 percent of teachers and 75 percent of police officers and firefighters. Both laws create a situation where over two million workers nationally are impacted by policies which unfairly penalize public employees by reducing their earned Social Security benefits, because they also have covered earnings.

The largest number of those are affected in 12 states in which public employees are not covered by Social Security (Alaska, California, Colorado, Connecticut, Illinois, Louisiana, Maine, Massachusetts, Missouri, Nevada, Ohio, and Texas). And, there are 3 states where a large number of local governments predominately do not participate – Georgia, Kentucky, and Rhode Island. Also, some large cities and counties are outside of Social Security as well, including Los Angeles and Los Angeles County, and Chicago and Cook County. However, some number of people in all 50 states are impacted, since all public workers were once excluded from Social Security.

Also, due to the new data exchanges, the Social Security Administration (SSA) will soon have 35 years of W-2 earnings data for all covered workers on file. With this data, SSA will be able to more accurately identify individuals who are likely receiving pensions from non-covered employment, but whose benefits are not being reduced. As SSA begins to use this data, it is likely that more individuals will have their Social Security benefits reduced from these unfair laws.

Several Reform Bills are Pending in Congress – Several bills to repeal or amend the GPO and WEP have been introduced since 1983. The Social Security Fairness Act, which would fully repeal both the GPO and the WEP, has been introduced in every Congress since 2001, with bipartisan support, but final legislative action has not yet been taken. The Social Security Fairness Act of 2017 (S. 915) was introduced by Sen. Sherrod Brown (D-OH) in the Senate (S. 915) and Rep. Rodney Davis (R-IL) in the House (H.R. 1205).

In the absence of action on full repeal, there have been several reform bills introduced in Congress. Some solely impact GPO, and some just WEP. For example, the Equal Treatment of Public Servants Act, which has received bipartisan support in the House, is a bill to reform only the WEP. While it addresses the WEP, it does not fully repeal the WEP, but rather changes the formula for future retirees and provides some relief for current retirees.

AFSCME Supports Full Repeal of GPO-WEP – AFSCME has had a strong position for many years in favor of repealing both the GPO and the WEP.