

April 26, 2023

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

Dear Chairman Ferguson, Ranking Member Larson, and members of the House Subcommittee on Social Security:

Thank you for holding a hearing examining the history and finances of Social Security. As the sole organization dedicated to advancing and protecting the earned benefits of all federal employees and retirees, I write to share the views of the National Active and Retired Federal Employees Association (NARFE) on Social Security and two associated penalties that reduce the Social Security benefits of nearly 2 million public servants – namely, the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO).

Any hearing reviewing the history and current state of Social Security should not ignore the unfair and arbitrary origins of the WEP and GPO, and ought to recognize the burden these penalties place on public workers, including federal employees, police officers, firefighters, teachers, and more. These penalties, enacted more than 40 years ago, punish those who have served their nation and local communities, and it is past time that Congress do away with them. Congressional support for repealing the WEP and GPO reached a critical mass in the last Congress, with 305 House lawmakers cosponsoring legislation that would end the penalties for good. Momentum for this effort continues this Congress, with Social Security Fairness Act, already earning 246 cosponsors, the second most of any bill in Congress. NARFE calls on this subcommittee and its members to support this effort.

The Windfall Elimination Provision

The Windfall Elimination Provision, enacted in 1983, reduces the Social Security benefits of local, state and federal retirees who worked in Social Security-covered employment (e.g., private-sector jobs) and who also receive a government annuity from their government employment not covered by Social Security. At the time of WEP's creation, Congress sought to shore up the financing of Social Security, doing so by labeling the earned Social Security benefits of those who also earned a noncovered pension as an unintended windfall and implementing a punishing "one size fits all" formula to reduce their Social Security benefit, regardless of income.¹ Social Security was strengthened by penalizing public workers, particularly low-income workers, for

¹ See "Social Security: The Windfall Elimination Provision and the Government Pension Offset (GPO)," Congressional Research Service, p.2. Available at <https://crsreports.congress.gov/product/pdf/IF/IF10203>.

earning income separate from Social Security while also paying into the system through covered work.

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 the basic monthly benefit. In 2023, the first \$1,115 of AIME is multiplied by 90 percent, then added to AIME over \$1,115 through \$6,721, multiplied by 32 percent, then added to AIME over \$6,721, multiplied by 15 percent. Under the WEP, the 90 percent factor is reduced to as low as 40 percent. As a result, the WEP can reduce the normal monthly benefit up to \$558. This crude and unfair reduction causes a disproportionate reduction in benefits for workers with lower monthly benefit amounts than those with higher benefit amounts.

The Government Pension Offset

Legislation enacted in 1977 prevents government retirees from collecting both a government annuity based on their own work in government employment not covered by Social Security and Social Security benefits based on their spouse's work record. The GPO provides that two-thirds of the government annuity offsets whatever Social Security benefits would be payable to the retired government worker as a spouse (wife, husband, widow, widower). Initially, the Social Security Amendments of 1977 placed a 100 percent offset, failing to recognize that a portion of a government pension mimics an employee's Social Security benefit. At the time, the House saw the potential harm such a drastic reduction could cause, with House lawmakers estimating that one-third of a pension equaled a normal Social Security benefit and therefore proposing a one-third reduction. Meanwhile the Senate maintained a 100 percent reduction. Later negotiations settled on an arbitrary two-thirds reduction, detached from meaningful estimations.¹

Put into practice, if a spouse who receives a civil service annuity of \$900 per month based on his/her own earnings and applies for a Social Security widow(er)'s benefit of \$500 per month, two-thirds of his/her annuity, or \$600, totally offsets the Social Security widow(er)'s benefit. Therefore, he/she receives no widow(er)'s benefit from Social Security.

Legislation to Repeal or Reform the WEP and GPO

It is clear the WEP and GPO were crude instruments enacted to shore up the finances of Social Security off the backs of public employees. Now is the time for Congress to rectify more than 40 years of inequity.

The 117th Congress proved that an overwhelming majority of lawmakers supported repealing the WEP and GPO, with 305 cosponsors signing on to the Social Security Fairness Act of 2021, H.R. 82. The inability of the House Ways and Means Committee to meaningfully act on repeal or advance reform efforts like the Public Servants Protection and Fairness Act or the Equal Treatment of Public Servants Act failed to meet the moment in the last Congress. That's why NARFE is calling on this Congress and the Ways and Means committee to finish the job.

Support for repealing the WEP and GPO in the 118th Congress continues to grow. The Social Security Fairness Act of 2023 is the second most cosponsored bill in the House, with 246 cosponsors.² It is well on its way to reaching the 290 cosponsors necessary for placement on the House Consensus Calendar, as it did in the last Congress. It is our hope that the bill will be afforded an opportunity for a vote on the House floor. Barring a vote on repeal, we encourage the members of the Ways and Means Committee to come together and pass reform legislation that so closely came to fruition in the last weeks of the 117th Congress.

Thank you for your consideration of NARFE's views. If you have any questions or concerns, please contact NARFE Staff Vice President for Policy and Programs John Hatton at jhatton@narfe.org.

Sincerely,

A handwritten signature in black ink, reading "William Shackelford". The signature is fluid and cursive, with the first name "William" being more prominent than the last name "Shackelford".

William Shackelford
NARFE National President

² See "Social Security Fairness Act of 2023," Congress.gov. Available at <https://www.congress.gov/search?q={%22source%22:%22legislation%22,%22congress%22:118,%22type%22:%22bills%22}&pageSort=billCosponsorCount%3Adesc>