

April 12, 2024

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

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

I am William “Bill” Shackelford, National President of the National Active and Retired Federal Employees Association.

Thank you for holding a hearing to examine the Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO). I offer this testimony on behalf of the National Active and Retired Federal Employees Association (NARFE), its 135,000 dues-paying members and the interests of the more than five million federal employees and annuitants who have chosen to dedicate their careers, in whole or in part, to public service. I appreciate the opportunity to express NARFE's views.

The American people have entrusted Congress to champion fairness and equality of opportunity. However, the WEP and the GPO clearly undermine this trust. Now is the time to take action to address these two unjust penalties.

Background On NARFE

Since NARFE's founding in 1921, the association's mission has been to defend and advance the earned pay and benefits of America's federal civil servants. Today, NARFE's advocates continue to work tirelessly on behalf of the federal community. Supported by grassroots activists, NARFE is a leading voice in Washington and across the country on matters of federal pay, benefits and human resources policy.

Federal benefits and retirement plans are unique, complex and subject to change. NARFE provides federal workers and retirees with the clear, reliable and accessible counsel they need to make critical decisions and gain confidence in a secure financial future.

NARFE members live in every congressional district across the country and include both retired and current federal workers from all branches and levels of the federal government. These proud indispensable public servants form a grassroots network of activists who advocate on behalf of the more than 5.2 million federal employees, retirees and their survivors who make up the federal community. These dedicated advocates could share poignant stories, illuminating the unjust, detrimental impact of WEP/GPO provisions on their livelihoods and financial security.

Federal workers dedicate their working lives to the betterment of our country, and in return they expect that Congress and the Administration hold up their end of the bargain - the promises made to them when they were hired, including their compensation package. NARFE is here to honor their service and ensure they have a secure future.

Background Information on WEP and GPO

For over four decades, the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) have unfairly reduced, and even wiped out, the earned Social Security benefits of public servants, punishing those who chose to answer the call to serve their nation, states and local communities. These two 40-year-old provisions of the Social Security Act that were intended to prevent public sector retirees from "double-dipping" with pension benefits, but instead block them from receiving the full benefits to which they say they are entitled for work outside of public service. Public servants earn Social Security benefits based on and have paid taxes in connection with covered, private-sector work. Yet WEP and GPO penalize them for income they earned outside of that system.

WEP and GPO were arbitrary, unfair and punitive when they were enacted, and remain so today. It is clear the WEP and GPO are crude instruments enacted to shore up the finances of Social Security off the backs of public employees and the fact that they have been permitted to remain on the books for decades only makes their impact worse. Both WEP and GPO reduce the Social Security benefits of local, state and federal retirees whose employment was covered by Social Security (e.g., private-sector jobs) and who also receive a government annuity from their government employment not covered by Social Security (e.g. federal employment covered by the Civil Service Retirement System).

According to the Social Security Administration, more than 2 million individuals currently have their Social Security benefits unfairly reduced by the Windfall Elimination Provision. The benefits of more than 223,000 are partially reduced by the Government Pension Offset, and shamefully, more than 511,000 see their benefit completely wiped out. And for what? Because they chose public service as their career?

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. AIME of more than \$1,115 through \$6,721 is multiplied by 32 percent; AIME of more than \$6,721 is multiplied by 15 percent. All three products are added together to produce the regular Social Security benefit. Under the WEP, the 90 percent factor is reduced to as low as 40 percent.

According to the Congressional Research Service (CRS), as of December 2022, the WEP affects 2,013,310 beneficiaries, including 1,910,130 retired workers, 11,870 workers with disabilities, and 91,310 spouses and children. In 2023, it was estimated that the WEP

would result in a monthly benefit that is \$558 lower than under the regular benefit formula.

GPO reduces an individual's spousal or survivor benefits by two-thirds of a pension earned through employment that was not covered by Social Security. Additionally, an estimated 734,601 beneficiaries are affected by the GPO as of December 2022, according to CRS. That figure includes 355,924 widow(er)s whose survivor benefits are reduced, and 378,677 individuals whose spousal benefits are reduced. Of the total figure, GPO could eliminate the entire spousal or survivor benefit for 511,487 individuals, and partially eliminate those benefits for another 223,114.

Initially, the Social Security Amendments of 1977 placed a 100% offset, failing to recognize that a portion of a government pension is more similar to a private sector pension than a 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% reduction. Later negotiations settled on an arbitrary two-thirds reduction, detached from meaningful estimations.¹

Now is the time for Congress to rectify more than 40 years of inequity. The WEP and GPO are still, and will remain, front burner topics for NARFE Advocacy. On behalf of the 135,000 NARFE members, and all federal employees and federal retirees, I strongly urge Congress to end these unfair Social Security penalties. For several decades, NARFE has opposed the unfair treatment via the WEP and GPO imposed on hardworking public servants through reduced Social Security benefits.

Everybody Has A Story

Let's take a step back, beyond just the numbers. Each and every person affected by these penalties has a story. A story of service. What these individuals have done for this country and their communities deserves recognition and reward. They protect our borders, ensure safe travel, and help us prepare for and recover from disaster. They inspect our food supplies, keep criminals in prison and care for our veterans, along with so much more. They are our schoolteachers, police officers, firefighters and state and local employees who workday-in and day-out. These individuals serve as the bedrock of their communities.

I want to share a story that appeared in the Richmond Times Dispatch on December 27, 2023. A long read but it encapsulates the struggle and demonstrates that something must get this done in 2024.

Thomas Brown has worked since he was 16 years old. He's worked in restaurants, repaired tractor-trailers, served in the U.S. Air Force and spent more than 25 years in the U.S. Postal Service, taking care of the machines that process mail. Even while working at the postal service, Mr. Brown made ends meet with a part-time job in building maintenance, and he kept working in private-sector jobs after leaving the federal service 20 years ago.

Now 74, living in Highland Springs, he receives pension benefits he earned over 30 years in the military and civil service, but his monthly check from Social Security isn't close to what he expected for the years he contributed to the Civil Service Retirement System.

Instead, Mr. Brown receives about one-third of the benefit he believes he earned, less than \$600 a month of the nearly \$1,800 to which he says he is entitled. If he was here today, Mr. Brown would tell you "I earned the money, and you should not take it away from me".

Mr. Brown is one of almost 48,000 Virginians who are receiving less in Social Security benefits than they would be entitled to if they were not also receiving retirement benefits from pension plans to which they contributed while working in government jobs under the WEP, according to the CRS.

The WEP hurts retirees such as Thomas Brown by sharply cutting the earnings subject to the Social Security benefits formula; the other, the GPO, applies to individuals who are eligible for benefits both from their deceased spouse's Social Security-covered earnings and their own government pension plan.

Federal employees are not the only retirees affected by the law. The provisions also apply to other government workers, such as many public-school teachers, firefighters, and police officers, including the U.S. Capitol Police.

For example, Robert Callahan retired in 2006 after 29 years as a Fairfax County Police Officer. He had contributed 12.5% of his earnings to the Fairfax Police Officers Retirement System, but he also had contributed to Social Security in jobs he worked before joining the police department and as an officer at two other local governments for a total of 16 years.

Officer Callahan stopped working full time this year and began receiving his Social Security benefits in June at age 67 years and three months. He calculated that his benefits should have been \$2,224 a month, but the WEP reduced the monthly benefit to \$1,658, a difference of \$566 a month. He does not think he should be penalized for his contributions to the Fairfax police pension plan.

"While employed as a police officer I contributed a significantly higher percentage of my income to a retirement plan than I would have had to Social Security and have earned that benefit as a result of my contributions and years of Service," he wrote in testimony to the U.S. House Ways and Means Committee.

These are just two examples of millions of stories.

Legislation to Address the WEP and the GPO

NARFE would like to thank Representatives Graves and Spanberger, along with Senators Sherrod Brown and Susan Collins for their unwavering support and leadership in ending the WEP and GPO. These lawmakers, and all those who have signed on in support of the Social Security Fairness Act, H.R. 82/S.597, understand the direct harm that the WEP and GPO have on their constituents. NARFE hears the frustrating stories of those who are negatively affected each day.

Opposition to the disputed provisions law has been growing, with 313 members of the U.S. House of Representatives signing onto the legislation this Congress as co-sponsors. Among your colleagues, listed as co-sponsors, are House Speaker Mike Johnson whose state includes approximately 92,300 people affected by the two provisions, and House Oversight Committee Chairman James Comer, the panel which considers measures affecting federal government employees. The U.S. Senate companion bill, S. 597, a bipartisan bill aimed at addressing these inequities and ensure deserving Americans can access their full Social Security benefits, has 53 bipartisan co-sponsors.

That's why NARFE, standing alongside this strong contingent of organizations, is urging Congress to take action during the 118th Congress. NARFE extends its profound gratitude to these countless grassroots advocates who have stood in solidarity, taking decisive action through letters and phone calls to tirelessly advocate for a just and secure future for retirees. This unwavering commitment and advocacy efforts has made an indelible impact on the arduous path towards repealing WEP/GPO.

The Social Security Fairness Act will rectify unfair reductions in seniors' benefits that they have rightfully earned. Most concerning, the WEP and the GPO are crucial measures that overwhelmingly affect public employees who have served our nation as first responders, law enforcement officers who have kept us safe, teachers who have educated our children, and public servants who have kept our government running at the local, state, and federal levels. The WEP cuts the earned benefits of public service workers, and the GPO reduces or denies spousal and survivor benefits. A positive congressional action will ensure that beneficiaries who paid into the Social Security program for decades receive their full benefits.

NARFE calls on this committee and its members to support this effort to repeal WEP and GPO – or at the very least provide some real relief in the near term to those impacted by these provisions. 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.

Conclusion

For those lawmakers who have yet to sign on in support of the Social Security Fairness Act, listen to your constituents. Listen to those calling and writing to your offices each day with their stories. The truth is, the WEP and GPO are widespread, because the public employees this nation relies on are present in every single district throughout this country.

Congress cannot continue to ignore the plight of public workers. That's why I am calling on Congress to take up the Social Security Fairness Act. A bill with this much support, an overwhelming majority in the House of Representatives, deserves an up or down vote. The Social Security Fairness Act will rectify unfair reductions to the benefits of public employees who serve our communities at all levels. These are benefits that these individuals have rightfully earned.

The inability – thus far – of the House Ways and Means Committee to meaningfully act on repeal or advance reform efforts like the Public Servants Protection and Fairness Act, H.R. 4260, or the Equal Treatment of Public Servants Act, H.R. 5342, both of which NARFE supports, or to address the GPO in some way, fails to meet the moment or reflect majority will to address these unfair penalties. That's why NARFE is calling on this Congress and the Ways and Means Committee to take action.

It is our hope that the House Committee on Ways and Means will advance the repeal bill and support 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 provides real relief from WEP and GPO to current retirees to at least make some incremental progress toward addressing these issues.

Lawmakers know that the WEP and GPO are wrong, they've heard the personal stories and seen the widespread impact. It is time for Congress to take steps to ensure that individuals who paid into the Social Security program for decades receive their full benefits. A properly functioning democracy demands that this bill be given the attention it deserves.

Thank you to those lawmakers already in support and to the powerful advocates who continue this cause and thank you for the opportunity to address the committee on behalf of federal employees and annuitants who have chosen to dedicate their careers, in whole or in part, to public service.

Sincerely,

A handwritten signature in cursive script that reads "William Shackelford".

William Shackelford
NARFE National President