

**FOURTH IN A SERIES OF SUBCOMMITTEE  
HEARINGS ON PROTECTING AND  
STRENGTHENING SOCIAL SECURITY**

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**HEARING**  
BEFORE THE  
SUBCOMMITTEE ON SOCIAL SECURITY  
OF THE  
COMMITTEE ON WAYS AND MEANS  
U.S. HOUSE OF REPRESENTATIVES

ONE HUNDRED NINTH CONGRESS

FIRST SESSION

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JUNE 9, 2005  
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**Serial No. 109-20**

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**FOURTH IN A SERIES OF SUBCOMMITTEE  
HEARINGS ON PROTECTING AND  
STRENGTHENING SOCIAL SECURITY**

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**THURSDAY, JUNE 9, 2005**

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

The Subcommittee met, pursuant to notice, at 1:15 p.m., in room B-318, Rayburn House Office Building, Hon. Jim McCrery (Chairman of the Subcommittee) presiding.

[The advisory announcing the hearing follows:]

# ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

## SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE  
June 9, 2005  
No. SS-4

CONTACT: (202) 225-1721

### **McCrery Announces Fourth in a Series of Subcommittee Hearings on Protecting and Strengthening Social Security**

Congressman Jim McCrery (R-LA), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the Subcommittee will hold the fourth in a series of Subcommittee hearings on protecting and strengthening Social Security. This hearing will examine Social Security provisions affecting certain public employees. **The hearing will take place on Thursday, June 9, 2005, in room B-318 Rayburn House Office Building, beginning at 2:00 p.m.**

In view of the limited time available to hear witnesses, oral testimony at this hearing will be from invited witnesses only. However, any individual or organization not scheduled for an oral appearance may submit a written statement for consideration by the Subcommittee and for inclusion in the printed record of the hearing.

#### **BACKGROUND:**

Social Security benefits paid to Federal, State, and local government employees who contribute to a government pension plan instead of Social Security are affected by two benefit adjustment provisions in current law, the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). While these provisions were intended to help equalize, not penalize, the treatment of workers, many of the approximately one million individuals whose benefits are affected by these provisions believe the GPO and WEP are unfair. Legislative proposals have been introduced in the 109th Congress and previous Congresses to modify or repeal the GPO and WEP.

Alternatively, some have suggested that requiring newly-hired government employees to pay Social Security taxes would ensure equal treatment of both government and private-sector employees, would eventually eliminate the need for the GPO and WEP, and would reduce Social Security's long-term deficit by an estimated 11 percent. However, such mandatory coverage could adversely affect the financing and benefits of State and local government pension plans.

In announcing the hearing, Chairman McCrery stated, "As we work to strengthen Social Security for the future, we should examine proposals to ensure teachers, police officers, firefighters, and other public employees are treated fairly under the program."

#### **FOCUS OF THE HEARING:**

The Subcommittee will examine the history and policy rationales for the GPO, WEP, and exempting certain public employees from Social Security coverage. The effects of these policies on beneficiaries and the distributional and financial effects of options for their modification will also be considered.



**DETAILS FOR SUBMISSION OF WRITTEN COMMENTS:**

**Please Note:** Any person(s) and/or organization(s) wishing to submit 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 "109th Congress" from the menu entitled, "Hearing Archives" (<http://waysandmeans.house.gov/Hearings.asp?congress=17>). Select the hearing for which you would like to submit, and click on the link entitled, "Click here to provide a submission for the record." Once you have followed the on-line instructions, completing all informational forms and clicking "submit" on the final page, an email will be sent to the address which you supply confirming your interest in providing a submission for the record. You **MUST REPLY** to the email and **ATTACH** your submission as a Word or WordPerfect document, in compliance with the formatting requirements listed below, by close of business Thursday, June 23, 2005. **Finally**, please note that due to the change in House mail policy, the U.S. Capitol Police will refuse sealed-package deliveries to all House Office Buildings. For questions, or if you encounter technical problems, please call (202) 225-1721.

**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 supplementary 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 or supplementary item 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 provided in Word or WordPerfect format and MUST NOT exceed a total of 10 pages, including attachments. Witnesses and submitters are advised that the Committee relies on electronic submissions for printing the official hearing record.

2. Copies of whole documents submitted as exhibit material will not be accepted for printing. Instead, exhibit material should be referenced and quoted or paraphrased. All exhibit material not meeting these specifications will be maintained in the Committee files for review and use by the Committee.

3. All submissions must include a list of all clients, persons, and/or organizations on whose behalf the witness appears. A supplemental sheet must accompany each submission listing the name, company, address, telephone and fax numbers of each witness.

Note: All Committee advisories and news releases are available on the World Wide Web at <http://waysandmeans.house.gov>.

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.

# ADVISORY

FROM THE COMMITTEE ON WAYS AND MEANS

## SUBCOMMITTEE ON SOCIAL SECURITY

FOR IMMEDIATE RELEASE  
June 7, 2005

CONTACT: (202) 225-1721

### **Change in Time for Fourth in a Series of Subcommittee Hearings on Protecting and Strengthening Social Security**

Congressman Jim McCreery (R-LA), Chairman, Subcommittee on Social Security of the Committee on Ways and Means, today announced that the fourth in a series of Subcommittee hearings on protecting and strengthening Social Security, examining Social Security provisions affecting certain public employees, previously scheduled for 2:00 p.m. on Thursday, June 9, 2005, in room B-318 Rayburn House Office Building, **will now be held at 1:00 p.m.**

All other details for the hearing remain the same. (See Subcommittee Advisory No. SS-4, dated June 2, 2005).

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Chairman MCCREERY. Meeting will come to order. Welcome to the fourth Subcommittee hearing in our series on protecting and strengthening Social Security. Today, we will examine program provisions that affect certain government employees. Many Americans are surprised to learn that some State and local government employees, as well as some Federal employees hired before 1984 do not pay Social Security taxes on their earnings. Some believe it is only fair for those employees to pay the same Social Security taxes the other 96 percent of American workers pay since they, their parents or other family members very likely would benefit from the Social Security program.

In addition, requiring these government employees to pay Social Security taxes could modestly improve the program's long-term finances. Yet, requiring Social Security coverage of teachers, fire fighters, police officers, and other public employees could harm the long-term financing of their respective retirement plans. These workers educate our children, ensure our safety, and provide essential public service. Their views are very important to this Subcommittee, and we will listen carefully to what they have to say today.

Two other provisions that affect Federal, State and local government employees are known as the government Pension Offset (GPO), and the Windfall Elimination Provision (WEP). Congress enacted these provisions to help ensure that workers who pay into a government pension system instead of Social Security are treated similarly to all other workers. Although the GPO and WEP were intended to equalize and not penalize treatment of workers, these complex provisions are often misunderstood. This hearing will ex-

amine why these provisions exist, how effectively they serve their intended purpose, their impact on beneficiaries' lives and options to modify or repeal these provisions. I look forward to hearing the views of our witnesses today in making progress to identify ways to improve Social Security's fairness for all Americans. With that, I would ask the Ranking Member of the Subcommittee, Mr. Levin, for any opening remarks he may have.

Mr. LEVIN. Thank you very much. I am glad you called this hearing in a series of hearings. By the way, our schedule has changed somewhat. That isn't the first time. I think you will find Members moving in and out a bit, including myself, but I will be back and other Members may have to leave. In no way should anyone think there isn't a strong interest in this subject. The schedule for today is quite different from what we expected in terms of its duration.

Today's hearing focuses on Social Security issues affecting public employees, as the Chairman has said. As you know, a small but significant number of public employees are enrolled in a State pension system and others in place of Social Security, and they are understandably concerned about the disruption that would be caused if States were required to change their pension systems to enroll them in Social Security. We will hear from them today and appropriately. However, the majority of the witnesses today are here because, for a variety of reasons, they are unable to fully access Social Security's guaranteed benefits. Although their specific barriers vary, they share one thing with each other and all of us: They understand how valuable Social Security is, and they want and need its guaranteed benefits now and in the future.

In the State of the Union Address, as we know, President Bush launched a national campaign to privatize Social Security. Proposals he has laid out over the past five months would dramatically cut Social Security benefits and, over time, replace them with what I think are risky private accounts. In recent months, I, along with other Democrats, have spent a lot of time talking with our constituents and with Americans across the country about the President's approach; and one thing is quite consistent, the more people learn about privatization, the less they like it. It is that insistence on private accounts that continues to stand in the way of what we truly need, a truly bipartisan consideration of the way to address Social Security's shortfall.

Mr. NEAL. Could I ask permission or offer a statement for the record?

Chairman MCCRERY. You may, without objection.

[The opening statement of Mr. Neal follows:]

**Opening Statement of The Honorable Richard E. Neal, a Representative in Congress from the State of Massachusetts**

Thank you Mr. Chairman, for holding this important hearing today. Social Security reform as it applies to public employees is very important to me. The threat of mandatory coverage for these employees and the repeal of both the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) are of critical interest to the public employees and retirees in the Commonwealth of Massachusetts.

As we consider Social Security reform today, I agree that it is essential that we examine all aspects of the current system and make choices that are informed and

in the interest of everyone. I look forward to hearing the testimony presented this afternoon.

As we meet as a Subcommittee and conduct this series of hearings, we will hear many proposals aimed at shoring up the Trust Fund. Some will come before the Congress and this committee saying that mandatory Social Security coverage for the public employees in California, Colorado, Illinois, Louisiana, Massachusetts, Ohio and Texas should be required for newly hired public employees. They believe that mandatory coverage and this influx of new contributions will improve the Social Security Trust Fund.

Let me join the chorus of many in reiterating what a bad idea this is. According to a study conducted by the Congressional Budget Office, the long-term impact of including non-Social Security states into the Social Security system would be expensive to initiate and would create a drain on the Trust Fund over time.

The Segal Company issued a report estimating that the cost to the non-covered state and local governments if they were to be forced into Social Security would be a staggering \$44 billion over five years. According to the Massachusetts Retirees Association, Massachusetts' officials have recently estimated the cost within the state to reach as high as \$3 billion over 10 years. Though alluring as a distance, including public employees in mandatory Social Security coverage is expensive and does not help with the solvency of the Trust Fund. In fact, once these employees begin to collect their Social Security, they will negatively impact the system.

The two issues I hear most often from my constituents on are the repeal of the Government Pension Offset and the Windfall Elimination Provision. The GPO has already affected approximately 335,000 retired federal, state and local employees. For the majority, the GPO totally eliminates the Social Security spousal/widow benefit. For others it is a dramatic benefit reduction.

The Windfall Elimination Provision applies to individuals who receive a pension from a public-service job that is *not* covered by Social Security. If a public employee also worked in a Social Security covered job for the required 40 quarters, the WEP creates a pension offset that greatly reduces the person's earned Social Security benefit. More than 635,000 retired federal, state and local employees are currently affected by the WEP.

Both the GPO and the WEP are unfair provisions that negatively impact the public employees I represent. They dramatically and severely impact the retirement of thousands of the seniors I represent, and I support the repeal of both. I look forward to hearing detailed testimony from groups today that share my concern.

Mr. Chairman, in closing, thank you again for conducting this hearing today. These are complicated issues that deserve to have proper, discerning attention paid to them. As we consider reforming our Social Security system, I am pleased that the committee is paying attention to the issues of concern to public employees in my home state. The public employees I represent reject any attempt to include them under mandatory Social Security coverage, and oppose private accounts and any other reform efforts to Social Security that will result in reduced benefits to retirees in the future.

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Today, we have two panels of witnesses. Our first panel is Ms. Barbara D. Bovbjerg, Director of Education, Workforce, and Income Security with the U.S. government Accountability Office (GAO); and Frederick G. Streckewald, Assistant Deputy Commissioner, Disability and Income Security Programs with the Social Security Administration (SSA). Welcome, both of you. Ms. Bovbjerg, if you will summarize your testimony in about five minutes, we would appreciate it.

**STATEMENT OF BARBARA D. BOVBJERG, DIRECTOR, EDUCATION, WORKFORCE, AND INCOME SECURITY, U.S. GOVERNMENT ACCOUNTABILITY OFFICE**

Ms. BOVBJERG. Thank you, Mr. Chairman and Members of the Subcommittee. It is a pleasure to be before you today to talk about Social Security coverage of public employees. Social Security is designed to be a universal social insurance system and indeed covers

about 96 percent of American workers. The noncovered status of the other 4 percent, who are nearly all public employees, poses issues of fairness in the program. Proposals to bring these employees under Social Security have been made as part of the program's potential reforms.

My testimony is in three parts: first, a discussion of Social Security's coverage of public employees; second, a description of Social Security's special provisions affecting noncovered public employees; and third, the potential implications of reform proposals affecting such employees. My statement is based on the body of work we have published on these topics in the past.

First, public employee coverage. Approximately one-fourth of the Nation's public employees are not covered by Social Security, which means they don't pay Social Security taxes on their earnings from government employment. At its inception, Social Security did not cover government employees because they had their own retirement systems and there was a concern over Federal authority to impose a tax on State governments. Since then, many State and local governments have elected Social Security coverage, and Congress has covered all Federal workers hired after 1983. However, about five million State and local government workers today remain outside the Social Security system. Even though noncovered employees may have many years of earnings on which they did not pay Social Security taxes, they can still become eligible for benefits. Their Social Security earnings records would show low or no covered earnings, under Social Security benefit formulas, and these workers would be treated like low earners and would benefit from the program's progressive benefit formula.

To avoid paying windfall benefits to such workers, Congress enacted provisions designed to recognize these special circumstances. Let me turn to those provisions, two in particular. The GPO and the WEP are intended to prevent awarding such windfall benefits to those who worked in noncovered employment. The GPO, enacted in 1977, reduces Social Security spousal benefits for those receiving noncovered government pensions. The reduction is equal to two-thirds of the noncovered pension. The WEP, which was enacted in 1983, employs a modified benefit calculation formula for those with careers in noncovered employment.

The administration of these provisions has been problematic. The SSA needs to know whether beneficiaries receive noncovered pensions. However, work we did in 1998 found that SSA is often unable to obtain this information, particularly for State and local workers. To address this problem, we have suggested that Congress direct the Internal Revenue Service (IRS) to collect and report this information. Doing so would save millions of dollars for the trust funds and reduce uneven and inequitable enforcement of these provisions. Although language requiring this change was indeed included in the Social Security Protection Act (P.L. 108-203) last year, the bill was signed into law without it. We still believe this approach would be beneficial to the program, but let me now turn to reform proposals affecting these employees.

Some proposals specifically seek to reduce or repeal the GPO and the WEP. These provisions are viewed by many as confusing and unfair, but eliminating them would cost about \$60 billion over 10

years and would increase the long-range trust fund deficit by about 6 percent. Further, repeal would, in fact, redistribute income from those who have contributed to Social Security for a working lifetime to those who have not, which creates other issues of fairness. Other proposals would make Social Security mandatory for all. Mandating coverage for public employees would reduce the long-term trust fund deficit by about 11 percent, and it could also enhance benefits for many employees who would remain outside the Social Security system, but such a mandate could also increase costs for the affected State and local governments. Or if the governments decided to keep their costs level, employees could experience benefits lower than those promised today.

Finally, mandatory coverage would not immediately address the issues and concerns regarding the GPO and the WEP, although ultimately these provisions would become obsolete. In conclusion, there are no easy answers to the difficulties of equalizing Social Security's treatment of covered and noncovered workers. Any reductions in the GPO or the WEP would ultimately come at the expense of other Social Security beneficiaries and taxpayers. Mandating universal coverage would promise eventual elimination of the GPO and the WEP, but at a potentially significant cost to affected State and local governments. Whatever the decision, it is important to administer all elements of the Social Security program effectively and equitably. To do so, I urge you to give IRS the authority it needs to identify recipients of noncovered pensions and to help the SSA maintain the integrity of its programs. That concludes my statement, Mr. Chairman.

[The prepared statement of Ms. Bovbjerg follows:]

**Statement of Barbara D. Bovbjerg, Director, Education, Workforce, and Income Security, U.S. Government Accountability Office**

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss how Social Security affects public employees and how reforms may change those effects. Social Security covers about 96 percent of all U.S. workers; the vast majority of the rest are state, local, and federal government employees. One option for Social Security reform is extending coverage to all state and local government employees who are not currently covered. While these non-covered workers do not pay Social Security taxes on their government earnings, they may still be eligible for Social Security benefits. This poses difficult issues of fairness, and Social Security has provisions that attempt to address those issues. Still, these provisions have been difficult to administer. They have also been a source of confusion and frustration for the workers they affect.

I hope I can help clarify and provide some perspective on the complex relationship between Social Security and public employees. Today, I will discuss Social Security's coverage of public employees, Social Security's current provisions affecting non-covered public employees, and proposals to modify those provisions or make coverage mandatory for all public employees. My testimony is based on a body of work we have published over the past several years.<sup>1</sup>

In summary, Social Security does not cover about one-fourth of public employees, for various historical reasons. As a result, these employees do not pay Social Security taxes on earnings from their non-covered jobs. Nevertheless, they can still be eligible for Social Security benefits based on their spouses' or their own earnings in covered employment. Currently, Social Security has two provisions to address the resulting fairness issues. The Government Pension Offset (GPO) affects spouse and survivor benefits, and the Windfall Elimination Provision (WEP) affects retired worker benefits. Both provisions reduce Social Security benefits for those who receive non-covered pension benefits. However, the Social Security Administration

<sup>1</sup>See the list of related GAO products at the end of this statement.

(SSA) cannot effectively and fairly apply these provisions because it does not have access to complete and accurate information on receipt of such non-covered pension benefits. Implementation of some of our recommendations has improved the availability and tracking of key information for federal retirees, which we estimate will save hundreds of millions of dollars. However, Congressional action is still needed to improve access to information on state and local government pensions.

In recent years, various Social Security reform proposals that would affect public employees have been offered. Some proposals specifically address the GPO and the WEP and would either revise or eliminate them. While we have not analyzed these proposals, we believe it is important to consider both the costs and the fairness issues they raise. Still other proposals would make coverage mandatory for all state and local government employees. According to Social Security actuaries, doing so for all newly hired state and local government employees would reduce the 75-year actuarial deficit by about 11 percent. It could also enhance inflation protection, pension portability, and dependent benefits for the affected beneficiaries, in many cases. However, to provide for the same level of retirement income, it could increase costs for the state and local governments that would sponsor the plans. Moreover, the GPO and the WEP would continue to apply for many years to come, even though they would become obsolete in the long run.

### **Background**

Social Security provides retirement, disability, and survivor benefits to insured workers and their dependents. Insured workers are eligible for reduced benefits at age 62 and full retirement benefits between age 65 and 67, depending on their year of birth.<sup>2</sup> Social Security retirement benefits are based on the worker's age and career earnings, are fully indexed for inflation after retirement, and replace a relatively higher proportion of wages for career low-wage earners. Social Security's primary source of revenue is the Old Age, Survivors, and Disability Insurance (OASDI) portion of the payroll tax paid by employers and employees. The OASDI payroll tax is 6.2 percent of earnings each for employers and employees, up to an established maximum.

One of Social Security's most fundamental principles is that benefits reflect the earnings on which workers have paid taxes. Social Security provides benefits that workers have earned to some degree because of their contributions and those of their employers. At the same time, Social Security helps ensure that its beneficiaries have adequate incomes and do not have to depend on welfare. Toward this end, Social Security's benefit provisions redistribute income in a variety of ways—from those with higher lifetime earnings to those with lower ones, from those without dependents to those with dependents, from single earners and two-earner couples to one-earner couples, and from those who don't live very long to those who do. These effects result from the program's focus on helping ensure adequate incomes. Such effects depend to a great degree on the universal and compulsory nature of the program.

According to the Social Security Trustees' 2005 intermediate, or best-estimate, assumptions, Social Security's cash flow is expected to turn negative in 2017. In addition, all of the accumulated Treasury obligations held by the trust funds are expected to be exhausted by 2041. Social Security's long-term financing shortfall stems primarily from the fact that people are living longer and having fewer children. As a result, the number of workers paying into the system for each beneficiary has been falling and is projected to decline from 3.3 today to about 2 by 2030. Reductions in promised benefits and/or increases in program revenues will be needed to restore the long-term solvency and sustainability of the program.

### **About One-Fourth of Public Employees Are Not Covered by Social Security**

About one-fourth of public employees do not pay Social Security taxes on the earnings from their government jobs. Historically, Social Security did not require coverage of government employment because there was concern over the question of the federal government's right to impose a tax on state governments, and some had their own retirement systems. However, virtually all other workers are now covered, including the remaining three-fourths of public employees.

The 1935 Social Security Act mandated coverage for most workers in commerce and industry, which at that time comprised about 60 percent of the workforce. Subsequently, the Congress extended mandatory Social Security coverage to most of the excluded groups, including state and local employees not covered by a public pension plan. The Congress also extended voluntary coverage to state and local employees

<sup>2</sup> Beginning with those born in 1938, the age at which full benefits are payable will increase in gradual steps from age 65 to age 67.

covered by public pension plans. Since 1983, however, public employers have not been permitted to withdraw from the program once they are covered. Also in 1983, amendments to the Social Security Act extended mandatory coverage to newly hired federal workers and to all members of the Congress.

SSA estimates that in 2004 nearly 5 million state and local government employees, excluding students and election workers, are not covered by Social Security. In addition, about three-quarters of a million federal employees hired before 1984 are also not covered. Seven states—California, Colorado, Illinois, Louisiana, Massachusetts, Ohio, and Texas—account for 71 percent of the non-covered payroll.

Most full-time public employees participate in defined benefit pension plans. Minimum retirement ages for full benefits vary. However, many state and local employees can retire with full benefits at age 55 with 30 years of service. Retirement benefits also vary, but they are usually based on a specified benefit rate for each year of service and the member's final average salary over a specified time period, usually 3 years. For example, plans with a 2 percent rate replace 60 percent of a member's final average salary after 30 years of service. In addition to retirement benefits, members generally have a survivor annuity option and disability benefits, and many receive some cost-of-living increases after retirement. In addition, in recent years, the number of defined contribution plans, such as 401(k) plans and the Thrift Savings Plan for federal employees, has been growing, and such plans are becoming a relatively more common way for employers to offer pension plans; public employers are no exception to this trend.

Even though non-covered employees may have many years of earnings on which they do not pay Social Security taxes, they can still be eligible for Social Security benefits based on their spouses' or their own earnings in covered employment. SSA estimates that nearly all non-covered state and local employees become entitled to Social Security as workers, spouses, or dependents. However, their non-covered status complicates the program's ability to target benefits in the ways it is intended to do.

#### **Current Provisions Seek Fairness but Pose Administrative Challenges**

To address the fairness issues that arise with non-covered public employees, Social Security has two provisions—the Government Pension Offset, to address spouse and survivor benefits, and the Windfall Elimination Provision, to address retired worker benefits. Both provisions depend on having complete and accurate information that has proven difficult to get. Also, both provisions are a source of confusion and frustration for public employees and retirees.

Under the GPO provision, enacted in 1977, SSA must reduce Social Security benefits for those receiving noncovered government pensions when their entitlement to Social Security is based on another person's (usually a spouse's) Social Security coverage. Their Social Security benefits are to be reduced by two-thirds of the amount of their government pension. Under the WEP, enacted in 1983, SSA must use a modified formula to calculate the Social Security benefits people earn when they have had a limited career in covered employment. This formula reduces the amount of payable benefits.

Regarding the GPO, spouse and survivor benefits were intended to provide some Social Security protection to spouses with limited working careers. The GPO provision reduces spouse and survivor benefits to persons who do not meet this limited working career criterion because they worked long enough in non-covered employment to earn their own pension.

Regarding the WEP, the Congress was concerned that the design of the Social Security benefit formula provided unintended windfall benefits to workers who had spent most of their careers in non-covered employment. The formula replaces a higher portion of pre-retirement Social Security covered earnings when people have low average lifetime earnings than it does when people have higher average lifetime earnings. People who work exclusively, or have lengthy careers, in non-covered employment appear on SSA's earnings records as having no covered earnings or a low average of covered lifetime earnings. As a result, people with this type of earnings history benefit from the advantage given to people with low average lifetime earnings when in fact their total (covered plus non-covered) lifetime earnings were higher than they appear to be for purposes of calculating Social Security benefits.

Both the GPO and the WEP apply only to those beneficiaries who receive pensions from non-covered employment. To administer these provisions, SSA needs to know whether beneficiaries receive such non-covered pensions. However, SSA cannot apply these provisions effectively and fairly because it lacks this information, ac-



ording to our past work.<sup>3</sup> In response to our recommendation, SSA performed additional computer matches with the Office of Personnel Management to get non-covered pension data for federal retirees. These computer matches detected payment errors; we estimate that correcting these errors will generate hundreds of millions of dollars in savings.<sup>4</sup> However, SSA still lacks the information it needs for state and local governments and therefore it cannot apply the GPO and the WEP for state and local government employees to the same degree that it does for federal employees. The resulting disparity in the application of these two provisions is yet another source of unfairness in the final outcome.

In our testimony before this committee in May 2003,<sup>5</sup> we recommended that the Congress consider giving the Internal Revenue Service (IRS) the authority to collect the information that SSA needs on government pension income, which could perhaps be accomplished through a simple modification to a single form. Earlier versions of the Social Security Protection Act of 2004<sup>6</sup> contained such a provision, but this provision was not included when the final version of the bill, was approved and signed into law.

#### **Some Reform Proposals Would Affect Public Employees**

In recent years, various Social Security reform proposals that would affect public employees have been offered. Some proposals specifically address the GPO and the WEP and would either revise or eliminate them. Still other proposals would make coverage mandatory for all state and local government employees.

#### **Some Proposals Focus on the GPO or the WEP**

The GPO and the WEP have been a source of confusion and frustration for the more than 6 million workers and 1.1 million beneficiaries they affect. Critics of the measures contend that they are basically inaccurate and often unfair. For example, some opponents of the WEP argue that the formula adjustment is an arbitrary and inaccurate way to estimate the value of the windfall and causes a relatively larger benefit reduction for lower-paid workers. In the case of the GPO, critics contend that the two-thirds reduction is imprecise and could be based on a more rigorous formula. A variety of proposals have been offered to either revise or eliminate the GPO or the WEP. While we have not studied these proposals in detail, I would like to offer a few observations to keep in mind as you consider them.

First, repealing these provisions would be costly in an environment where the Social Security trust funds already face long-term solvency issues. According to the most recent estimates from SSA eliminating the GPO entirely would cost \$32 billion over 10 years and cost 0.06 percent of taxable payroll, which would increase the long-range deficit by about 3 percent. Similarly, eliminating the WEP would cost nearly \$30 billion and increase Social Security's long-range deficit by 3 percent.

Second, in thinking about the fairness of the provisions and whether or not to repeal them, it is important to consider both the affected public employees and all other workers and beneficiaries who pay Social Security taxes. For example, SSA has described the GPO as a way to treat spouses with non-covered pensions in a fashion similar to how it treats dually entitled spouses, who qualify for Social Security benefits on both their own work records and their spouses'. In such cases, spouses may not receive both the benefits earned as a worker and the full spousal benefit; rather they receive the higher amount of the two. If the GPO were eliminated or reduced for spouses who had paid little or no Social Security taxes on their lifetime earnings, it might be reasonable to ask whether the same should be done for dually entitled spouses who have paid Social Security on all their earnings. Otherwise, such couples would be worse off than couples that were no longer subject to the GPO. And far more spouses are subject to the dual entitlement offset than to the GPO; as a result, the costs of eliminating the dual entitlement offset would be commensurately greater.

<sup>3</sup>See GAO, *Social Security: Better Payment Controls for Benefit Reduction Provisions Could Save Millions*, GAO/HEHS-98-76 (Washington, D.C.: Apr. 30, 1998).

<sup>4</sup>SSA performed the first such match in 1999 and advised that it will be done on a recurring basis in the future. SSA identified about 14,600 people whose benefits should have been calculated using WEP's modified formula. We estimate that detecting these payment errors will generate \$207.9 million in lifetime benefit reduction for this cohort. We further estimate each year's match will generate about \$57 million in lifetime benefit reductions for each new cohort.

<sup>5</sup>GAO, *Social Security: Issues Relating to Non-coverage of Public Employees*, GAO-03-710T (Washington, D.C.: May 1, 2003).

<sup>6</sup>Pub. L. No. 108-203.

### **Mandatory Coverage Has Been Proposed**

Making coverage mandatory for all state and local government employees has been proposed to help address the program's financing problems. According to Social Security actuaries, doing so for all newly hired state and local government employees would reduce the 75-year actuarial deficit by about 11 percent.<sup>7</sup> Covering all the remaining workers increases revenues relatively quickly and improves solvency for some time, since most of the newly covered workers would not receive benefits for many years. In the long run, however, benefit payments would increase as the newly covered workers started to collect benefits. Overall, this change would still represent a net gain for solvency, although it would be small.

In addition to considering solvency effects, the inclusion of mandatory coverage in a comprehensive reform package would need to be grounded in other considerations. In recommending that mandatory coverage be included in the reform proposals, the 1994–1996 Social Security Advisory Council stated that mandatory coverage is basically “an issue of fairness.” Its report noted that “an effective Social Security program helps to reduce public costs for relief and assistance, which, in turn, means lower general taxes. There is an element of unfairness in a situation where practically all contribute to Social Security, while a few benefit both directly and indirectly but are excused from contributing to the program.”

Moreover, mandatory coverage could improve benefits for the affected beneficiaries, but it could also increase pension costs for the state and local governments that would sponsor the plans. The effects on public employees and employers would depend on how states and localities changed their non-covered pension plans to conform with mandatory coverage. For example, Social Security offers automatic inflation protection, full benefit portability, and dependent benefits, which are not available in many public pension plans. Creating new pension plans that kept all the existing benefit provisions but added these new ones would increase the cost of the total package. Under this scenario, costs could increase by as much as 11 percent of payroll, depending on the benefit packages of the new plans. Alternatively, states and localities that wanted to maintain level spending for retirement would likely need to reduce some pension benefits. Additionally, states and localities could require several years to design, legislate, and implement changes to current pension plans. Mandating Social Security coverage for state and local employees could also elicit a constitutional challenge. Finally, mandatory coverage would not immediately address the issues and concerns regarding the GPO and the WEP. If left unchanged, these provisions would continue to apply for many years to come for existing employees and beneficiaries. Still, in the long run, mandatory coverage would make these provisions obsolete.

### **Conclusions**

In conclusion, there are no easy answers to the difficulties of equalizing Social Security's treatment of covered and non-covered workers. Any reductions in the GPO or the WEP would ultimately come at the expense of other Social Security beneficiaries and taxpayers. Mandating universal coverage would promise eventual elimination of the GPO and the WEP but at potentially significant cost to affected state and local governments, and even so the GPO and the WEP would continue to apply for some years to come, unless they were repealed.

Whatever the decision, it will be important to administer the program effectively and equitably. The GPO and the WEP have proven difficult to administer because they depend on complete and accurate reporting of government pension income, which is not currently achieved. The resulting disparity in the application of these two provisions is yet another source of unfairness in the final outcome. We therefore take this opportunity to bring the matter back to your attention for further consideration.

### **Matter for Congressional Consideration**

To facilitate complete and accurate reporting of government pension income, the Congress should consider giving IRS the authority to collect this information, which could perhaps be accomplished through a simple modification to a single form.

Mr. Chairman, this concludes my statement, I would be happy to respond to any questions you or other members of the subcommittee may have.

<sup>7</sup> SSA uses a period of 75 years for evaluating the program's long-term actuarial status to obtain the full range of financial commitments that will be incurred on behalf of current program participants.

### **GAO Contributions and Acknowledgments**

For information regarding this testimony, please contact Barbara D. Bovbjerg, Director, Education, Workforce, and Income Security Issues, on (202) 512-7215. Individuals who made key contributions to this testimony include Daniel Bertoni, Ken Stockbridge, and Michael Collins.

#### Related GAO Products

*Social Security Reform: Answers to Key Questions.* GAO-05-193SP. Washington, D.C.: May 2005.

*Social Security: Issues Relating to Non-coverage of Public Employees.* GAO-03-710T. Washington, D.C.: May 1, 2003.

*Social Security: Congress Should Consider Revising the Government Pension Offset "Loophole."* GAO-03-498T. Washington, D.C.: Feb. 27, 2003.

*Social Security Administration: Revision to the Government Pension Offset Exemption Should Be Considered.* GAO-02-950. Washington, D.C.: Aug. 15, 2002.

*Social Security Reform: Experience of the Alternate Plans in Texas.* GAO/HEHS-99-31, Washington, D.C.: Feb. 26, 1999.

*Social Security: Implications of Extending Mandatory Coverage to State and Local Employees.* GAO/HEHS-98-196. Washington, D.C.: Aug. 18, 1998.

*Social Security: Better Payment Controls for Benefit Reduction Provisions Could Save Millions.* GAO/HEHS-98-76. Washington, D.C.: April 30, 1998.

*Federal Workforce: Effects of Public Pension Offset on Social Security Benefits of Federal Retirees.* GAO/GGD-88-73. Washington, D.C.: April 27, 1988.

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Chairman MCCRERY. Thank you, Ms. Bovbjerg. Mr. Streckewald?

### **STATEMENT OF FREDERICK G. STRECKEWALD, ASSISTANT DEPUTY COMMISSIONER, DISABILITY AND INCOME SECURITY PROGRAMS, SOCIAL SECURITY ADMINISTRATION**

Mr. STRECKEWALD. Mr. Chairman and Members of the Subcommittee, thank you for inviting me here today to discuss mandatory Social Security coverage for State and local government employees, as well as the WEP and the GPO. Let me begin by discussing mandatory Social Security coverage. State and local government employees were excluded from Social Security coverage until 1951 because of a constitutional question about the Federal Government's authority to tax State and local governments. Legislation enacted in 1950 provided that States could enter into voluntary agreements to provide Social Security coverage to public employees not under a retirement system. After the 1950 legislation, coverage of State and local government employees was further expanded. Today, only about 28 percent of State and local public employees are not covered by Social Security.

Extending Social Security coverage to all newly hired State and local government employees would favorably affect the long-range solvency of Social Security, addressing about 11 percent of the 75-year program deficit. Supporters of this change note that it would improve the protection of those that have jobs in covered employment before or after their government employment. However, critics note it would adversely affect the funding of some State and local government defined benefit plans.

Let me turn now to GPO and WEP. The GPO affects government retirees who are eligible for both a pension based on their own work in a Federal, State or local government job that was non-covered by Social Security and a Social Security spouse's or surviving spouse's, benefit based upon their husband's or wife's work

in covered employment. Under the GPO, a Social Security spouse's benefit is reduced by an amount equal to two-thirds of the worker's government pension. As of June 2004, about 399,000 beneficiaries had benefits fully or partially offset by GPO. Before GPO, a person who worked in a government job not covered under Social Security could receive a government pension and a full Social Security spouse's benefit. Of course, a worker covered under Social Security is subject to an offset under the dual entitlement provision, which means that Social Security benefits payable to a person as a spouse are offset by the amount of that person's own Social Security benefit. Thus, the GPO acts as a surrogate for the dual entitlement offset. Several bills have been introduced to address the GPO. A bill that would completely eliminate GPO over 10 years would cost an estimated \$32.2 billion. Other bills that would alter the GPO are estimated to cost between \$9.6 to \$21.4 billion over 10 years.

I would now like to discuss the WEP, which primarily affects government workers. Before the WEP, some workers were treated as low-income earners for Social Security benefit purposes and received the advantage of the "weighted" Social Security benefit formula in addition to their own government pension. The WEP was intended to eliminate this advantage by using a different, less heavily weighted, Social Security benefit formula. The maximum reduction under WEP is \$313.50 per month. Unlike the GPO, the WEP can never eliminate a person's entire Social Security benefit. A number of bills have been introduced that would change WEP. These proposals include: eliminating it entirely; providing higher Social Security benefits for government workers whose pensions from noncovered employment and Social Security benefits are below certain levels; and replacing the WEP benefit formula with an alternate computation. This last approach is embodied in Representative Brady's bill, H.R. 1714, the "Public Servant Retirement Protection Act."

Under this bill, a hypothetical primary benefit would first be computed based on all the worker's available covered and non-covered earnings after 1950. This hypothetical benefit would then be multiplied by the proportion of the worker's total earnings that were covered under Social Security to obtain the primary benefit payable to the worker. The bill also includes a guarantee to ensure that a worker whose government pension is based on noncovered earnings in the year of enactment or earlier would receive no less than the present law WEP benefit. The bill would apply to both current and future beneficiaries.

Let me commend Representative Brady for his efforts to find ways to replace the current WEP with an approach that is intended to more accurately reflect an individual's complete earning history. We have appreciated the opportunity to work with his and other congressional offices on legislation affecting the WEP. However, we continue to be concerned about some aspects of the bill. The primary issue is that the computation would count noncovered earnings after 1950, but SSA only has records of noncovered earnings beginning in 1978, when it began receiving W-2 information from employers. Also, because the bill would affect those on the rolls, SSA would have to review benefits of more than 738,000 retired and disabled workers; and I would note, the workloads gen-

erated by passage of such legislation would be tremendous for Social Security and would take us several years.

In conclusion, I want to thank the Chairman and the Subcommittee for giving us this opportunity to discuss these complex and important issues. The SSA welcomes the opportunity to work with you to provide additional information, and I would be glad to answer any questions.

[The prepared statement of Mr. Streckewald follows:]

**Statement of Frederick G. Streckewald, Assistant Deputy Commissioner, Disability and Income Security Programs, Social Security Administration**

Thank you for inviting me to discuss the idea of mandatory Social Security coverage for State and Local government employees as well as the Windfall Elimination Provision, or WEP, and the Government Pension Offset, or GPO.

**Mandatory Social Security Coverage**

State and local government employees were excluded from Social Security coverage from 1935 until 1951 because there was a constitutional question of the Federal government's authority to tax State and local governments. Legislation enacted in 1950 provided that, beginning in 1951, States were allowed to enter into voluntary agreements with SSA to provide Social Security coverage to public employees not under a retirement system. This authority is in section 218 of the Social Security Act; thus, the agreements are referred to as section 218 agreements.

After the 1950 legislation, there were a number of changes that expanded coverage of State and local government employees. The major changes were:

- 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 1983, Congress repealed a provision that allowed States to rescind earlier decisions to elect coverage of their employees.
- Legislation enacted in 1986 provided mandatory coverage under Medicare for all State and local employees hired after March 31, 1986.
- Legislation enacted in 1990 made Social Security mandatory for State and local employees who are not under a retirement system.

Currently, all 50 States, Puerto Rico, and the Virgin Islands have a section 218 agreement with SSA. Because the coverage is voluntary, the extent of Social Security coverage varies from State to State. It is estimated that 28 percent of State and local public employees are not covered by Social Security. Most of the public employees not covered are police, firefighters, and teachers.

Extending Social Security coverage to newly hired State and local government employees favorably affects the long-range (75 year) solvency of Social Security. This change, if it were applied to new employees hired in 2005 and later, would reduce the long-range OASDI deficit by about 0.21 percent of taxable payroll. This would address about 11 percent of the 75 year program deficit. This change would initially bring in payroll tax revenue with little effect on benefit payments. However, in the longer term, because of benefit payments to these workers, the estimated improvement in the annual balance (cash flow) in the 75th year is only 0.01 percent of taxable payroll.

More than seventy percent of the people who would be affected by mandatory coverage work in seven States (California, Ohio, Texas, Massachusetts, Illinois, Colorado, and Louisiana). There are over 700 State and locally administered retirement plans in these seven States.

Supporters of this change note that extending Social Security coverage to newly hired State and local government employees would improve the protection of those who have jobs in covered employment before or after their government employment. Thus, this change would improve the portability of their pension coverage.

Further, Social Security includes a number of features that may not be found in some State and local retirement plans, such as annual cost-of-living increases, benefits for disabled workers and benefits for spouses and children of retired, disabled, and deceased workers.

However, critics of such a change note that extending mandatory Social Security coverage would adversely affect the funding of some State and local government *defined benefit* pension plans. This would be particularly true if the retirement plan was already underfunded (had insufficient assets to pay promised benefits) and/or

relied on new employee's contributions to fund current retirees' benefits. (A 1998 GAO report found that many public pension plans have unfunded liabilities.)

State and local governments could be expected to oppose mandatory Social Security coverage of newly hired employees, especially on the grounds of cost. Concerns have been expressed that many public employers would not be able to absorb the higher costs. If that happened, State and local governments would need to raise taxes or cut spending on other services.

#### **GPO Provision**

I would like to begin by drawing a distinction between the GPO provision and the WEP. Like the WEP, the GPO affects workers who receive pensions based on employment not covered by Social Security. GPO is often confused with the WEP. For ease of discussion, when referring to government employment, I am referring to all levels of Federal or State government employment that are *not covered* by Social Security.

The GPO affects *government* retirees who are eligible for both:

- A pension based on their own work in a Federal, State, or local government job that was *not covered* by Social Security, and
- A Social Security *spouse's or surviving spouse's* benefit based on their husband's or wife's work in *covered* employment.

Under the GPO, a person's Social Security spouse's or surviving spouse's benefit is reduced by an amount equal to two-thirds of the amount of the person's government pension based on work not covered by Social Security. As of June 2004, about 399,000 beneficiaries had their benefits fully or partially offset due to the GPO.

The GPO provision removed an advantage that some government workers had before the GPO was enacted. Before GPO, a person who worked in a government job that was not covered under Social Security could receive, in addition to a government pension based on his or her own earnings, a full Social Security spouse's or surviving spouse's benefit.

However, a person who works in a job that is *covered* under Social Security is subject to an offset under the dual entitlement provision. This provision, which has applied since 1940 when benefits were first payable to a worker's family members, requires that Social Security benefits payable to a person as a spouse or surviving spouse be offset by the amount of that person's own Social Security benefit. Thus, dually entitled beneficiaries receive the equivalent of their own worker's benefit or the spouse's/surviving spouse's benefit, whichever is higher.

The GPO acts as a surrogate for the dual-entitlement offset for workers receiving a government pension based on work not covered under Social Security because, if that work had been covered, any spouse's or surviving spouse's benefit would have been reduced by the person's own Social Security worker's benefit.

#### **Legislation Affecting GPO**

Several bills have been introduced that address the GPO. A bill introduced by Representative McKeon (H.R. 147) includes a provision that would completely eliminate the GPO. Over five years, this proposal would cost nearly \$11.6 billion; over 10 years, the estimated cost increases to \$32.2 billion. The long-range cost is estimated to be significant—0.06 percent of taxable payroll.

Representative Shaw has included, as part of the Social Security Guarantee Act of 2005, a provision that would reduce the offset from two-thirds of the amount of the person's government pension to one-third. The proposal would cost about \$3.5 billion over 5 years and \$9.6 billion over 10 years. This change is estimated to increase the long-range cost of the program by 0.02 percent of taxable payroll.

In the last session of Congress, Representative Jefferson introduced H.R. 887, which would have exempted an individual from GPO if his or her combined non-covered pension and Social Security benefits were less than or equal to \$2,000 per month (indexed). A dollar-for-dollar offset would have applied only to the amount of combined benefits in excess of \$2,000 per month, with the proviso that the offset could not be more than two-thirds of the amount of the non-covered pension. The cost of this proposal was estimated at \$7.8 billion over five years, and \$21.4 billion over 10 years. The long-range cost was estimated to be 0.02 percent of taxable payroll.

#### **Windfall Elimination Provision**

I would now like to discuss the WEP provision. The Social Security Amendments of 1983 (P.L. 98-21) included the WEP provision as a means to eliminate "windfall" Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. Generally, while the WEP applies to any pension based on non-covered employment, it primarily affects government

workers. (The WEP does not affect the Social Security benefits payable to survivors of workers who received pensions based on non-covered employment.)

The purpose of the WEP was to remove an advantage that the weighting in the regular Social Security benefit formula would otherwise provide for persons who have substantial pensions from non-covered employment. This weighting is intended to help workers who spent their lives in low-paying jobs by providing them with a benefit that is relatively higher in relation to their prior earnings than the benefit that is provided for higher-paid workers.

However, benefits are based on average earnings in employment covered by Social Security over a working lifetime (35 years for retired workers). In determining average earnings for Social Security benefit purposes, years with no covered earnings are counted as years of zero earnings, as if the person had not worked at all. Without the WEP, a worker who spent a substantial part of his or her career in employment not covered by Social Security would be treated as a low-lifetime earner for Social Security benefit purposes and receive the advantage of the weighted benefit formula. The WEP provides for a different, less heavily weighted benefit formula to compute benefits for such persons.

Under the regular (non-WEP) benefit computation rules, a three-step weighted benefit formula is applied to a worker's average indexed monthly earnings (AIME) to determine his or her primary insurance amount (PIA). The PIA is the monthly benefit amount payable to a retired worker first entitled at the full retirement age or a disabled worker. The PIA formula applicable to workers who reach age 62 or become disabled in 2005 is:

90 percent of the first \$627 of AIME, plus  
32 percent of the next \$3,152 of AIME, plus  
15 percent of AIME above \$3,779.

Under the WEP computation, a worker who is receiving a pension from non-covered earnings generally receives 40 percent of the first \$627 instead of the 90 percent provided to workers whose entire careers were in covered employment. The 32 and 15 percent factors are the same for workers affected by the WEP and those that are not.

For a worker first eligible in 2005, the maximum WEP reduction is \$313.50 per month—or the difference between 90 percent and 40 percent of \$627. Unlike the GPO, the WEP can never eliminate a person's Social Security benefit.

WEP does not apply at all to workers who have 30 or more years of substantial earnings under Social Security. For workers who have 21 to 29 years of substantial covered earnings under Social Security, the reduction under the WEP is phased out gradually.

The WEP provision includes a guarantee designed to help protect workers with relatively low pensions based on non-covered employment. This guarantee provides that the reduction in Social Security benefits can never exceed one-half the amount of the pension based on non-covered work.

### **Educating the Public**

As you can see, the WEP and GPO provisions are complicated and, consequently, there have been misunderstandings about who is affected. You may recall from last year's testimony that SSA has made revisions to the *Social Security Statement* highlighting and making clearer the potential impact of WEP and GPO on a worker's Social Security benefit if he or she receives a pension based on non-covered employment. The *Statement* refers individuals to SSA publications that explain how benefits can be affected by the WEP and GPO. It also refers individuals to an SSA website, which was recently revised to make sure that there is ample information and links to fact sheets that explain the impact of the GPO and WEP. The website includes benefit calculators that allow individuals to estimate the effects that WEP or GPO may have on their monthly benefit.

Additionally, SSA offices nationwide provide pre-retirement seminars to government employees who request them. If government employees request the seminar, we inform them of the potential impact that WEP and GPO may have on their monthly Social Security benefit.

As you know, the Social Security Protection Act of 2004 (SSPA) required SSA to make a disclosure form available for State and local government employers to use to notify new non-covered employees of the potential effect of this work on their Social Security benefits. This provision was effective January 1, 2005. As we considered our implementation strategy for this provision, I met with representatives of several interested groups (some of them are here today as witnesses) to get their input and hear their concerns.

SSPA also required that *Social Security Statements* issued after December 31, 2006 contain language to explain the maximum potential effects of the WEP and GPO to any person whose records indicate that they may be subject to those provisions. We are currently examining ways to use our administrative records of non-covered earnings to identify individuals whose benefits are likely to be affected by the GPO or WEP.

#### **Legislation Affecting WEP**

A number of bills have been introduced that would change the WEP. These proposals include:

- eliminating the WEP entirely;
- providing less of a WEP reduction (or no reduction) for government workers whose pensions from non-covered employment, in combination with their Social Security benefits, are below certain levels; and
- replacing the WEP benefit formula with an alternative computation.

Let me start with the elimination of the WEP. If the WEP were eliminated, approximately 738,000 retired and disabled workers would see their benefits increase. It is estimated that elimination of the WEP would have a 5-year cost of \$10.8 billion and a 10-year cost of \$29.7 billion. The long-range cost would be significant—estimated to be 0.06 percent of taxable payroll.

The second type of proposal that has been introduced would provide less of a WEP reduction, or no WEP reduction, if the combined amount of the worker's non-covered pension and Social Security benefits is below a certain threshold. Representative Frank has introduced such a bill (H.R. 1690). This bill would exempt an individual from WEP if his or her combined benefits were less than \$2,500 per month (indexed) when he or she is first eligible for both Social Security and a non-covered pension. The legislation provides for graduated implementation of this provision on amounts above \$2,500 monthly. Such a proposal would cost \$20.4 billion over the next 10 years and increase long-range costs by 0.03 percent of taxable payroll.

The third type of bill that has been introduced would replace the current WEP formula with an alternative computation. This is the approach embodied in H.R. 1714, as introduced by Representative Brady. Under this bill, a hypothetical primary benefit would first be computed based on all of the worker's available covered and non-covered earnings after 1950. This hypothetical benefit would then be multiplied by the proportion of the worker's total earnings that were covered under Social Security to obtain the primary benefit payable to the worker.

The bill also includes a guarantee provision that would ensure that workers whose government pension is based on non-covered earnings in the year of enactment or earlier would receive no less than the benefit under the present law WEP provision. The bill would apply to beneficiaries already on the rolls, as well as to future beneficiaries.

SSA's Office of the Chief Actuary estimates that enactment of H.R. 1714 would increase program costs by \$2.7 billion over the first 5 years; the 10-year cost would be \$7.0 billion. The long-range cost of the program would increase by 0.01 percent of taxable payroll. These cost estimates assume that only the available non-covered earnings data on SSA's records, for years 1978 and later, would be used in calculating the proposed benefit. The actuaries used this assumption because they believed that the availability of non-covered data for years before 1978 would be problematic for many non-covered workers. To the extent that workers' pre-1978 non-covered earnings are available and could be included in the proposed benefit computation, the cost of the bill would be somewhat lower.

Let me first commend Rep. Brady for his efforts to find ways to replace the current WEP with an approach that is intended to more accurately reflect an individual's complete earnings history. And we have appreciated the opportunity to work with his and other congressional offices on legislation affecting the WEP. However, we continue to be concerned about some aspects of this bill. The primary issue is that the computation would count non-covered earnings after 1950, but SSA only has records of non-covered earnings beginning in 1978, when it began receiving Form W-2 information from employers, and some of these records are incomplete—particularly for the years soon after SSA began collecting this earnings information.

We are concerned about the availability of records documenting pre-1978 earnings. Unfortunately, the data needed for these calculations—much of it wages paid to individuals as many as 30 or more years ago—will not be available for many cases, making it difficult for SSA to equitably administer the provisions of the bill. While the bill includes provisions for "deeming" non-covered earnings when such earnings are not available, these provisions would be complex to administer, and would result in a benefit not based on the individual's true earnings. Because the



bill would apply to those on the rolls as of the effective date, SSA would be required to review the benefits of more than 738,000 retired and disabled workers affected by the WEP to determine if their monthly benefits should be adjusted. In addition, the workloads that would be generated by passage of such legislation would be tremendous and take years for SSA to complete.

We are also concerned about willingness to cooperate on the part of individuals who would be affected by this provision, because we would be seeking evidence of earnings that would only serve to lower the benefit amount payable under the bill. A worker whose non-covered earnings were entirely before 1978 would fully avoid the WEP reduction under the proposed computation if those earnings were not disclosed by the worker or otherwise determined by SSA.

Because of the large volume of recomputations required and associated manual actions, the workload impact on SSA would be substantial—and would create delays in other workloads.

While we have raised a number of concerns with this bill, we look forward to working with the committee on these issues.

### Conclusion

I want to again thank the Chairman and the Subcommittee for giving me this opportunity to discuss the Social Security coverage for State and local government employees and the related topics of WEP and GPO. As always, SSA welcomes the opportunity to work with you to provide any additional information you need as you continue to look at these complex and important issues. I would be glad to answer any questions you might have.

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Chairman MCCRERY. Thank you, Mr. Streckewald. We have been joined in the Subcommittee by the distinguished Ranking Member of the full Committee on Ways and Means. Welcome, Mr. Rangel; nice to have you with us.

Mr. BECERRA. Mr. Chairman, we are pleased to have another gentleman on that side of the aisle, who we hope will do some good questioning from your side of the aisle.

Chairman MCCRERY. We know him to be an able advocate. I would like to take you through a couple of examples, because these can be confusing to someone who is just trying to understand the concept here. So, I want to take you through a couple of examples to illustrate the GPO and the WEP and try to get, as I am walking through these examples, a sense for fairness/unfairness of the provisions.

Let us assume we have two teachers, Mary and Jane. Both of them make the same salary, but Mary paid into Social Security and Jane didn't. They were in two different systems. One system paid Social Security; the other system had its own retirement system and didn't pay into Social Security. Mary paid in, Jane didn't. Mary will receive her pension benefit if she was under a teacher's pension plan, and she will also receive her Social Security benefit because she paid into both. Jane on the other hand, will receive her teacher's pension benefit, but obviously won't receive any Social Security benefits since she didn't pay into the system. Is that correct?

Ms. BOVBJERG. It would depend on her marital status.

Chairman MCCRERY. Let us just assume right now they are single. So, that is correct; that makes sense, doesn't it.

Ms. BOVBJERG. Yes.

Chairman MCCRERY. Mary gets both. Jane didn't, so, she just gets her pension. Now let us assume that they are both married and they are married to workers who paid into Social Security. Both husbands earn spousal benefits for their wives, right?

Ms. BOVBJERG. They paid in?

Chairman MCCRERY. Both husbands paid into Social Security. They earned spousal benefits. However, Mary, the teacher who paid into both, her spousal benefit will be reduced \$1 for every dollar of her own worker benefit under Social Security; is that right?

Ms. BOVBJERG. Correct.

Chairman MCCRERY. So, basically she gets to take the higher of her own earned benefit or her husband's?

Ms. BOVBJERG. That is right.

Chairman MCCRERY. Now, Jane, when she gets a spousal benefit, hers will be offset \$2 for every \$3 of her husband's benefit; is that right?

Ms. BOVBJERG. That is right.

Chairman MCCRERY. You have two teachers in identical situations, the only difference being that one paid into Social Security and the other didn't. The higher spousal benefit goes to the teacher that paid into Social Security—actually, I am wrong. It goes to the teacher who did not pay into Social Security. Would you say that unfairly treats the spouse who did not pay into Social Security?

Ms. BOVBJERG. I think it is more than fair. The fundamental principle behind Social Security is that it is a contributory program. The situation that you describe is designed to be comparable, that if you have two working spouses and you are offsetting the working spouse's benefit, even though she paid into Social Security, you certainly should not treat a spouse that did not pay into Social Security, but also worked, as if they have no other resources. They are not dependents, and that is the key reason that you need to compare them to working spouses.

Chairman MCCRERY. For those who say the GPO is unfair, if it is unfair to reduce spousal benefits for workers who don't pay Social Security, it should also be fair to reduce spousal benefits for workers who do pay Social Security taxes, since those workers, husbands and wives, earn spousal benefits just like the husbands and wives of public employees.

Ms. BOVBJERG. That is right. I think the people who are concerned about fairness often don't know about this provision until they get very close to retirement and find that it is a complete surprise, a very unpleasant surprise. It just does not meet their expectation. I think some of the provisions in the Social Security Protection Act from last year that require State and local governments with noncovered employment to notify participants in their plans of their status with Social Security will help.

Chairman MCCRERY. I think that is right. When you look at it in the context of how Social Security treats other spouses who have both a pension and a Social Security benefit, I think certainly it becomes clearer that there is some justification for that reduction.

Ms. BOVBJERG. It is designed to be equitable.

Chairman MCCRERY. Now let us do the same thing with the WEP. Let us take two public employees, two men this time, Ray and Jack. Both of them make the same salary, but Ray's employment is covered under Social Security and Jack's is not. Both of them also have private sector jobs at night to supplement their public income, their public jobs' income, and they earn exactly the same amount at night.

Now, Ray's average earnings subject to Social Security taxes were \$58,000, while Jack's equaled only \$16,000. Obviously one of them is whole—his public job salary was subject to Social Security and his moonlighting job, whereas Jack's, only the moonlighting job was subject to Social Security. So, in the eyes of Social Security, Ray's earnings were \$58,000 while Jack's were only \$16,000. The Social Security benefit formula only recognizes earnings that are only subject to Social Security taxes and replaces a greater percentage of earnings with those with low wages, so, if we were to repeal the WEP, Ray's Social Security benefits would replace 36 percent of his Social Security earnings while Jack's Social Security benefits would replace 58 percent of his Social Security taxed earnings. So, is it fair for Jack to be paid relatively more generous benefits than Ray if they had identical earnings?

Ms. BOVBJERG. That is why they call it the Windfall Elimination Provision. It would be a windfall to Jack.

Chairman MCCRERY. So, is this the situation that the WEP was designed to avoid?

Ms. BOVBJERG. Absolutely, the double-dipping situation.

Chairman MCCRERY. Okay. I just wanted to get that out there for everybody, so we all understand the context of these provisions. You shouldn't look at them in isolation. You should look at them in the context of Social Security, the goals of Social Security, and how similarly situated people with the same earnings are treated in these situations. I know I took a lot of time to do that. So, I am going to stop and go to Mr. Becerra.

Mr. BECERRA. Thank you, Mr. Chairman, and I appreciate your efforts to try to clarify. I know most people, like Ms. Bovbjerg said, don't realize they fall within the GPO or within the WEP exceptions until they get there; and it can be somewhat startling to find out this news when you are close to retiring. We appreciate that. Mr. Chairman, thank you for holding this particular hearing. I think it is important to get this information out there. Let me see if I can ask—and, Mr. Streckewald, you are probably more appropriate since you work directly for the Administration. The President has been talking since the beginning of the year about changes to Social Security, privatization as part of his proposal or the idea—although we don't have a specific proposal, but so far the ideas he has included privatization—by changing the indexing formula that is used to determine benefits. He is talking about reducing the benefits that middle-class Americans who retire would receive. Has the Administration put forward any proposals to address these longstanding concerns of public employees that we are addressing today, the GPO and the WEP, within Social Security?

Mr. STRECKEWALD. Let me make sure I understand the question. Has the SSA put forth any proposals to address the GPO or the WEP provisions?

Mr. BECERRA. Either the SSA or the President, since the President has been going around the country and talking about changing or replacing Social Security.

Mr. STRECKEWALD. I am not aware of any proposals or suggestions that have been put out there. The Administration is looking at all options and, I think, considering everything in the broader context of the Social Security solvency discussion.

Mr. BECERRA. Do you know if the Administration, through SSA or otherwise, has taken a position on these issues of the GPO and the WEP?

Mr. STRECKEWALD. I don't know that. I don't know if they have a position one way or the other. Most of what I have heard has been a discussion of putting all the issues on the table and sorting through them.

Mr. BECERRA. Do you know if the Administration has any plans to address these concerns being raised by public employees with regard to the GPO and the WEP?

Mr. STRECKEWALD. I don't know whether they do or not. I came more prepared to talk about the issues related to just those two provisions outside of the solvency issue. The general issue on solvency is that the SSA works with the Administration to try to staff out some of the proposals. Again, I think the Administration looks to see if everything is on the table.

Mr. BECERRA. If everything is on the table, that means GPO and WEP are on the table?

Mr. STRECKEWALD. Most of what I am hearing is yes.

Mr. BECERRA. If it is on the table, what does the President put on the table with regard to GPO and WEP?

Mr. STRECKEWALD. I don't know.

Mr. BECERRA. Have you had any discussions within Health and Human Services or—I am sorry, Social Security or within the White House to address or at least discuss the issue of GPO and WEP?

Mr. STRECKEWALD. In relation to the broader solvency discussion?

Mr. BECERRA. Right.

Mr. STRECKEWALD. I am a career civil servant, so, I haven't been invited to those meetings.

Mr. BECERRA. I am just trying to get information to find out what the thinking might be, because we have, piecemeal, some ideas from the President about how he believes we could address Social Security, making it stronger and so forth. It is unclear where he would want to go, as President, on GPO or WEP, and I was hoping maybe you would have some information.

Mr. STRECKEWALD. I don't have any insight to offer other than what I said before. My understanding is that the President believes everything is on the table and should be looked at and all ideas should be sorted through for the right combination.

Mr. BECERRA. I suspect after your testimony, a whole bunch of public employees are going to say that it is time to write to the President to ask him to articulate what he might be thinking of doing with GPO and WEP. I yield back the balance of my time.

Chairman MCCRERY. I would just say that I don't know of any proposal that the President has made with respect to these two provisions, but I do know that the entire Social Security law is written by Congress, not by any President; and it is our job to explore this, and that is what we are doing today. We may indeed recommend changes in the legislation which we hope the President would sign if we could ever give him a bill. Mr. Johnson.

Mr. JOHNSON. Thank you, Mr. Chairman. Mr. Streckewald, last time the SSA was before this Committee on this issue, we heard

you thought it would be both expensive and difficult to administer the Public Service Retirement Protection Act because of old record-keeping problems. Have your views changed at all?

Mr. STRECKEWALD. I couldn't quite hear. To administer the change in the WEP?

Mr. JOHNSON. Yes.

Mr. STRECKEWALD. Yes. We have looked at it since the last hearing. We have concluded that basically the same problem exists now that existed last year. We don't have any noncovered earnings information before 1978 because we did not receive any W-2s from IRS before then. For the period 1978 to 1983, we have some, but not fully complete, information. So, if we were to try to look at some of the changes that have been suggested in relationship to the WEP and going back and looking at the entire noncovered earnings and covered earnings, and then taking a proportion of them, and then applying a reduction based on that, we would have a hard time finding those pre-1978 earnings. We would have to have people in our offices contact these entities within the State and local governments, figure out what the average employment was for that position during that timeframe and try to extrapolate some sort of an estimated cost. That would be one way of doing it.

If the person had their pay stubs from back then, that would be great. Most people don't save them that long. So, we have estimated it would take nearly 2200 work-years over a 5-year period to try to go back and look at everybody's WEP computation to see if we could change it based upon pre-1978 earnings, and to do the rest of the change in the computation as well.

Mr. JOHNSON. Ms. Bovbjerg, have you updated your computers yet? We gave you money many years ago to do that, and you still can't tell people whether their Social Security card is current or not.

Ms. BOVBJERG. That we can't tell people what? I am sorry, I didn't hear your question.

Mr. JOHNSON. You still can't tell whether people have a good Social Security card or not.

Mr. STRECKEWALD. We have managed to put a number of upgrades in place on a lot of different program areas, and the enumeration which is the Social Security card, we have systems in place that an employer who hires a new worker—through a Web-based system, can actually verify that name and number with us and make sure we have the same name and number.

Mr. JOHNSON. I understand, but you don't know if it is a real guy or not.

Mr. STRECKEWALD. If it is not a real guy, we won't say that we can verify that name and number. You mean if it is a deceased person?

Mr. JOHNSON. Some guy who has three or four cards. You were in the habit of replacing cards just on a phone call. I don't think you do that anymore. All I am saying is, are your computers upgraded enough to handle the situation? If they can't handle that, they can't handle this program either.

Ms. BOVBJERG. I am from the GAO, not SSA.

Mr. STRECKEWALD. I would say that our computers are set up to verify the name and the number in a very sophisticated way, but

the card itself is not an identity document. Employers are supposed to verify the person's identity separately and then verify the name and number on the card with us.

Mr. JOHNSON. I understand what is supposed to happen.

Ms. BOVBJERG. Could I jump in? We have done a report for this Subcommittee fairly recently on the earnings suspense file at the SSA, and it is quite clear that employers do not check and do not use the verification available to them.

Mr. JOHNSON. Can you tell me or give us an estimate of how many State and local public sector employees would receive higher benefits if this legislation were passed?

Mr. STRECKEWALD. Would this be the Brady type of legislation?

Mr. JOHNSON. Yes.

Mr. STRECKEWALD. I think about 88 percent of the workers, if they were to retire in 1999, 88 percent of the workers would receive increased benefits if we instituted H.R. 1714, which is often called the Brady bill. If you carried that a little further out to people that retired in 2018, it would be a little bit less, but still 61 percent of the people would do better under that computation. It would be under current law computation; a significant number would see increased benefits.

Mr. JOHNSON. Thank you, Mr. Chairman.

Chairman MCCRERY. Ms. Tubbs Jones.

Mrs. JONES. Thank you, Mr. Chairman. Good afternoon. On our panels coming up, we are going to hear from representatives of some of the government employee unions, but if I were someone walking up to you and saying, What is the detriment for me as a noncovered worker to have my funds placed into Social Security, what would your answer be?

Ms. BOVBJERG. What would the detriment be? I would say it is an advantage, because you would be assured of a lifetime annuity with a cost-of-living adjustment. That is not something that everyone in State government has.

Ms. TUBBS JONES. Those that do have it would not get a benefit?

Ms. BOVBJERG. It would depend on how the State coordinated the matching together of Social Security and their plan. Depending on the State's plan, it could in fact cost more for the State and potentially for the employee.

Ms. TUBBS JONES. What has been proposed, that you are familiar with? You say, how it matches it or—what are States proposing to match?

Ms. BOVBJERG. States have merely told us what actions they thought they would have to consider if the Congress required all State and local employees to be covered by Social Security.

Ms. TUBBS JONES. What have they told you that Congress would require them to consider?

Ms. BOVBJERG. They told us that if there is what we call the State and local mandate, if everybody was brought in to Social Security, that they would have to consider that, to provide both Social Security and their current pension plan, would clearly cost them more. So, what would they do? Would they simply pay more? Or would they reduce something in the current pension plan? Clearly,

this would not happen right away because it would only apply to people newly hired after the law took effect. State and local governments would have to consider how to integrate the two plans.

Ms. TUBBS JONES. The costs would be borne by the State or the costs by the Feds?

Ms. BOVBJERG. By the State.

Ms. TUBBS JONES. Not many States are going to run up to do that, are they? That is just a commentary. Let me ask about employees who end up in disability for a period of time and then they come back into the workforce under Social Security, how are they treated in terms of what their retirement income would be, Mr. Streckewald?

Mr. STRECKEWALD. The disability provisions for the WEP, I believe you are talking about, are very similar to those for retirees. There is a very small percentage of people who are affected by the WEP.

Ms. TUBBS JONES. I wasn't talking about the WEP. I was just talking in general. It is something I don't know, and I was interested in getting a response.

Mr. STRECKEWALD. What happens if you are disabled and come back to work? We have changed a lot of our return-to-work policies, and we are looking at changing more. We are trying to encourage people to try to go back to work. If they have a successful working experience and manage to stay with that job for quite awhile and go back in the workforce permanently, then basically their wages get on their earnings record. When they retire, we do a computation that looks at their wages while they were not disabled, but doesn't include those years for which they were disabled. That is the computation.

Ms. TUBBS JONES. What is the work requirement? If we say 40 quarters to be eligible for Social Security, is it 40 other than the disability, or 40 including the time I have been out on disability?

Mr. STRECKEWALD. I believe I do not want to hazard a guess. I will take it for the record. I think most people have the 40 quarters with or without the disability, but if I could submit that for the record.

[The information follows:]

Generally, an individual has disability insured status if he or she has at least 20 quarters of coverage (QC) during the 40-quarter period ending with the quarter in which the disability waiting period begins, and is fully insured in that quarter. In determining the 40-quarter period, we do not count any quarter or part of which is in a prior period of disability except the beginning or ending quarter if they are QC's. To be fully insured, the individual must have the number of QC's that he or she would have required to be fully insured had he or she filed an application for retirement insurance benefits and attained age 62 in the first month of the waiting period.

The five month waiting period begins with the first full month in which an individual is both insured for disability and disabled. No waiting period is required for individuals who were previously entitled to disability benefits, or a period of disability at any time within 5 years of the month the individual again became disabled.

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Ms. TUBBS JONES. I would love for you to submit it for the record. I yield back the balance of my time, Mr. Chairman.

Chairman MCCRERY. Mr. Brady.

Mr. BRADY. Thank you, Mr. Chairman. Ms. Bovbjerg. Mr. Streckewald. First let me say, Sam, your effort to limit the number of repeat cards is already having an effect. For some reason, we have lost our 3-year-old's Social Security card at least twice a year. I told my wife, I don't want to end up on Sam Johnson's bad list of repeat offenders. I always appreciate Ms. Bovbjerg's policy laying out the issues, especially on issues like mandatory coverage being one of them. I understand the policy of it. For whatever it is worth, I strongly oppose pursuing mandatory coverage.

I watch our teachers, fire fighters, and police, that 4 percent of the workforce that are in substitutes for Social Security. They put real money in real accounts and invest in real assets, and their retirees have stronger retirement systems than our own. My belief is that our teachers and fire fighters and police retirement systems shouldn't look more like Social Security; Social Security should look more like them. I think they have a stronger underpinning and do more for workers in the long term. I understand the policy of trying to simplify and move away from some of these confusing terms, but I watch what they do and wonder how we can make our own Social Security system better.

For Mr. Streckewald, last May, Martin Gerry testified there would be significant administrative burdens on the Public Servant Retirement Protection Act, which a number of us are working together on. I thank the team over at the SSA for working with us this past year on this issue. The bill, this year, was rewritten with the guidance of the SSA to find a way to better formulate the wage histories so that we can have a system that is tailored to the worker and their work history rather than an arbitrary formula. The goal is equal treatment for those who have earned two pensions, one in Social Security and one in a substitute where they received the full benefits for the years and the contributions they put in, not that they work 10 years in Social Security and get all 10 years, full benefit—15 years.

We have rewritten it to deal—at your urging—with the administrative burden. To ease it by giving the SSA the authority to either extrapolate those wage earnings or use average wage rates when attempts to create the full work history have been exhausted. Aren't we creating a far more workable solution for the agency with the new bill, because I think we significantly have reduced that burden, have given you some real common-sense tools. Especially when the gaps aren't large or they stay in the same profession, it is fairly easy to move that up, and especially with default, that they always have the existing revenue underneath them no matter what.

Mr. STRECKEWALD. I would like to thank you and your staff for working with us, because this is a very complicated issue and it takes some pretty thorough analysis. I think for one of the points you make, it would very much depend upon each individual. There are some circumstances that we don't have any problem at all doing the new computation, looking at the proportion of covered wages and noncovered wages and figuring what reductions should be based upon that. If a person has noncovered wages back into the period before 1978, and for some people between 1978 and 1983, we will have some significant work to be done. We have estimated



it would take an hour-and-a-half to get the information, contact the employer and figure out what the average wage should have been in that profession at that time of year and in that county, because different counties pay different rates for teachers.

We would have to do the computation. We would either have to build a pretty big computer system to make that computation or we would build a system where we could manually compute it—a little less than Martin Gerry's testimony last year, but still about 2,200 work-years over a 5-year period. So, it is about 400 work years per year that we would put onto this workload and it would take us about five years to get through it.

Mr. BRADY. I am surprised it hasn't changed, because in our meetings with the SSA, we basically incorporated the agency's solutions on how we can do this easier and better. Frankly, I can't think at this point of a better way to really tailor this solution than to try to get us as close to the actual wages as possible and give you some easy tools.

Mr. STRECKEWALD. This would change as we got into it, of course, because one of the tools that you did put into your bill would allow us to have an attestation that if the person could corroborate their attestation with the person who has knowledge, that is a lot quicker for us than having to go contact an employer. If we have a large proportion of people that can do that, then some of the costs would go down.

Mr. BRADY. For the Committee, that is a key point, because there are a number of workers and substitutes who come very close, very quickly to their wage histories, and stayed in the same profession—teaching, fire fighting, and police—and can recreate those fairly soon; and the ability to corroborate that with someone who has knowledge, I think, is going to be a better tool than we think at the outset. I appreciate the Chairman bringing this issue up. One of the frustrations is the issue of dependency. Apples to apples are two workers where both spouses work, so, dual entitlement, two workers, and the GPO really tries to match at least. The issue of dependency where they see someone who has a wife who hasn't worked, the Ozzie and Harriet model from a generation ago, that almost doesn't exist today, can you explain the issue of dependency? I know it is a confusing issue for a lot of our public servants.

Mr. STRECKEWALD. When Social Security first started, the model that you talked about, the working husband and stay-at-home wife, was a common model. So, the spousal benefits were set up with the assumption that a lot of women would be dependent upon their husband. When the husband retired, died, or became disabled, there would be a spousal benefit because she was dependent upon him. As the workforce changed and more and more women came into the workforce after World War II and beyond, the fifties and sixties, it really started changing. Women became insured for Social Security under their own earnings, so, they were no longer dependent as much on the earnings of their husband as somebody who had never worked and stayed at home to work.

So, I think the dual entitlement provision that Congress has put into law recognized that, that someone who has stayed at home and not worked will get a full spousal benefit because they are to-

tally dependent on the husband in this case; but someone who has gone out and worked on their own and received their own retirement benefit from Social Security, we want to offset that against the spouse's. They can't get both, in other words, and that seems to be Congress' intent there, not to give them both. A full spousal benefit was based upon full dependency and their own, which was originally dependent upon their own lost wages.

Mr. BRADY. Just to conclude, and I would ask the agency one time to identify just how many people fit that past mold, never having worked ever in their lifetime or at least not qualified. The response to that was that at this point, the amount is too small to measure, because people work after school before they have children; even if they are able to stay home, go back to help pay for college costs. It is just rare these days to have people who are completely dependent on their whole lifetime of earnings, and that ought to be our factor as we go forward.

Chairman MCCRERY. I hate to do two people in a row on the majority side, but Mr. Rangel, do you have any questions.

Mr. BECERRA. We won't object.

Mr. RANGEL. Thank you, Ms. Bovbjerg, for the good work that the GAO always does in a very bipartisan and professional way. Mr. Streckewald, at some point, in answer to a question, you had pointed out that you were a civil servant, as distinguished between what?

Mr. STRECKEWALD. I am career civil servant. I started my career in 1974 in the SSA and worked my way up to the position I hold now. I am not politically appointed into this position.

Mr. RANGEL. Having said that, would there be any difference in the competency or the accuracy of the testimony of a person who was politically appointed?

Mr. STRECKEWALD. No. I think that some of the political appointees in our agency deal with different issues than some of us career executives. I generally deal with the current program as it exists now. If there are discussions of a political nature on proposed changes in the future, then it is more of a political appointee's role to get involved in that and get involved with the Administration and interact with the Hill.

Mr. RANGEL. Would it be included in the responsibilities of a career civil servant, explanations as to the fiscal condition of the Social Security system as it exists now?

Mr. STRECKEWALD. I think, in general, most of the career civil servants at my level, if their job requires them to work on that, they can articulate some of the basic solvency points in terms of when the trust fund will run out of money, that type of thing. Again, most of my work in the last several years has trying to administer the current Old-Age Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs.

Mr. RANGEL. They are civil servants that give this information to the general public as to the solvency of the Social Security system?

Mr. STRECKEWALD. Yes.

Mr. RANGEL. Do they do this in response to questions or do they volunteer?

Mr. STRECKEWALD. I think both. Out in our field offices and regional offices, we have public affairs people.

Mr. RANGEL. How long have you worked with the Federal government?

Mr. STRECKEWALD. Thirty-one years.

Mr. RANGEL. Have you known in any other agency where civil servants offer information to the beneficiary as to the solvency of a particular program?

Mr. STRECKEWALD. I am not aware that they have or they haven't.

Mr. RANGEL. Let us get back to Social Security. How would you think this fits within the responsibility of a civil servant, non policy Member of the Social Security system to volunteer what they believe is the solvency of a Social Security system? Have you ever heard of anything like this before?

Mr. STRECKEWALD. We do have some official kind of publications that we use to educate our own people on, so if they are in a situation, either under official business where we try to go out and inform.

Mr. RANGEL. I understand that. I have come to find out what my Social Security benefits are now, and I am talking to a civil servant and not a political appointee. Can you explain how it is conceivable that that person could go beyond my request and tell me how long the Social Security system was going to be solvent. I am 75, and they will be telling me what is going to happen in the next 20 years.

Mr. STRECKEWALD. I can't explain that. That is certainly not a role that we ask our field office people who have contact with the public to take on.

Mr. RANGEL. When the political appointees are advising the President as to policy, do they sometimes talk with the career civil servants to find out what their ideas are?

Mr. STRECKEWALD. Sometimes, yes.

Mr. RANGEL. Has anyone ever come to you, based on your three decades of service, to ask you your advice as to how we can make the Social Security system operate better?

Mr. STRECKEWALD. Actually, no they haven't. Certainly my relatives constantly ask me, but my superiors and my colleagues at work, they know that is not my area of expertise, so, I have not been asked my opinion of that officially.

Mr. RANGEL. So, I would not ask the question as to whether or not this is a political proposal or one that is based on the experience of Social Security, you being a civil servant. They would never come to someone who knows what they are talking about. Thank you, Mr. Chairman.

Chairman MCCRERY. Thank you, Mr. Rangel. I would ask of each of you, if we submit some questions in writing, would you respond to those? Thank you very much. We probably will do that. Thank you for your testimony and for answering our questions. Now we call up the second panel. Second panel, come forward. As they are coming forward, I will announce the names of the second panel: The Honorable Nan Grogan Orrock, State Representative, Georgia General Assembly, Atlanta, Georgia, and Chair of the Labor and Workforce Development Standing Committee, National

Conference of State Legislatures (NCSL); Teresa Bierdeman, Chairman, Coalition to Preserve Retirement Security in Alexandria, Virginia; Chuck Canterbury, President, Grand Fraternal Order of Police; Randall Iglehart, President, Association of Texas Professional Educators; Patricia Wolfe, President of federally Employed Women; Charles Loveless, Director of Legislation, American Federation of State, County and Municipal Employees. Thank you all for coming today. You have submitted written testimony, which will be included in its entirety in the record. We would ask each of you to summarize your testimony in about five minutes each. We will begin with Ms. Orrock. Thank you for joining us today, and we look forward to hearing your testimony.

**STATEMENT OF THE HONORABLE NAN GROGAN ORROCK,  
STATE REPRESENTATIVE, GEORGIA GENERAL ASSEMBLY,  
AND CHAIR, LABOR AND WORKFORCE DEVELOPMENT  
STANDING COMMITTEE, NATIONAL CONFERENCE OF STATE  
LEGISLATURES**

Ms. ORROCK. Chairman McCreery, Ranking Member Levin and distinguished Members of the Committee, thank you for the opportunity to share the positions of the National Conference of State Legislatures on the issue of mandating Social Security for State and local government employees and the GPO and WEP that reduces Social Security benefits of State and local government retirees. I am State Representative Nan Grogan Orrock, a Member of the Georgia General Assembly, and I currently serve as Chair of NCSL's Standing Committee on Labor and Workforce Development. That is the Committee tasked with articulating NCSL's positions on public pensions and Social Security.

The NCSL's opposition to mandatory coverage for State and local government employees is one of our longest-held policy positions. We oppose mandatory coverage because it impinges on the ability of State and local employers to create and maintain retirement systems that address the unique needs of State and local governments. We oppose mandatory coverage because compliance would impose serious costs and disruption to State and local governments and their programs, while providing minimal short-term value and adding long-term liabilities to Social Security. Further, we oppose mandatory coverage because it unfairly penalizes those State and local governments that structured and funded benefits outside the Social Security system while destabilizing State and local programs that are effectively providing retirement security to a large number of Americans.

State and local governments today provide pensions to roughly 15 million employees. Of these employees, approximately 28 percent receive a pension that does not include Social Security coverage. Approximately 40 percent of teachers receive pensions not covered by Social Security, and roughly 75 percent of the Nation's State and local first responders receive uncovered pensions. These pensions take into account early retirement ages, higher incidence of disability and death in these occupations and survivor benefits. The tax increase on States, localities, and our employees that would result from mandatory coverage, even if only new hires were forced into Social Security, would amount to a very large unfunded

mandate on States and it would have a substantial negative effect on our State budgets and on the financing of our retirement systems. The cost of mandatory coverage is \$44 billion over the first 5 years for new hires alone. Every State has some public employees who do not pay into the Social Security system; thus, every State would feel the impact of mandatory coverage.

Now, my own State of Georgia has over 180,000 State and local employees outside of Social Security according to estimates prepared by the SSA. The cost to Georgia, if mandatory coverage is imposed, is over a billion dollars in the first 5 years alone, and this is an expense, I will tell you, that my State simply cannot shoulder. State retirement systems that don't include Social Security have evolved over time to meet the unique needs of State and local government employers and the retirement savings needs of our workforce. To impose mandatory coverage on these systems now would require vast alteration of contributions and distribution of benefits in order to provide funding for this Federal tax increase.

I caution you to strongly oppose including mandatory coverage in any plan to protect and strengthen Social Security. The reduction or loss of contributions coming from new hires to the plans will hamper the ability of plans to reduce their unfunded liability over time, leaving of course the plans more vulnerable to underfunding. In the aggregate, public pension plans currently are funded at around 88 percent. In terms of benefits paid, 62 percent of State and local pension funding comes from investment income, 26 percent comes from employer contributions and 12 percent from employees' contributions. Reducing contributions today in order to comply with mandatory Social Security will lower investment earnings to the detriment of planned participants, employers and taxpayers. Mandatory coverage fails to strengthen Social Security or to improve its solvency. While mandatory coverage will extend solvency for roughly two years in the short run, ultimately these State and local government employees will become future beneficiaries. In the end, mandatory coverage will merely move liabilities forward at the expense of existing stable and well-funded retirement systems in the States.

The NCSL also supports reform of the GPO and the WEP, which reduce the Social Security benefits of State and local government employees who earned government pensions through work not covered by Social Security. The NCSL is concerned that the GPO and the WEP unfairly and imprecisely reduce Social Security benefits. These reductions have unintentionally harmed a disproportionate number of women and moderate and lower income State and local government retirees.

The NCSL supports efforts to reduce or eliminate the impact of the GPO and the WEP on State and local government retirees, particularly those who have earned lower or partial pension benefits. The NCSL does not, however, support reform of the GPO and the WEP at the expense of mandatory coverage on State and local government. Finally, the NCSL endorses increasing the rate of return on Social Security's assets and supports efforts to restore long-term solvency to the system because it is the primary source of retirement income for millions of Americans and a system that over 70 percent of State and local government employers and employees

pay into and coordinate retirement benefits with. For the vast majority of State and local government retirees, their employer-provided pension benefit is linked to their Social Security benefit and as such, State government employers have a vested interest in strengthening this program. The NCSL supports a broad range of policies designed to restore solvency to the program which we attached to our written testimony.

Finally, the NCSL trusts that you will continue to encourage private savings and employer-provided pension plans as important components of retirement savings. You face a difficult choice as you consider the options available to you to strengthen and preserve Social Security. I say to you that State legislatures stand ready to assist you in these efforts, and I thank you again for the opportunity to share the positions of the NCSL, and we look forward to answering any questions you may have, any remarks or our written statements. Thank you, Mr. Chairman.

[The prepared statement of Ms. Orrock follows:]

**Statement of The Honorable Nan Grogan Orrock, State Representative, Georgia General Assembly, Atlanta, Georgia, and Chair, Labor and Workforce Development Standing Committee, National Conference of State Legislatures**

Chairman McCrery, Ranking Member Levin and distinguished members of the Committee, thank you for the opportunity to share the positions of the National Conference of State Legislatures on the issue of mandating Social Security for state and local government employees and the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) that reduce the Social Security benefits of state and local government retirees.

The National Conference of State Legislatures was founded in 1975 with the conviction that legislative service is one of democracy's worthiest pursuits. NCSL is a bipartisan organization that serves the legislators and staffs of the nation's 50 states, its commonwealths and territories. NCSL provides research, technical assistance and opportunities for policymakers to exchange ideas on the most pressing state issues and provides a voice for the interests of state governments before Congress and federal agencies.

NCSL's opposition to mandatory coverage for state and local government employees is one of our longest held policy positions. The basis for our opposition to mandated Social Security is three-fold. We oppose mandatory coverage because it impinges on the ability of state and local employers to create and maintain retirement systems that address the unique needs of state and local governments; we oppose mandatory coverage because compliance would impose serious costs and disruption to state and local governments and their programs, while providing minimal short-term value and added long-term liabilities to Social Security; and further, we oppose mandatory coverage because it unfairly penalizes those state and local governments that structured and funded benefits outside the Social Security system while destabilizing state and local programs that are effectively providing retirement security to a large number of Americans.

State and local governments provide pensions to roughly 15 million government employees; of these employees approximately 28 percent receive a pension that does not include Social Security coverage. The largest percentage of employees receiving pensions who do not include Social Security coverage are in the public safety professions and teaching. Approximately 40 percent of teachers receive pensions not covered by Social Security and roughly 75 percent of the nation's state and local first responders, police and firefighters, receive uncovered pensions. These pensions provide a higher level of retirement earnings than pensions that coordinate with Social Security, taking into account early retirement ages, higher incidence of disability and death and survivor benefits.

The costs to states that would be imposed from mandatory coverage, even if only new hires were forced into Social Security, far exceed the limits on unfunded federal mandates set in the Unfunded Mandates Reform Act of 1994 and would have a substantial negative effect on state and local budgets and on financing of retirement benefit systems. The estimated cost of the compliance for mandatory coverage of all state and local employees is \$44 billion dollars over the first five years. While the

majority of uncovered employees are employed in a dozen or so states, every state in the country has some public employees who do not pay into the Social Security system. Thus, every state would feel the impact of mandatory Social Security coverage.

Congress has long recognized that state and local pension systems are creatures of state law and while the federal tax code governs the tax treatment of contributions and distributions to and from these plans, a comprehensive set of state laws provide the primary legislative and legal frameworks for the administration of these systems. Many of the state systems that would be most affected by the imposition of mandatory coverage actually predate the creation of Social Security or were created during a time when state and local governments were prohibited from contributing to Social Security. These systems have grown up, so to speak, apart from the Social Security systems and have evolved to meet the unique needs of state and local government employers and the retirement savings needs of our workforce. To impose mandatory coverage on these systems now would require vast alteration of contributions and distribution of benefits in order to provide funding for this federal tax increase. The diversion of contributions on the part of employers and employees away from existing plans to pay for Social Security coverage would destabilize existing benefits and would reduce asset accumulation over time.

Many of the proposals to strengthen Social Security would do so by increasing the rate of return on Social Security's assets. This is a concept that NCSL wholeheartedly endorses, in great part because state and local pension systems are creatures of the markets. Both state defined benefit systems and defined contribution system assets are invested in the markets. The largest percentage of benefits received by our retirees and their beneficiaries comes from investment earnings, not contributions from state and local employers or our employees, making these systems a good deal for plan participants, state governments and taxpayers. Recent estimates by the National Association of State Retirement Administrators found that 62 percent of state and local pension funding comes from investment income, 26 percent comes from employer contributions and 12 percent comes from employee contributions.

Some in Washington have argued that if Congress only imposes mandatory coverage for new hires then the impact on state pension systems will be minimized. This is simply not true. Because state and local systems are funded systems and not pay-as-you-go (PAYGO) systems any reduction in payments to the system today will have a dramatic impact on future benefits. Unlike PAYGO systems, state and local systems rely on compound interest and asset accumulation to pay the majority of benefits to our retirees. Because all of these plans maintain some level of unfunded liability, the reduction or loss of contributions coming from new hires to the plans will hamper the ability of plans to reduce their unfunded liability over time, leaving the plans more vulnerable to under funding. At present, state pension systems are approximately 90 percent funded, a true testament to our long-term investment strategy of professional money management, pooled assets and pooled risk.

The tax increase on employers and employees associated with mandatory coverage cannot be borne by our existing pension systems. Thus state and local governments will be forced to reduce existing benefits or increase contributions to the plans in order to make the required payments to Social Security. The cost of these contributions as well as the foregone interest income will destabilize existing state retirement systems and the retirement security of future employees. This is not to say that state retirement systems are immovable archaic systems. On the contrary state and local pension systems continue to evolve, but we would argue that these changes are made best at the state and local level as a response to the evolving needs of government employers and in recognition of our needs to remain competitive employers.

NCSL further opposes mandatory coverage because it fails to strengthen Social Security and increase the solvency of the program. While mandatory coverage will extend solvency for roughly two years in the short run, or close ten percent of the solvency gap, ultimately state and local government employees forced into the system will become future beneficiaries. In the end, mandatory coverage will merely move liabilities forward at the expense of existing stable and well-funded retirement systems in the states.

NCSL supports efforts to restore long-term solvency to the Social Security system because it is the primary source of retirement income for millions of Americans, and a system that over 70 percent of state and local government employers pay into and coordinate retirement benefits with. For the vast majority of state and local government retirees, their employer-provided pension benefit is linked to their Social Security benefit, as such state government employers have a vested interest in strengthening the program. NCSL supports a broad range of policies designed to restore sol-

veny to the program as illustrated in our current policy “Maintaining the Solvency of Social Security,” which is attached to this testimony.

The National Conference of State Legislatures also supports reform of the Government Pension Offset and the Windfall Elimination Provision, which reduce the Social Security benefits of state and local government employees who earned government pensions through work not covered by Social Security. While these employees do not contribute to Social Security through their state or local government work, they often earn Social Security benefits through other employment covered by Social Security or may also earn a Social Security benefit as the spouse of a beneficiary who paid into the Social Security program. NCSL is concerned that the GPO and WEP unfairly and imprecisely reduce the Social Security benefits of government employees. These reductions have unintentionally harmed a disproportionate number of women and moderate and lower-income state and local government retirees. Thus, NCSL supports efforts to address the inequities and unintended consequences to state and local government retirees caused by the GPO and WEP. NCSL supports reducing or eliminating the impact of the GPO and WEP on state and local government retirees, particularly those who have earned lower uncovered government pension benefits or partial benefits. NCSL does not however support reform of the GPO and WEP at the expense of mandatory coverage on state and local governments.

The National Conference of State Legislatures strongly believes that the federal government must preserve the financial integrity of the Social Security system and assure the long-term solvency of the program. NCSL believes that efforts to assure solvency should strengthen the existing programs upon which so many Americans rely. NCSL further maintains that solvency efforts must continue to encourage private savings and employer-provided pension plans as important components of retirement savings. Congress and the President face difficult choices and state legislatures stand ready to assist our federal partners in your efforts to strengthen and protect Social Security.

#### **Official Policy**

#### **Maintaining the Solvency of Social Security**

#### **Joint policy of the NCSL Human Services & Welfare and Labor & Workforce Development Standing Committees**

The National Conference of State Legislatures (NCSL) strongly believes that the federal government must preserve the financial integrity of the Social Security system and assure the long-term solvency of the program. State legislatures believe that Social Security must ensure a safety net for low-income older retirees as well as provide survivor benefits and disability insurance. It is critical that all workers paying into the system have confidence that Social Security will continue to be available to them at retirement or to provide for their survivors after their death. NCSL believes that efforts to assure solvency should strengthen the existing program upon which so many beneficiaries and their families rely. Social Security reform should continue to encourage private savings and employer-provided pension plans as important components of retirement savings.

The Administration and Congress face difficult choices in maintaining the solvency of Social Security. State legislatures stand ready to assist our federal partners in this effort. NCSL believes that state and local retirement systems provide valuable models for consideration in the Social Security debate.

While Social Security currently has a surplus, the Social Security Actuaries 2005 report predicts that in 2020 trust fund expenditures will begin to exceed payroll tax revenues and interest on accumulated assets will need to be drawn down to pay benefits. By 2041, current payroll tax rates will be sufficient to pay only 73 percent of benefit obligations. To avoid this shortfall, members of Congress and the Administration have put forth a variety of reform proposals.

There are serious implications for the states in these reform proposals. As Congress considers alternatives to maintain Social Security solvency, it must analyze and understand the impact of these proposals on states, taxpayers, state budgets, and state laws. These proposals for Social Security reform have major impacts on state employees, teachers, local government, private employers and taxpayers. As employers and policymakers, state legislators oppose reform proposals that finance this shortfall by shifting federal costs to state budgets. If Social Security does not continue to provide a stable form of assistance to the elderly, state low-income programs and state budgets would be severely impacted. NCSL strongly opposes any efforts to reform Social Security that create unfunded mandates for the states or preempt state laws and authority.

NCSL encourages federal policymakers to consider the following concerns when deliberating Social Security reform proposals:



### **Mandatory Social Security Coverage of State and Local Government Employees**

NCSL has long opposed further involvement of the federal government in the administration of public retirement plans including the expansion of mandated Social Security coverage to state and local employees not currently covered under the system. NCSL maintains that state and local governments should be allowed to affiliate their retirement plans voluntarily with Social Security, as was the case before passage of the Omnibus Budget Reconciliation Act of 1990. The imposition of mandatory coverage on state and local employees who are not currently required to contribute to the system constitutes a direct cost shift to states and will have a detrimental effect on state budgets, state retirement plans and the retirement savings of state and local employees. The extension of mandatory coverage to new categories of state and local employees does not solve the insolvency problem and creates new obligations for the system. NCSL's policy, "Mandatory Social Security Coverage of State and Local Government Employees," continues to oppose this mandate.

### **Increasing the Return on Social Security Investments**

States and local retirement system choices provide models for federal reform of Social Security. We encourage Congress and the Administration to review state laws, funding choices and programs, whether they choose to create individual private accounts, authorize public investment in private markets, or pursue other options for reform. The return on Social Security has historically been far below the return on public and private pension plan investments in the market. NCSL believes that Congress and the Administration must act to increase the return on Social Security investments. NCSL believes that the best means to increase the return on Social Security investments is through some level of investment in the private markets. NCSL maintains that this investment must:

- Be administered through an independent board well insulated from political interference;
- Include Social Security beneficiaries on the board;
- Be invested for the exclusive benefit of Social Security beneficiaries as in state pension law;
- Guarantee the current level of Social Security benefits;
- Be protected from steep administrative costs;
- Be used solely for retirement, survivor benefits and disability; and
- Not preempt state laws governing securities fraud;
- General revenue from sources other than FICA should not be used to finance changes to the existing system that would allow market investment or private accounts and changes to the existing system should not increase the federal deficit, compromise funding of state-federal partnerships or require more borrowing that would add to the federal debt.

A strong public education program must accompany reform that would create individual accounts or provide for market investment so that beneficiaries will have the knowledge necessary to make good investment decisions.

### **Guarding Against Fraud and Abuse**

NCSL strongly opposes any proposal that would preempt state authority to regulate securities or give sole authority to regulate investment fraud to the Securities and Exchange Commission (SEC). States traditionally have been the protectors of individual and small investors and should maintain this role without federal intervention or preemption.

Many states have created special laws and consumer protection programs to prevent white-collar crimes, particularly against the elderly. These laws are critical to the protection of senior citizens. NCSL strongly opposes any effort to preempt state authority to regulate crimes against the elderly. Individuals must be protected from fraud through the strong enforcement of laws governing securities fraud.

### **Raising the Retirement Age**

Prior Social Security reform efforts, to adjust for longer life expectancies, included a gradual increase in the "full retirement age". In 2002, the full retirement age, the age at which beneficiaries are eligible to receive unreduced Social Security benefits, began to rise gradually from 65 to 67. Contemporary solvency proposals that would increase the full retirement age even higher raise serious concerns for beneficiaries. While Americans are living longer, many workers are choosing to retire earlier than before. Conversely, some workers may be unable to continue working due to physical limitations, age discrimination or other limitations. Still other workers with shorter than average life expectancies, particularly African Americans, may experi-

ence little return from Social Security for themselves and their survivors if the full retirement age is increased.

Currently, public safety employees of state and local government are exempt from actuarial reductions to their public pension benefits. Efforts to raise the full retirement age disproportionately harm both private sector employees and non-public safety state and local employees who do not contribute to Social Security. Under current law, the age at which a more highly paid beneficiary may receive an unreduced private pension benefit is tied to the Social Security full retirement age. Due to this coupling, relatively highly compensated long-term private pension beneficiaries who choose to retire before age 65 receive an actuarially reduced benefit for life even if their employer deems them eligible to receive a full private pension benefit prior to age 65. The age at which public employees, excluding public safety employees, may receive an unreduced public pension benefit is not tied to the Social Security full retirement age but is instead defined in federal Internal Revenue Code policy, which sets the age at 62. In recognition of public safety concerns, public safety workers, like police and fire, are exempt from these actuarial reductions. More highly-compensated long-term non-public safety state and local employees who do not contribute to Social Security rely on their public pensions for the bulk of their retirement security. Actuarial reductions to public pension benefits disproportionately burden these employees. NCSL believes that public employers should be allowed to provide full pension benefits to all of their employees without the imposition of these Internal Revenue Code limits. Further, for purposes of consistency, NCSL supports the uncoupling of private sector benefit limits from the Social Security full retirement age.

NCSL encourages Congress and the Administration to consider the impact that raising the retirement age may have on various groups of workers. NCSL opposes further increases of the full retirement age.

#### **Raising the Payroll Tax Rate**

Raising the payroll tax rate constitutes a direct cost shift to employers and employees for the cost of Social Security solvency. States, as employers, would bear increased costs if the payroll tax rate were increased. As well, the payroll tax is regressive and an increase would disproportionately affect workers making less than the wage base. An increase in the payroll tax rate may also provide disincentives to employer-provided pension benefits. NCSL opposes an increase in the payroll tax rate.

#### **Maintaining Benefits for the Poor Elderly and Survivors**

Social Security provides 90% or more of the total income for 44% of all nonmarried women 65 or older; 74% of nonmarried African American women 65 or older; 66% of nonmarried Hispanic women 65 or older; and 35% of all nonmarried men 65 or older. Social Security prevents massive poverty among the elderly. Without Social Security, over half of all women 65 or older (married and nonmarried) and 40% of all older men would be poor.

Similarly, Social Security replaces lost income for workers and their spouses and children when a worker becomes disabled, dies or retires. For a young family, Social Security provides the equivalent of a \$400,000 life insurance policy and a \$350,000 disability insurance policy. Just half of all Social Security beneficiaries receive benefits solely as retired workers. Roughly 37% of beneficiaries re disabled workers and survivors and 13% of beneficiaries are dual eligible—receiving both retired worker and survivor benefits).

8% of beneficiaries are children of deceased or disabled workers. About 5.4 million children under the age of 18 receive part of their family income from Social Security. In contrast, about 4 million children receive family income through TANF. The role Social Security benefits play in alleviating and preventing childhood poverty should not be lost in efforts to restore solvency or reform Social Security. Similarly, Social security provides lifetime income support to about 750,000 disabled adult children based on a parent's work record.

#### **Modification of the Earnings Limit**

NCSL has long supported increasing the earnings test for older workers, especially those who provide essential child care services. NCSL acknowledges the federal government for responding to state concerns by repealing the earnings limitation for workers aged 65 to 69. Under current law, beneficiaries under the full retirement age may earn up to \$12,000 annually without reducing the amount of benefits they receive from Social Security, after that amount Social Security benefits are reduced by \$1 for every \$2 of earnings. Beneficiaries who retire at their full retirement age may earn up to \$31,800 in the year that they retire without receiving

a reduced benefit. In the year that beneficiaries reach full retirement age earnings above the annual limit reduce benefits by \$1 for every \$3 of earnings.

The earnings penalty under age 65 severely hampers the ability of seniors to continue working once they begin to receive Social Security. NCSL supports the elimination of or an increase in the earnings limit on wages earned by Social Security beneficiaries. As the worker-to-beneficiary ratio continues to fall, older workers may become increasingly important to productivity. This penalty severely inhibits seniors who would prefer to and continue to be able to work.

**Means-Testing of Beneficiaries**

Social Security benefits are calculated based on earnings and time in the workforce. Although workers contribute the same percentage of payroll taxes to the system, a combined employer-employee contribution of 12.4% of payroll up to \$90,000, lower-income workers receive a higher proportion of their contributions in benefits than to higher-income workers. NCSL opposes proposals to means-test eligibility to receive Social Security. Such proposals may reduce overall public support for Social Security and are not necessary to achieve Social Security solvency.

*Adopted: 2005 NCSL Spring Forum, April 13-16, 200, Washington, D.C.*

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Chairman MCCRERY. Thank you, Representative Orrock. Ms. Bierdeman.

**STATEMENT OF TERESA BIERDEMAN, CHAIRMAN, COALITION TO PRESERVE RETIREMENT SECURITY, ALEXANDRIA, VIRGINIA**

Ms. BIERDEMAN. Chairman McCrery, Ranking Member Levin, distinguished Members of the Subcommittee, my name is Terri Bierdeman. I am Director of governmental Relations for the State Teacher's Retirement System in Ohio, and am testifying today in my capacity as Chairman of the Coalition to Preserve Retirement Security. On behalf of that coalition, I thank you for the opportunity to appear before the Subcommittee to discuss mandatory coverage of State and local workers. The Coalition to Preserve Retirement Security is a nonprofit organization composed of members representing State and local governments, public employee unions, and public pension systems throughout the United States.

The purpose of our organization is to assure the continued financial integrity of our members' public retirement systems opposing efforts for mandate Social Security coverage on these employees. We have 47 members from States across the country. They administer retirement benefits for about 12,000 public employers and represent more than four million public employees and retirees. In addition to our members, we have national associations and public pension unions representing more than 15 million public workers, about a third of whom are outside of Social Security.

The problem has been clearly stated by the previous witness, so, I will skip some of my background comments, but to give you a flavor of some real life situation, I want to talk a little bit about my own State. I come from Ohio, the State Teacher's Retirement System predates Social Security. The system was begun in 1920 and has been paying benefits for over 85 years now. The system is a reserve funded defined benefit plan, although we do offer hybrid plans and defined contribution plans as alternatives, but it is refunded. The members, when they get to retirement, expect the benefit, which is guaranteed, to be there. Forcing newly hired State and local public workers outside of Social Security into the program

to participate is attractive to the system as generating additional revenue, but that revenue is short term, and we believe the position is flawed for the following reasons. What has been talked about most recently and in most recent years is limiting it to new hires only, but new hire application has an impact on everyone in the system, not just those new hires or future hires, but also current employees and retirees who are already in collection status.

Public sector benefits, defined pension benefits depend on a constant and reliable stream of revenue in order to meet their actuarial goals. A constant stream of revenue keeps the contributions level so, for the employers and the employees the contributions do not bounce up and down year to year depending on investment performance. Without that continuing stream of revenue with a closed plan, it leaves the funding of the system for both the normal cost and any unfunded benefits that might exist to be funded by a shrinking pool of workers, hence, increasing the individual employee's cost.

The normal cost varies across the country, but on average, employees contribute about 9 to 10 percent of their salary, and it is a mandated contribution. With States and localities under extreme budget pressures for a variety of reasons, finding more revenue to fund mandatory Social Security benefits is highly unlikely. My retirement board requested that their consulting actuary do a study of the impact of mandating new hiring be included in Social Security and what would that mean for just my system.

They came back with essentially two choices for the board. One if they wanted to maintain the current existing benefit structure for all current employees retirees and an adequate benefit for new hires, it would require additional contributions by the State of Ohio and the employees amounting to about \$103 million annually. That is highly unlikely in Ohio. The other alternative if there is no more revenue would be to cut the benefits and it would not be benefits just for the new hires. Obviously, those future employees would have Social Security as their basis and the State could probably afford to wrap around some very small benefit from the State. It also affects current employees. Those people who are already in the system counting on a benefit in retirement. For example a mid career teacher today would be expecting about 66 percent of their salary average when they retired at the end of a career. Mandating coverage would require benefit cut of about 25 percent to that current employee. It would also cut back their disability and survivor benefits for current employees.

For retirees, those who are already collecting a guaranteed benefit which cannot be reduced under law, it would eliminate future cost of living adjustments which they do receive in Ohio and health care, which they also receive in Ohio. The funding for health care, as you know, across the country for everyone is exorbitant. We have reserves take us out 10 to 12 years. Those reserves would have to be put into funding pension so, it would impact everyone, not just the new hires to the system. We believe that funding mandatory coverage in order to shore up the Social Security system for a very short period of time, the GAO report has said about two years, would cause essentially very major disruption to the systems

that are already existing, both the funding and the benefits that are being provided.

We think the 44 billion over the first 5 years that was mentioned by the previous witness which is the cost in all 50 States is a very large price to pay for not a solution to the Social Security funding problem. In the written testimony, I have supplied, the coalition has given a breakdown for you from a recent study by the Segal Company on the cost of the individual States for the Members of the Committee and what that impact would be on your own constituents. There would be tough choices involved for States and localities. Benefit reductions could also expand, as the previous witness mentioned, to other services that the State would have to provide. In Ohio, like many States, education funding is a problem and employers and education are looking at cutting back left and right, putting levy on the ballot every year. To have more money going toward pension funding and let alone going out of State means they have to look at other areas to cut as well.

Hidden impacts of the differences in some of the structure of some of the public benefits. Since we represent specialized employee groups such as safety forces in particular, there are varieties in the benefit structures of those systems geared to the needs of special workforces. Especially for the safety forces, early retirement is an option in the States under the public plans. They do not have to work until age 62 or 65 or whatever. It allows variety based on the needs of that particular profession.

In conclusion, the coalition believes that mandating Social Security coverage for all public sector workers would also create huge costs and burdens for public employers without contributing significantly to the solvency of the program. We all understand the importance of the Social Security system, even those of us who participate and contribute to public pension funds have spouses, family, friends, and neighbors who are relying on the support of Social Security and the future of that program. We do also believe though that mandating coverage does not solve the problem of Social Security, it causes significant disruption and decreased security for well established public systems that have been in existence for decades providing benefits for decades. This is a time when we are all trying to find solutions to the same larger problem, retirement security for all Americans. Thank you very much for your time today.

[The prepared statement of Ms. Bierdeman follows:]

**Statement of Teresa Bierdeman, Chair, Coalition to Preserve Retirement Security, Alexandria, Virginia**

Chairman McCrery, Ranking Member Levin and distinguished members of the subcommittee, my name is Terri Bierdeman and I am the director of government relations for the State Teachers Retirement System of Ohio. I am testifying today in my capacity as chairman of the Coalition to Preserve Retirement Security. On behalf of the Coalition, I thank you for the opportunity to appear before the subcommittee to discuss the issue of mandating Social Security coverage for public sector workers.

The Coalition to Preserve Retirement Security (CPRS) is a non-profit organization composed of members representing state and local governments, public employee unions, and public pension systems throughout the United States. The purpose of our organization is to assure the continued financial integrity of our members' public retirement systems. By successfully opposing efforts to mandate Social Security coverage for all newly hired public employees we achieve the principle goal of our coalition.

Our 47 members are found in Alaska, California, Colorado, Connecticut, Florida, Illinois, Kentucky, Louisiana, Massachusetts, Missouri, Nevada, Ohio, and Texas and represent more than 4 million public employees and retirees. They administer retirement benefits for about 12,000 public employers in these states.

In addition, our national associations and public pension unions represent more than 15 million public workers, about one-third of whom are outside of Social Security.

### **The Problem**

Over the years, some have recommended bringing all public workers into the Social Security program. However, mandating that all newly hired public workers must participate in the Social Security system would create significant new cost pressures for the affected state and local government jurisdictions while providing only minimal benefit to the program.

These jurisdictions, with their own long-standing defined benefit retirement plans, would have to make difficult choices. Adding an additional 6.2 percent payroll tax per worker to the benefit costs of public employers could result in cutbacks to their existing defined benefit plans, cuts in government services, or even increases in taxes or fees to absorb the added costs. The disruption that would likely occur for these public jurisdictions and their workers seems a high price to pay for adding an estimated two years of solvency to the Social Security program. It is estimated that mandatory Social Security coverage would cost the affected states and localities \$44 billion over 5 years. This additional financial burden on affected states could be an insurmountable budgetary hurdle particularly during these very difficult days of huge revenue shortfalls hitting virtually every state.

### **Background**

When the Social Security system was created in 1935, state and local government employees were not allowed to participate in the system. Beginning in the 1950s, state and local government employers could elect to have their employees covered by the Social Security program and were allowed to opt-in or -out of the system.

In 1983, there was a major revision of the Social Security and Medicare laws, triggered primarily by a concern about the long-term solvency of these two trust funds. Congress decided not to require state and local employees who were outside the system to be covered, but did end the opt-out for public employees who had chosen to be covered.

In 1986, as part of the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), Congress required universal participation in the Medicare system on a "new hires" basis, but chose to leave public employee retirement plans in place, and did not change the law with respect to Social Security.

In 1990, Congress enacted a law requiring that all public employees, not covered by a state or local retirement plan meeting specified standards, must be covered by Social Security. That law, adopted as part of the Omnibus Budget Reconciliation Act of 1990 (the "1990 Act"), ensures that all public employees will be covered either under Social Security or under a public retirement plan that provides comparable benefits. Today, about one-third of all state and local government employees, 6.6 million public servants, are outside the Social Security system because they are covered by their employer's public retirement plan. In addition, millions of current retirees from non-Social Security public pension plans depend on those plans for a significant share of their retirement income.

From 1994 to 1996, the Advisory Council on Social Security examined the mid-term and long-term solvency of Social Security and the Social Security Trust Fund. The panel submitted its report in January 1997 but there was no majority on the council for any single set of recommendations. Three proposals were put forth by different groups of members. However, a majority of the Advisory Council recommended mandatory Social Security coverage of public employees, although the three labor members of the council opposed this proposal "because of the financial burden that would be placed on workers and employers who are already contributing to other public pension systems."

In 2001, the President's Commission to Strengthen Social Security made history by being the first commission to not recommend mandatory Social Security coverage in its proposals for Social Security reform. This is particularly remarkable, since the late New York Senator Daniel Patrick Moynihan, a vociferous proponent of forced coverage, co-chaired the Commission.

Based upon the assumptions in the 2005 Social Security trustees' annual report, if left unchanged, the program will be insolvent—that is unable to pay all benefits owed—beginning in 2041. However, some experts warn that Social Security reform is needed soon. As so-called baby boomers begin retiring over the next decade, there

will be increased pressure on the solvency of the program and by 2017 costs will exceed revenues, according to the trustees' report.

Accordingly, forcing newly hired state and local public workers outside of the Social Security program to participate is seen by some as an attractive way of generating additional revenues for the program in the short term. This position is flawed and, for the reasons discussed below, mandatory coverage should not be included in any Social Security reform package.

#### **The Myth of Covering Just New-Hires: Covering Only New-Hires is Still Harmful**

Proponents of mandatory coverage contend that applying the mandate only to newly-hired workers would make it less onerous for public employers—nothing could be further from the truth. Public sector defined benefit plans rely on a constant and reliable revenue stream in order to meet actuarial goals and provide a retirement benefit for plan participants at affordable contribution levels.

Proponents of this solution fail to understand that the normal cost of the existing retirement plan will increase as a percentage of payroll as younger members are eliminated from the plan. Thus, employers and new workers will not only have to add an additional 6.2 percent for the new payroll tax, but employers may also have to increase contributions to the existing plan or cut benefits. When states and localities are under extreme fiscal stress as they are currently, this added expense will create enormous burdens with negligible, if any, positive outcomes.

**Mandatory Social Security Coverage Will Only Extend Social Security's Solvency by Two Years, But Could Destabilize Public Pension Systems Nationwide**

The Government Accountability Office acknowledged in a May 6, 2005, letter to House Ways and Means Committee Chairman Bill Thomas that mandatory coverage would produce a "small reduction in [the] actuarial deficit" and would "increase long-term benefit levels," since the new workers paying into the system would eventually become retirees drawing on it. (The GAO had projected in a 1999 report, "Social Security: Implications of Extending Mandatory Coverage to State and Local Employees," that bringing newly hired non-federal public workers in the program would only "reduce the program's long-term actuarial deficit by about 10 percent and would extend the trust funds' solvency by about 2 years.")

According to a 1999 study by The Segal Company that was updated this month, mandatory Social Security coverage could cause a reduction in employee and employer contributions to existing defined benefit plans, "which are an essential part of their actuarial funding. This could destabilize the existing plans on which current workers and retirees depend." The report continued, "Lower funding would not only have an impact on retirement benefits, but could affect disability and survivor benefits as well," which are often more generous than those offered by Social Security.

#### **The Costs of Mandatory Coverage Greatly Outweigh the Benefits**

As noted above, mandatory coverage would only add two years of solvency to the 75-year projection for the Social Security program. But, it would cost public employees, their employers and ultimately taxpayers nationwide more than \$44 billion over the first five years, according to the Segal report. Mandatory Social Security would be felt in all 50 states and over time would add new beneficiaries to the program who would draw down benefits like other Social Security recipients, increasing financial pressures on the system.

The chart below illustrates how mandatory coverage would affect the home state of each member of the Ways and Means Social Security Subcommittee.

Congressman	Home State	Employees Affected	5-Year Cost to Employees, Employers and Taxpayers
Jim McCrery (Chair)	La.	261,000	\$1,384,711,000
Clay Shaw	Fla.	173,000	\$1,170,240,000
Sam Johnson	Texas	836,000	\$5,277,097,000
J.D. Hayworth	Ariz.	41,000	\$301,697,000
Kenny Hulshof	Mo.	128,000	\$806,807,000

Congressman	Home State	Employees Affected	5-Year Cost to Employees, Employers and Taxpayers
Ron Lewis	Ky.	89,000	\$614,272,000
Kevin Brady	Texas	836,000	\$5,277,097,000
Paul Ryan	Wis.	62,000	\$507,016,000
Sander Levin (Ranking Dem.)	Mich.	94,000	\$852,099,000
Earl Pomeroy	N.D.	10,000	\$65,397,000
Xavier Becerra	Calif.	1,468,000	\$8,205,240,000
Stephanie Tubbs Jones	Ohio	820,000	\$4,350,432,000
Richard Neal	Mass.	442,000	\$3,644,093,000
<b>Subcommittee Totals<sup>1</sup></b>		4,424,000	\$27,179,101,000
<b>National Totals</b>		6,617,000	\$44,242,670,000

<sup>1</sup> Source: "State-by-State Cost Analysis of Mandatory Social Security," The Segal Company, 2005.

#### Mandatory Coverage: Tough Choices for States and Localities

If all newly hired state and local employees are forced to participate in the Social Security program, their employers—state and local government entities—and policy makers will have to make difficult decisions on how to offset these new taxes.

According to the Segal report, these taxes would likely be absorbed through "tax increases, cuts in existing benefits and/or reductions in workforce and services," none of which are particularly popular and all of which would be met with strong resistance by the affected constituencies. Many states and localities are already facing large financial challenges. Mandating Social Security coverage would only exacerbate already troubled financial landscapes for jurisdictions across the country.

#### Hidden Impacts

Mandatory coverage could also undermine other benefits of public pension plans. These plans, in addition to offering sound and secure retirement benefits for public workers also provide valuable benefits that reduce pressure on federal government programs. These benefits are overlooked by mandatory coverage proponents.

For instance, certain classes of public sector workers have special needs that would not be met by the Social Security program. Safety workers, like police and fire, because of working conditions and job qualifications, retire earlier than other workers, often before age 62, the earliest age at which one can collect Social Security. Consequently, if these workers no longer had their traditional defined benefit public retirement, they could be forced to retire from their public safety jobs but have little or no retirement benefits until reaching 62.

Public retirement plans also offer partial disability benefits, unlike Social Security. These disability benefits go a long way toward providing an income stream so partially disabled workers do not have to depend on public assistance programs.

Most plans provide pre-retirement survivor benefits. For children, Social Security's survivor benefits end at age 18. Many public plans provide benefits after that age has been reached if the child is a full-time student.

Early retirement, partial disability and survivor benefits are among the benefits specifically tailored to meet the needs of public workers that would be threatened by mandatory coverage.

#### Conclusion

Mandating Social Security coverage for all public sector workers would only create huge costs and burdens for public employers without contributing significantly to the solvency of the Social Security program. The least disruptive and most cost-effective solution would be to allow the well-established public sector retirement system to continue in its current form. It has proved to be a stable and financially sound system that ensures the retirement security of millions of public sector workers.



Chairman MCCRERY. Thank you, Mrs. Bierdeman. Mr. Canterbury.

**STATEMENT OF CHUCK CANTERBURY, PRESIDENT, GRAND  
FRATERNAL ORDER OF POLICE**

Mr. CANTERBURY. Thank you, Mr. Chairman. I would like to thank all the distinguished Members of this panel for allowing me to be here today. I am Chuck Canterbury, the national president of the Grand Lodge of the Fraternal Order of Police (FOP), representing 321,000 of the rank and file police officers of the United States. We are the largest law enforcement labor organization in the country. I am pleased to be here for the third time testifying on this very important issue, and especially to offer our membership's view on the WEP and the GPO. The membership of the FOP has designated the repeal of the WEP and the GPO as our top legislative issue with respects to Social Security. We obviously are in opposition to mandatory inclusion, as is everyone on this second panel today. Our members, the rank and file officers that patrol our streets and neighborhoods every day, understand what is at stake, and they appreciate that this Committee is looking at this issue.

I wanted to begin by urging this Subcommittee to consider H.R. 147, the "Social Security Fairness Act," either as a stand-alone bill or part of the larger Social Security reform package. This bill, which has been the subject of past hearings in previous Congresses, would repeal both the WEP and the GPO. The bill already has 260 cosponsors in the House, only 30 cosponsors short of the two-thirds majority. Any legislation with that kind of support deserves legislative action.

The WEP has a disparate impact on law enforcement officers because we retire earlier than employees in other professions in part because of the physical demands of the job. Unfortunately many law enforcement officers are then forced to begin second careers after their retirement or to hold second or third jobs throughout the entirety of their careers. This creates an unjust situation for many of our members when they find themselves at retirement age. They are entitled to a State or local retirement benefit because they worked 20 or more years keeping the streets and neighborhoods safe, but they also, many times, worked jobs that paid into Social Security during their careers, entitling them to that benefit as well. Due to the WEP, if their second career resulted in less than 20 years of substantial earnings upon reaching the age they are eligible to collect Social Security, they will discover that they lose 60 percent of the benefit for which they were taxed.

Actuarially speaking, I doubt many officers will live long enough to break even; that is to collect the money they paid into the system, let alone receive any windfall. These men and women earned their State and local retirement benefit as public employees, and they paid Social Security taxes while employed in the private sector. How is this a windfall? Bluntly put, this provision has not eliminated a windfall for those who did not earn it, but has created

a windfall for the Federal government at the expense of public employees.

The GPO is an arbitrary formula with a similarly disparate impact on law enforcement families. The GPO reduces the surviving spousal benefit from Social Security by two-thirds of the monthly amount received by the government pension. In 9 out of 10 cases, this completely eliminates the spousal benefit, even though the covered spouse paid Social Security taxes for many years, thereby earning the right to this benefit and the right to bequeath this benefit to the surviving spouse. It is estimated that approximately 340,000, and I heard this morning 399,000, surviving spouses of State and local employees, have been unfairly impacted by the GPO. According to the Congressional Budget Office (CBO), the GPO reduces benefits for some 200,000 individuals by \$3,600 a year.

Mr. Chairman, according to the SSA, there are 5.25 million governmental employees not covered by Social Security and the Public Pension Coordinating Council estimates that 76 percent of these are public safety personnel, far more than any other category. Forcing State and local employees and employers to participate in the Social Security system would be devastating to these existing retirement plans. The employee and employer would be required to pay 6.2 percent of their salary into the Social Security Trust Fund, which may affect the ability of both the employers the employees to contribute to the existing retirement system. In addition, this new tax means less take home pay for the employee and cutbacks on services and equipment and other expenditures on the part of local governments. Police departments and other law enforcement agencies stretch every dollar to the limit now. These huge costs will devastate their budgets and impact their ability to function as first responders at a time when we need to improve our homeland security.

The most recent estimate of cost to public employers is, as you heard from the other speakers today, is \$44 billion. What benefit does this enormous cost have on the overall health of the Social Security Trust Fund? According to the SSA, just two years. Mr. Chairman, I thank you and the other Members of this distinguished Subcommittee for a chance to appear before you today, and I will be happy to stay for any of your questions.

[The prepared statement of Mr. Canterbury follows:]

**Statement of Chuck Canterbury, National President, Grand Lodge,  
Fraternal Order of Police**

Good morning, Mr. Chairman, Ranking Member Levin, and distinguished Members of the House Subcommittee on Social Security. My name is Chuck Canterbury, National President of the Fraternal Order of Police. I am the elected spokesperson of more than 321,000 rank-and-file police officers—the largest law enforcement labor organization in the United States.

I am very pleased to have this opportunity to come before you once again and would like to thank the Chairman for inviting me to testify. I am here this morning to share with you the views of the members of the F.O.P. on several aspects of Social Security reform being considered by Congress—the Windfall Elimination Provision (WEP), the Government Pension Offset (GPO), and a proposal to require that all future public employees be forced into the Social Security system.

The Fraternal Order of Police has been active on these issues for several Congresses. In 1997, an overwhelming majority of the delegates in attendance at the

Fifty-Third National Biennial Conference voted to designate the repeal of the WEP and GPO as one of the F.O.P.'s top legislative priorities. Two years later, another overwhelming majority of delegates adopted a resolution directing the F.O.P. to "oppose any legislative effort to require the participation of any public employee in Social Security."

I mention these facts to underscore both the length of time and energy that the F.O.P. has invested in educating Members of Congress about these issues, and to make Congress aware that our position is not one adopted by F.O.P. leaders alone. Our members—the rank-and-file officers that patrol our streets and neighborhoods every day—understand what is at stake here, namely, their retirement security.

I want to begin by urging this Subcommittee to consider and pass H.R. 147, the "Social Security Fairness Act." This bill, which has been designated as a "top legislative priority" by the F.O.P. membership, would repeal both the WEP and GPO. The bill already has two hundred and sixty (260) cosponsors—more than a House majority and only thirty (30) cosponsors short of a two-thirds majority. Any legislation with this kind of support deserves legislative action.

Ultimately, H.R. 147 is about fairness to the State and local employees who paid for and ought to receive their Social Security benefits. It is our hope that when this Subcommittee begins its work on drafting legislation to reform the Social Security system, it will take note of the manifest unfairness of the WEP and GPO and repeal them both.

Let me begin by explaining the impact the WEP has on retired police officers. Simply put, law enforcement officers who served communities which are not included in the Social Security system may lose up to sixty percent (60%) of the Social Security benefit to which they are entitled by virtue of secondary or post-retirement employment which required them to pay into the Social Security system. This sixty percent (60%) is a lot of money, especially when you consider that the officer and his family were likely counting on that benefit when they planned for retirement.

The F.O.P. contends that this provision has a disparate impact on law enforcement officers for several reasons. First of all, law enforcement officers retire earlier than employees in many other professions. Owing to the physical demands of the job, a law enforcement officer is likely to retire between the ages of 45 and 60. Secondly, after 20 or 25 years on the job, many law enforcement officers are likely to begin second careers and hold jobs that do pay into the Social Security system. Even more officers are likely to "moonlight," that is, hold second or even third jobs throughout their law enforcement career in order to augment their income. This creates an unjust situation that too many of our members find themselves in: they are entitled to a State or local retirement benefit because they worked 20 or more years keeping their streets and neighborhoods safe, and also worked at a job or jobs in which they paid into Social Security, entitling them to that benefit as well. However, because of the WEP, if their second career resulted in less than twenty (20) years of substantial earnings, upon reaching the age they are eligible to collect Social Security, they will discover that they lose sixty percent (60%) of the benefit for which they were taxed! Actuarially speaking, I doubt many officers will live long enough to "break even"—that is collect the money they paid into the system, let alone receive any "windfall." These men and women earned their State or local retirement benefit as public employees and they paid Social Security taxes while employed in the private sector. How is this a windfall?

I think it is clear that Congress did not intend to reduce the benefits of hard-working Americans who chose to serve their States and communities as public employees and then went on to have second careers or worked second jobs to make ends meet. After all, when Social Security was established in 1935, it intentionally excluded State and local employees. And though most public employees are now in the Social Security system, all States have "pockets" of State and local employees that are not covered by Social Security. In fifteen (15) States—Alaska, California, Colorado, Connecticut, Georgia (certain local governments), Illinois, Louisiana, Kentucky (certain local governments), Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island, and Texas—significant percentages of State and local employees are outside the Social Security system. It is these public employees that need the help of Congress.

When the WEP was enacted in 1983, it was part of a large reform package designed to shore up the financing of the Social Security system. Its ostensible 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. However, we can now clearly see that the WEP was a benefit cut designed to squeeze a few more dollars out of a system facing fiscal crisis. The fallout of this effort has had a pro-

foundly negative impact on low-paid public employees outside the Social Security system, like law enforcement officers.

To the F.O.P., which represents these rank-and-file officers, this is a matter of fairness. The WEP substantially reduces a benefit that employees had included and counted on when planning their retirement. The arbitrary formula in current law, when applied, does not eliminate “windfalls” because of its regressive nature—the reduction is only applied to the first bracket of the benefit formula and causes a relatively larger reduction in benefits to low-paid workers. It also over penalizes lower paid workers with short careers or, like many retired law enforcement officers, those whose careers are split inside and outside the Social Security system. Bluntly put, this provision has not eliminated a windfall for individuals who did not earn it, but it has resulted in a windfall for the Federal government at the expense of public employees.

Let me now discuss the other aspect of H.R. 147, which would repeal the Government Pension Offset. In 1977, Federal legislation was enacted that required a dollar-for-dollar reduction of Social Security spousal benefits to public employees and retired public employees who received earned benefits from a Federal, State, or local retirement system. Following a major campaign to repeal the provisions in 1983, Congress, which was looking for ways to reduce the fiscal pressure on the Social Security system, adopted instead the Government Pension Offset, which limits the spousal benefits reduction to two-thirds of a public employee’s retirement system benefits. This remedial step falls far short of addressing the inequity of Social Security benefits between public and private employees. This “offset” provision should have been repealed in 1983 and might have been were it not for the fiscal condition of the Social Security system at that time.

The new GPO formula reduces the spouse’s or widow(er)’s benefit from Social Security by two-thirds of the monthly amount received by the government pension. For example, the spouse of a retired law enforcement officer who, at the time of his or her death, was collecting a government pension of \$1,200, would be ineligible to collect the surviving spousal benefit of \$600 from Social Security. Two-thirds of \$1,200 is \$800, which is greater than the spousal benefit of \$600 and thus, under this law, the spouse is unable to collect it. If the spouse’s benefit were \$900, only \$100 could be collected, because \$800 would be “offset” by the officer’s government pension.

In nine out of ten cases, this completely eliminates the spousal benefit even though the covered spouse paid Social Security taxes for many years, thereby earning the right to this benefit and the right to bequeath the benefits to their surviving spouse. It is estimated that approximately 349,000 spouses and widow(er)s of State and local employees have been unfairly affected by the Government Pension Offset. It should also be noted that these estimates do not capture those public employees or retirees who never applied for spousal benefits because they wrongly believed themselves ineligible. According to the Congressional Budget Office, the GPO reduces benefits for some 200,000 individuals by more than \$3,600 a year. Ironically, the loss of these benefits may cause these men and women to become eligible for more costly Federal assistance, such as food stamps.

The WEP and GPO create a tremendous inequity in the distribution of Social Security benefits. The standard for this narrow class of individuals—retired public employees who are surviving spouses of retirees covered by Social Security—is inconsistent with the overall provisions of the Social Security Act and does not apply to persons receiving private pension benefits. This imbalance exists even though Congress, through ERISA standards and tax code provisions, has more direct influence over private employers than public employers. Clearly, this is an issue that Congress must address.

I also want to mention the F.O.P.’s support for H.R. 1714, the “Public Servant Retirement Protection Act.” This legislation, introduced by Subcommittee member Representative Kevin Brady, would repeal the Windfall Elimination Provision (WEP) and replace it with an individualized calculation of Social Security worker benefits based on an individual’s entire work history.

While the passage of H.R. 1714 is not a top priority of the F.O.P., we do regard it as an excellent first step in correcting the inequity of current law. The repeal of the Windfall Elimination Provision has triggered no organized opposition, allowing us to conclude that the overwhelming majority of Members of Congress agree with the position of the Fraternal Order of Police, which is that the current law is unfair to public employees. Yet despite this agreement, the estimated costs for a full repeal of the WEP are considerable, which leads me to believe that this is the primary reason that such proposals garner a great deal of support, but little attention. The bill introduced by Representative Brady, while it does not fully address the problem in the estimation of the F.O.P., does represent a commendable compromise between those who justly believe that public employees are being treated unfairly and those

who are concerned about the potential fiscal consequences of repealing the WEP in its entirety.

I now want to address an issue that the F.O.P. and many other public employee organizations thought was wholly discredited—mandatory participation in Social Security, which was considered and rejected by the President's Commission to Strengthen Social Security (CSSS) in its final report issued on 21 December 2001. And for good reason—according to the Social Security Administration (SSA), there are 5.25 million governmental employees not covered by Social Security, and the Public Pension Coordinating Council (PPCC) estimates that seventy-six percent (76%) of this total are public safety personnel, far more than any other category of public employee. State and local government employers carefully designed pension plans and retirement systems to fit the unique needs of law enforcement officers, public safety officials and other public employees. These pension plans, which exist in every State in the union, better serve State and local government employees and deliver a greater benefit than participation in Social Security. As just one example, State and local plans take into consideration the significantly earlier retirement age of law enforcement officers and other public safety officers as compared to other, more typical government employees. Social Security does not.

Additionally, the cost to States, localities, and the individual employees would be immense. The employee would be required to pay 6.2% of his or her salary into the Social Security trust fund. This amount would be in addition to the contribution already paid by the employee into the State or local retirement system. The employer would have to match the employees contribution—another 6.2% cost to the employing agency for each employee. And that, too, would be in addition to whatever matching contribution must be made by the employer into the existing State or local retirement system, which would severely compromise the financial solvency of the existing pension and retirement plans into which public employees outside the Social Security system currently contribute.

The result of this is obvious: less take home pay for the employee and cut backs in services, equipment and other expenditures on the part of State and local governments. Police departments and other law enforcement agencies stretch every dollar to the limit now—these huge new costs will devastate their budgets and certainly impact on their ability to function as first responders at a time when we need to be improving our homeland security.

Clearly, the damage that would be done to State and local governments and the families of the employees cannot be overstated if the Federal government forces them to pay a new tax of 12.4%. Collected data shows that the first year cost to employers—local and State governments—to cover only newly hired employees only would be over \$771 million. The most recent estimated cost to public employers and employees for the first five years of mandatory participation in Social Security is enormous—\$44 billion. And what benefit does this enormous cost have on the overall health of the Social Security trust fund? According to the SSA, requiring newly hired employees to be covered by Social Security will extend the solvency of the Social Security Trust Fund for two years. Just two years—and this projection does not take into account the effect of increasing Social Security's unfunded obligations by adding this huge new influx of participants.

The Fraternal Order of Police understands that reforms in the Social Security system are necessary and that certain steps need to be taken if we are to avoid the expected shortfall in 2042. Sometimes proposals sound good on the surface, but after careful examination are revealed to be unsound policies with damaging consequences. We believe that mandating the inclusion of all public sector employees into the Social Security system falls into this category. It is wrong to change the rules almost seventy years later because the Federal government is looking for an easy way to fund Social Security without making hard choices. It is also wrong to impose a \$44 billion cost on State and local governments and their employees just to extend the solvency of Social Security for two years.

Ultimately, this is about fairness to them men and women that have sworn to serve and protect our communities. The State and local governments which employ these officers chose not to participate in Social Security, but they did not create this problem, nor did their 5.25 million employees who do not pay into the system. But if participation in Social Security is mandated by the Federal government, all of them would be paying a hefty price for contributing into their own retirement plans. Destroying the retirement programs of these hard-working Americans and raiding the budgets of State and local governments should not be part of the Federal government's solution, and I urge Congress to reject any proposal requiring public employees to participate in Social Security.

Similarly, the foundation of the F.O.P.'s position on the repeal of the WEP and GPO is also about fairness. It is not unreasonable to ask that the men and women

who spent their careers putting their lives on the line for their fellow citizens be treated fairly after they retire. But because of the WEP and the GPO, they are treated differently and are subject to arbitrary formulas which reduce benefits for which they have been taxed and to which they are entitled. Both of these provisions should be repealed, and I urge the Subcommittee to consider and favorably report H.R. 147.

Mr. Chairman, I want to thank you and the other Members of this distinguished Subcommittee for the chance to appear before you today. I would be happy to answer any questions you have.

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Chairman MCCRERY. Thank you, Mr. Canterbury. Is it Iglehart?

Mr. IGLEHART. It is Iglehart.

Chairman MCCRERY. Mr. Iglehart, please proceed.

**STATEMENT OF RANDALL IGLEHART, PRESIDENT, ASSOCIATION OF TEXAS PROFESSIONAL EDUCATORS, AUSTIN, TEXAS**

Mr. IGLEHART. Thank you. Good afternoon, I am Randall Iglehart. I am the past State president of the Association of Texas Professional Educators (ATPE). The ATPE represents over 105,000 public school employees. We are the largest professional education association in Texas. We are also the largest independent nonunion education association in the United States. I am honored to be here today to address the Subcommittee on Social Security and the concerns of Texas educators. Specifically, I will discuss our concerns on the possibility of mandating all public school employees into Social Security and the negative impact of the GPO and the WEP on the recruitment and retention potential for Texas public schools. You should have our written testimony in front of you so, let me start by giving you our recommendations on these issues and our concerns on each.

The ATPE recommends that Texas public school employees not be mandated into Social Security coverage because of the damage doing so would cause to the teacher retirement system. Attached to this testimony is a letter from the former Texas Retirement System (TRS) Executive Director outlining how the additional payroll taxes needed to support mandated Social Security coverage would reduce the State's ability to contribute to TRS. Although the letter is several years old, the conclusions are still relevant. Furthermore, it was written when the system was in its best financial shape of his history. This is not the case today. In fact, our State legislature chose to cut pension benefits this past session to help stave off actuarial uncertainties in the future so, our concerns about diverting future funding to Social Security are even more relevant. Even with the cuts, monthly benefits paid by our State system are, on the whole, substantially greater than those distributed by Social Security. This as well as the other benefits that teacher retirement system offers retirees like health insurance and life insurance are a major reason Texas teachers stay in the classroom for a full career. The ATPE believes mandating Social Security would only serve to compromise TRS. It would reduce benefits for retired educators and drive even more experienced educators out of the profession.

Next, I would like to talk about the WEP. ATPE recommends passage of H.R. 1714, the “Public Servant Retirement Protection Act,” to address the inequities of the WEP, and reduce its negative offsets on Texas public schools. The WEP was meant to account for a windfall in the formula used to figure Social Security benefits; however, the WEP uses an arbitrary formula that is based partially on the number of years paid into Social Security rather than the amount received from a government pension. The Public Servant Retirement Protection Act would repeal the WEP’s arbitrary formula and replace it with a formula that accurately figures the windfall amount a government employee would have received allowing for a proper adjustment in benefits. This would mean greater benefits for most public educators qualified for Social Security benefits and would remove some of the disincentive for talented candidates to enter the profession. The ATPE thanks Representative Brady and the cosponsors of H.R. 1714 for working with our organization toward ending the inequities of the WEP.

Although the Public Servant Retirement Protection Act takes important steps toward addressing our concerns on the WEP, it does not address the GPO. The GPO eliminates spousal or widow benefits for most retired Texas public educators and has caused an enormous strain on the morale of public educators in Texas. The TRS reports that GPO-related issues resulted in a doubling of the teacher retirement rate in 2004. The ATPE is hopeful, both the Public Servant Retirement Protection Act and legislation to lessen the effects of GPO on public educators will pass the 109th Congress and become law. It is our hope that this will bolster teacher morale and encourage qualified public educators to remain in the classroom.

The ATPE understands the tremendous pressure you face and the awesome complicated task before you. We ask that any comprehensive Social Security legislation passed by Congress address the problems of the WEP and the GPO. We want to make sure that Congress does not cause our public school employees undue problems and we want to make sure that they do not jeopardize their State pension fund through mandated Social Security coverage. The ATPE thanks the Members of the Subcommittee for this opportunity to participate in this hearing and for your willingness to receive our input on this critical issue that affects so many public educators.

[The prepared statement of Mr. Iglehart follows:]

**Statement of Randall Iglehart, President, Association of Texas Professional Educators, Austin, Texas**

The Association of Texas Professional Educators (ATPE) is the largest professional educators’ association in Texas. With more than 100,000 members, we are also the largest non-union educators’ association in the nation. ATPE is committed to advocating for better benefits for all educators; promoting a collaborative work environment; the right of educators’ to choose membership in the association they feel best represents their interests; and providing the best education possible for Texas children. We thank you for the opportunity to provide input to the Subcommittee on reforming the Social Security system.

**RECOMMENDATIONS**

- ATPE recommends that Texas public school employees not be mandated into Social Security coverage because of the damage doing so could cause to the Teacher Retirement System (TRS). (See attached correspondence from former

TRS Executive Director Charles Dunlap.) Furthermore, mandating Social Security coverage would not solve the problems caused for some Texas educators by the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

- ATPE recommends passage of HR 1714, the Public Servant Retirement Protection Act (PSRPA), which would reduce the negative effects of the WEP on Texas public school employees.
- ATPE recommends passage of HR 147, the Social Security Fairness Act, which would repeal both the WEP and the GPO.
- ATPE recommends that any comprehensive Social Security legislation passed by Congress address the WEP and the GPO without damaging the TRS pension fund through mandated Social Security coverage for public school employees.

#### **ATPE opposes mandatory Social Security coverage for all public school employees**

ATPE opposes mandatory Social Security coverage because it would require significant financial contributions from both employees and employers. The additional payroll taxes needed to support mandated Social Security coverage would inevitably reduce the state's ability to contribute to TRS. ATPE believes the additional fiscal demands would ultimately be reconciled through larger TRS contributions from active and retired educators. This would produce additional strain on those who are already overworked in an under-appreciated profession and could have a devastating effect on the actuarial soundness of the TRS fund. Attached to this testimony is a letter from former TRS Executive Director Charles Dunlap outlining the effect mandatory Social Security coverage would have on the TRS. The letter was written in 1998 but ATPE believes the conclusions are still relevant today.

TRS is a far superior system to Social Security. Its monthly benefits are, on the whole, substantially greater than those distributed by Social Security. Plus, TRS offers retirees health insurance, return-to-work benefits and life insurance. ATPE believes mandating Social Security would only serve to compromise TRS and reduce benefits for retired educators.

Some believe that mandatory Social Security coverage would solve the problems some educators experience due to the GPO. The GPO is an offset provision in Social Security law that reduces spousal Social Security benefits for public employees (such as public educators) who are eligible for government pensions (such as those provided by the Teacher Retirement System [TRS]).

In reality, mandating that educators pay into Social Security would not lessen the effects of the GPO. And, in the long run, mandatory coverage would compromise TRS—a system that provides far better retirement benefits than does Social Security. Educators currently can gain GPO exemption by working their last five years before retirement in positions covered by both Social Security and TRS. Because very few Texas school districts participate in Social Security, most educators must transfer to other districts to become exempt from the GPO. Some believe mandatory Social Security coverage would allow educators to gain GPO exemption without having to relocate.

However, in the history of Social Security, changes to the system have applied only to employees hired after the enactment date. Most likely, a switch to mandated coverage would follow the same rule, so mandated coverage would apply only to educators hired after the date of passage. **Current employees would not be covered by Social Security and would still have to relocate to new positions for the last five years before retirement in order to gain GPO exemption.**

Even if mandated coverage applied immediately to all employees, it would not alleviate the effects of the GPO. The GPO exists to mirror the effects of “dual entitlement rules” that apply to employees who pay into Social Security. These rules state that a person may not collect both a spousal Social Security benefit and his own benefit. **If Social Security coverage were mandated and public school employees paid into Social Security, they would simply be subject to dual entitlement rules instead of the GPO.** Both exist to limit the collection of spousal benefits by individuals eligible for their own retirement benefits, a practice known as double dipping. The other offset provision that concerns educators is the Windfall Elimination Provision (WEP), which reduces Social Security payouts to government employees who are eligible for both Social Security and government pensions such as those provided by TRS. The WEP applies to those employees who have worked for less than 30 years in positions that pay into Social Security.

It's true that mandated coverage would cause educators to pay into Social Security longer and therefore could potentially lessen the WEP's effects on some people's benefits. However, this benefit would be insignificant compared to the great damage mandatory coverage would do to TRS.



### **ATPE supports the PSRPA**

The Windfall Elimination Provision (WEP) reduces the Social Security benefits of persons who have worked in jobs that pay into the Social Security system and in jobs that do not. The WEP was meant to account for a windfall in the formula used to figure Social Security benefits that is designed to provide low-income workers with a larger percentage of their pre-retirement earnings than that provided to high-income workers. The WEP modifies the formula to prevent providing employees (such as Texas educators) who haven't paid into Social Security with higher percentages of their pre-retirement earnings than that given to employees who have paid into Social Security for their entire careers. However, the WEP imposes an arbitrary formula on these individuals that is based partially on the number of years they paid into Social Security rather than the amount they will receive from their government pensions. That means that a person who worked in a Social Security-covered job for 20 years but who is also eligible for a government pension benefit of \$500 per month will have his Social Security benefit reduced by the same amount as a person who paid into Social Security for 20 years but receives a government pension benefit of \$1,200 per month. ATPE believes the WEP in its current form acts as a deterrent to talented, private-sector employees who are vested in Social Security and are interested in teaching as a second career, as well as to professional educators who are thinking about moving to Texas to teach from states that pay into Social Security. Texas is facing a teacher shortage approaching 50,000; the state recently cut benefits for active and retired educators due to state budget cuts and retirements are at an all-time high. ATPE believes we must take steps to recruit and retain the brightest individuals in the teaching profession in order to ensure that every Texas student receives an exemplary education. ATPE believes the PSRPA to be such a step. The PSRPA would repeal the WEP's arbitrary formula and replace it with a formula that uses the complete earnings history of a worker in both Social Security covered employment and non-covered employment when determining average monthly earnings over a worker's lifetime. This would eliminate the windfall in the current formula used for figuring Social Security benefits and would mean greater benefits for most public educators qualified for Social Security benefits.

The new formula under the PSRPA is a fair compromise between the arbitrary WEP and total repeal and will help the state of Texas recruit and retain qualified public educators from other professions and from other states. ATPE thanks Rep. Brady and the cosponsors of HR 1714 for working with our organization toward ending the inequities of the WEP.

### **ATPE supports repealing the GPO for Texas educators**

Because the PSRPA does not address the GPO, we urge your support for an amendment to the bill that will address the harsh effects of the GPO on public educators. By reducing the spousal or widow Social Security benefits of persons eligible for government pensions by two-thirds of the amount of the pension, the GPO eliminates spousal or widow benefits for most retired Texas public educators. The GPO has caused an enormous strain on the morale of public educators in Texas; TRS reports that it resulted in a doubling of the teacher retirement rate in 2004. Many experienced educators recently retired to meet the July 1, 2004, deadline in HR 743 from the 108th Congress. By retiring by that date and working their last days in districts that pay into both TRS and Social Security, they avoided the GPO. Many other educators are leaving the profession early and cashing in their TRS accounts to avoid the GPO.

ATPE urges this Subcommittee to amend HR 1714 to lessen the effects of the GPO on public educators. ATPE's suggestions include total repeal of the GPO, an exemption for public educators or a partial repeal that would exempt widows and those with combined pension and spousal benefits that fall below a certain level.

HR 147, the Social Security Fairness Act, is legislation that would repeal both the WEP and the GPO. That bill now has 260 bipartisan cosponsors, including several of the cosponsors of HR 1714, but the bill has yet to be marked up by this Committee and debated on the House floor. ATPE is hopeful that both the PSRPA and legislation to address the GPO will pass the 109th Congress and become law. This will bolster teacher morale and encourage qualified public educators to remain in the classroom.

ATPE thanks the members of this Subcommittee for the opportunity to participate in this hearing and for your willingness to receive our input on this critical issue that affects so many public educators. Educators are the most important resource in providing children with the knowledge they will need to succeed in life, and your efforts to protect their retirement benefits will have a lasting impact on the quality of the education received by students in the public school system.

Chairman MCCRERY. Thank you, Mr. Iglehart. Ms. Wolfe.

**STATEMENT OF PATRICIA WOLFE, PRESIDENT, FEDERALLY  
EMPLOYED WOMEN**

Ms. WOLFE. Thank you, Mr. Chairman, I am Patricia Wolfe, the national president of federally Employed Women (FEW), and I am testifying here today in that role, and not in my capacity as an employee of the U.S. Department of Homeland Security. The FEW appreciates the opportunity to appear before this Subcommittee and testify about the GPO and the WEP and their adverse and unfair impact on FEW.

On behalf of the one million women employed in the Federal government and military, we thank Chairman McCrery and other distinguished legislators serving on this Subcommittee for conducting this important meeting. We continue to call on Congress to repeal these provisions and allow Federal workers to receive their rightful and well-deserved Social Security benefits. As the Subcommittee Members are already aware and as we have heard today, the WEP greatly reduces the Social Security benefits of a retired Federal worker who has paid into Social Security and is eligible for a Federal government pension under the Civil Service Retirement System. The national active and retired Federal employees association (NARFE), has estimated that approximately 635,000 beneficiaries are receiving fewer benefits than they deserve due to the WEP, and this provision negatively impacts women much more than men.

Of equal importance to members of FEW is the GPO. The victims of GPO are largely elderly women who have retired from the civil service retirement system or are about ready to retire, and are widows of private sector employees. The GPO penalizes about 335,000 beneficiaries and this number rises by about 15,000 per year. Of those affected by the GPO, 73 percent are women. According to the CBO, the GPO reduces benefits for more than 200,000 of these individuals by more than \$3,600 a year.

FEW supports the repeal of both these unfair provisions as outlined in H.R. 147 introduced by Representative McKeon. Another bill, H.R. 1714, sponsored by Subcommittee Member Brady, and we thank you, would also repeal the WEP and replace it with a more fair formula. The FEW supports both of these bills. Both the GPO and the WEP affect women much more harshly than men, and I ask you to consider the following: women are likely to spend time out of the workforce, about 12 years, to tend to family care giving responsibilities and that is time she is not earning a pension or contributing to Social Security. Four in 10 elderly widows rely on Social Security for 90 percent of their income. The majority of women Social Security benefits are based on their husband's earnings while less than 5 percent of male Social Security beneficiaries depend on their wife's earnings. Women, on a whole, live longer than men and are more likely to run out of personal savings.

Many members from across the country tell me they can never afford to retire because of the impact of these provisions. One 71-year-old woman from North Dakota says she is still driving on icy roads to go to her job on Minot Air Force Base. As a young wife,

this woman worked to help her husband pay for medical school. Her spouse paid the maximum into the Social Security system but died unexpectedly at a young age. However this women's spousal benefit is now being cut by two-thirds because she has worked for the Federal government. Despite the fact that it was because she worked to fund her husband's education that then allowed him to make subsequent contributions to Social Security, she will not be receiving these full spousal benefits. This is simply not right. Another member from Washington State told me that she has worked for the Federal government for 25 years but had to also work a part-time job as a single mom. Now she is 65 years old and is eligible for approximately \$500 in Social Security, but she will only be receiving \$200. This Federal employee will have to continue working as long as health will allow and then will likely have to live with her children.

FEW finds it particularly egregious that spousal and retirement benefits are reduced for Americans simply because they work for the Federal government. Quite frankly, public servants who have dedicated their entire careers to serving the American people through their work should not be punished in their retirement benefits. After their long career with the government, they should be enjoying their retirement years, their families, and their free time as economically healthy retirees. Again, Mr. Chairman, we thank you for holding this hearing. We thank you for your support of Federal employees in the past. We look forward to working with you and Members of your Committee to repeal these unfair provisions.

[The prepared statement of Ms. Wolfe follows:]

**Statement of Patricia Wolfe, President, Federally Employed Women**

**INTRODUCTION**

Federally Employed Women (FEW) appreciates the opportunity to appear before this Subcommittee and testify about the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on federally employed women. On behalf of the one million women employed in the federal government and military, we thank Chairman Jim McCrery and the other legislators serving on this Subcommittee for conducting this important hearing. We continue to call on Congress to repeal these provisions and allow federal workers to receive their rightful and well-deserved social security benefits.

**BACKGROUND**

As a private organization, FEW works as a constructive pressure group to improve the status of women employed by the Federal government. This includes contact with Congress to encourage progressive legislation. FEW national officers also meet with agency officials at all levels to demonstrate support of the Federal Women's Program (FWP), encourage officials to support the program and to obtain insight on the effectiveness of the FWP at agency and local levels.

For 37 years, FEW has been working to end sexual discrimination and enhance opportunities for the advancement of women in government. Every day, nationwide, FEW members work together to bring about an awareness of the issues facing women throughout the federal government and achieve positive reforms and equality for women in the federal workplace.

In addition, FEW members support all efforts within the government to improve operations and efficiencies in the federal workforce.

**WINDFALL ELIMINATION PROVISION (WEP)**

As the Subcommittee members are already aware, the Windfall Elimination Provision (WEP) greatly reduces the Social Security benefits of a retired federal worker who has paid into Social Security and is eligible for a Federal Government pension

under the Civil Service Retirement System (CSRS). Further, the WEP negatively impacts women much more than men.

Private sector retirees receive monthly Social Security checks equal to 90% of their first \$627 in average monthly career earnings, 32% of monthly earnings between \$627 and \$3,779, and 15% of earnings above \$3,779. However, federal retirees are only allowed to receive 40% of the first \$627 in career monthly earnings, a penalty of \$313.50 per month simply for working for the federal government.

The National Active and Retired Federal Employees Association (NARFE) has estimated that approximately 635,000 beneficiaries are receiving fewer benefits than they deserve due to the WEP. This number continues to grow by 60,000 annually.

#### **GOVERNMENT PENSION OFFSET (GPO)**

Of equal importance to FEW members is the Government Pension Offset (GPO). This provision was enacted in 1977 to prevent government retirees from collecting both a government annuity based on their own work and Social Security benefits based on their spouse's contributions. This law decreases by two-thirds whatever social security spousal benefits for which a retired government worker might be eligible.

The GPO, in effect, prohibits federal retirees from collecting both a full Civil Service Retirement System (CSRS) annuity based upon his or her own government employment and full Social Security benefits based upon a spouse's employment. The victims of GPO are largely elderly women who are both CSRS annuitants and widows of private sector employees. Many of these women worked in lower grade/salaried positions and the loss of the Social Security benefit causes a major financial hardship. Had these women spent their careers anywhere but the federal government, they would be entitled to full, unreduced Social Security spousal or survivor benefits. But because they earned their pensions through federal service under CSRS, their Social Security benefit is "offset" by their own earned retirement benefits.

The GPO penalizes about 335,000 beneficiaries, and this number rises by about 15,000 per year. Of those affected by the GPO, 73% are women. According to the Congressional Budget Office, the GPO reduces benefits for more than 200,000 of these individuals by more than \$3,600 a year.

#### **OUR VIEWS**

FEW supports the repeal of both of these unfair provisions. Both the GPO and WEP lower the retirement income of federal employees by altering the Social Security benefit formula for certain groups. What is particularly egregious is that spousal and retirement benefits are reduced for Americans simply because they worked for the federal government, and could have a serious negative impact on morale at federal agencies. The end result is to penalize workers who trusted in good faith that they would be treated fairly, not penalized, for public service. This message regarding trust is a disincentive for new government workers.

During these times of an aging workforce, we need to do what is right for our public servants. Americans who choose to serve their country by working for the federal government should not then be penalized during their retirement years. These provisions need to be repealed as soon as possible.

Additionally both the GPO and WEP affect women much more harshly than men. Consider the following:

- Women are more likely to spend time out of the workforce (about 12 years) to tend to family care giving responsibilities. That is time she is not earning a pension, vesting in a pension, or contributing to Social Security. This absence from the paid workforce translates into inadequate retirement income and an increased financial dependency on their spouses.
- Eighty percent of male beneficiaries get Social Security benefits solely as retired workers. Only 33% of women receive benefits solely as retired workers, but 55% of women receive benefits, at least in part, as a spouse or former spouse of a retired, disabled or deceased worker.
- Four in ten elderly widows rely on Social Security for 90% of their income.
- Women make up 60% of all Social Security beneficiaries, and 70% of beneficiaries 85 and older. The system is the only source of income for one-fourth of elderly women living alone.
- Even though Social Security is gender neutral, often times a woman's benefit ends up being less than 50% of her spouse's because women's salaries are still often lower than men, and certainly were lower when many women entered the workforce. The majority of women's Social Security benefits are based on their

husband's earnings, while less than 5% of male Social Security beneficiaries depend on their wife's earnings.

- Women, on the whole, live longer than men and are more likely to run out of personal savings before men.
- Over the course of a career, the wage disparity (76 cents to every dollar earned by a man) between men and women really adds up. For example, women between the ages of 25 and 34 earning \$30,000 a year will lose over \$815,000 over the course of their careers because of this wage disparity. Lower earnings throughout their careers mean women rely more heavily on Social Security in their retirement, and their retirement incomes are lower. According to the National Association for Female Executives, women over 65 earned 43% less income than men in 1999. Median Social Security benefits are \$7,750 for women over 65 years of age, and \$11,040 for men of the same age. Median pension benefits are \$5,600 for women over 65 years of age, and \$10,340 for men.

#### **FEW MEMBERS**

Many FEW members have told me that they can never afford to retire because of the impact of these provisions on their benefits. One 71-year old woman from North Dakota is still waking up before 5:00 am, driving on icy roads in snow storms to go to her job at Minot Air Force Base. As a young wife, this woman worked to help her husband go through and pay for medical school. Her spouse paid the maximum into the Social Security system, but died unexpectedly at a young age. However, this woman's spousal benefit is now being cut by two-thirds because she worked, and has to continue to work, for the federal government.

Despite the fact that it was *because* she worked to fund her husband's education that then allowed him to make subsequent contributions to the Social Security system, she is not receiving these full spousal benefits, and cannot afford to retire. This is simply not right.

Another member from Washington state told me that she had worked for the federal government for 25 years, but also had to work a part-time job to make ends meet during which time she was a single Mom. Now that she is 65 years old, she has learned that, while she is eligible for about \$500 in Social Security monthly benefits, she will only be receiving \$200. Unfortunately her retirement from the government (about \$1,300 monthly) is simply not enough to live on. Her condo rent payments alone are approximately \$2,000 a month. This federal employee cannot afford to retire, and will have to continue working as long as health will allow, and then will likely have to live with her children.

On a more personal note, I too will be impacted by the GPO when I retire. Although I have 37 years of Federal service and I am now eligible for retirement, I am planning to work several more years in order to ensure that my annuity will cover my expenses. This is because my Social Security spousal benefit will be reduced so much.

#### **IN CONCLUSION**

Quite frankly, public servants who have dedicated their entire careers to serving the American people through federal government work should not be punished in their retirement benefits simply for working for the federal government. After a long career with the government, they should be enjoying their retirement years, their families and their free time as economically healthy retirees.

Again, we very much appreciate the Subcommittee and Chairman's interest in this issue and all the support you have given federal workers in the past. I, and the thousands of other FEW members, am proud of the work we do for the federal government, and simply want to receive those retirement benefits to which we are entitled.

We look forward to working with the Subcommittee members and their staffs to repeal these unfair provisions.

Sincerely,

Patricia M. Wolfe

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Chairman MCCRERY. Thank you, Ms. Wolfe. Mr. Loveless.

**STATEMENT OF CHARLES M. LOVELESS, DIRECTOR OF LEGISLATION, AMERICAN FEDERATION OF STATE, COUNTY AND MUNICIPAL EMPLOYEES**

Mr. LOVELESS. Mr. Chairman, Ranking Member Mr. Levin, distinguished Members of the Subcommittee, my name is Charles Loveless, I am Director of Legislation for the American Federation of State County and Municipal Employees (AFSCME). The AFSCME has 1.4 million members who primarily work for State and local governments across the Nation. I am also testifying today on behalf of the Coalition to Assure Retirement Equity, which is a coalition that was formed about a decade and a half ago of 50 national and State and local organizations which was formed to support repeal or reform of the GPO and WEP. One thing, Mr. Chairman, that I have learned in my career in Washington is not to stand in the way of Members of Congress in their rush to get their planes back to their districts at the end of the Washington portion of the work week, so, I will be mercifully brief.

First, I would like to associate my union with the remarks that were made by previous witnesses on this panel in opposition to mandatory coverage and on the need for repeal or relief from the GPO and the WEP. If I could just go ahead and make the following additional comments. I want to make it very clear that my union is a strong supporter of Social Security and its current benefit structure. As with most workers, the great majority of AFSCME members, approximately 75 percent, participate in Social Security and depend on it to protect themselves and their families.

I want to emphasize that my union's opposition to mandatory coverage is not based on a belief that Social Security does not work. On the contrary, we think it does an extraordinary job of providing basic income security and shielding participants from poverty. We oppose mandatory coverage because of the adverse consequences for those workers and retirees and their State and local government employers, who, through no fault of their own, were precluded from participating in Social Security, and also out of our concern regarding the negative consequences for our pension plans.

My union recently commissioned a report by the actuarial consulting firm, The Segal Company, a summary which I have attached to our statement, which graphically shows the high costs associated with mandating coverage for newly hired State and local government workers. The 5-year cumulative costs for both public employers and employees having to pay the 6.2 percent payroll tax would be a staggering \$44 billion. While all States would be affected, interestingly, the States that are represented by Members of this Subcommittee, Ohio, California, Michigan, Louisiana, and Texas, bear, I think, an even higher burden as you can see from the chart that I have attached to my statement. Many of these same States are still suffer from the lingering effects of a major fiscal crisis that began earlier in this decade.

For the reasons that have already been stated by others on this panel, my union believes it is extremely important to take action to eliminate the serious inequities and the unintended consequence of the application of the GPO and WEP. I want to emphasize that there are tens of thousands of lower wage people, people who are receiving very small benefits in retirement, particularly women,

who have lost their spousal benefits as a result of the GPO, and also have been adversely affected by the WEP. As others have stated, we are supportive of legislative efforts to either repeal or to provide relief from these unfair statutory provisions. I will stop here and I remain open for any questions that you may have.

[The prepared statement of Mr. Loveless follows:]

**Statement of Charles M. Loveless, Director of Legislation, American Federation of State, County and Municipal Employees**

Good morning, Mr. Chairman and members of the Subcommittee. I am Charles M. Loveless, Legislative Director of the American Federation of State, County and Municipal Employees (AFSCME). I appreciate the opportunity to be here today. We are also testifying on behalf of the Coalition to Assure Retirement Equity (CARE), which is a coalition of 50 national, state and local organizations established in 1991 to reform or repeal the Social Security Government Pension Offset and the Windfall Elimination Provision (WEP). The combined membership of these organizations represents millions of federal, state and local government workers and retirees affected by these two provisions.

AFSCME is a labor union that represents 1.4 million employees who work for federal, state, and local governments, health care institutions and non-profit agencies, as well as over 200,000 retiree members. AFSCME and its members are strong supporters of the Social Security system. As with most workers, the great majority of AFSCME members depend on Social Security to protect themselves and their families. One of our principal goals in the current debate over Social Security is to ensure that future generations of workers will be able to rely on the crucial protections that Social Security offers to workers at their retirement and to their families in the event of a breadwinner's death, disability or retirement.

Social Security is not in crisis although there will come a time—about four decades into the future according to the Social Security Trustees and the Congressional Budget Office (CBO)—when Social Security, if left unchanged, will only be able to pay between 70 and 80 percent of the currently guaranteed level of benefits. Therefore, the challenge facing Congress is to strengthen the Social Security program so that it can continue to pay 100 percent of guaranteed benefits for the next 75 years in a manner that will not deepen the projected shortfall and saddle our children and grandchildren with mountains of additional debt. At the same time, we should not reduce currently guaranteed benefit levels; raise the retirement age beyond that currently mandated; or destabilize the pension plans of those state and local government workers not covered by the Social Security system. In our view, a plan can be developed that would meet all these goals without altering the basic structure of the Social Security program.

**Mandatory Coverage**

We hope that the Subcommittee would agree that any solution to the very manageable shortfall in the Social Security Trust Fund should in no way jeopardize the retirement security of any worker. This should include the 25 percent of state and local government employees, and even higher percentages of teachers, police, fire and public safety officers, who do not participate in Social Security and would be adversely affected if their employers were forced to join the program.

When Social Security was established, states, cities, counties and other public entities were excluded from participation, and today, approximately 6.6 million state and local government employees do not participate in the Social Security system. These workers are presently covered under public pension plans that were designed to replace Social Security's basic retirement and disability protections as well as provide a basic pension benefit. The vast majority of these plans are well funded and actuarially sound. Furthermore, the Omnibus Budget Reconciliation Act (OBRA) of 1990 has already ensured that any temporary, part-time or seasonal employee not covered by one of these public plans be included in Social Security. As a result, basic pension protections are in place for all American workers—private and public sectors. And there is no need to mandate Social Security coverage in an effort to protect workers' interests.

On the contrary, mandated Social Security coverage would have serious negative implications for public employees, their employers, and their pension plans, and this is true even if the coverage applies only to future hires. Among the adverse consequences are the huge expenses that would be involved for workers and employers whose combined current pension plan contributions total, in many cases, 21–23 percent of payroll; the possible establishment of new tiers of pension benefits, with

lower benefits for the newly hired; destabilizing pension plan finances for current participants; and raising taxes to fund additional payroll contributions. Raising taxes or cutting services would of course also negatively impact the general public in a major way. And while mandatory coverage creates much hardship, it still doesn't begin to address Social Security's long-term solvency issues. Mandated coverage adds only two years to the solvency of the trust fund, and in the long run, it could actually cost the system more, as new participants become eligible for Social Security benefits.

Any short-term financial gains for Social Security must be weighed against the effect it would have on the retirement security of others. AFSCME has studied this issue very carefully, and we recently commissioned a report by the actuarial consulting firm, the Segal Company, that outlines the costs and other problems associated with mandatory Social Security coverage for all public employees. According to a preliminary, updated analysis by the Segal Company, the five-year, employer-employee cost of mandatory Social Security coverage for newly hired employees is a staggering cumulative \$44 billion over five years. This reflects a substantial increase from the previous estimate of \$26 billion by Segal in large part due to the improved efforts of the Social Security Administration to report the number of uncovered employees. A copy of the firm's state-by-state breakdown of the costs is attached to my testimony.

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 sector workers.

#### **Government Pension Offset**

I also appreciate the opportunity to be here today to share our views and experiences with the Government Pension Offset (GPO), a federal law that's had a devastating effect on many Americans. The GPO applies to nearly everyone receiving a public pension from work not covered by Social Security. If the public pensioner is also eligible for a Social Security spousal or widow's benefit, this law requires that the benefit be offset by an amount equal to two-thirds of the public pension.

Approximately 335,000 retired federal, state and local government employees have already been affected by the GPO. For the great majority, the GPO totally eliminates the Social Security spousal/widow benefit. The remainder experience a dramatic benefit reduction. Thousands more will be affected in the future.

Currently, the average pension for many affected retirees is less than \$500 a month. These relatively modest pensions are especially common for lower-paying occupational positions, such as school district employees. Our members in these positions include school cafeteria workers, crossing guards, bus drivers and custodians. 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 divorce or child rearing. 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's a 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 a full spouse/widow benefit. They receive the larger of the two. This is known as the "dual entitlement" rule. For the purpose of the GPO provision, Congress made a determination in 1983 to equate two-thirds of a public pension (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 assumes that the remaining 1/3 portion of the public pension is equivalent to a private pension benefit. However, we believe the reasoning behind this assumption is faulty because it ignores the generally large contributions made to public pensions by workers and employers. In non-covered jurisdictions, the average total contribution can amount to 21% of pay or more, compared to a much lower total of only 12.4% under Social Security. Furthermore, private sector pensions have no such offset. Retirees can receive a full pension and a full spousal benefit under Social Security. In addition, a retiree's entire public pension is subject to federal income tax—including the part that's deemed equivalent to Social Security. However most Social Security benefits are tax-free. So, the public retiree is in effect hit twice—once with taxes and again with the GPO. It's simply not fair.

To show how the GPO can adversely affect average Americans, let's take a look at two of our Union's own members. One example is Shirley Milburn of Windsor, Ohio, who worked for 26 years as a teacher's aide and library technician. Her Ohio School Employees Retirement System pension check is \$405 per month. Her husband's monthly Social Security benefit is \$786.30. Normally, she could expect to receive a spousal benefit equal to half his benefit, or \$393.15. Instead, the GPO re-



duces it to only \$121.80, giving her a total retirement benefit—pension plus Social Security—of only \$526.80 a month.

Another example is Annette Williams from Los Angeles, California. She retired in 2003 at the age of 58 from her job as a clerical worker employed by the City of Los Angeles. She never knew about the GPO, and while she thought she would be able to collect a widow's benefit when she reached the age of eligibility, she found out that two-thirds of her \$1,300 pension would completely eliminate her widow's benefit of \$812 a month. She simply cannot understand why this is the case, since as a city employee she contributed the same amount into her pension as a private sector worker contributes to Social Security, and her employer's contribution was substantial—as high as 16 and half percent of payroll.

When the GPO was first enacted, it was meant to target retirees receiving multiple government pensions, some of whom had higher incomes in retirement than they had while working. I don't think Annette Williams and Shirley Milburn fit the image of these so-called "double and triple dippers." Clearly, Congress did not have them in mind when the GPO was passed.

It is for these reasons that AFSCME strongly supports efforts to repeal or to significantly modify the impact of this unfair law.

#### **Windfall Elimination Provision (WEP)**

The Windfall Elimination Provision (WEP) is another federal statutory provision that applies to individuals who receive a pension from a public-service job that is *not* covered by Social Security. If 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 2005 was \$313.50 a month. Approximately 635,000 retired federal, state and local government employees are currently affected by the WEP. That number grows by about 60,000 retirees each year.

Under the WEP, part of a retiree's public pension (from non-covered employment) is considered equivalent to a Social Security benefit. And, Social Security won't let retirees collect two full benefits. So, instead of Social Security's normal benefit formula, which is weighted in favor of lower-wage workers, WEP retirees' benefits are calculated using a modified benefit formula for higher-wage earners.

The WEP was created in 1983 by Congress to distinguish between two types of retirees—those who receive good pensions from *primary jobs* in non-covered employment, but whose low-wages or short work records from *secondary jobs* make them appear to have had low-wage careers; and others who actually spent their entire work lives in low-wage jobs. Congressional supporters of WEP believed that those with secondary jobs were getting an unfair advantage from a Social Security benefit formula designed to give low-wage workers a decent income upon retirement. However, the Social Security Administration does not determine what a public employee has earned in *total* wages but treats him/her as a high wage earner under WEP. This is especially unfair when you consider that these workers pay the same percentage in payroll contributions on their Social Security-covered earnings as all others, yet they are being penalized by this unfair statutory provision.

For the foregoing reasons, AFSCME strongly supports legislation to repeal or reform the WEP. Recognizing the unfairness of both the GPO and WEP, Representatives McKeon and Berman, along with 260 cosponsors, introduced H.R. 147 which would repeal these unfair statutory provisions.

#### **Conclusion**

In conclusion, we again want to emphasize AFSCME's strong support for strengthening Social Security—our nation's great system of income protection that touches the lives of most American workers, including 75% of AFSCME members.

AFSCME opposition to mandatory coverage is not based on a belief that Social Security doesn't work. We think it does a remarkable job of providing basic security and shielding participants from potential poverty. Rather, we oppose mandatory coverage because it will cause serious problems for a discrete group of workers and retirees who have been precluded through no fault of their own from being a part of that system. For the majority who do participate in Social Security, we advocate maintaining the system's current social insurance structure, while making the moderate changes necessary to ensure the system's long-term solvency.

At the same time, we think it is imperative that Congress take swift action to eliminate the serious inequities and unintended consequences of the application of the GPO and WEP laws. Their original purposes have been subverted under their current application, and the widespread bipartisan support that exists in Congress for making changes in these laws is due to the gross injustices that have been cre-

ated by their misapplication. Congress should act immediately to correct both these unfair laws.

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Chairman MCCRERY. Thank you, Mr. Loveless. Well, I appreciate all of you coming to the Capitol today and sharing with us your views. For whatever reason, a number of States chose to not opt into Social Security. Most States have. Most States participate in Social Security and the vast majority of public employees participate in Social Security. They pay taxes and they receive benefits. So, I guess the question that keeps coming back to me is why shouldn't everybody contribute to a system like Social Security that is supposed to be a universal system providing benefits, including disability benefits, spousal benefits, survivor's benefits? Undoubtedly, families of employees in Louisiana who are not covered by Social Security benefit from Social Security. Some of their family members, some of their relatives benefit from various elements of Social Security. So, is the big reason that you are opposed to participating just because of the adverse impact it would have on your existing retirement systems? Is that the crux of your opposition to this? You all seem to speak favorably about Social Security. Mr. Loveless went out of his way to say we like Social Security. We support Social Security. Yet, you do not want to participate in it, you do not want to contribute to it. So did Ms. Bierdeman.

Ms. BIERDEMAN. I will volunteer to respond to this. I am Terri Bierdeman with the Coalition to Preserve Retirement Security. I think the issue is if you were creating a brandnew system today from scratch and looking at all the options out there, whether it was Social Security, private plans, DB, DC, et cetera, you might well design some combination plan that involved pieces of many of these issues. I would think that most of us at this table, and in the room, do not have any problem with the Social Security program or any opposition to it. I think the issue is primarily some of these systems, many of these public systems, have existed for decades and were created in a way that to now layer on a new mandate of Social Security would have devastating financial impacts on those programs and not just for the future hires, but for current employees as well as retirees. I think, speaking personally from my own State, that would be our primary problem. If we were creating a brandnew system from scratch, it would be a different situation, but we have an 80-some year old system that is funded in a certain way and to now layer on a new mandate would have significant detrimental effect financially.

Chairman MCCRERY. Anyone have a different thing?

Mr. LOVELESS. If I could add to that, there is, first of all, the issue of the impact on our pension plans, but also, the impact on the States which are a vital part of our Federal system of government. We all know the States have been going through some very hard economic times. This Congress saw fit to provide \$20 billion in aid to the States just a couple of years ago because of the fiscal crisis facing the States. This would be an enormous additional financial burden on the States at a time had they are just not equipped to deal with it.

Chairman MCCRERY. At least those States that are in that situation.

Mr. LOVELESS. Yes.

Chairman MCCRERY. How many? Is it 17 States?

Mr. LOVELESS. Well, interestingly enough, Mr. Chairman, there are at least some public employees in every State that are not covered, particularly public safety officers, by Social Security. There are a certain number of States, 15 or 17, that are going to be most heavily impacted by this. Yes.

Ms. ORROCK. Mr. Chairman, a couple of points and to underscore Mr. Loveless's point, we have been, as State governments, going through the worst fiscal crisis in the memory of most of us still walking around and standing up.

Chairman MCCRERY. It is turning around, though.

Ms. ORROCK. Education is underfunded close to a billion dollars in Georgia because we had to cut in order to survive that fiscal crisis. So, a proposal that has implications for State budgets such as we have documented here and as the study shows in Georgia over a billion dollars alone, we are taking people off, we are looking at reducing access to Medicaid. We have already short listed the number of children covered by our health insurance plan. We are in a posture now with zero reserves in Georgia, and this is not atypical of States. We have been one of the States that has had a healthier economy, generally speaking. It hit us later and did not hit us as hard as some other places we have been in that sunbelt level. But we have—our reserves are depleted down to zero. We have gone through all of our reserves. We have put children off of our PeachCare for kids. We have—through no fault of their own. We are now looking at retooling Medicaid and some very serious and drastic ways shifting all of that population over into a different arrangement with HMOs. I could go on and on, as I said almost a billion dollars of underfunding in education. We are delaying reducing our classroom sizes in Georgia. So, when you talk dollars to State governments, the implications are just monumental.

I would add the weight of history brought us where we are today. For the proposition that for a 24-month fix, the States go down this road of \$44, \$45, \$50 billion, it is very difficult on the face of things to make an argument that that is a sound public policy approach to the issues we are trying to address here. That is just difficult, that is hard for that to survive scrutiny. 24 months, 45 billion to States that are down bumping along the bottom and hoping that we can begin to rebuild.

We hope to start putting some money in the reserve this year. That is—and I think the other thing that you have to look at is the tremendous destabilizing effect potentially all of these funds that are invested through the public pension plans on the market and on the economy. This isn't small potatoes here. The implications when you start tackling California's system, huge and tremendous. I would finally say, and I think we heard a compelling statement over here, there are funds that were set up and are working for first responders addressing a whole different type of needs of the workforce that are not typical all across our workforce. We are living with what we have and this tremendously expensive fix is a 24-month fix.

Chairman MCCRERY. Well, I certainly appreciate your viewpoint. Try to put yourself in our place. We are looking for pieces here and there and everywhere which, taken together, would add up to 75 years solution. In fact, maybe even a permanent solution to Social Security. Yes, in isolation, you say that does not fix much of the problem but you put 10 of those together and you have a pretty big chunk of the problem fixed. So, try to understand what we are up against too in trying to fix this problem.

Ms. ORROCK. The challenge is there is no question. I do think the serious study of the impact on these funds on the economy would be an essential component.

Chairman MCCRERY. That is why you are here today to tell us about that, and I appreciate the testimony you have given us. Let me move on. You mentioned a number of things like education are underfunded. What about pension systems in the States? How many State pension systems are underfunded today? Does anybody have an idea?

Mr. LOVELESS. There was a recent study done by the National Association of State Retirement Administrators, and we would be happy to provide it for the record, which indicates that the great majority of State and government pension plans are extremely well funded, somewhere in the neighborhood of having 88 to 90 percent of the funds at this point that are going to be necessary to meet their liabilities. They are professionally managed. We have made tremendous strides in this area. Years ago, my union really took the lead in advocating for Federal ERISA-type standards for State and local plans. That did not go anywhere. There has been a tremendous improvement on how these plans run and are operated.

Chairman MCCRERY. If we were to include all public employees in Social Security, would that, in and of itself, have an impact on the funding of those pension systems?

Mr. LOVELESS. Our concern is that it will destabilize these plans. Inevitably, you are not going to be able to pay the entire Social Security payroll tax, the employer and employee portions, and then maintain the current level of plan benefits. There will have to be major adjustments, and we are concerned about how this will play out in various States.

Chairman MCCRERY. Okay. Thank you very much. Mr. Canterbury, are you just itching to say something?

Mr. CANTERBURY. I will wait.

Chairman MCCRERY. Mr. Levin?

Mr. LEVIN. I will yield.

Mr. CANTERBURY. Mr. Chairman, I think the one thing that you are not taking into consideration, especially in my career field and other first responders is that, for instance, I have a very close friend on the St. Charles Parish sheriff's office. He works three full-time jobs and has, since he started on that police department. Substantial earnings will not equal what he makes with the sheriff's office in a 20-year career, but he will have paid a tremendous amount of money into Social Security. In this example, St. Charles does pay Social Security. I know in your State and many, especially southern, States, the base salary of a police officer—and I just finished a 26-year career. My wife was a schoolteacher before she passed away, and we both worked second jobs our entire careers

and both paid into Social Security on those side jobs the entire time. So, there is an assumption, and I think Mr. Brady's bill takes that more into consideration than Congress did when they passed the WEP and the GPO. We are not talking about freeloaders. We are talking about people who do pay into the Social Security system.

Chairman MCCRERY. I understand with respect to those provisions. I was mainly addressing issue of bringing everybody into the system, but those are good points. Mr. Levin.

Mr. LEVIN. You asked some very cogent question us and I think you got some very cogent answers. Maybe too cogent in some respects. Just one last question to the elected official at the table. You mentioned in your testimony about that in some cases the benefits, State benefits retirement benefits are coordinated with Social Security benefits? Is that true in any substantial number of cases?

Ms. ORROCK. In any substantial number of States?

Mr. LEVIN. Yes.

Ms. ORROCK. I believe that it is. My depth on that would benefit more from some professional staff data gathered and would be happy to get that for you. That is not the rarity. I think that is typical.

Mr. LEVIN. Okay. Thank you. Thanks to all of you. Thank you.

Chairman MCCRERY. Mr. Becerra.

Mr. BECERRA. Mr. Chairman, let me first begin by asking that we introduce a letter that was submitted by the American Federation of Teachers which represents about 1,300,000 educators in this country. A letter that they have drafted dated June 9, 2005 on this issue and rather than read it all, if I could introduce it. It does say that the AFT strongly supports repeal of the WEP and the GPO. It goes on to say, to this end if Social Security legislation is proposed that couples the favorable repeal of WEP and GPO with the addition of private accounts and massive benefit decreases to future Social Security beneficiaries, the AFT would strongly oppose its enactment. We believe that the solvency of the Social Security system should be addressed on its own merits and we offer assistance in drafting an equitable solution. I would like to introduce this statement and letter into the record.

Chairman MCCRERY. Without objection.

[The information follows:]

*June 8, 2005*

Hon. Jim McCreery  
Chairman  
House Committee on Ways and Means  
Subcommittee on Social Security  
B-316 Rayburn House Office Building  
Washington, D.C. 20515-6353

Dear Chairman McCreery:

The 1.3 million members of the American Federation of Teachers, like many Americans, are concerned about the long-term financing problems facing the Social Security system.

However, we strongly oppose the establishment of private accounts and do not believe that using Social Security taxes will solve this problem. In fact, it would lead to huge cuts in benefits for workers and do nothing to help reach solvency. Privatizing the system would add at least \$4 trillion over the next 20 years to the already runaway Federal deficit, and our children and grandchildren would be saddled with the bill. Further, exclusive reliance on massive benefit cuts to future gen-

erations would undermine a tremendously successful program that for decades has helped hundreds of millions of Americans live with dignity and security. Such cuts would also harm older and disabled Americans as well as surviving spouses and children of workers who have died. Overall, one in six families receives Social Security benefits.

The AFT strongly supports repeal of the Windfall Elimination Provisions (WEP) and the government Pension Offset (GPO) because both adversely affect many of our members who are in retirement systems not covered by Social Security. But we believe such repeal should be developed in separate legislation and not be coupled with proposed Social Security legislation.

To this end, if Social Security legislation is proposed that couples the favorable repeal of WEP-GPO with the addition of private accounts and massive benefit decreases to future Social Security beneficiaries, the AFT would strongly oppose its enactment. We believe that the future solvency of the Social Security system should be addressed on its own merits, and we offer assistance in crafting an equitable solution.

Thank you for your consideration of our views on this important issue.

Sincerely,

Kristor Cowan  
*Director, Legislation Department*

KWC:gd

cc: Members of the Social Security Subcommittee

Mr. BECERRA. Let me first thank you all for your testimony, and thank you for the consistency in your testimony. I think you all are trying to point out to us what Washington might neglect, and that is what happens at the local level and the State level by our actions. Thank you very much for the testimony. This is something we will have to reckon with. The more and more we talk about Social Security, the more we see that everything is on the table, as I believe you may have heard the previous witnesses say. The President has said that everything is on the table, and rightfully so. Let me ask you this, so, as the President goes around talking about his proposal to privatize Social Security, he has talked about the need to reduce benefits. Part of his plan calls for a re-indexing as a way to calculate benefits which would, for some folks, middle income retirees lead to about a 30—to 40-percent cut in benefits.

If we have to find moneys to try to offset the money that is taken out by privatizing Social Security, and some people say we collect money if we actually mandate that all State and local government employees are included in Social Security, tell me if you think there is going to be a great deal of incentive on the part of those who want to privatize Social Security to include all State and local employees in their Social Security system to have revenues to offset the moneys that will be lost through the privatization proposal that the President has.

Mr. LOVELESS. If I could, we are very concerned about a possible tradeoff on that issue. We understand that there are people from the left side of the spectrum and on the right side of the spectrum who believe as a matter of equity that State and local workers should be brought into the system. The reality is this is going to have a negative impact on hundreds of thousands of lower and middle-income people who rely upon their pension systems for their retirement, so we would certainly oppose such a tradeoff under any scenario.

Mr. BECERRA. Do any of you favor any proposals to reform, strengthen Social Security that would take any money out of the

existing Social Security system? I know this goes beyond GPO and WEP, but I ask again, because there are some who say that if you incorporate all State and local employees into Social Security, that actually brings moneys into the Social Security system, which, again, you might need if you are taking money out through another door for other programs like privatization. So, does anyone here, would anyone here support removing some of the existing income that the Social Security system receives through workers's pay their Federal Insurance Contribution Act (FICA) tax contribution, does anyone support that?

Mr. LOVELESS. If you are asking would we support diverting part of the FICA payroll tax into private accounts, absolutely not.

Mr. BECERRA. Do any of you support diverting any of the FICA tax for any purpose whether privatization or otherwise? I will take your silence as indicating you are not—

Mr. CANTERBURY. I would think that most of us would have to say that is not an issue that we have addressed yet. I don't think there is enough information on the table for me as president of my organization to say. We are open to looking at any change that will make the system better. We obviously are going to do so with the same jaded look that anybody does when you talk about Social Security. We haven't taken a position.

Mr. BECERRA. If any of this reform calls for carving out some of the money that currently goes into the system and therefore makes the shortfall that comes in about 40 to 50 years bigger and therefore there is a need to find money to plug the hole, and if including State and local employees is seen as a way to try to bring in moneys to help make up for that, would that concern you?

Mr. CANTERBURY. Yes, it would.

Mr. BECERRA. Time has expired. I appreciate you all being here and testifying, thank you very much.

Chairman MCCRERY. Ms. Tubbs Jones.

Ms. TUBBS JONES. Thank you, Mr. Chairman. Good afternoon ladies and gentlemen. Thank you very much for coming. Buck eye, it is always good to see a buck eye. I think I could go down the row and have some relationship with all of you, having been an elected official in Ohio and a former District Attorney (DA) in Ohio, a lot of FOP friends and on and on and on down the list. I don't know what my other colleagues have said, I have been running in and out. Seems like today is the day that everybody wants to visit Capitol Hill, so, I have had a lot of visitors. I am personally on record in opposition to taking public employee systems and putting them into Social Security. I am worried about proposals for private accounts that divert money from Social Security into private funds. Although I am encouraging all the young people in my congressional district to invest their own dollars. That they should not solely rely upon any system for their retirement.

I am curious—and add another thing to the table, my father, my sister, my brother-in-law are employees of United Airlines and what is going on with those private retirement funds. Let me ask each one of you, Representative Orrock, in Georgia, what is happening with private pensions in Georgia to your knowledge? Another example in Ohio, lots of loss of steel jobs, companies gone belly up, bankrupt, and so forth. What is happening in your State?

Ms. ORROCK. Of course, we are concerned when we look at our economy that has Delta Airlines based there. The airlines industry, we are all aware of, they are out on thin ice and it is not a good time for the industry and traditionally all large carriers, and they have a significant liability contract with their retirees. So, we are quite concerned when we look at the situation with United to think what might be the next hammer to fall as Delta is struggling to stabilize and stay in the game. It is a huge employer. Its headquarters are there. Our airport is a huge driver of our economy. The pensions of Delta employees is something when you hear the United story, it is cause for great concern. No question about the impact it would have on our economy as a State and the region, the southeast.

Ms. TUBBS JONES. Mr. Iglehart, what about dollars for education as opposed to dollars that might be required to come from the State of Texas to shore up Social Security if your accounts were placed into Social Security? What is the education status in your State?

Mr. IGLEHART. Well, we are concerned about many of the school districts in our State. We have over a thousand school districts and many of them are having financial difficulties. When you start talking about mandating Social Security, then you are talking about taking away programs, you are talking about perhaps personnel being laid off, overcrowded classrooms, and jeopardizing the education of the students in Texas.

Ms. TUBBS JONES. Mr. Canterbury, recount for me, if you would, an example of, say, for example, someone you know in law enforcement who did 20 years or 25 or 30 years, what his or her retirement is like.

Mr. CANTERBURY. Well, obviously it varies from State to State.

Ms. JONES. Give me an example from your community.

Mr. CANTERBURY. In my community, 26 years law enforcement would bring an employee about 54 percent of salary. Most in my State would not have health insurance benefits, so that would be coming out of retirement. In my State, almost everybody participates in Social Security, but for those that do not, you would have to add the 6.2 percent.

Ms. TUBBS JONES. Ohio.

Mr. CANTERBURY. For instance, your State, the 6.2 percent is spend able income that underpaid police officers, you can't compare the entire State of Ohio to Columbus or Cleveland or Cincinnati with the 5,000 townships in the State of Ohio with less than 35 employees, are talking about salaries that are not commensurate with the big cities so the percent at retirement is about the same, but the amount of wage that they retired on, the salaries they retired against, it is just—and again, as I said before, they are all second and third employers. In the public sector, none of us just work one job.

Ms. TUBBS JONES. Have FEW—I guess I am out of time, Mr. Chairman, can I have a little squeeze? Thank you—thought about or made any proposals to any Members of Congress with regard to the GPO as it affects women who have worked and their husband retired, have you made any proposals that would, for lack of a better term, sensitize Social Security to women's issues?



Ms. WOLFE. This has been a top legislative priority for federally Employed Women for about 10 years. So, first off, we are just delighted that it has come this far. I don't know that we have specifically made a proposal to Congress, although we have certainly written letters. Our Washington representative has visited many offices. Our Washington representative also worked with a working group last year, from Senator Mikulski's office. She has worked with a number of people on the House side as well. So, yes, to the degree that we could. I would just say, most of the conversation today has been about the mandatory coverage. The FEW has not taken a position on this, because as Federal employees know, and as you are probably aware, it is a mixed system under the new FERS system. New employees are paying into Social Security and our remarks are more focused on those older employees such as myself, who were in the older civil service retirement system.

Ms. TUBBS JONES. I understood that and I was taking another step. When you are at the end of the line, everybody asked the question, so, you have to come with something else. Mr. Chairman, thank you very much. Good to see you.

Chairman MCCRERY. Thank you, Ms. Tubbs Jones. I would like to just ask a couple more questions, this time getting onto the GPO and WEP issue. Do you disagree with me that if we were to repeal the GPO we should also repeal the provisions for dual entitlement for spouses, because surely you wouldn't treat two people, one of whom did not ever contribute to Social Security, better than you treat two people both of whom contribute to Social Security, would you?

Ms. WOLFE. I will take a stab at that, in view of all the silence. Patricia Wolfe, FEW. Certainly, our focus has been entirely on the GPO and the WEP. We have not really addressed as an organization the points that you have raised. I certainly, in sitting here today and in learning more about this, I see the difficulties that you are facing with all of these choices. Now, again, our focus is on Federal employees and that is where my expertise would lie. I don't feel really qualified to speak to the other issues. If there are other inequities, certainly your job is to be as equitable as possible to everyone and I would urge you to address those as you can.

Chairman MCCRERY. Anybody else.

Mr. IGLEHART. Representing educators in Texas, we are concerned about the number of people who are retiring. We need to replace them with qualified people that can educate our students. We are looking at the GPO and WEP. If people are aware, and many are not when they go into education, many are not aware of these two provisions. If people are aware of these provisions, they may well not come into education and we are going to be desperately needing these people to educate our students over the next decade, and that is pretty important in Texas.

Chairman MCCRERY. I understand that, but I asked the question. Surely you wouldn't want a couple, one of whom who paid into Social Security and the other who didn't, to be treated better under the law than a couple who both paid Social Security taxes. Surely that is not a fair outcome, is it?

Mr. CANTERBURY. That was my point earlier. I think the cases where the scenario would be exactly as you described would be

very, very small. We are talking about in a profession, most of these professions, where we do pay, both parties pay in, maybe not part of the substantial part of that career field, but thank goodness through a lot of good quality work by many of the groups sitting here we do go on to second careers. I know a lot of police officers that go on to teach school. I know don't see it too much the other way around, but I do know a lot of public employees that work their 20 years and then go into other career fields where they do pay into Social Security for a substantial period of time. In the scenario you described, I think that would—there is a fairness issue that doesn't apply to what we are talking about. We are talking about the majority of these people have paid it and it is just more arbitrary and capricious the reduction, especially with the GPO and the WEP where our members do pay and are subjected to a different penalty.

Chairman MCCRERY. Here is the reason I asked the question, because I want you to understand some of the things we are faced with in grappling with Social Security. We already know if we make no changes, about 2017, we start to have a cash flow deficit, not enough coming in through the payroll tax to pay benefits. Then 2042 or so, the trust fund balances are extinguished. If we were to repeal GPO, WEP and the dual entitlement provisions to try to treat everybody the same, next year, we would have a cash flow deficit in Social Security and the trust fund would be extinguished in 2025 rather than 2042. That is the enormity of what you are suggesting if we take it to its logical conclusion and treat everybody the same. I wanted to give you some sense of what we are dealing with. I appreciate very much your testimony today. You have made some excellent points and brought us some good material. We would ask if we still have some lingering questions, we would like to present those to you in writing and we would appreciate a written response. Thank you very much, and the hearing is adjourned.

[Whereupon, at 3:21 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

**Statement of Catherine L. Ahearn, Massachusetts Teacher Association,  
Peabody, Massachusetts**

I am in favor of eliminating Government Pension Offset and Welfare Elimination. As a young widow I have been hurt by this.

**Statement of Margaret Aiken, Atlanta, Georgia**

Just by chance I found out that my social security benefits have been reduced by half because I work for a school system that does not pay into social security. I just completed my seventh year as a librarian in a DeKalb County high school and love my work with students. Previously I worked eighteen years in the private sector. I am counting on the money I contributed over those years to help me in retirement. I will be forced both to change jobs and work long past my 66th birthday-normal retirement age. I implore you to repeal both the GPO and WEP that so adversely penalize workers in my position.

**Statement of Jeanne M. Alberti, Harvard, Massachusetts**

I am writing to explain my concerns regarding the WEP and the GPO, and to urge you both to pass H.R. 4391, the Public Servant Retirement Protection Act, and to work toward repealing both the WEP and the GPO.

Both my husband and I worked for many years in the private sector, each of us earning enough quarters to be eligible for Social Security benefits upon retirement. When we started our family and bought a house, I continued to work by writing the local newspaper, and selling Avon products, which I could do from home while raising our children. My husband continued his education, getting his doctorate, and went into teaching at Northeastern, a private university.

In order to help out financially, I finished my degree, and taught at a Catholic high school for two years before entering the public education system. Eventually we both decided to spend the largest part of our career years teaching in public education, myself at the high school level, and my husband at the university level. My husband, now deceased, had a gift for teaching and connecting with university-age students. I myself have loved teaching, and though I retired this past year, will miss it greatly.

Since my husband's death I have been receiving a small pension from the Commonwealth of Massachusetts, as he died before retiring, just after reaching his 50th birthday. His Social Security benefits, half of which I am eligible for as his widow, are currently approximately \$600 per month. However, I believe according to Social Security regulations, they will reduce the benefit to me by an amount more than equal to what I might be eligible for. Therefore, I will receive no widow benefits from Social Security.

Having retired this year due to health concerns, and as I didn't start public school teaching until the age of 40, I will am receiving a pension of only 36% of my annual salary. At age 62, when I might be able to begin collecting on my own Social Security benefits (which are approximately \$350 per month at the moment), my benefits will ostensibly be cut in half due to the pension I am receiving from the Commonwealth of Massachusetts.

Together, my husband's annuity and my pension total barely enough to cover my present living expenses. I foresee future possible medical expenses, and worry how I will cover them when the time comes. Although retired, I will be looking for ways to find additional income in the next few years, while I am still healthy and can do so. To have to pay more into Social Security in the next few years will be a very unfair situation considering my expectation of receiving little in return.

I fail to see how either my public school teaching pension or my Social Security benefits could be construed as a "windfall" or "double dipping." If I have worked at separate jobs, why am I penalized, and not able to collect benefits from each job worked?

Teaching is hard work, and though my first inclination was that it would give me time with my family, I came to love the opportunities I was given through teaching to work with and be inspired by the teenagers I taught. I find it incomprehensible that I am now struggling to make ends meet because I changed careers from the private sector to committing myself to the community and our nation through public education.

I respectfully urge the committee to act quickly to move the Public Servant Retirement Protection Act swiftly to final passage and enactment. In addition, I ask you please to look for ways to repeal completely both the WEP and the GPO as Congress continues to explore these issues.

Cincinnati, Ohio 45239  
September 13, 2005

House Ways and Means Committee  
Social Security Hearing on Repeal of GPO/WEP

I am 68 years old and have been retired for four years. I have worked full and part time for 42 years. Because I worked 14 years for an Ohio Public School District, Social Security offsets my pension by \$300.00 a month. Social Security gives me credit for 20 "substantial earning years". Both pensions net me *less than* \$1,000.00 a month.

I am currently paying \$280.00 a month for Medicare and a supplemental medical coverage. This supplemental medical coverage has a \$750.00 annual deductible. Doing the math, you can see that I am "out of pocket" almost \$3,000.00 a year, before getting any medical coverage. **The medical premium will increase in 2006**

**to \$367.00 per month. I will no longer be able to afford coverage of my current policy.** Unfortunately I do not qualify under the "low income" guidelines.

I sincerely feel I have worked and paid into Social Security, along with my employers, and should be receiving full benefits without an offset.

I feel many people are receiving more Social Security benefits, disability payments, child support payments, etc., that have not paid into the system as many years as I.

This Offset/Windfall legislation has created hardships on many individuals in retirement. This legislation has not "shored-up" Social Security as originally planned and should be repealed.

Thank you for your attention to this statement.

Sincerely,

Barbara Ambrosius

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#### Statement of Debra Anderson, Ruston, Louisiana

I am writing to express my opinion that GPO is unfair. It mainly affects women (widows). Those of us who work for the state of Louisiana should not be penalized because we were married to people enrolled in Social Security. Death benefits for those of us enrolled in teacher retirement will be 1/3 of what other widows receive.

I have been married for over 25 years, but have only been teaching for six years. My husband, age 62 is 13 years older than I am and odds are I will be a widow at some point. Why should I not be able to collect his full SS death benefit when that happens? When I am retired from teaching school for 20 years my retirement will not be a whole lot—approx. \$1,500 a month at best. I am going to need to be supplemented by my widows benefits just like other widows in the other 36 states of the union.

I have spent much of my married life being a homemaker and a mother. I feel that this enabled my husband to work all these years. We are a team and my work at home was of value and now I find that because I am enrolled in teacher retirement (as of 1999) I will not be able to receive his full death benefits after my retirement. How can this be and why is it not this way in all states if it is so prudent. Logic can only tell a person that this makes no sense. I have never explained this to anyone that was not appalled. I know several retired teachers that are widows and had no idea their benefits would be cut back so drastically. They were unaware of this unfair GPO and they are suffering because of it. It needs to stop.

Please repeal this absurd rule. I also believe that I should be able to receive SS from the other jobs I had before being enrolled in our state teacher retirement plan. There are many teachers who work in the private sector during summer months and contribute the full amount to SS from their pay checks and when they retire they will never see most of that. How is this fair?! Again, please repeal this GPO.

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Rim of the World High School  
Lake Arrowhead, California 92352  
*June 20, 2005*

To Whom It May Concern:

When I was twenty-nine I was an engineer in the aerospace industry. At that time, and it continues today, our society was crying out for better math and science instruction. I decided to leave my engineering career to answer the call for more qualified math and science teachers.

Some sixteen years later I still teach and love my job. There is no other job where you have as much control over your success or failure, happiness or despair, and creativity or lack thereof. The intrinsic rewards of teaching, and doing it well, surpass any other job to my knowledge.

As anyone who reads the papers is aware, our educational system is not perfect. Some contend that it is failing, but I'll not address that issue in this letter. I will say that having well qualified individuals teaching is an important part of improving the educational system. Unfortunately, the intrinsic rewards of teaching are not compelling enough to attract the qualified individuals we need. Our society needs to encourage, as opposed to discourage, competent people to pursue this profession.

In California, teachers are obligated to contribute to a state retirement system instead of social security. I have no choice, but to contribute to this system. I have

also, during the course of my life, made more than the necessary minimum contributions to social security. However, as the current law is written, the money I would receive from Social Security is reduced by whatever retirement benefits I receive from the state of California. In my case, this means that I will receive none of the social security benefits due me as a result of my contributions over my lifetime.

I fail to see how such a policy rewards someone for selfless dedication to serving America. Rather, it seems to be more of a penalty. If your object is to encourage qualified individuals to become teachers, I fail to see the logic behind the current law.

Sincerely,

John Arner  
*Physics Teacher*  
*Education Astronaut Finalist*

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### Statement of the Association of Americans Resident Overseas

Thank you, Mr. Chairman, for the opportunity to state the case for Americans who have worked abroad and who are thus subject to the Windfall Elimination Provision's offset (hereafter, the 'WEP'). Although the Association of Americans Resident Overseas (AARO) has submitted representations on the WEP in the past, this is the first time we have been invited to address the issue by your Committee. Regrettably we are unable to be physically present at this hearing as we just recently left Washington after our Overseas Americans Week May 8-13 2005 in the capital a few weeks ago.

Since this issue is a complicated one and one that has foreign aspects which may not be familiar to the Members of your Committee, let us walk you through the steps of our position as carefully as we can.

1. Americans who go abroad to work are a disparate group. Some go at the invitation of their companies. They rarely stay more than five years and will not today encounter the WEP. Others go abroad on their own initiative or stay beyond the five year period during which they can remain on U.S. Social Security rolls. In this case, their employer will be forced to enroll them in the host country's social security program and they will accumulate points under that system toward a foreign country's old-age retirement pension. Although only the rare individual will know this, the points earned under the foreign system brings them within the jeopardy of the WEP.

2. To put a human face on the WEP's impact, let me cite the case of Barbara K. She worked in the USA before and in the early years of her marriage to a journalist. He was posted abroad. She and the kids followed him. They grew up and she started teaching at an AmericanSchool in Europe. Divorce broke up her marriage but she remained at her job. Her children married. One works in the USA; the other in Europe.

Her employer, the AmericanSchool, contributed to her U.S. social security until forced to enroll her in the host country's social security pursuant to the terms of a Totalization Convention. She acquired rights to a very modest pension from that system. In 1996 before retiring she received a notice from U.S. Social Security advising that her U.S. pension would be \$730 monthly. In fact, because of her foreign pension, she was surprised to learn on retirement that her U.S. pension would be substantially lower. Her contributions to U.S. Social Security were interrupted in 1988 because of the Totalization Convention, thus limiting her U.S. pension. And that pension was further reduced by the WEP because of an insignificant French pension.

3. The Windfall Elimination Provision was enacted in 1983 to prevent U.S. government employees, who had contributed to and earned *generous* local, state or federal pensions, from benefiting from the 'windfall effects' of U.S. social security computation when they subsequently worked and contributed to a U.S. social security old-age pension. These 'double-dippers' would otherwise have enjoyed the beneficial (more highly geared) U.S. social security pension calculation intended to favor short-term contributors, while also enjoying the benefits of a second, "substantial" non-U.S. social security retirement pension.

While the 1983 Social Security Amendments producing the WEP labels the nuisance it was seeking to correct as "non-covered work" i.e. work not covered by U.S. Social Security, it does not include or refer to work for a foreign employer as belonging to that category. Indeed Congress has no power to establish social security policy for work in a foreign country, even if performed by a U.S. citizen. Despite this, the

Social Security Administration (the "Administration") has applied the logic of the WEP, and its offset, to U.S. citizen's U.S. old-age pension, when they have also earned and benefited from a foreign old-age pension. AARO has seen no reference in the legislative record suggesting that the WEP was intended to apply when a U.S. citizen enjoyed a foreign pension from work abroad. It believes that WEP has been misapplied to a U.S. citizen's U.S. pension, when the justification for doing so is the earning of a foreign old-age pension.

4. The Administration took an initiative to coordinate social security regimes in the 1980s, when it began negotiating Totalization Conventions with several countries with which there were exchanges of workers. These Conventions (now twenty) provide for coordination of the social security laws of the two High Contracting Parties by authorizing workers from one country laboring in the other to remain on the social security rolls of his country of nationality for five years, thus exempting him from participating in his host country's system for that period.

This effort of coordination and comity works to the mutual benefit of employees of both countries.

A further 'integration' of social security systems promoted by the Conventions is the principle of "totalization", which envisages the *limited* application of work credits earned in one participating country toward requirements of the other country's old-age pension system. For an American working abroad, this 'recognition' of credits typically involves using work-quarters performed in his host country (having a Totalization Convention with the USA) to qualify for the vesting of a pension under U.S. rules, which demand forty quarters of contribution to the U.S. Social Security Fund. Although calculation of his pension will recognize only those quarters earned in the USA, foreign quarters may be taken into account to meet the requirement of vesting, thus assuring that the worker earns a minimum U.S. pension instead of forfeiting his work credits entirely.

This modest reciprocity might be considered an advance toward limited 'integration' of two countries' social security programs; however, it rapidly ran into the countervailing negative impact of the WEP.

The WEP, it will be recalled, applies whenever the U.S. worker enjoys two old-age pensions, one American, the other foreign. Accordingly, if the WEP were to apply without qualification, the advantage accorded by Totalization Agreements would be neutralized by the offset of the WEP, which substantially reduces the pension just vested. The combination of effects of a Totalization Convention and the WEP thus produces the unintended result of one hand taking away what the other has just given. The natural antagonism between the virtuous effect of Totalization Conventions and the WEP required a reconciliation, and in 1993 Congress acted to provide the solution. It decided that when a pension right has been obtained through application of a Totalization Agreement, the WEP off-set would be set aside.

Let us stand back for a moment from the complicated and abstract world of WEP and Totalization. What Congress decided in 1993 was that when a U.S. worker could avail himself of the benefit of a Totalization Convention under the national rules of one Signatory country or the other, the policy of the WEP should not apply. Since Totalization Conventions only affect U.S. workers who have worked in foreign fields, does this not prove that whatever the intention of Congress in 1983 when the WEP was adopted, Congress clearly saw the conflict between the two principles and decided that foreign work should not be the basis for applying the WEP penalty? In a global world with fast integrating economies, the mobility of labor is an asset for any country. We believe that Congress recognized this in 1993 and sought to remove an important disincentive to working abroad by severely limiting the effect of the WEP.

Of course, not every country has a Totalization Convention with the USA. Should U.S. exports of goods and services, requiring U.S. personnel to work abroad, be based on the fortuitous existence of a social security convention?

We believe that crucial incentives to foreign trade should not depend on the rate and success of negotiation of Totalization Conventions. Congress has already recognized the value of foreign work for U.S. citizens in Convention countries and the inappropriate and punitive effect of the WEP as applied to it. AARO strongly urges your Committee to finish the work it initiated in 1993 when it protected foreign work from the WEP in the context of Totalization. We respectfully request your Committee to take the final step by repealing the WEP or limiting its effect to substantial combined pensions so that U.S. workers can go abroad to work without the disincentive the WEP imposes.

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AARO is a non-partisan, not-for-profit association serving the interests of Americans living and working overseas.

Sun City, California 92586  
June 11, 2005

Dear Committee Members,

I am writing to ask your support repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

I worked in the private sector for 13 years before taking a position in the County Government. During those thirteen years, I paid into the Social Security Fund. Once I started working for the County, I paid into the County retirement fund.

At age 62 I began collecting a small Social Security benefit but my check is reduced by a "special formula" because of my pension. In addition, the Social Security office advised me that although I am eligible for benefits under my husband's Social Security, they couldn't pay me because two-third the amount of my government pension is equal to or larger than the monthly Social Security benefit. Why am I denied benefits that I accrued just because later in life I became a "public employee"?

My husband is now terminally ill and I soon face the situation of not only losing him but his income. In this day of rising fuel, food and medical costs, those of us on a fix income are hard pressed to cover even our basic needs. As a single woman this becomes more difficult. God help us if we need long term care.

Please give this your utmost consideration. We need to have our voices heard.

Yours truly,

Kathleen A. Atwell

#### **Statement of John Bartholomew, Lewisville, Texas**

My wife and I were both teachers in the Texas Public School system. The Offset/Windfall law is unfair. We are both penalized for being a member of the Texas Teacher's Retirement System. I contributed to the SS system for years when I was employed as a teacher in the NYState system, and as an employee of a firm in Texas. I decided to return to teaching in 1990, and was shocked to see I would be penalized for returning. Why did the schools quit the system "en mass" in prior years? Who was responsible for selling out the SS system to teachers? My wife also taught in NYState and was eligible for SS benefits. Not only was she a victim of the Offset/Windfall of *her* contributions, but also her benefits based on *my* contributions were reduced based on *my* Offset/Windfall amount. What an absolute disgrace. If my wife never returned to teaching in Texas, she would have received a significant higher amount of money based on her past employment, and mine. That is a terrible injustice. Not only is this unfair, but if we had continued teaching in NYState, or other states, we would have been entitled to the full amount. Since the payment of SS is based on salary and contributions to the system, then that is what I should be entitled to . . . return of my, and my wife's investment, just as other's in our society are entitled to. I urge you to consider repealing this injustice to us. Thank you for your consideration.

#### **Statement of Sheila Farren Billings, Salem, Massachusetts**

The way that Social Security is currently set up is unfair to public school teachers who have also worked for a significant time in other professions which pay into Social Security. My husband worked for sixteen years as a teacher in private schools, and contributed to Social Security all that time. Later, as a public school teacher with three growing children, he supplemented his low teacher's pay with other part-time work which deducted payments for Social Security. This extra work was a necessity; with just the teacher's pay, our children would have been eligible for reduced lunch prices at school. Now, he is a professor at a public college, and plans to continue to work there until he retires. Because he worked sixteen years in private schools, my husband will never be able to reach the maximum retirement benefits for Massachusetts teachers by the time he is 65 or even 70. I believe he should be able to supplement that lower public pension with the Social Security he made contributions to for sixteen years.

Current Social Security laws penalize my husband and I for our dedication to public education. Public schools are the bedrock of our democracy, and both of us feel strongly that public school teachers help insure a strong future for America. We have accepted that we shall never become wealthy in this profession; but it is wrong that we should be required to forfeit our Social Security contributions and the safety net they would provide us in our old age.

Cincinnati, Ohio 45211  
June 8, 2005

Representative Jim McCrery  
Chairman,  
Ways and Means Subcommittee on Social Security

Dear Committee Members:

I am writing this letter to request that the committee allows the release of Representative McKeon's repeal bill HR 147 and Senator Feinstein's Companion Bill S.619 (the Offset/Windfall Elimination on Social Security) to the House for a vote.

I am a divorced woman, 64 years of age. I worked, and contributed to Social Security for 26 years and in 1983 went to work for Hamilton County. Only after I had been working for the County, did I read about the reduction of social security benefits for individuals working for a government office. My social security will be dramatically reduced. All I am asking is that I, along with so many other individuals, be allowed to collect the full amount we paid into social security so that we are able to grow old without worrying about how to pay our medical bills, gas and electric, etc.

I have read, with interest, President Bush's idea to sign a totalization agreement with Mexico, allowing Mexican citizens, who work in this county, be allowed to collect from our social security system, even though they are not American citizens. How can our President and others care more about non-citizens of this Country than true American citizens?

I, as a voting/tax paying American citizen, am entitled to the full amount deducted from my paychecks for Social Security just as I am entitled to all the money I would deposit in a savings account in a bank in this country.

Please, do the right thing for the people of this country.

Sincerely,

Janet A. Blank

#### **Statement of Kathleen Bonn, Newbury Park, California**

The Government Pension Offset and Windfall Elimination are two badly conceived provisions that are unfair to teachers and others. They discriminate against people who have legitimately earned social security benefits, simply because they chose to become teachers. In addition, they discourage those who might choose teaching as a second career by not allowing them to collect the social security benefits they've earned, in spite of the fact that their ability to earn an adequate pension from teaching would be severely limited. We need to work to keep the teachers we have and to encourage experienced people to become teachers. These bad provisions interfere with these efforts. Beyond that, they are patently unfair. Please act to repeal them now!

Arlington Heights, Illinois 60004  
June 16, 2005

Dear Members of the House:

My work years are the following: 15 years in industry and 20 years as a teacher.

I am now 66 years old and retired. Because I live in Illinois, I am not entitled to my "full social security benefit." As of this date, I have earned a small pension from my school district as well as \$164.00(net) monthly from social security. With my husband's social security and my pension, we are just able to make ends meet. According to my social security office, I could be receiving approximately \$700.00 more each month. This money, which I had contributed for 15 years, would greatly



relieve financial stresses. Furthermore, if my husband were to pass away before me, I would not receive any of his social security, putting me at the poverty level. I feel I am being punished for choosing the "higher" calling of teaching. I believe the GPO and WEP are biased against teachers who have previously worked in private industry. Please repeal these grossly unfair laws. I know I speak for so many educators who have contributed honestly to social security. Repeal the GPO and WEP.

Sincerely,

Sharon M. Brand

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Woody Creek, Colorado 81656  
*September 14, 2005*

Ways and Means Committee

Dear Representatives,

My concern regarding the GPO and WEP legislation is the position it puts someone like me into. I came to teaching at age 38 after raising my family. I have worked since the age of sixteen, contributing to FICA and paying income taxes. My husband and I have worked together for 32 years running a landscaping business. Now that I am a member of a public employee pension fund I can no longer receive, or will be greatly penalized, with regard to future social security benefits. Not only will my personal benefits be effected by any survivor benefits from my husband will also be severely effected. There is no way I can accrue a lifetime of work benefit in Colorado's PERA since I started teaching so late. This will severely effect my retirement income.

I am not a lazy person. I teach school full time and have second job. I am pleading with you do away with these penalties and allow working, contributing people the opportunity receive their earned benefits through social security and public retirement funds.

Thank you.

Valerie Braun

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**Statement of Penny Brown, Cypress, California**

I am a library Media Teacher at a PreK-12 school which is part of the Los Angeles Unified School System. California has its own State Teachers Retirement System in lieu of Social Security. But, I have not always taught in California and I have paid into Social Security in other states and through other positions. I think it is unfair that my contributions will never be of benefit to me. Please vote to rectify this unfair situation and allow teachers and others who are eligible for both a teacher's pension and Social Security to receive both, in fair proportion to the amount contributed. Thank you.

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Pine Bluff Chemical Activity, Chemical Materials Agency, U.S. Army  
Redfield, Arkansas 72132  
*June 9, 2005*

I very much appreciate the opportunity to submit this written testimony on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on me—a federal retiree. Thank you Mr. Chairman and the other legislators serving on this Subcommittee for conducting this important hearing. As a retired federal worker being adversely impacted by these provisions, I urge all Subcommittee members, and lawmakers, to repeal them as soon as possible and allow me to receive my full social security benefits.

I retired from the Federal Government in July 2004. In September 2004, my husband died after working in the banking business for over 30 years. He was 61 years old and did not get to collect his hard earned Social Security.

As his widow, I was entitled to almost \$1,200 per month of his Social Security benefits. However, because I worked for almost 24 years in the federal service in the Department of the Army as a Civilian employee, I am only qualified to receive

\$466 per month of his Social Security because of this unfair law. Not only did I lose his income, but most of his Social Security.

I receive a government retirement annuity from OPM of \$1,400 per month which I earned as a civilian employee, and with the reduced spousal Social Security benefit, I have to greatly lower my lifestyle. The GPO causes me to lose \$734 per month. This is the difference between getting by and comfort in my retirement years. Why would the government I gave so many years of my life to, take this away from me.

In addition to the penalty of not getting my deceased spouse's full Social Security, I had to give up \$277 per month of a Social Security benefit of \$519, which I earned before I entered the federal government at age 45. That is a total of \$1,011 that the government takes away from me because of the WEP/GPO provisions.

I served my country with honor and dedication, only to be penalized because of it. Please repeal these unfair GPO and WEP provisions that affect the way Social Security is calculated, for me and for many other women and men in my circumstance.

Sincerely,

Barbara Brubaker  
*Retired GS-7 Secretary/Steno*

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### Statement of Gracie Buford, Nacogdoches, Texas

#### Support the Social Security Fairness Act

I want to ask for your help in repealing two unjust Social Security provisions that hurt hundreds of thousands of teachers, school support personnel, police officers, firefighters, and other public servants. They reduce or eliminate Social Security benefits for retirees who receive pensions for non-Social Security-covered employment. They apply only to public pensions—recipients of private pensions are not subject to such penalties.

While these Social Security benefit reductions may have been intended to curtail payments of windfall benefits to highly paid individuals, in practice they have had devastating consequences for low—and middle-income public employees. These provisions are the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). Each of these provisions can reduce monthly Social Security benefits drastically.

The GPO reduces a Social Security survivor's benefit by two-thirds of his or her public pension that is not covered by Social Security—wiping out the survivor's benefit entirely for many workers. The WEP currently can take away up to \$306 a month of Social Security benefits earned by a state or local public employee who has contributed to Social Security for as many as 20 years, and the WEP does not phase out completely until a worker has 30 years of covered Social Security employment.

Besides being unfair to those who have paid into Social Security but are being denied its full benefits, these provisions have perverse effects. By targeting pensions of teachers and other school employees, these Social Security benefit cuts discourage qualified individuals from entering the classroom—at exactly the time when our nation faces a severe shortage of such people.

Bipartisan legislation introduced in the 109th Congress would repeal these two provisions. The House version of the bill, H.R. 147, was introduced on January 4 by Rep. Howard McKeon, Republican of California. The House bill already has 273 cosponsors. A Senate companion version, S. 619, was filed March 14 by Sen. Dianne Feinstein, Democrat of California, and Sen. Susan Collins, Republican of Maine. S. 619 already has 22 Senate cosponsors. I urge you not only to cosponsor this vital legislation but also to help bring it to the floor for a prompt vote.

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Marysville, California 95901  
*June 23, 2005*

The GPO/WEP adversely affects over one-third of America's educators. Many have had more than one career—in some cases there have been concerted efforts to encourage workers in other careers to join the teaching force. First Lady Laura Bush promoted this as a sort of "Peace Corps" idea to attract new teachers. What was

never stated was the effect of the offsets in the non—Social Security states. At least now the law requires notification of this to new hires who might be affected.

Other teachers adversely affected are teachers who worked summer jobs to support their families. In California many of our young male teachers worked in agriculture. Little did they know the effect these summer jobs would have when they retired from teaching.

As a high school student I worked at Woolworth's during the summer to earn money for college. (I was going to become a teacher.) As a musician I earned Social Security credits giving lessons and playing professionally. 40 years ago most teachers worked more than one job to make ends meet, especially those who were supporting families on a single income.

For all of these reasons I urge repeal of the GPO/WEP.

Beverly Carlson  
*CTA/NEA-Retired*

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**Statement of Ellen M. Carpenter, Hingham Public Schools—South  
Elementary School, Hingham, Massachusetts**

I am a 58 year-old fifth grade teacher in Hingham, MA with over 25 years teaching experience in Massachusetts public schools. I plan to retire in approximately 5 years with a pension from the Massachusetts Teachers Retirement Board (MTRB.) I also have 10 quarters credit under the U.S. Social Security Administration (SSA), obtained early in my career. I have made the easy financial decision to take my pension under the MTRB retirement system.

My husband of some 34 years is 61 years old and has paid into the SSA at the top rate for his entire business career. He is a 60%-disabled Army veteran of the Vietnam Era. He and I have raised three children who are now financially and emotionally on their own. He will take his SSA retirement sometime in the near future.

Under the Government Pension Offset and Windfall Elimination Provision (GPO/WEP), should my husband predecease me, I will be ineligible to receive a widow's benefit. I am precluded from this benefit, along with teachers from a handful of other states, because I teach in Massachusetts and have not contributed to SSA during my teaching career. It should be noted again that I have 10 quarters under SSA.

Under my MTRB plan, should I predecease my husband, he will receive a widow's benefit. I believe that most plans have such a benefit. In this regard, I feel strongly that the GPO/WEP is highly inequitable and that the Provision should be eliminated.

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Montgomery, AL 36117  
*June 8, 2005*

I very much appreciate the opportunity to submit this written testimony on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on me—a federal retiree. First I want to thank Chairman Jim McCrery and the other legislators serving on this Subcommittee for conducting this important hearing. As a federal worker being adversely impacted by these provisions, I urge all Subcommittee members, and lawmakers, to repeal them as soon as possible and allow me to receive my full social security benefits.

My husband served 22½ years in the military. I chose to work for the federal government, and served as a civilian employee at Maxwell Air Force Base for 26 years. I had a break in service after five½ years under CSRS, and therefore will retire as CSRS offset retiree.

I am now a widow drawing my husband's Social Security—however only as long as continue working. When I retire, my retirement will be offset. It is scary to think about retiring and having to draw on my savings constantly to supplement my retirement because the spousal benefit to which I am entitled will be cut by two-thirds. I will be drawing approximately \$1,600 plus a third of the \$1,331 social security I currently draw. I have a house payment of \$685 a month plus insurance on vehicle and other normal expenses of owning a home. The house payment is for a handicapped son who will never be able to qualify for a loan to purchase a home.

Thank you for conducting debate on GPO and WEP, and please repeal these unfair Social Security provisions that have a great adverse impact on lower income women retirees and widows.

Sincerely,

Ida Clark

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**Statement of Judith M. Clark, Retired Employees Association of Orange County, Huntington Beach, California**

Chairman McCrery, Ranking Member Levin and Distinguished Members of the Subcommittee:

Thank you for providing the opportunity to comment on specific Social Security legislation—H.R. 146, “The Social Security Fairness Act of 2005,” that should be evaluated as you consider other proposals in a comprehensive plan of reforms that are meant to strengthen and protect Social Security.

This legislation, which would repeal the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), would repair a major inequity toward government retirees—federal, state, and local—since these laws were enacted in 1983.

The following paragraphs explaining the GPO, WEP, and “dual-entitlement” rule were provided in written testimony, to the Social Security Sub-Committee on June 27, 2000 by Jane L. Ross, Deputy Commissioner for Policy, Social Security Administration.

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**Ms. Ross:** “The GPO, enacted by Congress in 1977 and amended in 1983, affects Social Security beneficiaries who receive pensions based on work *not covered* under Social Security. The GPO *reduces* or *eliminates* the Social Security benefit payable to a person as the spouse or surviving spouse of a worker. For such a retiree, the GPO requires that the Social Security spouse’s benefit be reduced—or “offset”—by two-thirds of the amount of the *non-covered* pension.”

**Ms. Ross:** “The WEP was enacted in 1983 as part of major amendments to shore up the financing of the Social Security program. It greatly reduces the Social Security benefit of a retired or disabled worker, who also receives a government annuity based on his/her own earnings. The *maximum* Social Security benefit reduction cannot be more than one-half the amount of a public retirement benefit. The maximum amount for 2005 is \$313/mo. Simply stated, if a person’s own Social Security is reduced, it’s WEP; if the benefit being reduced is based on a husband or wife’s Social Security benefit, it’s GPO.”

The following statements by Ms. Ross will be rebutted/refuted by me:

**Ms. Ross:** “The GPO provision is designed to replicate the “dual-entitlement” rule of the Social Security program for workers receiving a pension from *non-covered* government employment. This provision, applied since 1940, requires that Social Security benefits, payable to a person as a spouse or surviving spouse, be *reduced* by the amount of that person’s *own* Social Security worker’s benefit.”

**Rebuttal:** Social Security’s “dual-entitlement” rule is unfairly applied to non-covered government employee pensions. Historically, from the 1940’s to 1983, until Social Security was in financial straits and more revenue was needed to secure the future for the next 75 years, it had been perfectly acceptable to award Social Security benefits to non-covered spouses and widows.

**Ms. Ross:** “The dual-entitlement provision was intended to restrict the payment of benefits to those family members who were actually *dependent* on the worker. As a result, nearly 6 million (6.5 million now) beneficiaries receive reduced benefits as spouses—they receive the equivalent of the worker’s benefit *or* the spouse’s benefit, whichever is higher.”

**Rebuttal:** Many government employees, especially women, who retired from public service, have small pensions. They may or may not qualify for minimum Social Security benefits on their own record. These women are *more dependent* on receiving their spousal or widow’s Social Security benefits. As a non-covered government retiree, they lose not only their deceased spouse’s pension, either totally eliminated or greatly cut back, but also the Social Security benefits he had received while alive. Thus, they are reduced from living on three retirement income sources to only one—theirs.

**Ms. Ross:** “The GPO acts as a *surrogate* for the “dual-entitlement” provision for workers receiving a government pension based on work *not covered* under Social Se-

curity. Government pensions are, to a large extent, a *substitute* for Social Security benefits.”

**Rebuttal:** Our government pensions are *not* the equivalent of a private pension. Our government pensions are neither a surrogate nor a substitute for Social Security. Social Security is a tax. Our pensions are not taxes. Congress spends surplus Social Security funds. State and local governments, by law, may *not* spend the pension funds of public employee retirement systems.

**Rebuttal:** A government employee has an *ownership* right to their pension contributions. They may receive 100% of their contribution if they choose to leave government employment without taking/receiving a pension. There are *no* ownership rights to Social Security taxes.

“Many people are unaware that the United States Supreme Court ruled in *Fleming vs. Nestor*, (1960), that Social Security contributions are clearly a tax and individuals have *no right* to any benefits. Moreover, the Court affirmed that Social Security taxes are paid directly into the United States Treasury and are not placed into separate accounts. Congress can reduce Social Security benefits at any time in the name of Social Security reform.” (The Heritage Foundation, “Executive Memorandum,” June 10, 2000)

The interim report of the President’s Commission to strengthen Social Security, “Social Security in Financial Trouble,” was issued July 19, 2001. “The system is broken,” wrote former Senator Daniel P. Moynihan and Richard Parsons, co-chairs. The report said workers and retirees *do not own* their benefits and have *no legal claim* to them. “What they have is a political promise that can be changed at any time, by any amount, for any reason.”

**Ms. Ross:** “The GPO replicates the “dual-entitlement” rule by assuming that two-thirds of a government pension is approximately equivalent to a Social Security retirement benefit the worker would receive if his-her job had been covered by Social Security. The other third of the government pension is considered as the equivalent of a *private* pension and is *not used* to offset Social Security benefits.”

**Rebuttal:** The GPO is based on a false premise—that two-thirds of a government worker’s pension is the equivalent of Social Security. How is the pension of a Federal, State, or Local *non-covered* government retiree different that the pension of a *covered* government retiree? A pension is a pension is a pension, regardless if it comes from the public or private sector.

**Pension**—A sum of money paid regularly as a retirement benefit or by way of patronage.

**Social Security**—Measures by which the United States Government provides economic assistance to persons faced with unemployment, disability, or old age, financed by assessment of employers and employees. (The American Heritage Dictionary of the English Language, 1970, Houghton Mifflin Co.)

As for the percentage, in 1977, the “replication” was 100%—a dollar for dollar offset. In 1983, the Social Security “replication” was changed to two-thirds and one third was the equivalent of a private pension. What will the “replication” be in 2005:

- (a) 50% = Social Security; 50% = Private Pension?
- (b) 25% = Social Security; 75% = Private Pension?
- (c) 0% = Social Security; 100% = Private Pension?

Congress may choose any “replication” formula it wants, but all, except c, are fallacious.

**Ms. Ross:** “The GPO affects government workers in the way that “dual-entitlement” affects non-government workers: both groups of workers can receive a private pension without having it “offset” against their Social Security spouse’s benefit.”

**Rebuttal:** The statement is inaccurate, to say the least. The Social Security Administration considers *only one-third* of a *non-covered* government pension as “private” compared to non-government worker’s pensions that are 100% “private.” If her statement were true, then all *non-covered* government pension retirees would *not* be affected by the GPO and would be eligible to receive 50% of their spouse’s Social Security benefits and 100% if they were widows.

The *Women’s Institute for a Secure Retirement* lists the “Top 5 reasons why retirement is a challenge for women workers.”

- Nearly three out of four working women earn less than \$30,000 per year.
- Nearly nine out of ten working women earn less than \$45,000.
- Half of all women work in traditionally female, relatively low-paid jobs without pensions.
- Women retirees receive only half the average pension benefits that men receive.
- Women’s earnings average \$0.72 for every \$1 earned by men—a lifetime loss of over \$250,000.

- Today's Social Security, although very important, is a bad deal, especially for women.
- The negative impacts of the "dual-entitlement" rule are as follows:
- "In most cases, women receive little benefit from their husband's Social Security after his death.
- Social Security pays survivors benefits *only* if his widow receives lower benefits than her husband did.
- If a wife receives either the same or larger monthly Social Security retirement benefit as her husband, all she gets is a \$255 death benefit.
- A married woman, with a good job, whose husband dies before his retirement could receive a paltry \$255 death benefit from Social Security and *nothing more*.
- Today's Social Security is not fair to divorced women. The Social Security Act requires that a marriage must last for at least ten years before a divorced woman is eligible to share her former husband's Social Security retirement benefits. The average marriage today lasts 7 years." (Heritage Foundation)

Social Security, particularly the "dual-entitlement" rule, has a disparate impact on women because they typically earn less, work fewer years, and live longer than do men. The Social Security Administration reports that 24% of married and widowed women have their benefits slashed by the "dual-entitlement" rule. By 2040, it will be 39%. The GPO only exacerbates this inequity!

**Ms. Jo Anne B. Barnhart**, Commissioner of Social Security, in remarks made after her written testimony on the GPO/WEP before the Senate Committee on Governmental Affairs, September 24, 2003, commented that the "dual-entitlement" rule was also an "equity issue." She stated that the cost to repeal the GPO/WEP would be \$61.9 billion over 10 years and \$500 billion to repeal the "dual-entitlement" rule. She also said that "it may not be feasible this year (2003) or next to repeal the GPO/WEP" and suggested waiting as part of the Social Security reform.

**President George W. Bush**, in his April 28, 2005 Press Conference on energy and Social Security said the following: "One other point on Social Security that people have got to understand is that it's—the system of today is not fair for a person whose spouse has died early. In other words, if you're a two-working family like families are here in America, and—two people working in your family, and the spouse dies early—before 62, for example—all of the money that the spouse has put into the system is held there, and then when the other spouse retires, he or she gets to choose the benefits from his or her own work, or the other spouse's benefits, which is ever higher but not both. See what I'm saying? Somebody has worked all their life, the money they put into the system just goes away. It seems unfair to me. I've talked to too many people whose lives were turned upside down when the spouse died early and all they got was a burial benefit." He was talking about the "dual-entitlement" rule.

Other comments on current or proposed laws for your consideration regarding the GPO/WEP and the "dual-entitlement" rule are:

#### **Private Retirement Accounts (PRA's)**

Social Security taxes paid into the Social Security "Trust" Fund are *not* legally ours and our families have no inheritance rights. The 6.2% proposal (H.R. 530) that will be divided between Social Security and PRA's is the exact same tax, except for one major difference—one we own (PRA's), and one we don't (Social Security) due to two different laws. How logical is that?

#### **Medicare and Social Security**

I have never paid into Medicare while working, yet am eligible for it on my spouse's record. I have never paid into Social Security while working, yet am eligible on my spouse's record *only* if I *didn't* work. What is the difference if I worked and never paid into Social Security or never worked and never paid into Social Security? Why am I eligible for Medicare benefits (based on my spouse) and not Social Security benefits (also based on my spouse)? I didn't pay into either one. The eligibility for either one is based **solely** on my spouse. How logical is that?

#### **"Dual-Entitlement" Rule**

This is an unjust and unfair law for 6.5 million people. Using specious reasoning as the basis for justifying the GPO only compounded an already poorly conceived law. How logical is that?

#### **Widow's Plight**

A widow may receive her own or deceased spouse's *full* Social Security while still working in *non-covered* employment. When she retires and needs her Social Security

the most, her own Social Security is reduced (WEP) and she completely loses her widow's Social Security benefits (GPO). How logical is that?

#### **Social Security Harassment**

The Social Security Administration expects *non-covered* retirees to report their annual COLA to Social Security. The Social Security Administration will then reduce their already severely limited Social Security benefits. Their COLA's are wiped out by their Social Security decrease so they can never get ahead to pay for such things as increased medical premiums or bills. How logical is that?

Chairman McCrery, the fairest, most honorable solution is to **repeal** the GWO/WEP. The GPO/WEP issue is non-partisan. It goes beyond politics. It affects voters of all parties. It is not a "structural" part of Social Security and, therefore, can be voted on separately. It is a situation similar to H.R. 5, the "Earnings Limitation Act," a poorly written public policy and injurious law that was repealed on April 7, 2000. It received complete and total support from Congress. If poorly conceived laws, with negative unintended consequences, have been repealed by Congress before, it can be done again. It's never too late to make amends. I urge you and the entire Sub-Committee on Social Security to support H.R. 147, "The Social Security Fairness Act of 2005." I think the title says it all.

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South Portland, Maine 04116  
June 23, 2005

Dear Committee Members,

I am writing to offer my concerns regarding my loss of social security benefits as a result of taking a job in public education. I believe may fall under the "windfall provision".

I am 42 years old and a special education teacher. I started paying into social security as a teenager and have continued until five years ago. Five years ago I took a job as a kindergarten special education teacher in a public school. Prior to this I had worked in places such as day treatment schools, residential treatment schools, and even the preschool component of public school special education (Child Development Services); all the time paying into social security.

After I took the position in the public school, I learned that I would no longer be paying into social security, but would need to pay into Maine State Teachers Retirement.

I was stunned to later learn that if I stayed to retire, I would be losing a large portion of my twenty years of social security benefits.

Because I moved to a public school position at a later age, I am in a bleak position for retirement. I *love* my job in the public school and hope to stay, but I worry that if something is not done to restore my social security benefits I may not be able to do that. I do have some small retirement savings and I work hard to save every penny I can. However, if my years of social security investments are taken from me, I know that I will be in serious trouble for retirement. That really scares me.

I just don't understand why I am being, what feels like, "punished" for moving to serve in a public school. I believe that I would not have taken a public school teaching position had I known of this punitive consequence. We need good people in public education. I feel that this is a disincentive for good experienced people to move into public school jobs.

There are several other teachers, here, that are in the same position. We moved into public education later in our careers, and are extremely concerned about our loss of social security. We love teaching in the public school. We want to stay in public education. We need our social security in order to live when we retire.

I don't think that this loss happens to people in similar positions in all states, but it does happen here in Maine. That just does not seem right.

I just keep hoping that people like you, who work hard to represent us, will recognize the unfairness of this provision and the consequences it presents for individuals like me and for public education and will work to fix it.

Thank you for considering my letter and for your work on the committee.

Lisa Crowley

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**Statement of Margaret Daniels, Hurst, Texas**

I am a retired elementary school secretary for the Hurst-Eules-Bedford School district in Bedford, Texas. I became a secretary for the school district while my children were in secondary school to have my working hours more in accord with theirs. I previously worked in banks under Social Security. I began drawing my own Social Security when I was 62 years old. I have been affected by the WEP offset for my own pension. However, that does not affect me as much as the GOP offset will should my husband pass away before I do. I would like to be able to draw the portion of his Social Security benefits that I would even if I had never worked during our marriage. I know this is a hard decision for you to make at this time. I believe Texas is one of the last sixteen states to not have repealed this. My daughter-in-law is a teacher in Louisiana and I believe will also be affected. Your consideration of this matter in your committee will be greatly appreciated.

**Statement of Jennifer Dannenberg, Skyline High School, Berkley, California**

I am a public school teacher at Skyline High School in Oakland. I have taught for 10 years; before that, I worked in administrative jobs with nonprofit organizations that helped families who have children with disabilities.

Since I am already 55, I will not have a very large STRS benefit by the time I retire in 8 years, and I will need my entire Social Security benefit to live. It is unfair that teachers and other state employees are not able to draw the full Social Security benefit. Why are we penalized in this way? I qualify for a full benefit, and yet I cannot collect it.

A teacher shortage currently exists in this state and threatens to become more serious as new teachers enter the profession at a rate slower than the retirement rate. We need to attract teachers who, like me, are interested in changing careers mid-life. Continuing to disallow the enjoyment of one's accrued Social Security benefit if one is also collecting STRS will discourage qualified people from joining the ranks of California public school teachers.

**Statement of Robert Davis, Rockwall, Texas**

I thank you for this opportunity and would like to commend you for making the needed repairs to our Social Security system. My area of concern is the WEP and GPO. I recognize the need for adequate funding, but it was not the intent of adequate funding to punish the underpaid government workers such as the teachers. Texas retired teachers have not had an annuity raise since 2001 and the GPO and WEP prohibit raises from Social Security. The second reason is that the payment of Social Security with the penalty amounts to an extra Income Tax. This request is in behalf of all the retired government workers that have paid the required 40 quarters. I implore to follow your beliefs and continue your excellent record of service by repealing the provisions.

Thanks

Skyline High School  
Oakland, California 94618  
*June 17, 2005*

To Whom It May Concern:

I teach in an inner city school and, living in the Bay Area as a single person am unable to purchase property. I fear in the future an extremely low standard of living despite the hard work I will have done for this country.

Please consider that we who are in need of full compensation for the security benefits we have earned are all *diligent servants of the people*.

Sincerely,

Lynn Delaney  
Teacher



**Statement of Edward Derman, California State Teachers' Retirement System, Sacramento, California**

The California State Teachers' Retirement System (CalSTRS) provides retirement benefits to more than 754,000 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.

On behalf of the 1,200 local school districts of the California public school system that educate California's children, CalSTRS wishes to express its very grave concern over any proposal to impose on these school district employers mandatory Social Security coverage with respect to newly-hired teachers.

CalSTRS was established by State law in 1913 to provide a defined benefit pension for the State's public school teachers. Thus, CalSTRS was in operation some 22 years before Social Security even 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. Accordingly, forced by the Federal Government to go its own way, CalSTRS has successfully provided retirement benefits to generations of retired teachers in California.

Through sound management over nine decades, CalSTRS has developed into the third largest pension system in the United States, with 754,000 active and retired members and assets of more than \$125 billion. CalSTRS currently pays out more than \$5.6 billion a year in retirement, disability and survivor benefits. Unlike the pay-as-you-go Social Security system, the State of California has pre-funded its future retirement liabilities.

We recently had our independent actuaries, Milliman, analyze the impact of a mandatory coverage proposal on CalSTRS. (See Milliman Letter dated March 30, 2005, attached). A proposal to mandate Social Security coverage for all newly-hired State and local government workers would impose a major new Social Security payroll tax burden of 12.4 percent of payroll on local school district employers and employees in California. The 12.4 percent of payroll tax cost of mandatory Social Security coverage would result in an average additional cost of about \$4,300 with respect to each new teacher, based on an average starting salary of about \$35,000. This new 12.4 percent of payroll Social Security tax cost would be imposed on top of the 16.25 percent of payroll cost that is paid by employers and their employees to fund the current CalSTRS retirement plan. California's school districts simply could not shoulder such an enormous overall retirement cost burden.

To accommodate this heavy new Social Security payroll tax burden, employer contributions to the CalSTRS retirement plan would have to be pared back significantly under a new plan coordinated with Social Security. However, the school districts would be left with sharply higher total costs to deliver a combined Social Security and CalSTRS retirement benefit on a par with the current CalSTRS benefit. The current CalSTRS plan produces a much greater retirement benefit than a plan coordinated with Social Security for the same level of contribution. This is because State and local government retirement plans such as CalSTRS—whose assets are invested in the private capital markets—produce a substantially higher investment return than is credited under the Social Security system—even if a portion of the Social Security payroll tax were to be invested in private accounts.

Thus, the cost of benefits provided under Social Security is significantly greater than the cost of equivalent benefits provided under the current CalSTRS plan. Accordingly, if Social Security coverage were to be substituted for a significant portion of the current State pension plan benefit, the employer's overall retirement costs would have to increase sharply in order to fund the same level of retirement benefits as currently provided to California's retired teachers under the CalSTRS plan.

Milliman calculated that mandatory Social Security coverage for new teachers would drive up total retirement costs for California school districts by an additional 7.487 percent of payroll simply to fund the same level of retirement benefits as currently provided to California's teachers under the CalSTRS plan. The 1,200 local school districts in California have a combined annual payroll for teachers of almost \$24 billion annually. Therefore, a proposal to impose mandatory Social Security coverage for new teachers will increase local school costs by as much as \$1.5 billion annually, cutting into the budgets they establish to educate our children.

Simply cutting current retirement benefits for California's teachers would not be a viable way to absorb the harsh new cost burden of mandatory Social Security coverage. CalSTRS's independent actuaries have calculated that the current CalSTRS

retirement benefit would have to be cut by about 75 percent in order to keep the overall cost of a new CalSTRS plan coordinated with Social Security on a par with the current cost of the CalSTRS plan.

State and local governments have only two responses available when confronted by such a heavy cost burden imposed by the Federal government: raising taxes or cutting spending on other essential government services. School district administrators have indicated to CalSTRS that a serious reduction in education services would be necessary in order to address the increased costs of mandatory Social Security coverage.

A case in point is the Hemet Unified School District, located in Riverside County, California. Attached is a copy of an analysis that the then-Hemet District's Superintendent prepared several years ago regarding the cost impact of a mandatory Social Security proposal on his district. (See statement on behalf of the Hemet School District by its Superintendent, Stephen C. Teele, Ph.D., dated September 7, 2001). His analysis of impact is equally applicable today. According to Superintendent Teele, the Hemet School District serves 18,000 students in 20 schools throughout rural and suburban communities within a 730 square mile area. Sixty-seven percent of the students reside in families that qualify for the Free and Reduced Lunch program. Student enrollment continues to grow at the rate of 2–5 percent annually.

Superintendent Teele's detailed budget breakdown underscores the heavy cost burden that mandatory Social Security coverage would impose on a local school district struggling on a budget already stretched thin to meet the fiscal demands of educating California's children. According to Superintendent Teele's analysis, after taking into account current salary and facility costs, increased power costs, the cost of operating a new school, the cost of recently-expanded special education programs, and the cost of employing new teachers and staff to respond to student body growth as well as class-size reduction and other State educational reform initiatives, there would be no resources left to absorb the harsh cost burden of mandatory Social Security, a cost burden which will only grow over time as more new teachers are hired.

Accordingly, Superintendent Teele indicates, "The proposal to include new certificated personnel into the Social Security system will have a significant negative impact on the District's ability to offer quality educational programs and services at a time of increasing demands from California's Education Reform and Accountability Initiatives." (p. 2). Superintendent Teele concludes: "[T]he Hemet Unified School District is representative of school districts in California that are maximizing all available resources to implement successful programs and services in response to California's Educational Reform and Accountability initiatives. This proposal not only will have a detrimental impact on those efforts but also goes contrary to President Bush's goal of improving public schools." (p. 3).

### **Conclusion**

CalSTRS, its 754,000 members, and the 1,200 local school districts in California strongly oppose any proposal to impose mandatory Social Security coverage.

The members of CalSTRS—which predates Social Security—were barred from participating in Social Security. CalSTRS was forced by the Federal Government to go its own way and through sound management has developed into a retirement plan that is capable of paying out over \$5.6 billion annually in benefits and shouldering all of its future retirement liabilities on a fully funded basis.

Mandating Social Security on future California educators will have a major impact on employees and school districts, limiting the ability of districts to respond to efforts to improve the quality of public education. Moreover, it likely bring about a significant reduction of retirement benefits paid to future educators who perform a lifetime of service to California schoolchildren, and undermine the financial security of those educators in their retirement.

In essence, CalSTRS would be asked to cast aside decades of successfully providing retirement benefits to generations of teachers, in order to force new teachers into a retirement scheme coordinated with Social Security that would provide reduced benefits at higher cost. It is unfair at this late hour to destroy the CalSTRS retirement plan—and indeed destroy the very success of private investment that the Administration's personal accounts proposal evidently seeks to emulate—by mandating participation to solve a longstanding solvency problem in Social Security that the State and its school districts had no hand in creating.

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**Supplemental Sheet**

California State Teachers' Retirement System contact:  
Edward Derman  
Deputy Chief Executive Officer  
Plan Design and Communication  
California State Teachers' Retirement System

Rockport, Massachusetts 01966  
*September 8, 2005*

To whom it may concern:

My name is Therese K. Desmarais. I am the only child of first generation Polish parents, the first girl in my extended families to go to college. I paid my own way through a state college in order to earn my Bachelor's Degree in Elementary Education, and then attend a private university to complete my Master's Degree in Education. I was married in 1965, and continued to teach full time, attend graduate school part time and summers and raise two children.

When the children were born, I was not allowed to be in the public schools beyond my seventh month of pregnancy. My husband was laid off from a computer-based company and we moved to Massachusetts in 1970. Since I was 100 miles away from both sets of grandparents and extended family, I stayed at home to raise my two children until the youngest was able to attend nursery school.

I returned to the public school on August 24, 1975 and worked for two public school systems until my retirement at age 60, on August 24, 2002.

During that period of time, my parents began having age related health problems. I cared for my mother until 1996 when I was forced to turn to a nursing home to ensure her safety and medical attention. My father began decline due to colon cancer. My husband, Richard, had a serious heart attack in 1997, and I had to continue working because he was self-employed and our medical insurance was available through my employment.

In that same year, I was diagnosed with the same type of breast cancer that my mother was recovering from in 1994. After two surgeries and radiation, I could not longer continue to keep up with two round trips from Sherborn, MA to Hartford, CT to care for my parents. I managed my father's household affairs, bills and health related issues. My father wished to remain in his home of fifty years, which he had built. He wished to remain in his community, near his church and familiar surroundings. I incurred many expenses caring for him, as he had only his social security by which to pay many, many bills.

I incurred many bills while caring for them, as they were both receiving Social Security. My mother's Social Security went toward payment of the nursing home. My mother died in February of 2001. My father died on Father's Day in June, 2001.

Both of our children attended college. Our daughter did a mid-career change from finance to teaching, attending Harvard University, Graduate School of Education in order to comply with certification in Massachusetts for Math and Science teachers. She taught for two years, and is presently on maternity leave with her second child.

My husband, Richard James Desmarais, died on February 12, 2004 after living in our retirement home for nine months. Our second grandchild, Talia Therese was born on February 5, 2003. Those nine days were filled with the most intense joy one could ever imagine.

Our son and his new wife were visiting us to meet the new baby when Rich had his final heart attack here at home, and he died in my arms, with my son and new daughter-in-law at my side. I can never forget the sadness of the ensuing weeks and months. Richard's death caused his ninety-one-year-old mother to be hospitalized with grief, in shock, over the loss of her son.

I then began making all the arrangements for his funeral, tried to sort out his company and our finances. It was at that time that I realized that I was not eligible for his social security benefits as his widow because I was receiving my teacher's pension from a private retirement board.

Because of Rich's history of heart disease, (his father died of a heart attack, his mother has had a triple by-pass, twice), he was only able to get minimal life insurance. Since he was self-employed, he not only paid his share of social security taxes, but twice that amount for 30 years.

Richard began working on tobacco in 1954 at the age of 14. He worked very hard, providing all the necessities to both his children, my parents, his mother who is still alive. He contributed to Social Security for 50 years, expecting it would help us fi-

nancially, along with my retirement to allow us to live in our home, as independently as our health would allow.

The Government Pension Offset (GPO) and Windfall Elimination (WEP) are causing me the lose my home, my independence, my simple but quality life style of caring for family and community members.

I have been receiving the social security benefit notices that everyone else receives not knowing that I would lose them upon my husband's death, when I needed it the most. I was not trying to cheat or double dip, as the writers of the amended bill project. I needed it to pay my mortgage, and now my rent, my taxes, my car insurance, my food, clothing and fuel.

I urge you to consider the impact this is having on my family.

I urge you to consider my situation when you meet to discuss the bill addressing the GPO and WEP. Richard paid into social security for fifty years, so that he and his family would have financial security. I do not have him to help me through this difficult time. Please consider my situation, and know there may be many others who are depending on your support of this action.

With sincere respect,

Therese K. Desmarais

Seward, Alaska 99664  
June 8, 2005

Dear Committee Members:

Twenty three years ago I got a call from a professor at UAF who said they wanted to interview me for a position there. My answer was, "I have a job, I am a smokejumper."

What she said next changed my life, "Alaska is building the greatest educational system in the world. With all your degrees/endorsements and the languages you speak this would be perfect for you."

I am glad I took that challenge. Nonetheless, because I recently terminated and then later retired I will have the super majority of my SS garnished because I had the temerity to teach in Alaska. Alaska is one of the few states where those of us who had a career teaching in a public school are penalized by having the majority of our SS payments denied.

As a USFS and BLM smokejumper I parachuted to fires across the west. As an EMT I participated in numerous rescue jumps. On more than one occasion I put my life on the line performing my duties as a jumper. The Smithsonian just accepted a video/DVD I did titled, "Twenty seconds over Birch Hill." It describes my freefall when both my main and reserve chutes malfunctioned. I was fortunate to get an opening 100 feet off the ground at almost 200 mph ie. one second from impact. All of my jump buddies in the plane and on the ground thought I had died. Better jumpers than I have died at Birch Hill when they had a double malfunction and could not get either parachute to open.

For the U.S. government to tell me that I do not qualify for SS because I was so unfortunate to retire in Alaska is like telling my father, an 83 year old decorated WWII veteran, that he gets no benefits because he retired in Utah.

During my career as an educator I have taught 22 different subjects K through university. My students have gone on to careers in almost every field imaginable. Yet I always was thrilled when one of them became a teacher, and always encouraged them. How many of them know that their SS will be denied if they teach in Alaska?

Sincerely,

Jerry S. Dixon  
*Biologist/Teacher of the Gifted*

#### **Statement of Carl L. Elam and Naomi J. Elam, Graham, Washington**

The House Ways and Means Committee, Subcommittee on Social Security Hearings on Protecting and Strengthening Social Security is of interest to me because both my wife and I have had our Social Security benefits reduced as a result of the Windfall Elimination Provision and my wife's survivor benefits are essentially eliminated by the Government Pension Offset.

Both of us were public school teachers and receive pensions from those jobs that were not covered by Social Security. I also receive a small pension from seasonal federal employment covered by CSRS and FERS. My Social Security benefits were reduced by approximately fifty percent by the WEP, and my wife's benefits were reduced even more.

My wife was not employed for over 15 years, caring for our children, so her pension is small. Although she had several years of significant earnings covered by Social Security, due to the WEP her Social Security benefit amounts to only \$2400 per year. To add insult to injury, The Government Pension Offset essentially eliminates any survivor benefits to which she might have otherwise been entitled from my reduced Social Security.

The pensions received by retired state and local government retirees are not noted for being lavish. To discriminate against government workers and their survivors, who have participated to the same extent as their counterparts in the private sector, by restricting their Social Security benefits just because they are public employees instead of private is unfair, and in fact, penalizes them for their service. I urge the members of the Committee to do all within their power to rectify this injustice.

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#### Statement of Joyce R. Elia, Mission Viejo, California

As the Committee reviews the multitude of issues associated with Social Security, I ask members to consider correcting a "fix" that was initiated in 1983, and, to also not make similar mistakes this time around (such as privatization which will line the pockets of Wall Street and cost billions of dollars to implement). Congress has made the same mistake as many corporations recently in the news—they have "spent" the hard-earned pension funds of workers during the stock market's heyday and have now been "caught short". Workers in this country have had enough of the corporate greed and fiscal irresponsibility of government. We are tired of "paying" for everyone's mistakes, while the corporate CEOs continue to live the "good life" with no understanding, and with a complete lack of conscience, of how the "real" people in this country live.

The private sector continues to follow the government's lead in cheating employees out of their retirement benefits (United Airlines, possibly General Motors, to name a few), with the government's blessing. At the same time, like Congress, the retirements for the "chosen few" are preserved. The hardworking, tax-paying individuals of this country deserve better and we expect you to act responsibly. President Bush espouses a Christian ethic. There is absolutely nothing "Christian" about defrauding American workers with high taxes and erosion of their pensions.

As a current government (court) employee and former private sector employee, I am seeking your support of HR 147, "Social Security Fairness Act," to eliminate the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) to Social Security. This legislation was enacted in 1983, during a period when Congress was looking for ways to reduce the cost of Social Security. Their decision to place that burden on the backs of government workers and teachers has created a fraudulent and discriminatory solution which wrecks financial havoc on the lives of affected individuals.

The GPO and WEP will greatly affect mine and millions of other Americans' ability to collect the full Social Security benefits that they have earned and to which they are entitled. This is a non-partisan issue that transcends politics and affects voters of all parties.

Three years ago, a co-worker returned from her "retirement planning session" crestfallen to learn that the small pension which she had earned working for the Orange County Superior Court was going to dramatically impact the receipt of her earned (as well as her ability to collect her husband's earned) social security benefits. Her situation will become worse, should her spouse predecease her. She will not be eligible for **any** spousal benefits, which he worked a lifetime to earn in his effort to provide for his wife. At the time, *I was totally unaware of these two laws and their impacts.* I had worked in the private sector for many years before "retiring" to raise a family.

When I returned to the workforce in 1994, to work as a Senior Administrative Assistant to the CEO of the South Orange County Municipal Court (unified to Superior Court in 1998), *I was not informed by the County/Court* that paying into the County retirement system would negatively impact my ability to collect mine and/or my husband's hard-earned Social Security benefits. The County retirement plan is predominantly self-funded by employees, with only a small portion of the con-

tribution coming from LOCAL (not Federal) taxes. I erroneously assumed that any pension I earned would *supplement* my earned Social Security benefits. These laws force me to either leave my job, friends and an important part of my life prior to ten years of service (vesting) or relinquish my own and my spousal rights to Social Security. It punishes me for doing what the government told me to do—plan for the future. (I would have been better off staying at home and letting the government subsidize me.) The outcome is discriminatory and dishonest, as well as disheartening, to a loyal hard-working employee.

The laws are arbitrary and selective—being particularly discriminatory to women. Women receive only half the average pension benefits received by men and these laws further reduce that small sum.

Please preserve teachers' and government workers' retirement benefits that they have paid for and deserve by passing HR147, which will repeal legislation which in actuality is **"legalized fraud,"** (i.e., the government has taken, or in many cases, continues to take monies via social security taxation, which it has no intention of returning by way of future benefits). Numerous teachers and public workers (many of whom are single Moms), have part-time employment to make ends meet. From those private-sector checks, social security is being deducted . . . when under current laws, that money will never be returned. If private companies acted in such a manner, they would be charged with FRAUD.

I have included a briefing paper which expands on the legislation's impacts.

I urge Congress' support and passage of this important legislation. I also urge Congress to look into other areas for savings: reduction/restructuring of Congressional retirement benefits; reduction in foreign national benefits, fairer taxation, to name but a few.

I do not support private accounts OR melding government/teacher pensions into Social Security. This practice would place yet another undue burden on this class of individuals. Their pensions should be treated in the same manner as private sector retirement plans—separate and apart from Social Security.

Additionally, Congress makes it increasingly difficult for individuals and families to save for their retirement, especially when the *interest* on SAVINGS accounts are taxed.

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#### **Statement of Charles Fallis, National Association of Retired Federal Employees, Alexandria, Virginia**

Mr. Chairman and members of the Committee, I am Charles L. Fallis, President of NARFE (the National Active and Retired Federal Employees Association). I am submitting testimony today, for the record, on behalf of the more than 4.6 million federal annuitants and workers.

The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) are two Social Security provisions that continuously have an adverse affect on the quality of life of a significant number of our members. We have been told, many times over the years, these provisions should not be addressed until Congress considered "the full context of Social Security reform". Finally, that day is here. We know that you, Mr. Chairman, fully understand that we cannot afford to wait any longer to address changes to these onerous offsets—changes which have considerable support both here in the House and in the Senate for repeal or reform. You and your colleagues in the state of Louisiana, have a significant number of constituents that are among the most adversely affected beneficiaries in the country by these offsets.

In 1935, when the Social Security Act was originally enacted, it provided the same benefits to workers, with and without spouses, and provided no survivors' benefits. The Social Security Act Amendments of 1939 added spousal and survivor benefits to provide extra protection to workers with families. But in the past two decades, some spouses and survivors have been shortchanged on this "extra protection".

The GPO Social Security Act amendment, originally enacted in 1977, went into effect in 1983, and since then has affected over 350,000 federal, state, and local retirees. This figure grows by approximately 15,000 each year. The GPO reduces or eliminates the Social Security spousal or survivor benefit to which an affected retiree may be eligible. Two-thirds of the amount of the monthly government annuity that a public servant has earned, is applied as an offset against whatever Social Security spouse/survivor benefit might be payable. By all accounts, the use of two-thirds of the public retirement income as offset against the Social Security income

is an arbitrary percentage. As such, we believe it can and should be reexamined and changed.

Current WEP law greatly reduces the Social Security benefit of a retired or disabled worker who also receives a government annuity based on his/her *own* earnings. It applies to anyone who becomes 62 (or disabled) after 1985 *and* becomes eligible for her/his government annuity after 1985. The Social Security WEP has already affected over 695,000 retired federal, state and local government employees. Thousands more will be affected in the future because that number grows about 60,000 annually. This so-called windfall reduction can reduce the worker's monthly earned Social Security benefit by as much as 60 percent or up to approximately \$313.

NARFE has worked for over twenty-eight (28) years to repeal or reform the GPO and approximately twenty-three (23) years to do the same to the WEP. Both offsets have denied many of our older members, particularly women, the economic dignity they had been led to expect in retirement. Indeed, the elimination and reduction of these benefits have forced thousands of elderly government retirees back into the workforce—not by choice—but by economic necessity. I, therefore, urge this Committee to include the repeal or reform of the GPO and the WEP provisions as you develop your plan for Social Security Reform in this 109th Congress. This would restore earned benefits for women and other retirees.

Mr. Chairman, and members of this committee, I previously testified that the harshness of the GPO and WEP, as they exist today, cause both fears and tears among thousands of older retirees. Fears for their financial futures, and tears of frustration that Congress has not acted sooner to reform this provision despite widespread support for doing so. I hope the tears of frustration are about to be wiped away as you include corrective measures within your plan for Social Security Reform to repeal or reform the GPO and the WEP offsets.

There are several GPO and WEP bills pending before the Senate today which would offer relief to the hundreds of thousands of current and former teachers, school cafeteria workers, postal workers, VA nurses, social security employees, and others who worked long and hard to help support their families. In fact, many Representatives of this 109th Congress, and several members of this committee, including you, Mr. Chairman, have already acknowledged the need for changes in Social Security to include some means of reforming the GPO and the WEP.

Chairman McCrery, during the past three decades members of Congress have received many letters and phone calls from NARFE members who are constituents, not just in Louisiana, but throughout the country. All describe in detail the anguish and economic hardships they experience every day because of the GPO and/or the WEP. I reiterate that for hundreds of thousands of federal, state, and local government retirees, the repeal of both of these offsets would diminish, and in some cases eliminate, the devastating financial hardships they endure because of the effects of these onerous laws.

The Social Security system has endured and will continue to endure some serious challenges and concerns over the next century. None of us can predict what this program or our economy will be like seventy-five years from now, even though we try. And unfortunately, none of us here today will be around to know. One thing is certain; reform is needed and some form of change is inevitable.

Social Security Administration actuaries have determined that the repeal of the GPO and the WEP would increase the size of the OASDI actuarial deficit by an amount estimated at 0.11 percent of taxable payroll. This amount is not negligible but when included in a total Social Security reform package, it will help significantly to alleviate the hardships that retired government employees have to endure with the current GPO and WEP. The cost, I am sure, will be deemed negligible when included in the overall cost to maintain the solvency of our Social Security system over the next fifty years or more. Moreover, repealing or reforming the GPO and WEP would have a substantially lower affect on the system than Congress' decision to repeal the Social Security earnings test in March 2000.

The President has stated in the past that, “. . . America's greatest economic strength is the pride, the skill, and the productivity of American workers.” Mr. Chairman and members of this subcommittee, he is absolutely right. NARFE members, along with the other federal, state, and local government employees and retirees in this country are the proud, skilled, and productive American workers of yesterday, today and tomorrow. They continue to support and strengthen our nation's economy, and serve our country, to the best of their ability, as they continue to work, even though these heinous offsets debilitate their efforts to significantly contribute. Please allow them to significantly increase their financial efforts in support of this country's economy by returning to them that which they have earned. If they are ever to feel vindicated, these punitive offsets must be repealed or reformed now.

I commit to you today that, on behalf of NARFE's 400,000 members, we stand ready to work with you and the members of the House Social Security Subcommittee to expeditiously resolve these issues "in the context of full Social Security reform".

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**Statement of Judith Flynn, Federally Employed Women, Corvallis, Oregon**

I very much appreciate the opportunity to submit this written testimony on the impact of the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on me—a federal retiree. First I want to thank Chairman Jim McCreery and the other legislators serving on this Subcommittee for conducting this important hearing. As a retiree being adversely impacted by these provisions, I urge all Subcommittee members, and lawmakers, to repeal them as soon as possible and allow me to receive my full social security benefits.

I am a CSRS offset retiree because I temporarily left government employment to finish my college education. At that time (working for Oregon State University, Corvallis, OR) and previously (employed by Harcourt, Brace publishers, New York, NY), I worked in the private sector in excess of the required quarters to have earned the rights to my Social Security payments. I also worked 24 years for the Federal Government (USDA-Agricultural Research Service) in order to obtain my entire earned annuity from the government.

I should not be penalized at all in my earned benefits simply because I worked as a public servant. Yet am losing 12.5% of my Federal Annuity each month due to these provisions.

GPO and WEP are truly unfair to federal workers, and need to be repealed. Thank you for your help and consideration in fixing this problem.

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Brownsville, Texas 78521  
September 12, 2005

Committee on Ways and Means  
Social Security Issues  
GPO and WEP

Dear Sir or Madam:

I would like to plead to you to eliminate the above provisions from Social Security.

I am a retired teacher and my husband is a retired police officer. I do not necessarily care if I receive a benefit, as I have not worked the required 40 quarters under Social Security.

Nor do I care if I receive a spousal benefit.

However, my husband HAS. He took any number of off-duty jobs in an effort to support his family at a time when pay for police officers was very low. He is now retired with a total service connected disability, which requires an inordinate amount of medication every month. If he had his Social Security benefit, even though it is less than \$400 per month, it would go a long, long way toward alleviating his expenses. But even if he did not need the money, the fact is that he EARNED that benefit and the rules were changed toward the end of his career. This does not seem quite fair to me.

Again, I am not particularly asking for repeal so that I can collect a spousal benefit but because my husband EARNED his benefit and is being denied that benefit.

Yours truly,

Cheryl Fowler

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**Statement of Marilyn Sprang Fransen, Rapid City, South Dakota**

I was a music teacher in Colorado from 1963 to 1975. When I quit teaching I went into business and took out in cash what had been put into the retirement association. I was married with two children and felt "burned out" by the demands of teaching.

In 1981 I returned to the school district but in the capacity of an elementary office manager or secretary. I felt that my work was every bit as important to the edu-



cation of the children of this school as my teaching had been, perhaps more so, because I knew the demands upon teachers and I aided them in every way I could. I also became nurse: surrogate Mommy; liaison between teachers, administrators, parents, and other community; and believed that I accomplished much toward making the school run smoothly and efficiently. I stayed happily in that position for sixteen years and bought back some of the teaching years' retirement benefits so that I could retire in 1998.

Because I retired as a classified employee and not a certified employee my retirement is only adequate and just above poverty level. I was never informed about the GPO/WEP laws that came into effect in 1983. I had realized that no Social Security had been taken from my salary those years but I also knew that as a married spouse and later as a divorced spouse I would be eventually eligible for half of my ex-husband's benefits as a supplement. I realize now that my divorce lawyer was not aware of the laws either. Also, because of the animosity of my ex-husband I was driven into bankruptcy, and I truthfully believe my lawyer for that process was not aware, also, of the laws. I finally learned about my predicament *when I applied for my benefits after turning 62 in July 2002!*

It came as a complete shock. I contacted friends and co-workers in the school district where I was employed and learned that they, also, were in ignorance about the effects these laws would have on their lives. They didn't and still don't believe me. The laws are so complicated to understand. I've had three years to try to verbalize what I believe has happened to me and it is still hard to make sense of it. I am weary of this problem and worried about how I will be able to live out my senior years on such a limited budget.

Because of the loss of much needed Social Security supplemental benefits I am forced to work again despite health issues. I try to make enough each year to put money into an IRA. How unfortunate for me that I wasn't aware of this problem when I was working those years 1983 to 1998 in the schools. I could have been investing money in other ways then for this time in my life.

I have been actively trying to contact Senators, Congressmen, the White House, AARP, NEA, and anyone who will listen to my plight and, always it seems, it falls on deaf ears. I have given up hope that the GPO will ever be repealed but, to me, the most unfair law is the WEP. Now that I have been forced back to work I am contributing to Social Security with the knowledge that I will never get back the benefits in total that people in the other 35 states of the U.S. not affected by WEP will get. My retirement from the school district which I served is so little how could anyone believe it is "a protection against double dipping by highly paid State Employees" to deny me my full benefit?

**I am convinced that the WEP arm of the SS Pension Offset Law is unconstitutional. I am being denied, after the fact, the right to pursue happiness in being able to provide ably for myself in my declining years!**

It is too late for me to make up the loss of several hundreds of dollars a month for the rest of my life. What difference should it make upon my eligibility for complete benefits that I worked at very low pay for 20+ years as a school secretary? It is absurd that this badly written law should have not had a **floor** on it so that people in my salary range wouldn't be victimized in this way. **I am also convinced that this law discriminates against women who are in lower wage slots in the states that are affected. Most of my co-workers in classified positions—cooks, kitchen managers, office clerks, bus drivers, custodians, nurses, teacher instructional aides, and etc.—were women by a large percentage as they are in most every school. We all know very well that statistics bear out the fact that these women live longer than their spouses and will suffer either widow-hood or divorce in their later years when supplementary benefits will be critical to them!**

Classified personnel have no one to lobby for them, no national associations that I have been able to find; and, frankly, do not comprehend what is being done to them. As I stated before I am having great difficulty convincing them that this law even exists. It is not particularly humorous to me that one senator in one of the affected states admitted to an acquaintance that he didn't even understand the law when he signed for it's legislation in 1983!

I am praying that the wrong will be made right. I am praying that my country's governmental representatives will see the injustice I am seeing. And I am praying that when I reach my own 40 credits in a year or so I will be able to receive my full benefits and not something lowered by a complicated formula thought out erroneously in 1983!

Please consider my situation and do the right thing.



**Statement of Janet Frost, San Francisco, California**

Thank you for the opportunity to submit a statement. I am a Licensed Clinical Social Worker in the State of California. I have worked for the San Francisco Unified School District for the last 16 years, and became an employee about 5 years ago. Before that, I had 22 years of substantial earnings and paid social security during all those year.

I came to work at a school district because I have a strong commitment to the youth of our country. There is a tremendous need for resources in our public schools, and I have done my best to leverage my skills, knowledge and license to develop a program to assist school sites in dealing with student mental health issues. I have developed an internship program for our district which provides placements at school sites for graduate students in clinical psychology, social work and marriage and family counseling. These graduate students provide individual and group counseling to our students and in return receive clinical supervision towards their own licensure, or university credit. It is a win-win situation, giving graduate students an opportunity to practice their skills and providing the kind of attention and support that many, many of our students desperately need.

I tell you this because it is clear to me that there are many people in the private sector who would happily work for and make a contribution to our school system, but do not want to risk losing the retirement funds for which they have worked so hard. Our schools are desperate to create new programs that will provide for our student's needs. We need more help with math and science as well as mental health. We are asking retired scientists and mathematicians to come to our schools and teach. But, would you risk losing 50% to 60% of you Social Security to do so?

Now that I am vested in CALSTRS I will only receive 50% of my social security due to the windfall elimination provision. While this may not be a great sum of money, I am appalled that I feel like I had to chose between providing for the future of our society and providing for my own later years.

Please do your best to understand this problem for those of us who have had other careers before coming to work for our schools. We are no longer a society where on career lasts a lifetime. We want the best and the brightest to work with our children. Let's try not to punish those who decide they want to offer something to our future, rather than just earn a dollar for themselves.

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**Statement of Cecile M. Galvin, Orange County (CA) Employees Association,  
Laguna Niguel, California**

Thank you for giving me this opportunity to write to you.

When I married in 1957, as a wife of a brand new Ensign in the U.S. Navy I did not work. Most wives did not work at that time because of our life long commitment to our marriage and the anticipation of having children. By 1965, we were the proud parents of six children. It took every ounce of our income and loans to raise them and put them through private schools and private universities and we would not have it otherwise. Today, because of our ultimate sacrifice, we do not own a home, we do not have any savings and we live from month to month. This is our life and I will continue to work because my paycheck is not enough to cover our expenses and we are both in our 70's. Since I am still working, I am collecting S.S. and we need every bit of that along with my paycheck to make ends meet.

I am writing you concerning the above penalizing social security laws that were passed some years ago. I will be affected by these laws twofold. First, I have been a judicial secretary in the court system for over 21 years. Prior to these years, I worked as a secretary and paid into social security and am eligible to receive social security benefits. Had I known that I would lose two thirds of my SS when I joined our court system, I would not have joined as this was never communicated to us. I am now faced with a dismal future with regards to my retirement since I will turn 72 on August 17, 2005.

I want to retire but I cannot afford to lose the SS checks I am receiving now. I need them to live without begging otherwise I will have to find another job. I don't look forward to that. With age comes a time when you feel you aren't doing your job as well as you did in earlier years. Maybe the decision will be made for me in the form of letting me go. It's not comforting.

Secondly, when I retire, why should I lose my husband's portion of SS if he qualified for it? Thirdly, if he should die before me, I would get nothing. Is that fair? Would you leave your wife/husband in the same predicament? How about your mother? Working wives should have the same rights to a spouse's full benefits as non-working wives. That is only fair.

This is not double dipping for us; it is double dipping for the U.S. Government which puts us in the poverty arena and so I will have to continue working until my demise or until I am unable. I would like your views on this topic. Have they approached you regarding these specific laws? This is a non-partisan issue and goes beyond politics because everyone has a relative, relatives or friends that will retire some day. What will you say to them when they find out that they are no longer entitled to the benefits of the SS system that they paid into?

The cost of implementation should NOT be cited as a reason for not acting, especially after reading this article in our local paper.

As one example of government waste but it sure points out the truth about unnecessary and unbelievable overspending which we as taxpayers are paying for. On June 9, 2004, this article appeared In the Orange County Register.

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\$100 million in plane tickets wasted

WASHINGTON The Defense Department spent an estimated \$100 million for airline tickets that were not used over a six-year period and failed to seek refunds even though the tickets were reimbursable, congressional investigators say.

The department compounded the problem by reimbursing employee claims for tickets bought by the Pentagon, the investigators said.

To demonstrate how easy it was to have the Pentagon pay for airline travel, the investigators posed as Defense employees, had the department generate a ticket and showed up at the ticket counter to pick up a boarding pass.

Congress' General Accounting Office issued the findings in two reports on the Pentagon's lack of control over airline travel. A prior report found that the Pentagon bought 68,000 first-class or business-class airline seats for employees who should have flown coach.

Our government is currently spending billions of dollars on a war in Iraq, rebuilding Afghanistan, returning to the Moon and Mars, starting a temporary worker program for illegal immigrants, enhancing Congress' pay annually, providing benefits to people who have NEVER contributed to the system AND providing benefits to foreign born nationals.

The government workers and teachers of this country who have contributed to Social Security throughout their lives deserve better treatment. We are watching our elected officials and our votes will reflect the response we receive from Congress on this issue of grave importance.

Hopefully, I will be guaranteed the retirement benefits paid for and deserved. Please, please support the Social Security Fairness Act HR 147. Thank you for your attention to this matter that so greatly affects the quality of life for seniors in this country.

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Longview, Texas 75605  
June 11, 2005

I am a third grade teacher in Longview, TX. I have taught for 17 years because I believe that our children are important and deserve our best efforts to provide a decent education.

When I began teaching, no one told me that I was giving away all the money I had already paid into our social security system. I was 41 years old when I began to teach and had been working in the general workforce since I was 15 years old. My husband was killed in an accident at work before I began teaching and again no one told me that I would be ineligible to draw widow's benefits. I have taught from a wheelchair for 13 of my 17 years and recently discovered that I am not eligible for SS disability if I can not continue due to my health. I had polio when I was 3 and have always been a productive member of our society even though I am handicapped. I have not asked to be allowed to just lay down and let someone else pay my way.

Many of the teachers I work with have worked second jobs most of their teaching careers. They have paid into social security (no choice), but are not allowed the benefits of the general public (some of which have *never* paid in to the system).

Widows that have never worked outside their homes are entitled to their spouse's social security. Teachers, who are public servants, are not allowed to draw from that same fund. I must admit to being confused by the logic.

Texas teachers are not given the choice as to whether or not to pay into social security system. Given a choice, I would have had a private pension and social security—as is given to most employees. Many government employees have extremely good retirement—don't they.

Teachers are not drawing huge retirements. After 20 years, I will draw about \$1300. a month. Out of this, I must cover health insurance and prescriptions, maintain a home, car, and food. Not exactly the lap of luxury. If I could draw my own social security or widow's benefits from my husband's social security, I could possibly have a fairly decent lifestyle after giving so much to our society. \$2,000 a month only translates to \$24,000 a year. Could you maintain your lifestyle on this amount?

We need and are entitled to the social security benefits that we paid in good faith.  
Thank you,

Helen Sue Gillispie

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Framingham, Massachusetts 01701  
June 20, 2005

To whom it may concern:

Two years ago after just a one-week battle, my husband Thomas H. Goodwin died of leukemia. He was only fifty years old. We have two children who at the time were fourteen and sixteen years old and I was employed as a fifth grade teacher in Framingham, Massachusetts.

When our first child was born I stopped working to stay home and care for her and I did not return to work until my younger son was in first grade. At that time I returned to work as an aide in his elementary school. Later I returned to school to obtain a teaching certificate and master's degree in education and six years ago I began to teach fifth grade in Framingham.

Being out of the workforce for eight years, I of course did not pay into social security and my income before was insignificant in today's economy . . . In addition, my husband earned more than six times my salary when I went back to work and always earned much more than I did before our children were born paying into social security every year.

When suddenly my husband died without warning our income dropped incredibly and it was then that I learned upon retirement I would not be able to access all of his social security and if that wasn't enough I could not collect my social security either because I had not paid in enough in consecutive years *and* I was an employee of the state of Massachusetts, paying into a separate retirement account.

Being 52 now and thinking towards my own retirement ***it is incomprehensible to me that I will not be able to access benefits my husband worked so hard to earn while he was alive.*** This bill is a turn off to people who may be thinking of changing professions later in life and entering teaching as I did because they are penalized significantly. We will not have enough working years to pay into our state retirement plans to support ourselves and then we cannot access our social security earned from previous employment or social security benefits earned by our spouses hard work if we are widows like I am.

I am sure this was not what was intended when this law was passed but it is the reality. If I knew this was true I may never have gone into teaching (a field that I love) since I would be better able to provide for myself.

Please think about young widows like myself when you vote to repeal this law. It is just not fair. I am not asking for anything I did not earn, I am just asking to receive what is fair and what my husband would have received had he been alive. Do not make his death felt even worse for my family and me.

Jae Karen Goodwin

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**Statement of Robert Gray, Colorado Public Employees' Retirement Association, Denver, Colorado**

I would like to thank you for having the hearing on June 9 which examined Social Security provisions affecting public employees.

The Colorado Public Employees' Retirement Association (PERA) covers 180,000 active state, school, local government, and judicial employees in Colorado. PERA also pays monthly lifetime benefits to 68,000 retired public employees and survivor beneficiaries. Except for a few of the local government members, PERA members are not covered by Social Security from their public employment with a PERA employer.

Colorado PERA opposes any effort to mandate Social Security coverage for state and local workers, even on a "new hire" basis. Mandatory coverage under Social Security is not needed for the employees, and has not been requested by the employees themselves. In addition, forcing new employees hired after a certain date to be covered under Social Security would cause great problems for employers and employees in Colorado, as well as their retirement system.

PERA members have a strong defined benefit plan that provides comprehensive benefits in lieu of Social Security coverage. Benefits included in the PERA plan are:

- Lifetime retirement benefits with an annual increase after retirement
- Disability benefits payable in case of disability after 5 years of service
- Survivor benefits payable in case of death after 1 year of service
- Strong portability features that provide for vesting after 5 years of service, the ability to purchase service credit for prior employment outside PERA, and the ability upon terminating employment to refund or rollover all employee contributions with interest, plus a 50 percent matching amount
- A retiree health care program, and An optional 401(k) plan.

Even as applied only to new hires, the cost of mandating Social Security coverage would come at a time when Colorado state government faces serious budget restrictions. Contributions would have to be increased by about 5 percent of pay in order to provide benefits from a Social Security and supplemental retirement package that would equal the benefits that PERA currently provides for state, school, and local government workers.

For new hires, the benefit from PERA that would supplement Social Security would be much smaller than the current PERA benefit program. For current employees, the current benefit structure would have to be preserved and continued throughout their future service and retirement years, out of fairness to these 180,000 employees and because of the contractual nature of their benefits. The cost to the State of Colorado and other PERA governmental employers would have to increase to continue this system, because new hires would have separate plan benefits, and contributions by new hires and employers could not be used to help fund the "closed" system. PERA's actuary has determined that the employer contribution rate, which is currently scheduled to be 13.15 percent of salary by 2012, would have to reach 20 percent of salary if all pension liabilities for the "closed" (pre-mandatory Social Security) group of employees and retirees were to be fully funded over the next 40 years.

Requiring state and local workers to join Social Security against their wishes would not help provide a permanent solution to Social Security's financial problems. It would provide a short-term infusion of funds, but the Social Security benefits earned by public employees would put an additional burden on the OASDI funds when they retired. The absence of mandatory coverage has not caused Social Security's financial problems. Federal employees hired after 1983 were required to be covered by Social Security, but that has not solved the long-term problem.

Colorado PERA also believes that a mandate from the federal government that state and school districts cover their workers under Social Security probably would violate the Tenth Amendment to the U.S. Constitution.

Regarding the WEP and GPO provisions of Social Security, PERA recognizes that complete repeal of these provisions would have a significant cost impact on Social Security and would not promote equity between private sector and public sector workers. However, both the WEP and GPO use fairly arbitrary formulae for reducing Social Security benefits, and PERA urges Congress to pass reasonable legislation to improve the equity of the reduction.

In particular, PERA supports H.R. 1714, the proposed Public Servant Retirement Protection Act (PSRPA). PSRPA would affect thousands of state, school, and local workers who will receive or who already are receiving benefits from public employee retirement systems from their employment not covered by Social Security.

The original purpose of the WEP is to ensure that public employees who work a part of their career in Social Security-covered employment and the other part of their career in public employment outside Social Security, do not receive an unfair advantage from the weighting in Social Security's regular benefit formula. Social Security is a social insurance program in which benefits paid to low-income workers replace a higher percentage of pre-retirement earnings than for higher-income work-

ers. For example, in 2005 Social Security replaces 90 percent of the first \$627 of a worker's AIME (Average Indexed Monthly Earnings), and replaces 32 percent of the next \$3,152 of AIME.

Because weighting occurs in all Social Security benefit calculations, it makes sense that public employees who have pensions from employment not covered by Social Security should be treated for Social Security benefits in some manner that takes into account their entire career earnings. Public employees who also have other employment in their careers that was covered by Social Security should not be accorded the advantage normally given only to low-income career workers in the calculation of their Social Security benefits.

PSRPA would accomplish this goal better than WEP. PSRPA would use a sounder concept for calculating the Social Security benefit. It compares the average indexed earnings covered by Social Security to the average indexed earnings during the worker's entire career, and bases the Social Security benefit on this ratio.

PSRPA would apply to public employees' Social Security benefits the same earnings-based weighting that is currently used in Social Security benefit calculations. According to examples prepared by the Subcommittee, the Social Security benefit under PSRPA to a low-wage career earner would replace a higher percentage of his average SS-covered indexed monthly wages than would be replaced for a medium-wage earner or a high-wage earner.

The WEP calculation, on the other hand, uses fairly arbitrary percentages in order to calculate the "windfall" reduction. Employees who meet other fairly arbitrary thresholds of income earned and years worked are exempt from WEP.

The cost to the Social Security trust funds is far less for H.R. 1714 (PSRPA), at \$7 billion over the next 10 years, than the cost of full repeal.

Thank you for the opportunity to submit this statement. I would be glad to provide further information or answer any questions the Subcommittee may have.

#### INFORMATION ON WITNESS SUBMITTING THIS STATEMENT

This statement is submitted by Rob Gray, Director, Government Relations, Colorado Public Employees' Retirement Association (PERA), on behalf of PERA and for no other client or party.

Merced, California 95340  
June 9, 2005

House Sub Committee on Social Security

I am a 61 year old retired California Highway Patrol Sergeant. I have devoted my entire life to public service beginning with service in the U.S. Air Force during the Vietnam War, then 28 years with the CHP, then 8 years as a congressional staff person and now I work part-time as a Disaster Assistance Employee for FEMA.

My service to the CHP did not pay into Social Security and I now receive a pension from the State of California. I have also worked and paid into Social Security for about 18 years so far. My SS statements show that I would be entitled to a small Social Security pension based on my earnings for those 18 years. My understanding is that the small amount that I earned will be cut up to 60% because I also earned a CHP pension. I don't want or deserve the same pension that someone earned by working in the SS system for 40 years but I do deserve what I earned for the years worked.

I think it is terrible that the people who are penalized are the teachers, police and other public servants like retired military. At the same time there are so many people that don't even depend on SS because they had such lucrative jobs and they don't have to worry about getting their SS offset. Then there are the millions who make over \$90K a year and don't pay SS on the amounts over that. It is wrong that the wealthy keep getting richer and the public servants have to scrape and fight for every benefit they earn. If you want to make SS healthy, make it so people pay SS on all that they make, not just the first \$90K.

Each time a bill to repeal the WEP/GOP is introduced it gets tremendous bi-partisan support because the members know it is the right thing to do but it never gets to the floor for a vote. We expect you to strengthen SS but not on the backs of teachers, policeman and other public servants. We served the people now give us what we earned. Please repeal the WEP/GPO.

Brian Griffin

San Luis Coastal Unified School District  
Pismo Beach, California 93449  
June 22, 2005

I, Donna Hoaster Guild, have worked in education for 32 years. I began teaching elementary school in 1966 in Virginia, and spent several years teaching there and in New Jersey, where I accompanied my husband on his U.S. Navy assignments. We then spent four years in Japan, after which we returned to California, where my husband completed his Naval obligation. When our sons reached school age, and after completing the studies necessary to obtain a California Teaching Credential, I returned to teaching. I had no idea that my Social Security earnings from my previous years of teaching on the east coast, as well as from my earnings from numerous summer jobs, were in jeopardy. It never occurred to me that when I retired I would not receive a full distribution from Social Security based upon the monies I had already paid into the system. It wasn't until last year, when I spoke with a local retirement counselor, that I was told about the Windfall Elimination Provision.

While I understand why I will not receive Social Security benefits from my last 25 years of California employment, during which time I have contributed to our California State Retirement System instead of Social Security, I do not understand why the distribution based on my previous Social Security earnings should be reduced. How is this justified? Why should someone who has worked faithfully and diligently through all these years be penalized in such a way?

The Windfall Elimination Provision is terribly unfair, and punishes many of us who have contributed so much, to so many of our children. Please repeal the Windfall Elimination Provision.

Thank you for taking the time to consider my comments.

Sincerely,

Donna Hoaster Guild

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Pismo Beach, California 93449  
June 22, 2005

To the Ways and Means Committee, in the matter of  
The Social Security Windfall Elimination Provision (WEP)

From the middle of 1965 to the middle of 1975 I was on active military duty with the United States Navy, serving afloat on the east coast of the United States, at sea in southern European waters, and for four years in the far east. During these years my military pay was "garnished" in anticipation of entitlement to future social security benefits.

From 1975 to 1985 I was employed by private industry and contributed fully to Social Security in anticipation of an entitlement to full benefits upon my retirement or disability.

From 1985 to the present (and into the future) I have been employed as a high school mathematics teacher in both the San Francisco Bay Area and in the Central Coast of California. Contributions from my pay, earned 10 to 20 years earlier are being mitigated, reducing my full entitlement to benefits *that I have already earned* through Social Security.

Because I am a teacher and have already contributed thousands into the California State Teachers Retirement System (STRS) (as well as thousands into Social Security) in anticipation of retirement, I find that now I am being penalized for being forced to contribute into both systems over the years. My Social Security benefits will be reduced because I am a "public employee."

This reduction of earned benefits is ludicrously unfair. I am about to be punished during my retirement for contributing a majority of my adult life to the service of my country.

PLEASE REPEAL THE WINDFALL ELIMINATION PROVISION.

Thomas A. Guild

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**Statement of Mary Harlan, Staunton, Virginia**

My situation is a classic example of the negative result of the GPO/WEP laws on the retired population.

I am a member of the population which changed direction at mid-life. When I began teaching at age 35 in 1965, I had already spent 15 years working under Social Security. The year I began teaching, the community in which I lived, Caribou, Maine, was desperate for teachers. Twenty teaching positions were still vacant a week before school opened. I continued to teach for 19 years and when I left teaching, I again worked under Social Security for another 13 years. I was given no information about the passage of the GPO/WEP laws and their affect on my retirement income.

Nineteen years of teaching did not provide a sizable pension; therefore I counted on the addition of Social Security to give me a comfortable retirement income. Since the GPO/WEP laws did not go into effect until January 1, 1986, I had no idea when I began teaching that upon retirement the pension due me from Social Security would be more than cut in half.

To make matters worse, if my husband pre-deceases me, my spousal benefits which he earned will be reduced by my GPO formula. In other words, this law is Grandfathering back to benefits earned as early as 1942, when my husband began working for the U.S. Government, and will reduce them according to a law which took effect in 1986 and which never applied to him and his earnings.

I estimate that at a minimum, I have lost \$14,000 to the WEP, an amount that is increasing every month I receive Social Security. It is totally unfair, that we who have worked under Social Security are penalized for spending part of our employment career at public service occupations.

I urge the passage of H.R. 147 which will repeal these unfair laws.

Sugar Land, Texas 77478  
*June 16, 2005*

Dear Honorable Members of Congress:

Thank you for the opportunity to submit my comments for consideration during your discussion of House Bill 147.

I am a 46 year old wife and mother living outside of Houston, TX. A number of years ago, I decided to put my career in high-tech on hold while I stayed home with my children, who are now ages 13 and 9. At the time, I intended to resume my career after my children were a bit older. As is often said, "A funny thing happened on the way . . ."

After my first child entered school, I began volunteering at his school. In doing so, I came to understand the world of children's education in a way that I had not before—the good and the bad. The early years of children's schooling sets the tone and pace for the rest of their education. It is when a child often decides whether school is for them or not, when a child's success or failure in learning to read begins to color all of their school work. Eventually I made up my mind that I had something positive to contribute to this world, and that my second career would be as a teacher. I have spent the last two years earning my teaching certificate. During my time as a student teacher, I found that my instinct to teach was right, and that I loved being with the children, and they in turn were extremely eager to succeed under my tutelage. I could not be more excited about this second career.

Unfortunately, I discovered that if in fact I accept a teaching job in the public school district here, I will have to give up my previously earned Social Security. Since I have contributed for more than twenty years, and since my husband has paid the maximum Social Security for years and years, this seems hugely unfair. I am willing to accept a much lower salary as a teacher than I could earn by returning to high tech, because I want to do work that I love and value. But it is too much to ask me to also give up my Social Security pension.

I've been to a town hall meeting here in Sugar Land, TX hosted by Congressman DeLay, who insists that I will recoup in my teacher's pension all that is offset in my Social Security benefits. But he is wrong—he misses the point that everything I recoup from a teacher's pension is money I will have contributed myself—it's not a gift from the government in lieu of Social Security! And it still misses the point of why I should give up all my previous Social Security contributions, as well as those of my husband, as his spouse. If I had been a teacher all along and had never paid into Social Security, I wouldn't expect to receive Social Security retirement benefits, but this is clearly not the case.

If I remain at home, or take any other private sector job, I don't jeopardize my Social Security, but if I teach in the public school sector, I do—it is that simple. For now, I have decided to do substitute teaching, so that I can at least be in the classroom doing the work I love, on a part-time basis, without jeopardizing my So-



cial Security. But I would LOVE to be a full-time teacher in one of my local public schools. I would LOVE to make a real difference in the education of the children in this city. What I want to do is to make children crave books because they crave adventure, to teach them math games that they beg to play, to convince them that they are a huge, important part of America's future and we need their contributions. I can do that in the classroom. And I don't mind making a financial sacrifice in my weekly paycheck to do this. But it is too much to also ask me to give up the Social Security retirement benefits that my husband and I have earned.

Thank you again for the opportunity to submit my comments for your consideration.

Best regards,

Lynn Harpham

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Palm Springs, California 92264  
September 14, 2005

House Ways and Means Committee

Dear Sirs,

I am writing to request that my thoughts on this subject be included in the record of the meeting held on June 9, 2005.

As one of the huge number of U.S. citizens/former public service employees that are subject to the WEP provision of Social Security law, it seems to me that we are the forgotten people. This law has been in effect since 1983 and there has been no real effort by Congress in the meantime to address the basic discriminatory nature of this law, either by amendment or repeal. I sincerely hope that fact will be remedied by the current Congress given that it seems that you now have the green light to examine all portions of current Social Security law.

The intent of this law was, according to some, to prevent so-called "double-dipping", a ludicrous idea when people's earned public pension and social security benefits are very low to start with. If the Congress feels that the WEP law is crucial to maintaining SS solvency (it isn't because there are also many other logical solutions for that issue) but let's say that you do feel that it is necessary, then why do you not exempt those with low public pensions from being subject to the WEP??? Rep. Barney Frank of MA has sponsored bills (with many co-sponsors) for several years that are designed to do just that but so far they have never come to the floor for a vote.

This is the approach that I would advocate rather than full repeal because it is a fair compromise and it makes practical sense.

This is an issue of fairness. When I took a teaching job in MA in 1967, I never dreamed that I would ultimately be penalized on my SS benefits when it came time to receive them. My earned benefits have been cut by one half for the simple fact that I chose to teach in MA. There are eight or nine other states where teachers and other public employees are similarly punished by the Federal Government for having worked in the "wrong" states—Texas and Illinois, to name two. I taught for 24 yrs then I worked in other professions. I contributed to SS for a total of 30 yrs, some years smaller, some years greater amounts. Imagine my surprise when I found out that my earned benefit was to be cut by 50% because I had taught in MA public schools where SS is not deducted from paychecks.

At the very least, SS needs to inform people of the existence of the WEP/GPO laws which they do not now do rather than say, "oh by the way, you will now be penalized" when you go in to meet with SS Reps". When I had my appointment with a SS Rep to start the process of receiving SS benefits, she attempted to make light of the fact that I was going to be penalized, saying "oh, that's not so bad" when she did the calculations in her computer.

If the public really knew about this law, they could make better decisions earlier on about which states to teach in and which to avoid. An unintended consequence of this law, however, is that certain states may have a harder time attracting public employees because of the negative effect on their earned SS benefits.

My earned SS benefits were low to start with. A fifty percent reduction was horrible news!

SS needs to put a disclaimer on their yearly account statements to citizens—ie: "your SS benefits will be subject to the WEP/GPO laws if you were a public employee in the following states and SS was not withheld from your paychecks"

Please, SS Subcommittee Members, it is time to remedy this unfair law! At the very least, please exempt public pension recipients whose pensions are under \$20K a year, like myself, from being subject to the WEP! Help keep us out of poverty!

Thank you in advance for your careful consideration of my comments.

Yours Truly,

Wayne V. Hatford

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Sacramento, California 95816  
June 15, 2005

Dear House of Representatives Subcommittee on Social Security;

*Summary of Statement*

1. I am a public school teacher who was a stay-at-home mother while my four children were of pre-school age.
2. Severe medical problems on the part of my children required that I stay at home full time to prepare special diets due to extensive food allergies.
3. Prolonged stress, exhausting work and poverty over a number of years caused my own immune system to break down so that I became disabled with multiple chemical sensitivities, and allergies to inhalants and foods.
4. After about ten years of being completely disabled, and with the help of a world-class clinical ecologists, I was able to return to work full-time, although still having a disability that limited the type of jobs I could hold.
5. Vocational Rehabilitation in Wyoming helped me to retrain so that I could work in an environment free from perfume and other petro-chemicals.
6. I experienced quite a bit of discrimination from different school districts when they found out that I had a disability that was not simple to deal with.
7. Due to circumstances beyond my control, I was not able to hold a job for more than one or two years. I could not prove discrimination because schools can let teachers go for no reason until they are tenured.
8. Because of my spotty employment record, I was not ever to become vested into a retirement system with any one state.
9. I was able to work fairly well in the clean air in Montana, but due to very low pay I could not make a living and moved to California to find work.
10. Because of the "Windfall Elimination Act" I lost the vast majority of my social security representing my twelve years of teaching experience from 1962 through 1996. I did not have 40 quarters. I was a full-time Mother for a number of years.
11. Child support obligations and low-paying jobs prevented me from purchasing a home.
12. I am facing retirement without a home paid off to cushion inflation. I need all my social security; I don't have any windfall.

*The Windfall Elimination Act Discriminates Against Women*

- Women interrupt their careers to have children.
- Women make less money than men although they work longer hours.
- In cases of divorce, the women's income is severely reduced while their expenses increase due to child care which can take 50% of some women's paycheck.
- Women don't make enough to save extra money for retirement.
- Women follow their husbands around the country and therefore have to put their own careers and financial best interests on hold.
- Women are not in a position to choose careers that result in a comfortable retirement because they are dependent on their husbands.
- Women whose husbands abandon them are often forced late in life to scramble for retirement.

*The Windfall Elimination Act Violates People's Civil Rights*

- People need the right to move around the country to find work; this act would eliminate several states from the places people could find work.
- It was considered unconstitutional to prohibit welfare people from moving to states that paid higher welfare benefits; workers should not be penalized for moving to a non-social security state.
- I earned my social security; the government made a social contract; I was counting on that money so that I could provide for myself in my old age.
- This act robs the poor who often are not politically powerful enough to fight back.

Please see that justice is done.

*The Windfall Elimination Act Discriminates Against Poor People*

- The Act does not exempt from reduction a decent amount of retirement money that the people have earned.
- Poor people are more mobile due the need to find jobs and are more likely to have to cross boarders into one of the states that does not collect social security.
- Most of the nation's poor and women and children.

*The Windfall Elimination Act Robs Me of What is Rightfully Mine*

- I started teaching in 1962 and contributed to social security for two decades before the act was passed.
- The U.S. Government made a contract with its citizens, and well into my career it broke that contract.
- The Windfall Elimination Act limits workers' freedom to move among the various states of the U.S.

I taught in the public schools in NJ and NY, 4 years, before I began a family. Severe allergies on the part of two of my four children necessitated that I stay at home as a full-time mom to prepare from scratch the special rotational diets required to stop uncontrollable diarrhea and allow the children to begin growing again in height and teething normally. The stress of all the work, up to a 16 hour day in many cases, the poverty, the medical expenses, caused my own health to collapse within a few years. I became disabled for a number of years due to multiple chemical sensitivities caused by extreme prolonged stress and chemical exposures. We found a very talented clinical ecologists who got me well enough to go back to work after I had been disabled for about 10 years. However, during those years of complete disability when I could not hold a job, I did not contribute to Social Security and there are therefore gaps in my work record that were beyond my control.

The stress of the medical problems led to a divorce, and I raised 4 kids alone. As a single parent stay-at-home Mom, I am proud of the fact that all my children were highly regarded by their teachers and have become good highly intelligent productive citizens. My efforts medically kept my two younger children off social security disability. With the help of Vocational Rehabilitation in Wyoming, I retrained for a job where I would not encounter perfumes, after shaves, and petro-chemicals—a school librarian. I have been continuously employed since 1986.

My work history is full of interruptions as I ran into discrimination by schools when they found out they would have to accommodate my allergies to tobacco, petro-chemicals, and perfumes. They would not let me get tenure. I could not hide my disability. However, I have taught over 12 years in states where I contributed to Social Security. I found a clean place to live and work in Montana, but could not make a living there because of low pay. I moved to California in 1997 and got a job paying about 50% more that I had been making. I did not know about the "Windfall Elimination Act."

The Windfall Elimination Act reduces my social security from over \$950./month to approximately \$240.00, I believe. Since I was married for 15 years and have never remarried, I'm told I can get social security based on my ex-husband's contributions. However, I'm told that this source of social security is also subject to the windfall elimination act also.

So I am 65 years of age, as of this month. I cannot afford to retire on the income I would receive from just teaching in California since 1997. I am borrowing money to buy back service credit from my teaching experience in other states. This costs me over \$2,500. Per month. I cannot afford to rent an apartment so I rent a room and keep my stuff in storage. I have no washing machine, hardly any furniture, do not eat out, or spend much money except on my special diet, medical expenses (very high), and contributions to my retirement.

I expect in my case that my medical expenses above and beyond insurance will amount to several hundred a month. I do not drink. I have never smoked nor done drugs. I exercise and keep my weight down. I am all I have and I do not want to lose control over my life. It is all I can do to get medical help for myself because my medical costs are preventative health care. I use homeopathy, acupuncture, Chinese herbal medicine, organic food, good diet with lots of vegetables, exercise, weight-lifting to prevent bone loss, etc.

I have done well to get back to work after 10 years of being totally disabled. I know many people in my situation who are on social security disability, but I had the help of a world-class clinical ecologists who treated me with non-standard treatment that worked, and who put my medical bill "on the back burner" until I could pay.

This so-called "Windfall Elimination Act" is unfair to women because they make less than men and have interrupted careers to raise a family.

This so-called "Windfall Elimination Act" is unfair to mothers who stay home with their kids when they are preschoolers.

It is unfair to people who don't make much money, because it takes away what little we get.

It's unfair to teachers, who don't make that much anyway.

Right now I can't afford to retire in the foreseeable future.

If this act were repealed, I could retire when I'm 70, and with my precarious health, and multiple chemical sensitivities, I could leave the state and find a cheaper place to live.

Patricia Hedstrom

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Santa Ana, California 92705  
June 13, 2005

Gentlemen:

My husband passed away last month. He was a WW II veteran having served in the Navy from 1941–1945. He served his country and, as his surviving spouse, I am penalized.

I desperately need my Spouse Portion of his Social Security. GPO takes away \$965 (spouse's Social Security) of my monthly income. This is one half of my monthly income.

He paid into Social Security since it began.

PLEASE, PLEASE HELP ME. Do whatever you can. Do not discriminate against me because I worked for a governmental office. I retired from the County of Orange, Santa Ana, California. Do not penalize me because I am a woman; a woman in desperate need of my SPOUSE PORTION of my deceased husband's Social Security.

**GOVERNMENT PENSION OFFSET must be repealed. NOW.**

Sincerely,

Joan B. Johnson

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**Statement of James H. Keegan, Jr., Belmont, Massachusetts**

I am a retired Massachusetts public employee who also worked in the private sector. For over 43 years (both full-time and part-time) I paid into the Social Security System. However, my benefit has been reduced by nearly one-half. I had counted on this money as part of my total retirement plan.

I respectfully request that the Committee revisit the "Windfall Elimination Provision" and examine its fairness.

Thank you.

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**Statement of Colleen M. Kelley, National Treasury Employees Union**

Chairman McCrery, Members of the Subcommittee:

I am Colleen M. Kelley, the National President of the National Treasury Employees Union (NTEU). NTEU represents more than 150,000 federal employees across 30 agencies and departments of the federal government. Thank you very much for holding this important hearing today on the Government Pension Offset (GPO) and Windfall Elimination Provisions (WEP).

As you may know, NTEU has presented testimony before this and other Committees of Congress on numerous occasions in support of legislation to either repeal or reform the Government Pension Offset and Windfall Elimination Provisions. These two Social Security provisions negatively impact thousands of federal employees and retirees and NTEU has sought Congressional assistance on these issues for many years. Action to address these offsets is long overdue.

The Government Pension Offset unfairly penalizes recipients of government pensions who are also eligible for Social Security based on a spouse's work record. The GPO reduces the spousal Social Security benefit by two-thirds of the amount of the government pension, in many cases entirely eliminating the Social Security benefit that a federal retiree is otherwise eligible for.

The Government Pension Offset has a particularly devastating effect on female federal retirees who frequently are eligible for smaller federal pensions than their male counterparts. This stems from a number of reasons, including interruptions they may have had in their careers while raising their families or working at lower paid positions for the bulk of their federal careers.

A good example of the effects of the Government Pension Offset is the elderly widow who is eligible for a monthly pension of \$600 based on her federal government service. Two-thirds of her pension, or \$400 must be used to offset any Social Security spouse's or widow's benefit for which she is also eligible. Assuming she is eligible for a monthly spousal Social Security benefit of \$500, the application of the Government Pension Offset results in her receiving only \$100 in Social Security each month. The Government Pension Offset has effectively slashed this individual's retirement income from \$1100 monthly to only \$700 each month.

More often than not, the Government Pension Offset disproportionately affects those who can least afford to forgo this retirement income. Had individuals such as the widow in the above example not dedicated their careers to public service, they would remain fully eligible to collect their spousal Social Security benefits. As you know, Mr. Chairman, the Government Pension Offset does not apply to individuals who collect private pension benefits and are also eligible for Social Security.

As of December, 1999, according to the Social Security Administration, more than 300,000 former federal employees had their Social Security benefits reduced as a result of the Government Pension Offset. It is estimated that the number of affected individuals grows by about 15,000 each year. Moreover, it is particularly troubling that 69% of these individuals are women and the average offset applied to their Social Security benefits is \$391 each month. These numbers do not even account for those federal retirees who are eligible for Social Security but do not bother to apply because of the GPO.

The Windfall Elimination Provision (WEP) also unfairly reduces the retirement income of many federal retirees by reducing their own, earned Social Security benefit by as much as 50%. Under current law, an employee eligible for both Social Security and a pension from work not covered by Social Security (such as under the Civil Service Retirement System) finds that a lower benefit formula is applied when calculating the Social Security benefit to which he or she should be entitled.

It is my understanding that more than 600,000 individuals currently have their Social Security benefits reduced as a result of the WEP. And, the number of individuals subject to this offset is estimated to increase by 60,000 each year.

Here is an example of how the Windfall Elimination Provision works. A private sector worker with average monthly earnings of \$500 would be eligible for a Social Security benefit of \$450 each month (90% of \$500) at age 65. Using the same earnings as the private sector worker, at age 65, a former federal employee affected by the WEP would be eligible to receive only \$200 in monthly Social Security benefits (40% of \$500). The WEP requires that instead of using the 90% formula, workers with non-Social Security covered employment have a 40% formula applied instead.

The use of this lower formula—simply because the individual chose to spend his or her career in public service—has a devastating and unfair effect on the retirement plans of many federal employees. Federal employees who have 30 or more years of substantial Social Security covered employment are exempt from the WEP, however, it is a rare federal employee that can complete a public service career and also have 30 years of Social Security covered employment.

In recognition of the financially devastating effects both the Government Pension Offset and Windfall Elimination Provision have on federal employees and retirees, bipartisan legislation has been introduced in the House and Senate again in the 109th Congress. Congressman McKeon (R-CA) has introduced H.R.147, which would repeal both the Government Pension Offset and the Windfall Elimination Provision. This bipartisan bill already has gathered 260 cosponsors. In addition, Senator Feinstein (D-CA) has introduced S.619, legislation that would also repeal both the Government Pension Offset and the Windfall Elimination Provision. Her bill, which has also received strong bipartisan support, currently has 18 cosponsors. NTEU also supports H.R.1690, legislation introduced by Congressman Frank (D-MA) that would restrict the application of the Windfall Elimination Provision to individuals whose combined monthly pension income exceeds \$2500 each month. This bill currently has 18 cosponsors.

Thank you again Chairman McCrery for scheduling this important hearing today. NTEU strongly supports legislation either reforming or repealing the Government Pension Offset and the Windfall Elimination Provision. On behalf of all of our members, I hope that you will act on the bills referred to your Committee without delay.

**Statement of Deborah Kifer, Rowlett, Texas**

I am a Texas teacher with 20 years experience and have never had an option of contributing to Social Security through my school district. However, I have worked in other jobs and contributed to Social Security on my own behalf. After my husband died last fall, I discovered that I was entitled to a \$255 "lump sum benefit" under Social Security and nothing more—ever! It seems that because I will retire under the Teacher Retirement System I cannot claim any surviving spouse benefits from my husband of 32 years. His last Social Security statement estimates that taxes he paid amounted to \$87,000 throughout his life, and yet I nor anyone in our family is able to claim any of that. Please change the law to be more equitable. If I had never worked, I would be able to claim part of his benefits as a surviving spouse. However, because I have dedicated my life to education, I am being penalized.

Saint Louis, Missouri 63130  
*September 8, 2005*

For Members of Congress:

I am a single woman. I don't have any duplicate anything to collect upon someone's death. I only have the benefits from what I earned and what I contributed to plans.

The problem that I see is that if social security didn't want to include me in the benefits, then they shouldn't be taking my contributions.

And in the government pension offset, no one seems to have taken into account that partial retirements are not the same as full retirements. Someone who has worked as a teacher for part of her career gets a reduced teacher retirement. That reduced retirement is treated no differently than a full retirement in the offset plan. Also, people could put thousands of dollars into social security, either before or after their teaching, and they are penalized greatly with no regard for their contributions.

Also, it's interesting to see who has been penalized and who hasn't. I believe that people in the army and in the government can get their pension plans (not social security & for which they made no contributions) and still get teacher retirement if they go into teaching.

It seems very simple to me: If you put the money into social security, then you should get the same benefits as anyone else who put in the same amount of money. I find it difficult to see that I am somehow claiming a benefit I didn't earn. I'm only asking social security to give me what I earned because of my contributions to social security.

I appreciate your time and effort to think about your position and the harm it might be doing to people like me . . . single wage-earners who have worked as teachers and have worked outside the teaching profession. And who are very concerned about their retirement needs and how they are going to be met.

Respectfully,

Cecilia Lacks

Versailles, Kentucky 40383  
*September 8, 2005*

Ways and Means Committee  
United States Senate  
Washington, DC

Dear Senators:

I am a victim of both the Government Pension Offset, and the Windfall Elimination Provision of the Social Security Act. When my wife died, I was unable to draw on her Social Security because of my pension from the United States Postal Service. Now that I am eligible for Social Security on my own record, I am penalized (taxed) approximately 50% of the amount for which I am eligible for the same reason.

During the years when I was earning credits toward Social Security, I was working 2 jobs. After working 8 hours at the U. S Postal Service, I worked many 8-hour

shifts at another job, and, I worked many 7-day weeks, also. I also paid the requisite contribution into the Civil Service Retirement System for my 4 years of active duty military time, so that my Postal Service Pension would not be reduced when I started receiving my Social Security checks. When I started receiving Social Security, my benefit was reduced by 50% because of the WEP. In two years I will be eligible for Medicare, and my health insurance plan will require me to enroll in Medicare Part B. At current levels, the Part B Medicare premium will take more than half my Social Security check. It remains to be seen if I will be required to enroll in the Part D Medicare Drug Benefit. If so, my Social Security check will be reduced to virtually nothing.

The GPO and WEP are an unfair burden on Postal and Civil Service retirees and should be eliminated completely. The means of fixing Social Security does not lie in privatization. Allowing workers to put a portion of their FICA tax into private investment accounts will only enrich the Wall Street moneychangers. Given the state of the stock market the last 5 years, the returns upon which privatization is predicated will not be there. I know several Postal or Federal workers and retirees who have lost money in their Thrift Savings Plans. And I know a number of retirees in the private sector whose 401-Ks have left them with meager income and who have had to go back to work. Social Security should be fixed by raising the cap on income subject to the FICA tax. And Social Security would be in far better shape if more workers were paid a living wage on which to pay the FICA tax. Far too many executives have managed corporations badly, or driven them into bankruptcy, and then walked away with an obscene retirement package.

In all fairness, please support repeal of the GPO and WEP and fix Social Security by raising the cap on wages subject to the FICA tax. Privatization of Social Security is a bad idea that must be scrapped.

Sincerely,

William K LaFrana

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#### **Statement of Ara Lawrence, Brandenburg, Kentucky**

As a retiree of a public school district in Ohio and eligible to receive widow's benefits, I am adversely affected by the Social Security Offset.

My late husband worked his entire life from the age of 15 paying into social security. During the last 25 years of his life he was a self-employed real estate broker, paying both employer and employee shares into the Social Security System. He retired in December of 1995 and died in January of 1996, after having received only one Social Security check.

When I retired in 1999, I was only eligible to receive a small portion of the widow's benefit because I worked and paid into a state retirement fund (the School Employees Retirement Fund of Ohio). If I were totally dependent upon that pension and the small amount of social security I receive, I would be below the poverty level and unable to take care of myself.

I feel that I am entitled to the full amount of widow's benefit from Social Security whether I receive a pension or not. The monies paid into the fund by my late husband were his funds and should not go to those who have never paid into the system.

I am being penalized for working and helping to support our family, which included raising and educating twin sons on a modest salary.

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Littleton Educators Association  
Littleton, Massachusetts 01460  
*June 22, 2005*

I began my professional life as a waiter and a cook way back in 1981. I was content working as a chef until I found that I was going to be a father. I that point, I felt that I needed to do more for society than just feeding people. I struck a deal with the owner of the restaurant at which I was chef and went without a raise so that I could change my hours and go back to school to earn my degree in English and Secondary Ed. I worked very hard, working 60 hours per week in the restaurant while going to school full time and graduating Magna cum Laude from the University of Massachusetts, Boston.

In time I found a school looking for a half time Culinary Arts teacher and a half time English teacher, kismet. I worked there for two years, driving 124 miles per day round trip. I had to work on campus one night per week and one weekend per month. My salary was about half of what it was when I left cooking and all of my pay went to cover our childcare expenses after the birth of my son in 1996. I loved it and never complained because it was a joy working there. I moved to the Leominster Public Schools in 1997 and taught there for four years until returning to my home town, Littleton, to teach eighth grade English in the building in which I attended High School.

After teaching for 10 years, my salary is about what it would have been six years ago, had I continued to work as a chef. I can't complain about the money. I get to have an enormous impact on the lives of my own children, as I teach where we live and my daughter this past year was in my building, Littleton Middle School. I also get to influence a generation of their peers and my neighbors. As the President of the Littleton Educators Association, elected in my first year in Littleton, I get to participate in the discussions about education in my town, not just in my grade of in my class. Now, I get to do more than feed people; I get to teach Shakespeare and poetry to kids and thankfully, the kids like my class.

So it was quite a shock to learn that while I have done everything right, under the Government Pension Offset and Windfall Elimination Provision, I don't get any benefit from my actions. I worked hard as a chef and as a waiter. I paid into the Social Security system and expected that would get something, not a lot but something, back. It turns out that if I had chosen to stay cooking, I would get the benefits to which I am entitled but since I decided to change careers, I'll get nothing. In order to earn a good pension, I'll need to teach well into my late 60s. (I don't envision a time when I'll stop working, so the time isn't the issue. I'm concerned about my ability to reach kids when I'm that old.) And the bottom line for me, personally, is that I've paid into the fund. I've done what I was supposed to do. So why am I getting penalized for choosing to teach?

Professionally, not personally, what are we telling all of the career changers like me? They can choose to take a pay cut, enter a profession that is consistently disrespected, be overworked as funding for education is cut **and** give up a substantial portion of their retirement benefits. Why would they make that choice? We need to support teachers, help them do the good work that we do. This provision just doesn't make any sense. Please change the Government Pension Offset and Windfall Elimination Provision.

Mark J Levine  
*President*

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**Statement of Valerie Lichtman, San Bernardino, California**

I am responding to the Social Security Offset and Windfall provisions in the Social Security Act. My husband paid into social security for over 50 years. He retired when he was 71 and collected social security for one year. He died at age 72. I am still working but have reached the age that allows me to collect his benefit. However, since I am a teacher in California, I will not be able to continue to collect my full benefit as his widow once I begin collecting my own state teacher's retirement pension. I, too, paid into social security when I taught in the state of Washington and prior to that when I held various other jobs. It is extremely unfair that I am being denied full benefits because I moved to California and worked as a teacher here. I could not continue paying into social security as a teacher in California. If social security is just a welfare system, and not a pension system, then every worker in this country should pay into it. Otherwise, the offset and windfall should be eliminated.

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Escondido, California 92029  
*June 7, 2005*

Gentlemen:

Please consider allotting me my full social security benefits. I worked over 30 years until the age of 50 as a single mom and paid social security. Now I receive \$330.00 because I also worked for the City of Vista and receive a pension.



I was a single mom and felt social security and my pension upon retiring would be enough to live on. It would have totaled approximately \$2000.00 per month. Then upon retiring I find that my social security is cut and the amount I receive for both is not a living income, approximately \$1300.00. I would have been happy to pay social security while working for the City for 13 years but none was taken out. If I didn't go to work, went on welfare, my social security would be almost as much as I receive now.

Please reconsider changing this law so that the many dedicated employees can receive their retirement and the social security they expected to get. Nothing was ever said that we could not work for cities and have our Social Security cut.

Thank you

Ruth Lovison Smith

Holland, Massachusetts 01521  
*June 23, 2005*

Dear Sir or Madame,

I would like to provide a submission for the record for the Committee on Ways and Means Fourth in a Series of Subcommittee Hearings on Protecting and Strengthening Social Security.

My name is Richard A. Lucier and I live in Holland, Massachusetts. I have been a vocational instructor at Baybath Vocational Technical High School in Charlton, MA for the past 21 years. Before becoming a teacher I had worked for 10 years in the private sector as a licensed electrician for various electrical contracting companies. After attaining my Master electricians license I planned on running my own electrical contracting business. I was asked to try substitute teaching at Baypath and found I enjoyed teaching and I enjoyed the students. The following year I became a full time teacher and I have never regretted my decision.

I continue to do small contracting jobs after school and on Saturdays as well as school vacation time. As you know, teachers do not make incredibly high salaries, yet I have managed to build my own home and raise three children. One has graduated from college, one is still attending and the third will graduate from High School next year. I have worked extremely hard my whole life and my wife and I hope to someday have a secure and happy retirement.

I feel it is extremely unfair that I have continued to contribute to the social security system yet I am unable to draw from it when I retire. This has not been a minimal contribution and I continue to contribute, on a full time basis, all summer and every school vacation for 21 years. If I cannot draw from social security, why must I contribute to the system? Please don't let those of us who have chosen to work hard, and supplement our teacher's salaries with second jobs, be penalized for our strong work ethic.

I am very proud to be a teacher and to be helping kids learn a good, honest trade. I only hope that when I retire, there will be new young people stepping up to the plate, who will have the same level of pride in what they do as I have. They will most likely need a second job as well, and if they continue to contribute to social security I hope you will reward them and give them what they deserve. If not, the state of Massachusetts is going to have a very difficult time finding dedicated professionals who can afford to make the same kind of sacrifice.

Your time and consideration given to this matter is greatly appreciated.

Respectfully yours,

Richard A. Lucier

#### **Statement of Carole Marks, Marietta, Georgia**

I very much appreciate the opportunity to submit this written testimony on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on me—a federal retiree. First I want to thank Chairman Jim McCrery and the other legislators serving on this Subcommittee for conducting this important hearing. As a federal worker being adversely impacted by these provisions, I urge all Subcommittee members, and lawmakers, to repeal them as soon as possible and allow me to receive my full social security benefits.

In 1964, while not yet a high school graduate, I took a civil service exam, scored high and patiently waited for my 18th birthday so that I could begin a career with the federal government. With the exception of five years when my children were young, I continue to enjoy a proud and dedicated career in civil service. I recently celebrated my 35th Anniversary with the Federal government.

Unfortunately I was divorced in 1980 during a five year lapse of service, and I had to return to work to support my two young daughters. We received no child support from their father who basically abandoned us. At the time of our divorce, we had been legally married 13 years, and I have never remarried.

Being a single mom with no child support, I was forced to often work two (and at a time three) jobs. Considering that he never helped financially while I was raising my children, there was not a lot of money left over for me to adequately invest and save for my own retirement. Because I never remarried, I should be entitled to receive a partial benefit from my ex-husband's wages. These spousal benefits, however, are cut by two-thirds simply because I spent my career working for the federal government. Further, the benefits to which I am entitled from my contributions to Social Security when I had to work two and three jobs are cut by 60%.

It is very disheartening to know that I spent my whole life working as a dedicated employee of the federal government, raised two children on my own while working, and I still cannot receive adequate spousal benefits or my own earned Social Security benefit to be able to retire and enjoy these years.

Although my health is failing, I simply cannot afford to retire because of the GPO and WEP Social Security provisions. Had I chosen a career outside of the government, I would be receiving my full benefits. This is not fair. My thanks to all of you who recognize this travesty.

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Punta Gorda, Florida 33950  
June 9, 2005

I very much appreciate the opportunity to submit this written testimony on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on me—a federal retiree. First I want to thank Chairman Jim McCrery and the other legislators serving on this Subcommittee for conducting this important hearing. As a federal worker being adversely impacted by these provisions, I urge all Subcommittee members, and lawmakers, to repeal them as soon as possible and allow me to receive my full social security benefits.

I took an early Civil Service Retirement in 1989, and then worked for private employers from 1991 to 2004. My Social Security earnings statement led me to believe that I would get about \$400 per month in Social Security benefits.

However, when I actually retired in 2004, I only received \$171 per month of my earned Social Security benefits because I was also covered under the CSRS retirement system. If I had worked in the private sector for my whole career, then I would be receiving all my earned Social Security benefits with no penalties.

I had purchased a retirement home with the assumption that I would have \$400 each month from Social Security. Now that I am receiving only \$175 per month (with the 2005 COLA increase), I am having trouble making ends meet and am considering selling my retirement home. Receiving that extra few hundred dollars each month would enable me to keep my home.

Please fix this inequitable problem. Don't punish Americans for working for the federal government.

Sincerely,

Mary Ellen Marvin

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#### Statement of Patricia Mason, Syracuse St, Colorado

My name is Patricia Mason. I am writing to give you information on the misinterpretation of the Government Offset Pension and Windfall Elimination Provision. I started paying into Social Security in 1959. I stopped paying in 1962 when I married, had 3 children and did not work-outside my home. My husband paid social security for both of us-or so he thought. I worked occasionally over the next 20 years. In 1988 I began to work full time again and paid into Social Security til 1994 when I moved from Florida to Colorado. At that time I began paying into the State sys-

tem. I am retiring from high school counseling in this year-2005. I was never informed that the Social Security monies I and my husband had paid into the system would not be paid to me at the time of my retirement, or reaching age 65 and 5 months. I am now 67 years old. My story is similar to many older women who had children and never had the opportunity to work as long as their male counterparts. This law is unfair to women and all people who paid into social security and were never told of the penalty for moving to a non-SS state for educators, policemen, firemen, etc. I understand that there is a lot of discussion about changing social security in its entirety. Judging by the length of time it has taken to get the House Ways and Means Committee to hold hearings so people like me can tell their stories I don't think the big picture will change any time soon. I represent women in all the 14 states who made a decision to move from a state where social security was withdrawn from their paychecks, as well as pension monies. I did not know I would lose most of that social security benefit because of that move. When I try and explain why I won't have the pension in retirement I had planned because my government is reducing my social security my family and friends don't believe it! Please support the members of Congress who do think this law is unfair-and repeal it! Those of us who worked as educators never thought we would be penalized for moving. We all know something needs to be changed in the overall plan of SS. However if we need to be paid less shouldn't it go across the board, according to what you put in? Many retired people receive private pensions while receiving their full social Security benefits. We are just asking to be treated fairly in the eyes of the Congress and our fellow citizens.

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**Statement of Sally Masters, East Hampton, Massachusetts**

To Whom It May Concern:

As a guidance counselor in the Massachusetts schools, I am writing to ask that you repeal the Government Pension Offset and Windfall Elimination Provision. I understand that a hearing will be held on this topic today.

I worked in other occupations outside of Massachusetts since 1975 and moved to Massachusetts in 1999 to change careers. I was unaware of the Government Pension Offset and Windfall Elimination Provision before moving here and am quite concerned about losing all of the money that I have put into Social Security for more than 24 years! In addition, I am single and do not have someone else in my life on whom I might depend for retirement. This is a travesty! Please repeal these laws. Thank you.

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**Statement of George and Jean Millen, Warrensburg, Missouri**

In 1972, my wife Jean Millen, who holds a Masters Degree in Library Science, took the only library job open to her at the time. Thus after spending six years as an academic librarian, she became a school librarian for the next 27 years, 20 of which were full time. When she took this school library position, she did not realize that Missouri was one of those states in which school districts were not required to contribute to Social Security.

At this juncture, the Government Offset Provision was passed in 1977 and in 1983 the Windfall Elimination Provision was added. Jean and I did not realize at the time that these modifications to the social security law would Jean's benefits later. Indeed, we did not know anything about these provisions until the mid 1990's when I attended a pre-retirement seminar.

Of course, Jean and I are not happy. Jean's social security statement dated April 2004 projected her monthly benefit at \$779 a month when she turns 65 plus 6 months. A year later when she signed up Medicare, we discovered that her monthly benefit is being projected at \$476.80 a month due to the Windfall Elimination Provision. While one might think her teacher's pension is substantial, it is not. Jean only grosses about \$1,250 a month for her 20 years at full time.

If Jean had never worked outside the home a day in her life, she would have received half of mine which would be about \$800 a month. However because of the Government Offset Provision, she would get nothing if she attempted to draw benefits under my name rather than hers.

But permit me to return the problem caused by the Windfall Elimination Provision. Even those folks in education who have 40 quarters of substantial earnings are still affected by the W.E.P. While my wife has 49 quarters that qualify if figured correctly and is projected to have as many 65 quarters by the time she retires, she is still going to receive only a little more than \$477 a month unless the Windfall Elimination Provision is modified or repealed.

Jean and I urge the House Ways and Means Committee to include WEP and GOP repeal provisions in the Social Security legislation now being considered and thanks for listening.

Broomfield, Colorado 80020  
June 8, 2005

Dear Representative:

I would like to urge congress to act on the repeal of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP).

The GPO and WEP unfairly cut the retirement benefits of public employees. Many of the individuals who are or will be impacted by these two programs have never even heard of the issue until they find that they are receiving much less of a benefit than they expected. It forces some people into poverty or some other form of government assistance.

I for one worked for many years in the private sector, paying social security on a much lower salary due to the number of years ago that this work took place. I did however contribute enough to qualify for a small benefit.

I changed careers 15 years ago and went into teaching. I learn that this change will cause me to lose about 2/3's of my \$700.00+ benefit. I wonder why we penalize those who have such impact in the well being of our children.

I realize this is not a great deal but it would make a difference to me and my wife.

The GPO and WEP further impact our nation at a time when there is a growing teacher shortage. They tend to discourage people from entering the profession when we need more dedicated people to teach our future resources, our children. The off-sets also impact police, firefighters and other public service professions.

Congress should take immediate action to address this unfair situation. I appreciate your support on legislation that would recognize the sacrifices made by public employees by repealing these discriminatory offsets.

Thank you for your consideration of my views on this important issue.

Sincerely,

Merle Miller

Naples, Florida 34119  
June 9, 2005

To the Committee on Ways and Means:

I am a 70 year old retiree from Massachusetts. I worked 10 years under Social Security and then worked 15 years under the Commonwealth of Massachusetts Retirement System. During that time, the Commonwealth of Massachusetts did not deduct Social Security from my pay. There was no way that I could pay into Social Security on my own. Because of this, I am being penalized approximately \$500.00 per month from benefits to which I should be entitled. I receive a Social Security check of \$124.00 per month. If I had never worked anywhere, I would be entitled to \$615.00 per month from my spousal benefits from my husband. I think it is very unjust that I am being denied benefits from my husband's Social Security pension. In my retirement years, since I have turned 65, I have been denied approximately \$25,000.00 in benefits.

Please overturn this very unjust law.

Thank you for your consideration.

Natalie Morrissey

### **Joint Statement of National Conference of State Legislatures**

Retirement legislation soon to come before the House Committee on Ways and Means may encompass expansive reforms to Social Security and the federal tax treatment of retirement and savings vehicles. As you consider changes to national retirement and savings policies, the diverse group of signatories on this testimony—including national organizations representing state and local governments, public employee unions, public retirement systems, and nearly 20 million public employees, retirees, and beneficiaries—urge your strong opposition to proposals that would undermine the financing of public sector benefits, impose unfunded mandates on state and local governments and their taxpayers, and/or impose a tax increase on the savings of first responders, teachers and other public employees throughout the country.

State and local government retirement systems comprise a substantial segment of national pension assets and membership. More than 14 million workers—ten percent of the national workforce—and six million retirees, disabled workers and their beneficiaries are covered by these programs. The over \$2 trillion in assets held in trust are an important source of liquidity and stability for our financial markets. Further, state and local retirement systems currently distribute over \$120 billion annually in pension and other benefits, a volume that exceeds the entire economic output of 22 States and the District of Columbia and is vitally important to the future growth of our economy. Thus, efforts to strengthen our national retirement savings policies should ensure these valuable programs are not disrupted. We, therefore, strongly urge your assistance with the following:

**Do not destabilize State and local government finances or the retirement security of public workers by mandating coverage on those who designed and funded their retirement programs outside of Social Security.**

- The sharp payroll cost inherent in mandating Social Security coverage will have a devastating fiscal impact on State and local governments that do not participate in Social Security. This impact will be felt in virtually every state. An updated preliminary analysis done by the Segal Company shows the cost to be \$44 billion in the first five years alone, simply for newly-hired employees.
- Conversely, the significant turmoil on those State and local governments and workers currently outside the system would have very little impact on the solvency of Social Security. Mandatory coverage raises modest revenue in the short-term, but ultimately only increases Social Security's future liabilities.
- It is important to remember that at the time Social Security was established, State and local governments and their workers were not permitted to participate in the program. These governments designed their own retirement plans in reliance on that exclusion. In the 1950's, when Congress allowed State and local governments to voluntarily affiliate with the Social Security System, some chose to do so while others continued to structure and fund benefits outside of the system. It is unjustified to now change the rules—imposing significant costs on these State and local governments and undermining the retirement security of their employees—for such a negligible change to Social Security's long-term solvency.

**Maintain Congress' long-standing policy of supporting employer-sponsored retirement plans, including those provided by State and local governments.**

- Proposals to completely restructure all or part of the federal tax system should retain incentives for retirement savings, including pension systems sponsored by state and local governments. Such incentives are not only important to assist individuals attain a secure retirement, but are vital to our nation's future economic well-being.
- Similarly, any modifications to tax laws should strengthen, not weaken, retirement savings in state and local government retirement programs. Provisions that would have a significant negative impact on such savings were recently outlined in a staff report of the Joint Committee on Taxation to "further consistency in the tax system." For example, options in the report affecting state and local government employee benefits programs (see attached) include the proposed repeal of pick-up arrangements under Code Section 414(h)(2), imposing an immediate tax increase on first responders, teachers and other public employees around the country. While tax simplification can produce great benefits, a one size fits all approach may not address the needs of the public sector's diverse workforce and legal framework, or have any positive effects on retirement savings.

- Congress has worked over the years to make refinements to the Code to address the unique policy issues affecting public plans. It would be counterproductive to abandon longstanding and effective provisions, impose immense burdens on state and local workers and their employers, and undercut successful State and local retirement policies in attempts to “simplify” the federal tax code. We strongly urge your opposition to any tax proposals that are detrimental to public sector retirement savings.

Our organizations support efforts to strengthen the solvency of the Social Security system and retirement savings. We believe this is best accomplished by protecting the retirement security of millions of workers and retirees in state and local government retirement systems. We look forward to working with you and your staff as legislation is considered.

If you have any questions or need additional information, please feel free to contact our legislative representatives: Options Outlined in JCT Staff Report Affecting State and Local Government Employee Retirement Plans

***Options Outlined in JCT Staff Report Affecting State and Local Government Employee Retirement Plans***

While tax simplification can produce great benefits, a one size fits all approach may not address the needs of the public sector’s diverse workforce and legal framework, or have a positive effect on national retirement savings. A Joint Committee on Taxation (JCT) staff report, *Options to Improve Tax Compliance and Reform Tax Expenditures* (JCS-02-05 (2005)), is largely aimed at individuals, corporations, and tax-exempt organizations. Nevertheless, a handful of the options outlined within the report would impose extreme disruptions and costs on state and local government retirement plans, subject public employee retirement savings to immediate taxation, and/or undermine state and local government retirement policies:

- **Impose Immediate Taxation of Contributions to State and Local Retirement Plans by Repealing “Pick-Up” Rules (pp. 140-144).** This proposal would repeal the current “pick-up” rules contained in IRC section 414(h)(2), thereby prohibiting employee contributions to State or local government retirement plans to be made on a tax-deferred basis. Currently, such contributions are not tax-exempt, but instead are taxed when taken as retirement income— analogous to the tax treatment of employee contributions under 401(k)-type vehicles. If enacted, this JCT proposal would require federal taxes to be paid today on income that will not be received until retirement, imposing an immediate tax increase on first responders, teachers and other public employees throughout the country, overturning a policy established by Congress to equalize the tax treatment of public plan contributions, and imposing substantial costs on States and localities to restructure benefits and/or compensation.
- **Subject Grandfathered State and Local Government Employees to Medicare Payroll Tax (pp. 80-82).** This proposal would overturn a long-standing agreement to transition all state and local government employees into the Medicare system, whereby only employees hired *after* March 31, 1986 were mandated into Medicare. Those State and local government employees hired *on or before* March 31, 1986, who were not already covered by Medicare, were grandfathered from mandatory participation. This proposal would now force these employees, most nearing the end of their career, as well as their employers, to pay the Medicare payroll tax.
- **Apply 10% Early Withdrawal Penalty Tax to State and Local Government 457 Plans (pp. 130-132).** At present, the 10% early withdrawal penalty tax is not applicable to participants in section 457 governmental deferred compensation plans. This proposal would now impose this penalty on the 457 plans of state and local government employees, rendering distributions made before age 59½, as well as for death or disability, generally subject to both income tax and an additional 10% penalty tax. This provision will fall particularly hard on police, firefighters and other public employees with mandatory retirement ages or early retirement incentives who had planned on relying on their 457 savings for a larger portion of their early retirement income.
- **Impose FICA Taxes on all Salary Reduction Amounts (pp. 71-73).** At present, contributions to cafeteria plans in both the public and private sectors are excluded from wages for FICA purposes. This proposal would require all employees and their employers to now pay FICA on these amounts, imposing more costs on an already strained benefits system and eliminating a significant incentive for participating in and maintaining these plans.
- **Eliminate 403(b) Catch-up Contribution Rules (pp. 122-129).** This proposal would eliminate rules permitting 403(b) participants to make contribu-

tions for up to five years after termination of employment and permitting employees who have completed 15 years of service with certain employers to make additional elective deferrals. Employees of educational institutions have historically relied on these special rules to make up contributions they may have missed early in their career.

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National Conference of State Legislatures  
 National Association of State Auditors Comptrollers and Treasurers  
 National Association of Counties  
 United States Conference of Mayors  
 National League of Cities  
 International Association of Fire Fighters  
 Fraternal Order of Police  
 National Association of Police Organizations  
 International Union of Police Associations, AFL–CIO  
 International Brotherhood of Police Officers  
 International Brotherhood of Correctional Officers  
 International Association of EMTs and Paramedics  
 American Federation of Teachers  
 National Education Association  
 American Federation of State County and Municipal Employees  
 Communications Workers of America  
 Service Employees International Union  
 National Association of Government Employees  
 National Association of Nurses  
 National Association of State Retirement Administrators  
 National Conference on Public Employee Retirement Systems  
 National Council on Teacher Retirement  
 National Association of Government Defined Contribution Administrators  
 Government Finance Officers Association  
 International Public Management Association for Human Resources  
 National Public Employer Labor Relations Association

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#### **Statement of the National Education Association**

Mr. Chairman and Members of the Subcommittee:

On behalf of the National Education Association's (NEA) 2.7 million members, we would like to thank you for the opportunity to submit comments on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), and on the issue of mandatory Social Security coverage. We commend the Subcommittee for holding this important hearing on a matter of great concern to educators and other public employees.

NEA strongly supports complete repeal of the Government Pension Offset and the Windfall Elimination Provision, which unfairly reduce the Social Security and Social Security survivor benefits certain public employees may receive. We oppose requiring public employees to participate in Social Security. Our testimony will cover both of these issues.

#### **The Government Pension Offset: A Devastating Loss of Benefits for Widows and Widowers**

The Government Pension Offset reduces Social Security spousal or survivor benefits by two-thirds of the individual's public pension. Thus, a teacher who receives a public pension for a job not covered by Social Security will lose much or all of any spousal survivor benefits she would expect to collect based on her husband's private sector earnings.

Congress and the President agreed in 1983 to reduce the spousal benefits reduction from a dollar-for-dollar reduction to a reduction based on two-thirds of a public employee's retirement system benefits. This remedial step, however, falls well short of addressing the continuing devastating impact of the GPO.

The GPO penalizes individuals who have dedicated their lives to public service. Nationwide, more than one-third of teachers and education employees, and more than one-fifth of other public employees, are not covered by Social Security, and are, therefore, subject to the Government Pension Offset.

Estimates indicate that 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. Moreover, these estimates do not include those public employees or retirees who never applied for spousal benefits because they were informed they were ineligible. The offset has the harshest impact on those who can least afford the loss: lower-income women. Ironically, those impacted have less money to spend in their local economy, and sometimes have to turn to expensive government programs like food stamps to make ends meet.

NEA receives hundreds of phone calls and letters each month from educators impacted by the GPO. Many are struggling to survive on incomes close to poverty, fearing they will be unable to cover their housing, medical, and food expenses on their meager incomes. For example, consider the following stories:

From NEA member Frances in Louisiana:

*“My husband, a Baptist minister, passed away [in 2001] after paying Social Security for 42 years. At times we had to take a second loan on our home to pay the Social Security. Now, I had to pay back the loan, but discovered that I will not get benefits because I receive a small teacher retirement”*

From NEA member Stella in Colorado:

*“I am a 72-year old widow . . . I was happily married to the same man for 39 1/2 years. My husband was a World War II disabled veteran who worked and paid into Social Security for 50 years—He passed away 11 years ago thinking I would be able to receive his Social Security and Veterans Widow pension . . . But now I’m living in poverty.”*

#### **The Windfall Elimination Provision: A Shocking Loss of Earned Benefits**

The Windfall Elimination Provision reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security. Congress enacted the WEP ostensibly to remove an advantage for short-term, higher-paid workers under the original Social Security formula. Yet, instead of protecting low-earning retirees, the WEP has unfairly impacted lower-paid retirees such as educators.

The WEP penalizes individuals who move into teaching from private sector employment, or who seek to supplement their often insufficient public wages by working part-time or in the summer months in jobs covered by Social Security. Educators enter the profession often at considerable financial sacrifice because of their commitment to our nation’s children and their belief in the importance of ensuring every child the opportunity to excel. Yet, many of these dedicated individuals are unaware that their choice to educate America’s children comes at a price—the loss of benefits they earned in other jobs.

While the amount of reduction depends on when the person retires and how many years of earnings he or she has accumulated, many public employees can lose a significant portion of the Social Security benefits they earned in other jobs. Like the GPO, the WEP can have a devastating impact on educators’ retirement security. For example:

From NEA member Carolyn in Kentucky:

*“I started direct sales business from my home at nights and weekends to supplement my teacher retirement. I earned my necessary quarters, reached my 62nd birthday, and then learned of the Windfall Elimination Provision. I was told that I was eligible to receive approximately \$158 monthly; however, because of the WEP, this reduce be reduced to \$78 a month. By the age of 65, my payments had risen to \$84, but after paying \$66.00 for Part B of Medicare, I now have \$18 to deposit. I have been forced because of the economics of the day to return to the classroom to substitute teach for a paltry sum of \$61 a day . . . This is certainly not the American dream I had in 1956 to become a teacher!”*

#### **The “Double Whammy”: Educators Impacted by Both the GPO and WEP**

Many NEA members report that they are subject to double penalties—losing both their own benefits and spousal benefits due to the combined impact of the GPO and WEP. For example NEA member Martha from Texas reports:

*“By 1978, when I started my teaching career, I had already earned my forty quarters of Social Security and over the years depended on these benefits as part of my retirement. I should be entitled to \$415 a month at the age of 62. However, because of the Windfall Elimination Provision, I will now be entitled to \$206 a month, and this reduction in my earned retirement is a big loss. [In addition,], according to the Social Security Administration, I should be entitled to approximately \$970 a month*



*for widow's benefits. However, because of the Government Pension Offset, I can only receive \$21 a month. Both the Government Pension Offset and Windfall Elimination Provision are devastating to teacher retirees and me."*

#### **The National Impact of the GPO and WEP: Undermining Teacher Recruitment Efforts**

The GPO and WEP have an impact far beyond those states in which public employees like educators are not covered by Social Security. Because people move from state to state, there are affected individuals everywhere. The number of people impacted across the country is growing every day as more and more people reach retirement age.

Perhaps most alarming, the GPO and WEP are impacting the recruitment of quality teachers to meet urgent national shortages. Record enrollments in public schools and the projected retirements of thousands of veteran teachers are driving an urgent need for teacher recruitment. Estimates for the number of new teachers needed range from 2.2 to 2.7 million by 2009.

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

The GPO and WEP also impact other critical public services fields, including police and firefighters. Our nation can ill-afford to allow the very real fear of poverty in retirement to force talented, dedicated individuals out of these professions.

#### **The GPO/WEP Solution: Total Repeal**

Representatives McKeon (R-CA) and Berman (D-CA) have introduced the Social Security Fairness Act of 2005 (H.R.147). This bipartisan legislation, which already has over 260 cosponsors, would eliminate the GPO and WEP, thereby allowing public employees, like all other employees, to collect the benefits they earned and need. NEA urges the Subcommittee, and the entire House of Representatives, to take immediate steps toward passage of the McKeon-Berman bill.

#### **Mandatory Coverage: An Unwise and Unnecessary Approach**

NEA's position on repeal of the Government Pension Offset and Windfall Elimination Provision should not in any way be interpreted as support for requiring public employees to participate in Social Security. NEA strongly opposes mandatory coverage. Instead, NEA simply believes that educators should be able to receive the benefits they or their spouse earned by working in covered employment, without jeopardizing their public pension.

Many existing public employee programs are tailored to meet the needs of specific employee groups. Forcing educators into Social Security would jeopardize these state and local plans. In addition, Social Security trust funds can be invested only in U.S. Treasury bonds. State and local governments permit a greater diversity of investment options, thereby potentially achieving a greater rate of return.

Mandatory coverage of educators would also increase the tax burden on public-sector employers. Ultimately, these increased tax obligations would lead to difficult choices, including reducing the number of new hires, limiting employee wage increases, reducing cost-of-living increases for retirees, and reducing other benefits such as health care.

Finally, mandating coverage of educators will not solve the Social Security system's financial difficulties. The amount of money gained by mandating coverage would be relatively small and would not solve the long-term Social Security crisis. Requiring new state and local employees to pay into Social Security would enable the federal government to continue borrowing money from Social Security trust funds, and, therefore, could exacerbate financing problems.

We thank you for your consideration of these comments.

Cleveland, Texas 77327  
June 23, 2005

Thank you for the opportunity to write to you. I am a retired Texas public school teacher asking you to eliminate the Government Pension Offset and Windfall Elimination Provision (GPO/WEP).

In planning my retirement I followed Social Security suggested formula or pension, savings and social security. Imagine my surprise when at age 65 I discovered that because of my chosen profession I would be heavily penalized by having my spousal/widows benefits reduced. I can receive a reduced pension and allocate a portion of my pension be paid to my husband upon my death. He can receive both my pension and his Social Security with no penalty or reduction in benefits. I am penalized and he is not. This is not equitable.

We are impacted twice because he is included in the "Notch" group and initially had his Social Security benefits cut by Congressional action. "Notch" causes his Social Security to be lowered and my spousal/widow benefits are reduced. During my working years I have paid into Social Security through second jobs. My husband has paid into the system from 1940–2001 except for 3½ years he served in World War II.

Our income is impacted by governmental action that can be remedied by your committee. Your committee recommendation to the House to eliminate GPO/WEP will positively affect thousands of households hurt by this unfair legislation.

Please consider the welfare of voting American citizens penalized by the GPO/WEP legislation whose only "crime" was being a public employee where one or both paid Social Security during their working years.

Thank you for considering my request.

Patricia Jane Nelson

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#### **Statement of Frederick Nesbitt, National Conference on Public Employee Retirement Systems**

The National Conference on Public Employee Retirement Systems (NCPERS) represents over 500 public sector pension funds that cover firefighters, police officers, teachers, and state and local government employees. NCPERS is the largest national, nonprofit public pension advocate. Since 1941, we have protected the pensions of public employees.

We appreciate the opportunity to share our views with the Subcommittee on Social Security on the issue of mandatory Social Security coverage of non-covered state and local government employees. NCPERS was founded 64 years ago to stop the federal government from disrupting and dismantling public sector pension funds by requiring them to be part of Social Security. That remains one of our primary goals today.

The Social Security system provides coverage for virtually all segments of American society including most, but not all, state and local government employees. When the system was established in 1935, state and local government employees were initially excluded. Some of these employees subsequently made a decision not to be included, instead developing their own retirement and benefit programs tailored to their occupational needs. In many instances, these retirement programs predate the Social Security system. These state and local government retirement systems are solvent and require a contribution by both the employer and employee, in most cases.

In the 1950s, state and local governments were given the voluntary option of joining Social Security. In 1950, 1954, and 1956, legislation was adopted to allow states to enter into voluntary agreements with Social Security to elect to cover their employees. States were also given the option to withdraw from Social Security coverage. In 1983, the option for states within Social Security to withdraw was repealed. In 1990, Congress mandated Social Security coverage for all state and local government employees not covered by a qualified public pension plan or have benefits comparable to the retirement, disability, and survivors' benefits provided by Social Security. Approximately 70 percent of state and local government employees are covered by Social Security; those not covered are primarily public safety officers and teachers. The states with the most non-covered employees are: Alaska, California, Colorado, Illinois, Louisiana, Maine, Massachusetts, Nevada, Ohio, and Texas. Those state and local governments not participating in Social Security rely on their own retirement and benefit programs tailored to their occupational needs of their

employees and retirees. These state and local government retirement systems are solvent and require a contribution by both the employer and employee, in most cases, with nearly 75 percent of the pension benefit payouts coming from the plan's investment returns.

NCPERS opposes expanding Social Security coverage to non-covered state and local government employees. Requiring Social Security coverage would undermine these plans and place unnecessary financial burdens on state and local government employers and employees. These public sector funds designed their retirement benefits to meet the needs of their employees, including such unique characteristics as retirement ages, disability benefits, survivor benefits and death benefits. Because of the unique makeup of the public sector workforce, many employees, such as public safety officers, have earlier retirement ages or mandatory retirement, higher disability rates, earlier deaths and earlier disability retirements. All these factors are accounted for and provided by the public sector plans.

In most cases, Social Security would not provide these employees with coverage because of the age at which these employment events occur. Public safety officers, for example, do not work until age 65 (or 67 when the age is finally raised), but retire at an earlier age because of the stress and hazards associated with the job. Likewise, the public sector plans have been designed to recognize the fact that the employer must be prepared to provide disability retirements, sometimes at an early age before an individual would qualify for Social Security benefits.

Making Social Security mandatory would have little impact on the projected funding shortfalls of Social Security system. However, such a move would greatly affect public employees. Public employees not covered would be required to pay an additional 6.2% in payroll taxes in addition to what they are now required to contribute to their public pension plan. Unlike most private sector employees who do not contribute to their employer-sponsored pension plan, public employees, for the most part, make an employee contribution which is combined with the employer contribution. These contributions are then invested in securities, with the investment returns paying a large portion of the pension obligations during the lifetime of the employees and survivors.

Mandatory coverage would be costly to states and localities. As employers, states and localities would also be required to pay an additional 6.2% in payroll taxes on top of what they already contribute to the pension fund. These employers are currently facing severe budget shortfalls. These governments must balance their budgets, therefore, adding such a financial burden would require them to either increase taxes or reduce government services. For example, this would cost California over \$2.3 billion in additional expenditures annually, Ohio \$1 billion annually, and hundreds of millions to Texas, Illinois, Colorado, Massachusetts and Louisiana.

Mandatory coverage would be disruptive to existing retirement programs. Many public employers would be unable to absorb the higher costs. Either they would be required to continue funding their respective retirement plans, in addition to the Social Security tax, or severely reduce or eliminate current retirement benefits. The loss of the investment returns on these pension funds, which averages over 8 percent per year, would add an additional burden to the employers. A situation would be created whereby no new funds would be going into the pension assets, but retiree benefits would continue to be paid. Eventually, the funds would run out of money, thus placing the retirement benefits of millions of employees in jeopardy. Many of these plans are established constitutionally and to make such a change would require legislative action and/or constitutional amendments.

It is a given that mandating coverage of non-covered state and local government employees does not improve the financial stability of the Social Security system. It some short-term benefits, but adds to the long-term benefits payments, thus placing greater financial demand on the system. NCPERS believes that the Congress should solve the long-term financial needs of the system and ensure that Social Security is funded to guarantee and protect the benefits of all those who are covered.

Mandating Social Security coverage of non-covered state and local government employees is not the way to ensure Social Security's future and it will destroy existing public sector plans that are well funded and provide secure retirement benefits to millions of state and local government employees.

We thank you for the opportunity to express our position on mandatory Social Security coverage to the Subcommittee.



**Statement of Anne Ratto, Corralitos, California**

I am submitting this testimony to as a private citizen who is urging you to repeal the Social Security Offset Law. I have worked in education for the majority of my 20 year career. From 1986–1999 I worked in Alternative Education with high school students who were at risk of dropping out, ending up in the prison system or homeless. My faculty position as Vocational Education Coordinator was to provide jobs and job training for students so they could become self-sufficient adults. I was a member of STRS in this position and did not pay into Social Security. Since 1999, I have been an administrator at a local community college, where I manage a program for low-income adults so that they have the support services necessary to succeed in college. In this position, I am a member of PERS and pay into Social Security. I plan to retire in this position in the next decade.

As I plan for my retirement, I am deeply disturbed that part of the retirement that I earned will be reduced due to an antiquated and unfair law. I deserve to receive all the benefits that I have paid into. In addition, as we see the baby boomers retire, people in the private sector who may want to transition into an education position are deterred as they will have their Social Security reduced.

I urge you to do what is fair and repeal the Social Security offset law. Many deserving educators who have devoted their lives to serving young people deserve to be treated with respect and dignity in their retirement years.

**Statement of John Reddington, Bright, Indiana**

I worked for and retired from the City of Cincinnati. I also worked under Social Security and was eligible to receive about \$600. per month, but thanks to the GPO/WEP provision, I am PENALIZED and receive only  $\frac{1}{3}$ —about \$200. per month. Reduced by 60%. I followed the RULES, but then you CHANGED THEM. Please REPEAL the GPO/WEP. Thank you.

**Statement of Amy L. Reed, Newbury Park High School, Newbury Park, California**

The Government Pension Offset and Windfall Elimination are two badly conceived provisions that are unfair to teachers and others. They discriminate against people who have legitimately earned social security benefits, simply because they chose to become teachers. In addition, they discourage those who might choose teaching as a second career by not allowing them to collect the social security benefits they've earned, in spite of the fact that their ability to earn an adequate pension from teaching would be severely limited. We need to work to keep the teachers we have and to encourage experienced people to become teachers. These bad provisions interfere with these efforts. Beyond that, they are patently unfair. Please act to repeal them now!

**Statement of Sharon Richard, Sour Lake, Texas**

Thank you for giving me this opportunity to submit this statement.

I recently completed my seventh year as a Texas schoolteacher. I teach American history, including the American Revolution, the Constitution, and the Bill of Rights, to eighth grade students at Henderson Middle School in Hardin-Jefferson Independent School District. I absolutely love what I teach. As I strive to share with my students the ideas of the Founders and Framers and the many reasons why they fought, deliberated, perspired, and worked on the noble experiment known fondly as the United States of America, I constantly urge my students to undertake a life-long participation in their government. I do my best to instill the belief that the founders' idea of popular sovereignty is still true in this democratic republic, and they must always think of themselves as part of "We the People."

Before my teaching career began, however, for over twenty-five years my husband and I owned and operated a small independent community pharmacy. Both my husband and I have paid significantly into social security over the course of our life-

times. He began paying into social security at the age of sixteen. I first paid into social security at the age of twenty-one. Also, since we owned our business, we MATCHED the social security paid in by our employees and ourselves. Therefore, we consider that for more than twenty-five years, we paid DOUBLE amounts into social security.

Three years into my teaching career, I found out about the Government Pension Offset and the Windfall Elimination Provision. Of course, at first I could not believe that my government would really take away EARNED social security at retirement. But in the course of the last few years, I have learned that, indeed, my government really will do that.

Yes, my government, the government “of the people, by the people, and for the people,” really will literally deny our hard earned and previously paid benefits because of two obscure and misunderstood laws called the Government Pension Offset and Windfall Elimination Provision.

I have learned that if I retire through the Texas Teacher Retirement System, and draw a pension, I may lose my spousal benefits because of the Government Pension Offset. My husband simply cannot comprehend that he has spent more than thirty years as a conscientious community pharmacist, often serving the public around the clock, and that his wife of over thirty years will be denied benefits based on the social security he has paid in!

Further, because of the Windfall Elimination Provision, I will also be denied much of my OWN paid-in social security, because I have only twenty-six “substantial” years of social security. I will not receive the amount of money per month that is quoted on my quarterly social security earnings statement. Meanwhile, of course, I have no choice but to pay into the TRS. I will lose hundreds of dollars each month when I retire, dollars that will make a significant difference in our retirement years. These are my *earned* benefits that I will be denied! And I also paid matching amounts through my business! Unconscionable. Unjust. Unfair. Unbelievable. Incomprehensible.

My salary is slightly more than \$30,000 per year. I am in my mid-fifties, and plan to teach only a few more years. With a meager salary like this, my pension will hardly be a “windfall.” And although many people consider pharmacy to be lucrative, on the contrary, small-town independent pharmacies have taken severe financial hits with the advent of insurance-driven HMO’s, PPO’s, drug formularies, and the like. Accordingly, our business retirement plan was minimal. Because of these factors, we have since sold our little independent pharmacy. Therefore, we had certainly counted on our fully earned social security benefits, along with my small teacher pension, to help with our retirement.

As badly as the WEP and GPO are affecting public servants at present, the future of education is also being severely undermined by these laws. We need quality individuals to enter education, and we need them now more than ever. As a measure to recruit these quality individuals, plans such as Troops to Teachers and Careers to Classroom have tried to lure past military and professionals into the classrooms of America. However, as prospective teachers are made aware of these unjust social security laws, many are giving up the idea of going into the classrooms of Texas and the other 14 impacted states, and rightly so. How wrong it is, for example, to recruit retired military, praise them for excellence in the classroom, and then deny them the social security benefits they earned while serving their country! These laws are such an injustice to hard-working public servants. And to be told that we are “double dipping” is unjustified and quite untrue.

We know the reasons these laws were implemented, to prevent the “double dipping.” But the effect is negligible on those who get large pensions. Those who are hurt are the lowest paid public servants in America. To allow the Government Pension Offset and Windfall Elimination Provision to continue to force custodians and cafeteria workers, bus drivers and school nurses into virtual and unexpected poverty is simply immoral. It is beyond unjust to allow these dedicated and conscientious, but lowest paid personnel on Texas campuses to be treated in such a manner by their government. To let these laws stand, to postpone the elimination of these unfair laws through yet another Congress, is a travesty. Two decades of this injustice is long enough.

There is much talk of mandatory Social Security among those who do not currently pay into the system. That would be fine, but school districts in Texas, for example, can barely make ends meet now, with escalating expectations from both the state and federal governments. How can they suddenly fund matching Social Security for all employees? The funds simply are not there.

“America’s heroes,” the firemen and policemen, along with the millions of others who are affected by these unbelievably unjust laws are also having a hard time understanding why this issue appears to be so partisan. This is not a Republican vs.

Democrat issue; this is a simple issue of fairness to multitudes of public servants in this great country.

As one of those public servants, I respectfully request immediate elimination of the Government Pension Offset and Windfall Elimination Provision.

On May 19, 2005, when Congress began the effort to address the long-term solvency of Social Security, the Honorable Hal Daub, Chairman of the Social Security Advisory Board and former Member of Congress, testified before Ways and Means:

While restoring the solvency of Social Security is a pressing need that presents significant challenges, it also give us the opportunity to examine whether some aspects of the program could be better targeted to the 21st century population it now serves. The basic construct of the program is sound, with a benefit formula that recognizes the need to replace a greater portion of the pre-retirement earnings at the lower end of the scale in order to maintain an adequate standard of living. Over the last third of a century, largely because of Social Security, the poverty rate among the aged has been cut from nearly 25 percent to a little over 10 percent. That is a remarkable achievement, but in changing the program we should look for the opportunity to do even better, and we need to look for aspects of the program that have not done so well. For example, older women, particularly those who are widowed, divorced, or single still have poverty rates approaching or exceeding 20 percent.

Mr. Daub is quite correct when he says that aspects of the program have not done so well. It is truly hard to maintain an adequate standard of living, especially for older women who are generally living alone in their later years. The GPO and WEP absolutely do contribute to the poverty level in which many public servants find themselves. The Honorable Mrs. Nancy Johnson, R-Connecticut of Ways and Means, also asserted at the May 19th hearing that these laws unjustly affect her constituents and need review and change.

Yes, some changes must be made to Social Security (simply removing the cap would be a fine start), but as you determine the future of the system, I urge you to take into consideration the words you have read and heard from the real working men and women of the United States who are being hurt by the GPO or WEP. Many pertinent statements were delivered also to the May 1, 2003 Subcommittee hearing of the 108th Congress. These men and women continue to count on their Congressional representatives to make a difference in their lives. Now is the time for Congress "to do even better" by "the population it now serves."

The GAO has not taken into consideration that the cost of repeal of these laws must be measured by more than dollars, cents, and the effect on the long-range deficit. Indeed, the cost of repeal of the GPO and WEP is negligible compared with the overwhelming cost of implementing personal retirement accounts. Unquestionably, the cost must also be measured by the life of each American public servant and the respect each deserves for a lifetime of commitment.

Again, I respectfully request immediate elimination of the Government Pension Offset and Windfall Elimination Provision.

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#### **Statement of Andrew Sallee III, Lexington, Kentucky**

I am a former USPS employee and retired with 36.5 years of service. I worked previously at a number of jobs prior to 1959 when I joined the Government and also during my employment with the USPS.

I looked forward to the time when I would enjoy both my retirement through the Government and also with an additional paycheck from the Social Security. Then came the passing of the double dipping bill which stripped me of 60% of my already small Social Security check.

I CAN recognize if I had earned both of these retirements using the same employment that I would be penalized, this makes sense!! But to just LUMP everyone into the same bill without any thought as to where they were employed is senseless and shows how much it LOOKS like our representatives don't really know on what they are voting.

It is unfair to penalize civil servants for extra work outside of their regular workplace and anyone to whom I relate this experience cannot believe me unless they too have become a victim of this terrible bill.

I urge you to repeal the original bill with all due haste!!! I know we have the backers for WINDFALL REPEAL, Congressmen Bunning, McConnell and Chandler all back the repeal, please help to get it out of committee!!!

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**Statement of Marilyn Sapienza, Cheshire, Connecticut**

I worked for 12 years for a publishing company. During that time, I contributed to Social Security. Then, I became a public school teacher.

For 22 years, I taught in Connecticut public schools. I taught Grades K, 1, 2, 3, 5, and 6. I taught reading intervention and remedial reading to elementary children. During these 22 years, I contributed to Teacher's Retirement.

Now, with my retirement within sight, I learn that I am not eligible for my full Social Security benefits. And why? Simply because I have been a teacher in the public schools. This knowledge deeply saddens me. I feel as if I am being punished for having become a public servant. I feel as if I am being discriminated against just for having instructed a generation of school children.

My 12 years of Social Security benefits exist only because I have worked for them. Getting Social Security benefits at the time of my retirement is *not* a gift. Rather, it is, in my opinion, a *right*, a right earned from hard work. Had I worked for 12 years in industry *only*, I would have been eligible for my Social Security benefits in full. So why should I be penalized just because I continued to work as a public servant?

I ask that you support paying full Social Security benefits to teachers who have earned them. To do otherwise is to penalize teachers and act prejudicially toward them. I appeal to your sense of justice for people like me who have had two careers—one in industry and one as a devoted, public servant educating our young citizens.

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South Hamilton, Massachusetts 01982  
*June 9, 2005*

To Whom It May Concern:

The GOP/WEP is not a fair system and penalizes one for working hard and trying to provide for retirement. As a widow, and a school teacher with limited years of teaching (stayed home to take of children, one being a Spina Bifida), I was looking forward to my late husband's social security. He worked hard for his money and never had the opportunity to collect it since he died of cancer at a young age. It is not fair for the government to keep my social security and reduce his by 2/3 of my teacher pension. Without his social security, I will never be able to fully retire. Please repeal the GOP/WEP so individuals can have a better life. Thank you.

Linda A. Saunders

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Culver City, California 90230  
*June 23, 2005*

To Whom It May Concern:

My name is Rosalie Saxman. I started working when I was 16 years old, holding various jobs from childcare to being a waitress at a family resort and then at a restaurant as I put myself through college. After graduation, I became a teacher of the deaf. I taught in a public school for two years, and then moved to a private school, where they had us pay into social security, for the next ten years.

While teaching I decided to become an Audiologist and worked at Childrens Hospital for three years. I then decided to start a family and so I began working in a public school as an educational audiologist. I have now held this position for the past 21 years.

Having worked for a total of 33 years in an educational setting, I think it is in very poor taste for my social security to be deducted from my teacher's pension, when I have been working in the same field of education but under the two systems. Because I came in from a private school I never received credit for my years experience when joining the public schools. This means I will have to keep working until I am 63 years old just to have 25 years experience. This already eliminates me from any longevity increment that my retirement might give me. Then to have money taken away, because I worked at a school that did not contribute to the state pension plan is penalizing me for working in the education field for more than 35 years.

I would strongly urge this committee to look at what this ruling does to people who have paid in to both systems. It is an unfair treatment.

Thank you for your time.

Rosalie Saxman

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**Statement of Barbara Shaughnessy-Harding, Rimforest, California**

I know the majority of you have been supportive in the past, please be proactive now regarding the Government Pension Offset and the Windfall Elimination Provision.

My husband and I would be affected by both of these unfair offsets. He has worked, on his feet as a barber, for over 35 years and social security is his pension plan. I have also worked all of my adult life, primarily with companies that were part of the social security system and consequently, both my employers and I have paid enough into the system that I have the quarters required to qualify for the same pension as others.

Twelve years ago I started working for a school district and began paying into the state teachers' retirement system. Imagine my surprise when I realized about a year ago that both my husband and I would now be discriminated against for trying to take care of ourselves in our old age. Apparently I would have been better off if I had stayed at home and not worked at all. It's just not fair.

Please do what you can do to help us.

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**Statement of Suzanne Shaw, Penobscot, Maine**

Thank you for giving me this opportunity to write to you.

My name is Sue Shaw and I am writing to you today as a retired teacher.

Privatization and a reduced Social Security benefit are NOT acceptable. I should know—my SS benefit has already been reduced by 60% due to the Windfall Elimination Provision.

I taught for 37 years—both under Social Security and non-Social Security retirement systems. Because of this straddling of retirement systems, when I reached the age to receive the Social Security (SS) benefit that the government collected the taxes for and promised to me, I saw that benefit either severely reduced (WEP) or totally eliminated (GPO). Because I have not only worked under SS for the required 40 quarters but also have a spouse who contributed to SS for almost 50 years, I will be subject to both the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). I fully realize that everyone is limited to one SS benefit. However, since I chose to be a teacher for 28 years in Maine, I will not receive a complete benefit under either situation—personal or spousal. I will be eligible to receive not a penny of my husband's earned benefit (GPO) and only 40% of my own (WEP).

One of the arguments I hear is that SS is slanted toward the low wage earners. As I say in the following paragraphs, that is what I thought I was! That is why I was working two jobs and during vacations from school! When you are young and poor, that is what you do—you work extra jobs! When you are old and the benefits that you supposedly earned when you were doing that extra work are denied to you—what do you do then?

**Just like Everyone Else . . .**

I am so tired of people acting as though we who are fighting the Social Security Offset of The Windfall Elimination Provision are trying to steal something. I am tired of hearing people tell me that Social Security (SS) needs to be preserved for current recipients and for those who will be retiring in the future, as though we are some type of an unfunded liability. As though we are asking for something that has not been paid for.

I am tired of people who do not understand anything except that they are afraid someone is trying to steal SS retirement money. I am tired of being told that the government cannot afford to pay us 100% of our earned SS benefits. And hundreds of thousands of workers are tired of being forced to pay into a system from which they will not be able to realize fair benefits.



People who are penalized by the Windfall Elimination Provision (WEP) have paid into the SS system exactly the same as everyone else. Exactly the same formula was used for withholding SS tax from our private sector work. For every penny we earned, we paid a portion of that penny into SS, just like everyone else.

Social Security says that in order for an individual to receive a benefit, they must first earn “40 quarters” which means a minimum of 10 years working time. Just like everyone else, those of us who are trapped by the WEP have earned those forty quarters—and in many cases well over that number. We are NOT asking for benefits for non-covered work—we simply want the same SS benefits for the same quarters and contributions as everyone else!

The government tells us that SS is meant to be a safety net for those at the low end of the income scale. Those of us who worked full time at one job and evenings and weekends at another thought we fit that description!

We were low paid—so we worked an extra job. We climbed the ladder of advancement and crossed private/public sector lines. We relocated to follow family or opportunity. We opened a small business on the side. We worked—and now we will have to continue to work, because the retirement benefits we were promised for the payments we made will not be forthcoming due to the WEP.

Just like everyone else, we paid 100% of the required tax into SS. But—UNLIKE everyone else, we will NOT receive a 100% benefit! Because we receive a “public pension” for part of our work history, our benefit for work under SS is offset. UNLIKE everyone else, our earned SS benefit could be well less than half of what was promised by the government.

Unlike those with a 401K, our public pension will cause our SS benefit to be slashed.

Unlike a private sector pension from an employer, our public pension will cause our SS benefit to be reduced by thousands of dollars.

Public pensions and SS are different systems—different forms of government (state/federal) oversee them, different taxes and contributions support them, and they have different vesting and benefits schedules. To receive both SS and a public pension is NOT double dipping—it is receiving different benefits for different paid taxes for different work under different employers. It is paying in twice—and working twice. Benefits should be paid twice—once from each employer—both at the 100% level!

All we are asking for is the SS benefit we earned. The SS benefit promised when we paid SS taxes on every penny earned for year after year after year . . . ***just like everyone else.***

#### **The Widows of America . . .**

Imagine this—you are recently retired. While your children were young, you worked part time occasionally, but spent a lot of time at home, raising your family. When they were through with school, you took your turn at college, and at mid-life began the career you had always dreamed of—teaching school. You worked for 20 more years, and now, you and your spouse are looking toward a well-deserved retirement. A relatively common, uncomplicated scenario.

But then, as happens all too often, tragedy strikes and your beloved spouse unexpectedly dies. Your world collapses, and things turn upside down as you bury your life-partner. As time passes, there is business that needs to be seen to, and you begin to deal with the paper work that death creates. You go down to the Social Security offices, and a bleak picture becomes even more so, and the future becomes not only lonely, but also frightening, because you find that there will not be enough money to live on. Social Security says you can not have any of your deceased spouse’s benefit. You will be living on only your public pension from your relatively short career.

Every day, all across the country, widows (and, of course, widowers) find that, when they go to SS after the death of their spouses, there will be either severely reduced survivor benefits, or none at all. These surviving spouses find that they are denied the benefits earned for them by the work record of the deceased simply because they (the survivors) have a public pension.

This law that devastates the income of so many of America’s elderly widows is the Government Pension Offset (GPO). Passed in the early 80’s, it was designed to keep those with high incomes from doing what was perceived as “double dipping” or getting two top-level government retirement benefits. As conceived, the law had good points. In practice, however, it is extremely flawed. What the GPO does is give a secure retirement the kiss of death for low and middle income public employees who, along with their spouses, have worked, paid their bills, and paid their taxes for many long years. What the GPO does, in fact, is put the income of many of these

retirees at the poverty level upon the death of a spouse. What the GPO does is see to it that all too often, when the spouse dies, the benefit dies also.

These retired public employees—postal workers, clerical staff in the state offices, police, firefighters, Department of Transportation workers, secretaries, teachers, guidance counselors, bus drivers, game wardens, public utility workers, federal employees, custodians, state health workers, prison employees, air traffic controllers, and many more, have retirement income stolen by the GPO. The loss of this income, which had been earned for them by their spouses, makes many of these dedicated individuals eligible for public assistance programs. They become eligible for heating assistance, housing assistance, food stamps, and health care. Programs that, in fact, end up costing the government more money than it would to simply give the workers their earned benefits in the first place.

These people do not WANT assistance—they want the money from the benefits that SS promised when SS taxes were taken from paychecks. As one worker put it—“It’s all tax money—it’s just how you get it! It would be cheaper for the government to keep me off the ‘dole’ if it can!” These widows can find themselves living on less than \$25 a day—many times much less, simply because they had the misfortune to chose to work in the public sector. As Marti Flint said in the January 8th 2003 CBS Evening News “Eye on America” segment on SS—“the only thing I did wrong was to go to work in a school!”

#### **The encouraging of workers to embrace “2nd careers” . . .**

President Bush encourages the military to turn to a 2nd career in the classroom in his “Troops to Teachers” program. One has to wonder if the military personnel who walk into classrooms after 20 years in uniform realize that they could possibly, with the opening of that classroom door be closing another! They could easily be closing a door on a large portion of their SS benefits. Military pensions and SS paid while in the military are exempt from the Windfall Elimination Provision (WEP). But the WEP says a public pension from non-SS-covered work cancels out that exemption when a state pension from non-covered work is thrown into the formula!

People from the private sector are urged to step to the front of the classroom and “make a difference” as a public servant. Public workers begin small businesses on the side, or in the case of teachers or other school personnel, work summers and vacations to help make ends meet. Whatever the scenario, when an individual’s work history straddles the public sector/private sector line, it is like having one foot on the boat and one foot on the dock. If their public sector work is in non-SS-covered employment, these individuals are going to take a soaking!

Unlike the person with one foot on the dock and one on the boat, however, the vast majority of those affected by the WEP do not even suspect that disaster is imminent! They *think* they have planned ahead! They had paid in good faith into one system for retirement, and then into another! They had paid the taxes and expected the benefits. They expected promises made by the government to be kept! What a nasty shock to discover, often not until the very edge of retirement, that 100% of that *promised benefit* will not be forthcoming.

It has been said that elimination of the Offsets would cost too much and would cause depletion of the SS account that much sooner. Whose money is being held so tightly in the governmental fist? Don’t forget—we paid in for years and years! If a state worker knows that they are only going to receive 40% of their SS from other jobs, will the government let them only pay in 40% of the tax rate? Definitely not.

So—here is the public worker, retired and needing more income because the WEP has significantly reduced planned on retirement benefits. Being a cheerful, energetic soul, a post-retirement job is decided on as being the answer, and off to Wal-Mart our retiree goes. Unfortunately, that happy little retiree is now paying even more money into the Social Security system. Money that is, of course, at some point in the future going to be denied as a benefit. Our retiree is caught between a rock and a hard place by the WEP.

Most retirement plans tout the Social Security Administration’s “three-legged stool of retirement”—pension, SS and savings. The public workers affected by the Offsets had earned their SS “quarters”, had a public pension, and had saved. They had, in fact, planned for their future. Unfortunately for them, however, the WEP cut off one of the legs and the stool fell over!

#### **Heroes need a hand . . .**

These laws, The Government Pension Offset and the Windfall Elimination Provision, are undermining the financial quality of life for America’s Heroes. The very people who dedicate their lives to serving the public from one side of the country to the other, the firefighters, the police, the teachers and the other public workers are finding that their reward for that life of service is a slap in the face from the

federal government. Over 75% of the nation's emergency responders will be affected by these laws, almost half of the teachers, and one third of the public employees, for a total of approximately 4% of the workforce.

They are finding that they cannot collect benefits earned for them on a spousal work record under SS (the GPO), and they are finding that benefits from work that they did with their own hands is denied them also (WEP).

These laws, the GPO and the WEP, have been like dirty little secrets that no one talked about in polite company. No one discovered them until the day they went down to SS to begin collecting a benefit . . . and what could be done then? No one explained to people changing careers that if they crossed the line between covered and non-covered SS work that they were putting their retirement income at risk. No one pointed out the fine print on the SS form that gives approximated retirement income, which warns . . . "income from non-covered work *may* affect benefits". No one today is telling the young people who are becoming the teachers of tomorrow that they need to consider these laws when deciding where to teach. The GPO and the WEP were virtually unknown just a few short years ago. But as with any secret, tell a few people, and soon everyone knows! We have been saying in loud voices all across the country . . . "**HEY—LISTEN UP—THESE LAWS APPLY TO YOU!**"

#### **What a "Thank You". . .**

When America is in crisis, we turn our eyes and hopes to our heroes . . . to the armed services and the emergency responders who dedicate their lives to serving the public. In our memories live times of Iraq, Desert Storm, Vietnam, Korea, WWII and of course the devastation of 9–11.

We revere these men and women. We build memorials, dedicate parks, and hold parades in their honor. And then—when they decide to move on and re-dedicate their lives to the people of America by becoming workers in the public sector in certain geographical areas, the federal government pays them back by stealing the Social Security (SS) benefits that they bought and paid for in their military or ER careers!

If these brave men and women who have put their lives on the line as policemen, firemen and soldiers decide in their 2nd public service career to settle in certain areas, they will find that they will lose over ½ of the SS they already earned. The Windfall Elimination Provision (WEP), a federal law enacted in the late 70's, causes anyone who accepts a pension from "non-covered" work (work that does not pay into SS) to lose a substantial portion of their earned SS. Those who have already dedicated their lives once to the public should not be cheated out of their SS benefits just because they chose to live in certain geographical areas as they re-dedicate their lives to public service. These thousands of American heroes are going to lose SS that they earned in time dedicated to the safety of America.

The WEP changes the formula that is used to figure SS benefits for those who also earn a pension from non-covered work. This changed formula costs those with a SS pension up to \$6,000 an amount equal to 60% of their benefit. For those with larger SS pensions, the price tops out at \$3,600 a year.

For anyone to lose a retirement benefit that has been earned and paid for, to lose a benefit that is expected, is devastating. For the government to break the promise that was made when the taxes were paid is unfair. To steal SS benefits in a manner that is completely unfounded is criminal.

But . . . to cut the benefits of those who have dedicated and re-dedicated their lives to the service of the American public is even worse than devastating, unfair and criminal . . . it is an unpatriotic practice of the lowest order!

What a governmental payback for America's heroes!

#### **A new twist . . .**

There is an argument in favor of elimination of these laws from the state budget point of view. State budgets are in big trouble. There is not enough money coming in, to simplify the matter. But—there is a simple solution that would increase the cash flow into some of these economically strapped states, and that would, as President Bush says, "stimulate the economy". This stimulation would, in turn, help the state budgets because people would be spending this money and then paying sales tax on what they buy. More business would mean a need for more employees, which means more jobs.

If a one-time tax break payment of several hundred dollars is supposed to help the economy, how much more help could be given by allowing these earned benefits to be paid month after month? If "stimulation of the economy" is the desired result, how much better it would be to eliminate the Social Security Offset laws than to simply give a one time tax reduction of a few hundred dollars!

I am a retired Physical Education teacher, and over the 37 years that I taught, one of the things that was crystal clear was “you do NOT change the rules in the middle of the game”. Back in the early ‘80s, a well-meaning Congress changed the rules in the middle of our game. As a result, we are in a 7th inning slump. But we have high hopes for a comeback.

**There is no ‘right way to do the wrong thing’ . . .**

Now, with hope in our hearts, we ask that Congress realize the unfairness of these laws and the necessity of voting to eliminate them by passing HR147 and S619. We ask that Congress not settle for less than “the Social Security Fairness Act of 2005”. We ask that Congress do this because it is simply *the right thing to do*. And, as the title itself says, “*the fair thing to do*”. Because . . . there is no right way to do the wrong thing, and **the Social Security Offsets are wrong**.

Next, I would like to address totalization and the future of Social Security.

I just received a packet of information from Congressman Mike Michaud’s office. It consists of a report from the Government Accounting Office on totalization with Mexico, a Congressional Research Service report on totalization with Mexico, and a few background sheets concerning totalization laws from the “Congressional Quarterly” of 1977. I read it with mounting horror at the thought of what such an agreement could do to the future of SSA! While I realize that totalization is a good thing for some people (both U.S. citizens and others) whose work records straddle international boundary lines, such an agreement with Mexico would be a disaster!

Those who compare such an agreement with the one now in place with Canada do not have a realistic grasp of the differences between the borders, the relationships at those borders, the ethnic groups involved, the numbers involved, and the unreliability of the necessary records and spastics involved. To compare the two is to compare an apple and—not even a slightly similar orange—but an apple and a watermelon!

As a citizen of this country, I had to work at least 10 years or 40 quarters to receive a SSA benefit. Now that I am over 62 and receiving of that benefit, I am told that because of a law called the “Windfall Elimination Provision”, I cannot have 100% of that benefit. My husband has worked under SS for 45 years. Should he die, I will get not one cent from his SS survivor benefit due to a law called the Government Pension Offset”.

Yet—totalization with Mexico would allow SS benefits to be paid to ILLEGAL ALIENS AND THEIR DEPENDENTS AND SURVIVORS. To make matters worse, these illegal workers could qualify on a work record that could be as small as 6 quarters or 1½ years! I do realize that these benefits would be reduced. That fact does NOT make me feel better!

People in favor of totalization point to agreements with other countries and say that the illegal alien issue is not a problem. Those other countries do not mirror the situations at the USA/Mexico border. Those countries, unlike Mexico, do not have vast numbers of illegal workers in the United States. The projected payments as a result of a totalization agreement with Mexico would be \$78 million a year and would grow to \$650 million a year by 2050. But—the GOA fears that the \$78 million figure is horrifically low due to unrealistic projected numbers of recipients and dependents/survivors! Under current agreements with other countries, \$15 million is paid each month to about 94,000 recipients. Even if the projected \$78 million is correct, it would represent an amount equal to two-fifths—well over one-third—of the amount currently being paid to ALL countries per year!

An extremely important point is that, through all of the pro/con arguments it must be kept in mind that record-keeping dealing with illegal aliens and their dependents and survivors must, by the very insertion of the word illegal, be extremely suspect! It would be criminal for totalization with Mexico to be allowed, only to have it be the straw on the camel of SSA’s back. It would be criminal to allow benefits that are prefaced with the word illegal to drain the SSA trust fund so that benefits of U.S. citizens would be placed in jeopardy.

It would be criminal to allow illegal, undocumented workers and their dependents and survivors to have SSA benefits while the Social Security Offset Laws of the Government Pension Offset and the Windfall Elimination Provision still prevent public servant citizens of the United States from receiving their own earned SS benefits.

I strongly urge you, at every opportunity, to speak out against totalization with Mexico, and to vote against such an agreement when the time comes! I offer as an example of the insanity of this agreement, the following news story:

**Government to pay for illegal alien's care**

WASHINGTON: Health care providers can charge the government for emergency care provided to illegal aliens beginning on Tuesday (5-10-05).

The Centers for Medicare and Medicaid Services issued final guidance Monday that sets up a system for reimbursement. Lawmakers set aside \$1 billion over four years for the program, created by Medicare legislation passed in 2003.

Two-thirds of the money will be distributed to health care providers **based on a state's percentage of undocumented aliens**. The remaining third will go to providers with **the largest number of arrests of undocumented aliens**.

The states receiving the highest amounts are CA = \$70.8M, TX = \$46M, AZ = \$45M, and NY = \$12.25M.

I have to wonder about a government that does something like that! To create a system that relies on a percentage of something that is undocumented makes even someone who is mathematically challenged raise an eyebrow . . . and then to give the rest of the \$ to the places with the largest number of arrests . . . whew!

I have to repeat . . . what isn't understood about illegal? I wonder how much of the "emergency care" is made up of illegal aliens getting to the hospital just in time to have their child delivered . . . which, to my understanding, makes it a citizen of the U.S.? And then, of course, eligible for all sorts of aid, including Social Security . . .

Totalization with Mexico would rely too often on things that are "undocumented", creating havoc with the system, and placing an unfair drain on its resources.

**I implore you—keep the Security in the Social Security system—using methods that are just and fair . . . not simply politically expedient.**

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**Statement of Marna Shultz, Pembroke High School, Pembroke, Massachusetts**

Many teachers work during the summer and hold part-time positions. If we pay into the social security system, it seems only fair that we should be able to collect the benefits.

Today most people are not able to retire but continue working in positions that will require them to pay into a benefit system they will never be able to benefit from!!

I have a friend that retired from teaching and became a lawyer. He is now a lawyer paying a tremendous amount of social security for which he will never reap any benefit. At least give the person a choice whether or not to pay the social security tax!

It seems to be an unfair and senseless punishment for a profession that has already been hit with extra regulations. (The teachers in my system received a 1% raise this year. Will that kind of raise allow for much saving to be done?)

Please help. Just be fair. Thank you.

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Mentor, Ohio 44060  
*June 16, 2005*

I am writing to you regarding the Government Pension Offset (GPO), the Windfall Elimination Provision (WEP), S-349 and the issue of the Social Security Fairness Act of 2003.

I have worked in private industry for 17 years and then elected to be a stay at home Mom when my two children were born. In 1991 I started my employment with Mentor Public Schools as a secretary and have worked here for 12 years. I am 59 years old and, of course, am starting to think about my retirement in the future. Six years ago, my husband passed away unexpectedly. I was left with two children in college and that has been tough on my salary.

I am not a teacher—I am a classified employee. It has come to my attention that since I worked in private industry and have paid into the PERS that my social security benefits and that of my deceased husband's will be sorely reduced once I elect to retire. I certainly find this unfair. I have worked, and continue to work, to take care of me and my children. Why is it that because I have chosen to work, that I am punished with a drastic reduction in benefits when I retire?

I need your help—please help me.  
Thank you.

Paulette Spehek

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**Statement of Dan Stefancik, Mogadore, Ohio**

Please consider the following thoughts regarding Social Security and Public System pensions:

**Trying to be both fair and honest, I can see how a person who made a “good living” as a public employee after private employment may not warrant a full Social Security pension too. However, as in most economic cases, a one-size-fits-all approach is not practical, or reasonable, in determining how a retiring wage earner spends his or her “golden years” of independent living.**

Many Baby Boomers, like myself, worked for years at relatively low paying jobs covered by Social Security before we moved to jobs covered by one of the public employee pension systems.

Many of us never became the teachers, police officers, or bureaucrats that many people symbolize as the “public employees”. **Thousands of us are service workers, custodians, clericals, and school bus drivers who never made it out of the lower paying jobs in the public service areas. Sure, there are ‘civil service fat cats’ who make a six-figure salary, but there are a lot more of us who don’t!**

- Most of us in the **Ohio School Employees Retirement System (OSERS)** are service workers who did not ever make \$30K in our highest earning years. That means the **MAXIMUM PENSION** for working 30 years **AFTER** we left SS covered jobs would be about \$1,650 per month **BEFORE** any deductions or contributions for health care (now \$125-\$500 per month).

**Most of us will face the following, or at least a similar financial situation in retirement:**

- A conservative estimate of **TYPICAL FIXED MONTHLY EXPENSES** will often include:
  - \$150 property taxes for a small residence in an older neighborhood
  - \$ 50 for minimal homeowner property insurance.
  - \$125 for electric service if not using electric heat.
  - \$125 for natural gas service if using it to heat a small home.
  - \$25 for basic wired telephone service.
  - \$25 for basic television service.
  - \$50 for trash collection, water, and sewer service in an urban area.
  - \$100 for basic full coverage auto insurance.

**Totaling at least \$650 per month for the most basic fixed expenses.**

- That would **leave less than \$33 per day** for food, medicines, clothing, housing costs, transportation costs, routine repairs, personal hygiene, cleaning products; and “luxuries” such as newspapers, magazines, postage stamps, pet care, and an occasional trip to the movies.

**In much of our country, the above pension and expense amounts do not even meet the minimum levels of the cost of living for middle-class Americans trying to make ends meet each month.**

The above figures **are lower than average estimates** meant to show you that **THOUSANDS OF WORKING CLASS “PUBLIC EMPLOYEES” DID NOT MAKE ENOUGH DURING THEIR NON-SOCIAL SECURITY-CONTRIBUTING CAREERS TO WARRANT A REDUCTION OF SOCIAL SECURITY PENSION BENEFITS THEY WOULD RECEIVE FOR THEIR YEARS WORKED WHILE CONTRIBUTING TO SOCIAL SECURITY.**

**A logical solution could be a sliding scale in the offset rule that would limit Social Security pensions for higher earning public employees without penalizing lower paid workers.**

Thank you for considering the above thoughts during your deliberations.  
—Delivery Worker under OSERS and eligible for a small S.S. pension too.

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**Statement of Connie Stenlund, Vancouver, Washington**

I appreciate the opportunity to submit this written testimony on the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP) Social Security provisions, and their adverse and unfair impact on me—a federal government retiree. First I want to thank Chairman Jim McCrery and the other legislators serving on this Subcommittee for having this important hearing. As a retiree that will be adversely impacted by these provisions, I urge all Subcommittee members, and lawmakers, to repeal them as soon as possible and allow me to receive my full social security benefits.

I worked for the federal government with the U.S. Coast Guard, Department of Transportation, for 25 years and retired from the Civil Service Retirement System. However, because I am a single Mom and employed in a lower grade, I also had to work a part-time job to make ends meet. I paid into Social Security for about 28 years, long enough to receive benefits. I also worked long enough for the Federal Government to earn a government retirement.

When I become eligible for my full benefits at 65 and 10 months, I will lose about \$300 per month in my earned Social Security benefits. However, my earned government pension is not enough to continue to live in my condo and pay all my bills. Receiving my full \$550 in earned Social Security benefits would greatly help me continue to be independent, and not a burden to my children or the federal government.

Because of the 60% cut due to WEP, I must work for the rest of my life, or for as long as my health will allow. If I do not work, I will have to sell my condo and live with my children because I will not be earning enough money to support even my basic needs like rent, utilities, health care, and food. Earned benefits are what I need to keep me independent during the time of my life when I am supposed to be volunteering to help my community, instead of working.

I am not sure how this will all shake out, but I do know that I should be receiving my full \$550 in earned Social Security benefits. I ask all lawmakers in the Congress, and specifically those serving on this Subcommittee, to correct this wrong. Please do not let my 60% Social Security reduction continue simply because I served my country by working for the federal government.

Thank you.

Sincerely,

Connie M. Stenlund

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Lakeville, Massachusetts 02347  
June 6, 2005

Dear Representative;

I will be 60 years of age this July. In 1984, I left the private sector for full-time employment as a faculty member for the State of Massachusetts at Bridgewater State College. I am still currently employed as a member of the faculty on a full-time basis in the School of Management.

After meeting with members of the Social Security Office in nearby Brockton Massachusetts, I was shocked to find that my and my wife's social security will be cut almost 40% due to GPO/WEP laws. I was told that this is because I am a mandatory member of the Massachusetts State's Teacher Retirement System.

I started working under the Social Security in 1963 after high school graduation. I graduated from college in 1967 and made significant earnings under Social Security until 2003 as my attached Earnings Record indicates with a few exceptions (zero dollars income) noting periods when I returned to school or was between jobs.

I continue to pay taxes and make contributions to Social Security because I often work a second job under social security to compensate for the low public college faculty wages in Massachusetts which run some 17% below the national average.

Why does a law-abiding, tax paying citizen with many years of contributing to Social Security outside the Massachusetts Teacher's Retirement System get penalized for being forced to join a State Retirement System?

In my years of employment prior to becoming a college professor, I worked hard and wanted to live the American dream of retirement at the proper time. *How could I possibly know that my significant contributions to social security would sometime in the future become off-set by future contributions in a different state run retirement system?*

I ask that the House revise or repeal the current law of the WEP/GPO and eliminate the unfair WEP/GPO penalties for workers in America who contributed to So-

cial Security in good faith. Those, who like myself, should receive the retirement benefits that echo the amounts they paid in over the years. Thank you.

Professor Frank W. Sterrett

**Earnings Records** (from March 28, 2005 *Social Security Statement* mailed to F. Sterrett)

Year	S.S. Earnings	Year	S.S. Earnings
1963	\$ 377	1986	\$ 0
1964	912	1987	500
1965	305	1988	6400
1966	727	1989	6400
1967	2584	1990	0
1968	6421	1991	7800
1969	7330	1992	17400
1970	7800	1993	13399
1971	4975	1994	1500
1972	8546	1995	56072
1973	10800	1996	62700
1974	13140	1997	65400
1975	12761	1998	68400
1976	15300	1999	72600
1977	16500	2000	76200
1978	17700	2001	64212
1979	16754	2002	21700
1980	19426	2003	34897
1981	26983	2004	6747
1982	30500		
1983	35700		
1984	833		
1985	0		

Beaumont, Texas 77706  
June 23, 2005

Thank you for giving me the opportunity to make this statement.

Millions of Americans are counting on you to do the right thing. My name is Bonnie Swain and I have worked as a Texas schoolteacher in the recent past. I had proudly returned to the university setting in my late forties to obtain both elementary and secondary teaching certifications. After more than twenty-five years in the public sector (mostly as a registered nurse), like many professionals, I felt unfulfilled in my profession, and was drawn to the field of teaching to make a difference in children's lives. Not long after entering the classroom, I was made aware of the Government Pension Offset and Windfall Elimination Provision that affect social security retirement benefits. As a single person, I could not afford the massive reduction to my own personal social security and the PENALTY for switching careers! How sad for the children who could benefit from educators entering teaching for the betterment of society! Persons who leave relatively lucrative professions to teach are certainly not doing this for monetary gain. But this unfair system continues to drive out some of the best educators.

The GPO and WEP have been heartbreaking in every respect, as this also affects many of our first responders—such as policemen, firefighters. Remember 9/11? At its very core, this country depends on these professions of CAREGIVERS and CIVIL SERVANTS. It is absolutely unconscionable to PENALIZE these sacrificing professions. As I stated, millions of Americans are counting on you to do the right thing. I am confident that justice will prevail, and the GPO and WEP will be repealed. Respectfully submitted,

Bonnie Swain  
Former elementary and secondary teacher, Port Arthur ISD, Port Arthur, TX  
(2001–2004)



**Statement of Juanita J. Terrell, Mont Belvieu, Texas**

Thank you for allowing me to write to you. I am a retired Texas school secretary. The Social Security Offset has deprived me of duly earned benefits. The WEP cuts benefits directly earned through a job covered by Social Security. In my case, I paid into the Social Security system while working at other jobs before becoming a school secretary.

I have paid in enough quarters to receive my benefits but cannot get my full benefits because of the sentence that says "*must have been paying social security on the last day of employment prior to retirement*" I receive \$88.00 per month (after Medicare) when I could be receiving another \$300. (or more).

I also know widows who are really hurting because of the GPO.

I am asking you to pass HR147 and S619, known as the Social Security Fairness Act, to eliminate the Government Pension Offset and the Windfall Elimination Provision. In each case, receiving a public pension based on employment not covered by Social Security is all it takes to trigger the offset.

Thank you for your consideration.

Homer, Illinois 61849  
September 12, 2005

Ways and Means Committee—

My letter is to plead with you to repeal Social Security's GPO and WEP. Being penalized by both these actions is grossly unfair.

My brief history—I was married for 28 years, then, sadly, divorced. I worked just less than five years in my local public school, then ten years with my husband, who was self-employed. Around the time of my divorce I began work as a secretary at the University of Illinois. I worked sixteen years, and then retired. However, because sixteen years is not enough to live on, I currently work part-time.

My former husband passed away almost five years ago. I was told by SSA that I am entitled to \$1,400/month from him. However, because of the GPO and WEP, I am only drawing \$383 in widow benefits.

Please do not write to me to explain why these two acts were made years ago. I am being penalized for having worked in two systems, an extremely unfair and unjust act. Please—let me draw all of my husband's social security, to which I am legally entitled, so that I may completely retire.

Because I have written a number of letters to legislatures, even President Bush, I will now watch to see who *actively works* to repeal the GPO and WEP. I will cross party lines to vote at the next election, which I have never done before. Also, I will begin e-mailing a number of media to investigate all this, in particular what this country is doing to assist Mexican immigrants with social security benefits.

Please, repeal the GPO and WEP. I look forward to the news in the weeks ahead that this has been done. Thank you for listening to my situation.

Sincerely,

Carol A. Wakefield

Stow, Massachusetts 01775  
September 9, 2005

Dear committee members,

I am writing this letter to ask for your help in repealing the GPO and WEP. I am a school teacher who when retiring will lose  $\frac{2}{3}$  of my retirement from my husband's social security pension! My husband and I have worked hard for 30 years and retirement is nowhere in sight. If I retire in the next 5 years my pension from the teacher's retirement will be about \$2000.00 per month. If my husband dies before me, I will only stand to collect  $\frac{1}{3}$  of his social security pension due to the penalties in the present laws. I cannot live on this poverty level amount of income. I don't know of anyone else in all the people I know and work with who will be treated so badly as myself. Even the presenter from the social security office told a whole auditorium full of people (1000) that my particular situation is the most unfair of all. I was told that it is inhumane what is being done to me and my family. Furthermore, if social security benefits are modified and cut further for my age ( 52 yrs old) I will stand to loose more. How can this happen and nobody cares about me? I have given to my country my whole life as a teacher. Why am I being treated so

badly??? Please help my cause and repeal the GPO and WEP. Mass is only 1 out of 10 states in the whole country that does this to its teachers! 40 out of 50 states treat their teachers with more compassion . . . Many thanks for listening to my plight . . . (I hope)

Sincerely,

Sharyn Walczewski

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**Statement of David M. Wetzel, Baton Rouge, Louisiana**

Thank you for giving me an opportunity to write to you concerning Social Security.

Let me first state where I personally stand with respect to the current social security system. I am 66 years old. I have worked part of my life under social security: part time jobs in high school, summer jobs in college, as an engineer for Gulf Research, and as a faculty member at the Catholic University of America. I currently work for the State of Louisiana as a faculty member at Louisiana State University. I have also made private investments in TIAA, IRA's and 403b's.

My work under social security totals many more than 40 quarters, and I have 26 years in the Louisiana retirement system.

I am in a bind. I can not afford to retire.

Many of the dollars I put in Social Security were painful. One year our raise at Catholic U. was insultingly small. The president explained that social security taxes had gone up and taken most of the raise money he and managed to put together for us. Now I find I will get little or no benefit from those social security taxes.

I have a concern about changes in the social security system. It is that changing the system will have a severe negative effect on some people, as the 1983 changes did on me. In 1983 the social security law was changed to say that people can not draw two government pensions. Thus, my social security benefits will be severely cut. Because I did not work at LSU for all or most all of my career, my state pension will not be large. My BS, MS, and PhD meant that there were nine years of my career during which I did not have an income or any retirement plan benefits. By the way, my private investments have not done well. The only one to make any money is TIAA. That is why I must keep working.

What if the proposed "private accounts" do not make much money? What if the investments take a temporary drop at the point of retirement? In principle they would have been good for me. At least social security would not be able to cancel that part of my benefits. But the uncertainty remains.

The best thing you can do for me and many others with split careers is to undo the reforms of the 1983 law. Please pass HR 147 and S619, the Social Security Fairness Act and the Windfall Elimination Provision. Let us receive the benefits we paid for.

My submission is on my own behalf only, however I work for Louisiana State University.

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Retired State, County and Municipal Employees Association of Massachusetts  
Plymouth, Massachusetts 02360  
*June 9, 2005*

Honorable James McCrery, Chairman  
House Subcommittee on Social Security  
2104 Rayburn House Office Bldg.  
Washington, D.C. 20515

Dear Mr. Chairman:

Our Association appreciates this opportunity to offer our comments on Social Security's Government Pension Offset (GPO) and Windfall Elimination Provision (WEP), as well as mandatory Social Security coverage. We thank you for including our statement in the June 9, 2005 hearing record of the Subcommittee on Social Security.

For over 37 years, our Association has been the leading advocate for public retirees and their survivors in Massachusetts. Currently, our membership totals over 62,000, of which approximately 11,000 reside outside of Massachusetts.

While our primary focus has been, and remains, at the state and local levels, we have also involved ourselves in federal issues, particularly those related to Social

Security and Medicare. Foremost, in connection with Social Security, are the GPO, WEP and mandatory Social Security coverage.

Among our members are widows, who, in addition to being homemakers, worked at relatively modest public sector jobs that supplemented their family income and enabled them to earn, by today's standards, a relatively small public pension. These members, and their husbands, believed that if they became widows, they would hopefully have an adequate retirement income because they would also receive their husband's full Social Security benefits.

Unfortunately, when their husbands died, they discovered, to their shock and dismay, that because of their small pensions, they were not eligible for their deceased husband's full Social Security. Instead, they were told by the Social Security Administration (SSA) that because of the GPO, they would receive far less than they anticipated, in many cases almost nothing.

Our membership also includes those who worked two jobs—one in the public sector and another with a private employer—in order to support their families. Through their private sector employment, they contributed to Social Security, earning a benefit on their own. Naturally they expected that their hard work in the private sector entitled them to the same Social Security benefits as their co-workers.

However, the expectations for many of these members failed to be realized when they received their first Social Security check. That's because the WEP reduced their Social Security benefits by as much as sixty percent.

Over the years, the number of members contacting the Association over the GPO/WEP's devastating effect on their lives has steadily increased. Everyday, we receive calls, emails and letters from members pleading with us to do all we can to relieve their hardship. Their calls for help have become, tragically, all too commonplace. As a result, our Association committed itself to resolving their problem.

At this time, we call upon the Subcommittee to report out a bill for action by the House. We believe that such legislation should repeal both the GPO and WEP.

We also believe that any bill should not include mandating that newly hired public employees in Massachusetts, and other non-Social Security states, be covered under Social Security. Analyses have shown that the short-term infusion of Social Security taxes from new hires will have a relatively insignificant effect upon the system's future solvency. Moreover, the revenues, generated by these taxes, will be offset in the long term when those employees receive their Social Security benefits.

More important is the overwhelming tax increase upon the Commonwealth and its political subdivisions. State agencies have placed the cost at nearly \$3.9 billion over the first 10 years under mandatory Social Security. As a result, state and local officials would have to increase taxes, cut essential services in areas, such as education or public safety, or both. Simply put, the end does not justify the means in this particular case.

In the 1950s, state and local governments were given the option to join the Social Security system. While many states and localities did enroll in the system, Massachusetts and its political subdivisions chose to maintain their own comprehensive retirement system, specifically developed for their own retirees and employees, because it provides superior benefits for those who chose a career in public service at lesser pay.

If one considers how mandatory Social Security will disrupt the well-established system and cause new long-term fiscal problems at the state and local levels, then only one conclusion can be reached. Social Security should not be mandated for newly hired public employees in Massachusetts and similarly situated states.

In conclusion, we again appreciate this opportunity to voice our opinion on the GPO, WEP and mandatory Social Security and urge the Subcommittee to act promptly on needed legislation repealing both the GPO and WEP. There is no question that it will bring a deserved measure of dignity to the lives of those currently being severely hurt by these laws.

Thank you.

Sincerely yours,

Ralph White  
President

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**Statement of Pete Zimmerman, Mission Viejo, California**

*This statement from a public servant is written primarily to urge the House Subcommittee on Social Security NOT to try to partially fix the WEP by supporting the PSRPA (H.R. 1714). At the same time, it is hoped that the So-*

cial Security Subcommittee will instead take the next step and support total elimination of both the WEP and the GPO provisions. I also wish to express my thanks to Chairman McCreery for conducting a series of open subcommittee hearings with the general goal of “strengthening Social Security for the future” and, in the specific case of this June 9 hearing, “to examine proposals to ensure teachers, police officers, firefighters, and other public employees are treated fairly under the program.”

Below are specific concerns/flaws relating to the proposed PSRPA whether it might remain as a “stand alone” bill or might eventually become a part of a broad, omnibus bill crafted to protect older, retired people in a variety of ways. **This may be one of the few times that you will hear any negative arguments about the PSRPA, other than the most obvious one which generally asserts that Congress should eliminate the WEP as well as the GPO in their entirety and not spend money or time on a bill which might only significantly help a small minority of public servants.** In addition, I have included at the end of this statement, for your review, excerpts from previously written letters in which I specify various proposals/options/alternative solutions to the PSRPA as it is written in its present form.

Although the PSRPA is supposed to modify the WEP in a way that it will be more “fair” to public servants (it is in fact named the **Public Servant Retirement Protection Act**), I would argue that this bill would do little (if anything at all) in the way of protecting a decided majority of public servants. Many of its sponsors make it sound as if the PSRPA will do something significant for **most all** of the public servants who are affected by the WEP. However, it could be argued that it is **mainly a way to better recruit teachers (starting in their mid 30’s) in states like Texas, California, Ohio, etc.** (which are the home states of most of the original sponsors of H.R. 1714 as well as Sen. Hutchison who has just re-introduced a companion PSRPA in the U.S. Senate). Its supporters should come right out and clearly admit that **this bill would tend to benefit most significantly a minority of public servants who have worked in two 10+ year, back-to-back careers (one covered by Social Security and one not covered), such as those teachers recruited in states wherein they pay into a retirement system separate from Social Security.** But to argue mostly that this is a bill designed primarily to significantly benefit **most** public servants who are affected by the WEP, is misleading and inaccurate; and, if passed, it could lead to problems (for the SSA and members of Congress) in the future as public servants retire and discover just how limited this bill really is.

Over the past weeks I have provided some members of Congress, as well as leaders of various public servant organizations, with calculations of my Social Security benefits under the presently written PSRPA (H.R. 1714). These calculations using 4 different work scenarios were done using the PSRPA worksheet provided on the NEA website. The first scenario showed me working two jobs (one, a career job as a teacher, not paying into Social Security and the other, a part time job wherein I did pay into Social Security) **during the same time** over a 35-year period. The second scenario showed a person who worked a “covered” (by Social Security) career job for 17 years **followed by** a “non covered” career job (teacher?) for 18 years. Scenarios 3 and 4 were similar except they were over a 20-year period (rather than 35).

The scenarios wherein one is working two **separate, back-to-back jobs** (neither of which is a part time job) comes out with higher SSA benefits under the PSRPA (\$711/month as compared to \$395 for me as calculated in the first scenario). At this point, it seems very important to be aware that the **key part of the PSRPA** formula, or regular Social Security formula/P.I.A., is that one has to divide the total average Social Security indexed earnings over 35 years by one’s total combined (“covered” and “non-covered”) indexed earnings **in order to arrive at the all-important percentage** (line 10 of the PSRPA worksheet); this percentage is then used in the final step to determine one’s actual benefit. Simple math would demonstrate that in order for everything to be equal, **those public servants, working two jobs at the same time over their work career, would have to consistently earn on their part time, “covered”, second job at least half of what they make on their main, “not covered” public servant job—and that would be very unlikely for a teacher to keep up unless he/she devoted little time to his/her family and/or devoted little time to grading papers, class preparation, or extra curricular activities related to school.**

(Please note that the presence of a “hold harmless” clause to protect a large number of public servants from receiving even lower Social Security benefits than under the present WEP does not rectify the wrong that most of these same public servants do not have a mathematical chance under the PSRPA formula to **improve** their benefits to a degree which is even

close to being as significant as those who may work two separate career jobs, back-to-back. So does the inclusion of a “hold harmless” clause really fit into the argument that the PSRPA is designed to ensure fairness and equal treatment?)

Furthermore, if calculations were done on a public servant affected by the WEP who earns half as much as me in both jobs (“low income” category which Social Security was intended to help the most), I submit that it will show that there is **little substantial difference** between the calculated benefits under the present WEP and those calculated benefits under the PSRPA. **Anyway, if Congress really wanted to concentrate on helping the low income public servants, it probably should be looking to modify the GPO (which affects a lot of older women who are at or below the poverty level) before they spend so much money and time trying to partially fix the WEP (a provision which affects relatively few at or below the poverty level).**

Again, then who does the PSRPA significantly help and to what degree? Do the billions of dollars set aside for it go to substantially benefiting only a small minority of public employees over the next 10 years? *It would be very helpful if the Social Security Subcommittee could provide some statistical analysis that would answer these question, making sure to include calculations using the most common scenarios—those that include a public servant working a “covered” part time job at the same time as a “non covered” main job.* Although it is true that the Congress had a statistical study done (by the CRS) last year on the probable results of the PSRPA, **this study (I would argue) dealt mainly with the scenarios of those working 2 separate, career jobs, one after the other over a period of time (and NOT scenarios of those working a career job and a part time job simultaneously over a period of time).** Obviously, there are far more affected public servants, especially teachers, in the latter scenario.

It should also be emphasized here that **NOT ONE of the persons or organizations to whom I have submitted my views and calculations has been able to show my arguments and/or calculations to be wrong—and I have provided them with all of the necessary information to do the calculations.** (To be more specific, all have either failed to complete the calculations or have not responded to letters requesting that they check over *my own calculations, which are in reality a valid representation of how the vast majority of public servants would be affected by the PSRPA.*) If it could have been shown that my calculations were wrong, thus demonstrating that the bill was really fair to a sizable majority of affected public servants (as touted), it would be easier for one to accept the PSRPA as written and the SSA and Congress would not have to worry so much about the resultant problems that I foresee—from the administration of such a provision to the many questions/complaints from public servants with whom the SSA and members of Congress (and their staffs) could very well have to deal for many years.

Also you should be aware that **there seems to be only ONE actual example of a person’s PSRPA calculations on the internet or in any other documentation**; and that lone example deals with the scenario of working two career jobs, back-to-back. Furthermore, when public servants are being advised to do their own calculations OR to contact a Social Security office if they want to know how it will affect them individually, those giving this advice have to know that **it is not that simple to do—and that many will just give up, assuming (hoping??) that their Social Security benefits will increase significantly under the PSRPA as they have been assured. When they get ready to retire in the upcoming years, only then will many discover that the PSRPA’s real effect on their benefits might be minimal at most.**

I wish to emphasize that I have offered **alternative solutions (options) to the presently written PSRPA which clearly would be MUCH simpler AND MUCH less costly to administer AND would seem to benefit more public servants, although over the long run it might cost a little more than that estimated for the PSRPA.** These options (*see below*) include simply adjusting the “substantial earnings” table of the present WEP. A major objection to these solutions by the proponents of the PSRPA has been that by only adjusting the “substantial earnings” table of the present WEP would be just continuing the use of a “band-aid” approach. However, if one does argue that such changes would be a “band aid” approach, how can he ignore the fact that a **“hold harmless” clause (the biggest “band aide” of all) had to be included in the PSRPA.** Furthermore, note that there is even a key difference between these two “band aides”—the “substantial earnings” idea in the WEP is **not limited**, whereas the PSRPA’s “hold harmless” “band aide” was established to give protection **only** to present or already

retired public servants. What happens in the future with those having to see their benefits reduced to an amount which could be **much lower** than what it would have been under the present WEP?

The other argument that proponents of the PSRPA use to try to discount my proposed solution(s) is that it would continue using the (so-called) “arbitrary” formula utilized by the WEP; this **wrongly implies that the original (and present) Social Security formula (the P.L.A.) never was, nor is now, an “arbitrary” formula.** Some might get the impression that using the words such as “band aide”, “arbitrary”, “fair”, “equal”, etc. will help to convince people that this new bill is so much better than anything else. Instead of using that tactic, if a partial fix of the WEP is to be passed, shouldn’t it come down to deciding **what actual results will be better for the affected public servants and for the government**—those under the PSRPA or those under a proposal like mine? Again I repeat that the main arguments of the PSRPA proponents have been centered all along on the **questionable contention** that the PSRPA does not contain the use of a “band aide approach” nor does it make use of an “arbitrary” formula in its calculations.

Thank you in advance for your consideration. **Please review the attached excerpts which contain an explanation of alternative solutions/options to the presently submitted PSRPA (H.R. 1714).**

*NOTE: The following are excerpts from two of my letters written in 2004 explaining the necessity for questioning the PSRPA as well as explaining the workings and benefits of some alternative solutions/options to the PSRPA which had been considered during the 108th Congress (referred to as H.R. 4391 or the Brady-Hutchison bill).*

**From a letter written on July 30, 2004**

“It would seem fair to include a “Substantial Earnings” concept in the final version of H.R. 4391. This concept was included by Congress in 1983 as one of a number of “exclusions” from the WEP—obviously inserted to protect a significant number from unfair treatment. If H.R. 4391 is to be more fair to all of those who had different jobs (one of which required paying into Social Security and one of which required paying into another government pension), the following table should be a part of the Brady-Hutchison bill (and be coupled with the current SSA table wherein the Social Security Administration identifies the amount necessary to have “substantial earnings” for each year, starting in 1937—**attached**). By the way, the following table was designed to ensure that no one under the present WEP system (with their existing tables) would be penalized any more; and thus there would be **no need for a “hold harmless” clause.**

Number of Years of Percentage	Substantial Earnings Reduction Factor
<b>30 or more</b>	<b>90%</b>
<b>29</b>	<b>88%</b>
<b>28</b>	<b>86%</b>
<b>27</b>	<b>84%</b>
<b>26</b>	<b>82%</b>
<b>25</b>	<b>80%</b>
<b>24</b>	<b>78%</b>
<b>23</b>	<b>76%</b>
<b>22</b>	<b>74%</b>
<b>21</b>	<b>72%</b>
<b>20</b>	<b>70%</b>
<b>19</b>	<b>68%</b>
<b>18</b>	<b>66%</b>
<b>17</b>	<b>64%</b>
<b>16</b>	<b>62%</b>
<b>15</b>	<b>60%</b>
<b>14</b>	<b>58%</b>
<b>13</b>	<b>56%</b>
<b>12</b>	<b>54%</b>
<b>11</b>	<b>52%</b>
<b>10</b>	<b>50%</b>
<b>9 or fewer</b>	<b>No effect on calculations</b>

This would affect those with Social Security “covered” work which was of a significant amount; i.e. **it would not penalize those working a good paying part**

**time, covered job over a 30+ year period of time. And it would set a specific floor on the reduction of Social Security benefits for those transferring from a “covered” job into a “non-covered” job after 10 years.** In general, those going into teaching in their 30’s might seem to be a more effective / more energetic teacher than those in their 40’s or 50’s.) Obviously, this would thus help the recruitment of teachers (both quantity and quality) mainly in those states impacted by the WEP to some degree, including Texas, California, Ohio, Louisiana, Illinois, Connecticut, Missouri, Georgia, Florida, Colorado, Maine, Alaska, Kentucky, Rhode Island, Nevada, and Massachusetts (whose teachers pay into a separate government pension rather than into Social Security).

Wouldn’t it be a much simpler procedure to modify the existing table (see attached) showing the “new” reduction factors and respective number of years of “substantial earnings” while keeping the other SSA table (see attached) which identifies the amount of earnings each year necessary to qualify for “substantial earnings”? Anyway, it seems as if these tables would have to continue to exist anyway, since the SSA under Brady-Hutchison will be comparing the new final benefit figure with the old in order to arrive at the highest figure for each individual. Inclusion of this provision would seem to not only make it fairer but also make it much easier, and thus cheaper, to calculate the benefits of those who have had a decent paying second job at the same time as they have a full time, career job.

In addition, the total cost born by the federal government would not seem to be substantially more than what the original H.R. 4391 would cost, in the end; and it will probably benefit many of those transferring from a lengthy “covered” career to a “non-covered” government career at about the same level as the formula in the original H.R. 4391. For example, a person retiring with 15 years of “substantial earnings” would calculate his Social Security benefits after using a 60% (rather than a 40%) “**front**” factor—this 20% difference would amount to roughly \$122 (\$612 x 20%) when using the SSA’s formula (90%-32%-15%) for calculating one’s entire benefits. Although this \$122 amount is only about 1/3 of the benefit if the WEP would be completely eliminated, it could be considered a truer “first step towards the eventual elimination of the WEP”.

**Incorporation of the above table in the final version of Brady-Hutchinson would ensure that someone contributing fluctuating amounts to Social Security over a period of many years in a second job (wherein even zeros would have to be averaged in), would be treated fairly.** According to some of its proponents, the intent of the Brady-Hutchison bill is “to create a fair and equitable formula that allows individuals to get back what they have paid into Social Security”; or, it is “to treat all workers fairly”.

#### **From a letter written on August 5, 2004**

“First of all, I realize there are many in Congress who prefer hearing and supporting arguments stating that “this approach would **pay people exactly what they earned** in both systems—no more, no less”. “**Equal treatment for all Americans** seems to me like the best approach”. Or “getting people the **benefits they earned for themselves**”. Or “in further researching the unfairness of the current arbitrary formula, I decided to go with a fair approach—I **don’t see anything more fair than equal treatment.**”

However, two things seem to bother me about these arguments—(1) the **PSRPA does not seem fair to public servants, such as in my case, who worked a second job which was covered by Social Security during many of the same years they were working a full time job which was not covered by Social Security. And (2) if the PSRPA is passed and eventually approved by the President, could it no longer** be looked upon as a first step toward beginning to address the problem of the WEP—**but rather the last step in addressing the WEP?** And if the PSRPA were to be passed, could it not be argued in the future that because “all Americans are now treated equal” (as many refer to the Government Pension Offset (GPO) today as **an equalizer**), why should we treat any group (teachers, firefighters, police officers, etc. whose one job is not “covered” work) better than other Americans in paying Social Security benefits? I fear then that it might take a **long** time to ever get to take a further “step” in dealing with certain inequities. So that is why I am trying to eliminate any obvious inequities in the proposal NOW during the discussion stage rather than later after it has gone into effect as a law.

To my point above about how PSRPA would appear to **discriminate unfairly against many who worked a second, part time job covered by Social Security during the same years they are working a full time job** not covered by Social Security, I add the following. Accordingly to my calculations (please correct me if I’m wrong after reviewing the attached information), **under the pre-1983**

**system when I retire at age 65 I would have collected about \$970 (according to the SSA online calculator); under the present WEP formula I would be collecting about \$660 (according to the SSA online calculator); and under the Brady-Hutchison formula (if not for the “hold harmless” provision) I would be collecting about \$450.** This doesn’t seem fair to me.

Again, while arriving at the \$10 to \$11 billion approximate cost of the bill, did someone try using different work scenarios so that it can be shown how different groups in the future would be affected by PSRPA? Roughly what percentage of the public employees subject to the WEP would fall into the scenario of **working two separate, consecutive** careers (one “covered” and one “not covered”) over their 35 work years whether the “covered” job is first or last? And then, roughly what percentage of public employees would fall into the scenario of **working a part time “covered” job during the years that they were working a full time, public service** job which was “not covered”? (My guess would be that the second scenario would be significantly larger.) Because PSRPA is described as a way to allow individuals “to get back what they have paid into Social Security” shouldn’t at least those in the latter scenario who had **good paying**, part time jobs be benefited significantly by this proposal? (Roughly what percentage of teachers within this scenario would be benefited?)

The NEA website uses only one example/scenario to explain the effects of PSRPA (and various other websites refer to the same one). It is of a person working 10 years in a “covered” job (with indexed earnings of \$200,000) and after that career, teaching for 25 years (with “non covered”, indexed earnings of \$300,000). In this example PSRPA would result in a total benefit of about \$294 (about \$100 more than under the present WEP). Sounds good for this type of work scenario. BUT it’s not too fair when you compare my indexed earnings covered by Social Security to that of the examples. I had about \$525,000 in indexed earnings in Social Security covered work over this same 35 year period—2.625 times as much as the person in the NEA example. However, under the PSRPA formula my Social Security benefits would be only 1.514 times as much as the example. Is that really “fair and equitable” and/or does it allow for individuals “to get back what they have paid into Social Security”? (By the way, 2.625 times the example’s \$294 benefits equals about \$780 in SSA benefits to me which would be about \$120 over the \$660 that I would receive under the present WEP formula and about \$200 less than what I would have received had the WEP not been put in effect in the 1980’s.

**Now I return to the idea of simply modifying the present “substantial years” table to correct the inequities of the WEP. Again, I can’t help but wonder if just modifying this table isn’t the best way to go.** Hopefully, you will continue to hear me out; and if you can see any obvious flaws/weak points in my thinking and proposal, please don’t hesitate to spell them out to me.

First of all, I realize that it might be very hard to say (especially for two people named Brady and Hutchison) that just **maybe** the PSRPA as it is written is not the best answer to trying to at least partially fix the unfair WEP. Maybe we should consider other possibilities that might be even more fair, would be much simpler to calculate and thus less confusing to the retiree, would be far less costly to administer, would take a lot less time to set the system up, and might cost about the same (\$11 billion over 10 years). **I would hope that both Republicans and Democrats, would agree that if there could, in fact, be a fairer, simpler, and not too costly way to do it, it should at least be looked into**—and especially if this alternative would fit the requirement (of some) that any change to the present WEP should result in paying out Social Security benefits based on what was put in by the individual (at about the same ratio as PSRPA would). Up to this point, have any of the affected teacher, firefighter, or police officer groups brought this up as a possible alternative—especially after listening to the less-than-positive testimony from the SSA representative at the recent Social Security Subcommittee hearing on H.R. 4391?

**If Congress decided on a temporary fix of the WEP, rather than its entire elimination, adoption of a table such as Table #1 below would seem to remove a lot of the headaches, the delays, the potential inaccuracies, and the high costs associated with implementing/administering the PSRPA.** It would only require the SSA to change one of their own tables (keeping the table that defines what a “substantial year of earnings” is for each year starting in 1937 when Social Security went into effect). (Refer to the SSA tables at the back.) It would be very simple to calculate new benefits, even for those who retired long ago and/or whose work as a public servant went back many years. This table would also be less expensive than one in which it would take only 20 years for the 90 percent factor not to be reduced. This approach would gradually and uniformly reduce the 90 percent factor down to a low of a 50 percent factor proportionately to one’s number “substantial



earnings” years decreasing on a scale from 30 to 10. And I don’t see it benefiting fewer individuals than would PSRPA (even those transferring into a “non covered” teaching job from a “covered” job). Furthermore, resulting benefits would not be less than under the present WEP, eliminating any need for a “hold harmless” clause. Finally, it would benefit more of those public servants working a good paying, part time job while also working a full time, “non covered” job (i.e., it doesn’t distinctly favor the minority of those public servants who have worked in two consecutive full time careers—one “covered” and one “not covered”).

**Table #1**

(Same as in my July 30, 2004 letter)	
Number of Years of Percentage	Substantial Earnings Reduction Factor
<b>30 or more</b>	<b>90%</b>
<b>29</b>	<b>88%</b>
<b>28</b>	<b>86%</b>
<b>27</b>	<b>84%</b>
<b>26</b>	<b>82%</b>
<b>25</b>	<b>80%</b>
<b>24</b>	<b>78%</b>
<b>23</b>	<b>76%</b>
<b>22</b>	<b>74%</b>
<b>21</b>	<b>72%</b>
<b>20</b>	<b>70%</b>
<b>19</b>	<b>68%</b>
<b>18</b>	<b>66%</b>
<b>17</b>	<b>64%</b>
<b>16</b>	<b>62%</b>
<b>15</b>	<b>60%</b>
<b>14</b>	<b>58%</b>
<b>13</b>	<b>56%</b>
<b>12</b>	<b>54%</b>
<b>11</b>	<b>52%</b>
<b>10</b>	<b>50%</b>
<b>9 or fewer</b>	<b>No effect on calculations</b>

**An alternative table (such as Table #2 below) could be used if one of the primary aims for members of Congress (especially those representing states affected by the present WEP) was to create a solution that would not penalize people so much who transfer from a “covered” job into a “non-covered” teaching job while they are still relatively young. However, such a system would obviously cost more over 10 years.**

**Table #2**

<b>Number of Years of Percentage</b>	<b>Substantial Earnings Reduction Factor</b>
<b>30 or more</b>	<b>90%</b>
<b>29</b>	<b>89%</b>
<b>28</b>	<b>88%</b>
<b>27</b>	<b>87%</b>
<b>26</b>	<b>86%</b>
<b>25</b>	<b>85%</b>
<b>24</b>	<b>84%</b>
<b>23</b>	<b>83%</b>
<b>22</b>	<b>82%</b>
<b>21</b>	<b>81%</b>
<b>20</b>	<b>80%</b>
<b>19</b>	<b>79%</b>
<b>18</b>	<b>78%</b>
<b>17</b>	<b>77%</b>
<b>16</b>	<b>76%</b>
<b>15</b>	<b>75%</b>
<b>14</b>	<b>74%</b>
<b>13</b>	<b>73%</b>
<b>12</b>	<b>72%</b>
<b>11</b>	<b>71%</b>
<b>10</b>	<b>70%</b>
<b>9 or fewer</b>	<b>No effect on calculations</b>

Finally, in some future year, if Congress could see a way to afford it and felt that the many public servants who did not receive a very significant change in benefits (if any at all) by "a law going into effect in 2004 or 2005", there would still be a WEP (and GPO) to eliminate completely. In the meantime, at least some public servants will have received some improvement in their Social Security benefits by "a law going into effect in 2004 or 2005" which was designed and supported by both Republicans and Democrats as well as the major organizations representing public servants. AND Congressmen could go back to their public servant constituents and tell them that they are behind a bill that is both a substantial and fair first step towards possibly eliminating the WEP and GPO entirely in some future year when it is felt that the nation's finances are more able to afford it.

**END OF LETTERS**

