

# **Government Pension Offset and Windfall Elimination Provision**

## ***Introduction***

The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) are amendments to the Social Security law that lower the retirement income of federal employees by altering the Social Security benefit formula for certain groups. The reduction of retirement income for those now affected by the GPO or the WEP can escalate to a loss of their entire Social Security benefits. In contrast, the long-term cost of eliminating both the GPO and the WEP is negligible according to Social Security's actuaries.

## ***Government Pension Offset***

The GPO affects federal retirees who were covered solely by the Civil Service Retirement System (CSRS) and causes a reduction or sometimes an outright elimination of Social Security survivors' and/or spouses' benefits. The GPO, in effect, prohibits federal retirees from collecting both a full CSRS annuity based upon his or her own government employment and full Social Security benefits they are otherwise entitled to as a surviving spouse.

With a few very limited exceptions, the GPO formula cuts a Social Security spousal benefit by two-thirds for those retired government workers who would receive Social Security benefits as a surviving spouse. This reduction in retirement income is substantial: 75% of retired government workers entitled to these benefits receive no Social Security spousal or survivor benefits at all. The victims of GPO are largely elderly women who retired as public employees entitled to CSRS benefits and who are also the widows of private sector employees. Had these women spent their careers anywhere but in civil service they would be entitled to full, unreduced Social Security spousal or survivor benefits, but because they earned their pensions through civil service under CSRS, their Social Security benefit is "offset" by their own earned retirement benefits.

## ***Windfall Elimination Provision***

While the GPO affects Social Security benefits received by federal retirees but earned by a spouse, the WEP affects Social Security benefits of the federal retiree him or herself. The Social Security retiree benefit formula provides a greater percentage of pre-retirement earnings to low-wage workers than it does to higher-wage workers. The lower the wages, the higher the index number used to adjust for earnings. Some federal retirees earned low wages during the period of their careers they spent in Social Security-covered employment and later earned much higher salaries during their federal careers. Had the wages from

both employments been covered by Social Security, they would have produced lower benefits as a percentage of both those early and later years.

In 1983, Congress decided that the Social Security benefits of individuals who fit the above-described profile should be lower because the assumption of low lifetime earnings was false and concocted the WEP as a solution that has proven to have unforeseen consequences. The WEP lowers the indexing factor used to adjust wages depending on the number of years spent in Social Security-covered employment. The more years a worker spent in Social Security-covered employment, the less the effect of the WEP. For instance, those with 30 years or more of Social Security-covered employment are not affected by WEP, while those with between 21 and 29 covered years lose varying amounts. However, those with 20 or fewer years of Social Security-covered employment are affected more dramatically and they may face having their Social Security benefit reduced by as much as 60%.

The WEP is confusing and mislabeled. Many CSRS retirees do not consider their time spent in Social Security-covered employment insubstantial and some of these workers paid the same payroll contribution on their Social Security-covered employment as did other workers. Like the GPO, the cost of fixing the WEP is quite small, but will provide a much-needed supplement to post-retirement income.

## ***Legislation***

AFGE supports stopping the unnecessary reduction of income to our vulnerable and valuable government retirees who possess modest means. These provisions target government retirees specifically, and deprive them of the full government pension and Social Security benefits they worked for and believed would be available to them in their golden years. AFGE supports the Social Security Fairness Act of 2007, (S. 206) introduced in the Senate by Senators Dianne Feinstein (D-CA), Susan Collins (R-ME), Frank Lautenberg (D-NJ) and Olympia Snowe (R-ME). The companion bill (H.R. 82) was introduced in the House by Representatives Howard McKeon (R-CA) and Howard Berman (D-CA). The legislation would repeal both the Government Pension Offset and the Windfall Elimination Provisions. As in the past, the bill enjoys strong bipartisan support. Research by the Social Security Administration has concluded that repeal of the two provisions would only increase the long-range Social Security actuarial deficit by an estimated .11 percent of taxable payroll. It is a relatively small price to provide relief to the hundreds of thousands of retirees who are deprived of up to two-thirds of benefits they should receive.

## ***Conclusion***

AFGE supports the Social Security Fairness Act, and is working in coalition with retiree advocates to enact legislation to restore to federal workers and their spouses pensions they have earned that were wrongfully taken from them.