NALC Fact Sheet

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Repeal Social Security's WEP and GPO provisions

Many retired letter carriers worked both for the Postal Service and for private sector employers over their working years, paying into both the federal pension programs (CSRS or FERS for their federal service) and into Social Security (for their private sector employment).

FERS retirees receive full benefits from both their federal pension plan and Social Security for their federal service since they paid into both systems while employed by the Postal Service. Although retired CSRS letter carriers naturally don't expect to receive Social Security benefits for their service for the Postal Service (for which they paid no FICA tax), most are shocked to find out that their Social Security benefits for their private sector work—or for the private sector work of their spouses—are usually reduced by provisions in the Social Security law enacted several decades ago.

These provisions—the Windfall Benefit Reduction (WEP) and the Government Pension Offset (GPO)—were adopted by Congress in the late 1970s and early 1980s to address the false perception that federal retirees were somehow "double dipping." In fact, these provisions are grossly unfair. The Social Security benefits of retired private sector workers are not reduced if such retirees receive benefits from private pension plans. CSRS retirees earned their full Social Security benefits and should receive them.

NALC has been working for decades to reform or repeal the WEP and GPO provisions. We are trying to do so once again in the current Congress, though budget rules that require tax increases or other spending cuts to pay for such legislation continue to be obstacles.

This fact sheet outlines how the two provisions work and the legislation before Congress to fix their unfairness.

Windfall Elimination Provision (WEP)

The WEP (enacted in 1982) reduces the Social Security benefits of retired public employees (federal, state and local) who also worked in Social Security-covered private sector employment—if they receive a government annuity for their non-Social Security-covered government employment. This provision hits CSRS retirees directly (but not FERS retirees). In all, nearly two million Americans have been adversely affected by the WEP provision—a number that will grow as more CSRS employees retire.

The WEP affects the determination of a new retiree's monthly Social Security benefit (the *Primary Insurance Amount*)—which involves a three-part calculation applied to a worker's *Average Indexed Monthly Earnings* (AIME) from Social Security covered employment. A worker's top 35 years of earnings are indexed to wage inflation to express earnings from years ago in today's dollars and then converted into a monthly average—or AIME. In 2019, the first $926 of a worker's AIME is multiplied by 90%, the next $4,657 of his or her AIME is multiplied by 32% and then any AIME more than $5,583 is multiplied by 15%. This formula insures that lower-income workers get a higher relative benefit.

That's how the calculation works for private sector workers and/or FERS workers (whose federal service is covered by Social Security). But for CSRS retirees, the first bracket of the calculation is different. The Social Security Administration multiplies the first $926 of their AIME (from private sector jobs) by 40% instead of 90%—reducing the benefit by $463 per month ($5,556 annually). This is grossly unfair—private workers with private pensions face no similar reduction in Social Security benefits.

The impact of the WEP can be reduced if CSRS workers have at least 21 years of substantial earnings from Social Security-covered employment (in private sector jobs before and after their CSRS employment—or through second jobs during their federal service). The 40% multiplier is increased to 45% for a worker with 21 years of substantial Social Security earnings—and by 5% for each additional year of such earnings—until it reaches the normal 90% multiplier for those with 30 years of such earnings. (See https://www.ssa.gov/pubs/EN-05-10045.pdf for a full explanation of the WEP from the Social Security Administration.)

Government Pension Offset

Normally, survivors and spouses of Social Security benefits qualify for spousal and survivor benefits based on the earnings and benefits of their spouses—unless they qualify for greater benefits based on their own Social Security earnings history. For CSRS letter carriers with little or no private sector work experience, such spousal and survivor benefits from Social Security could be significant—since their own Social Security would benefits would be minimal.

Unfortunately, the GPO (adopted in 1977) typically eliminates most, if not all, of the otherwise payable spousal and survivor benefits for retirees who receive a government annuity for non-Social Security work. That's because the GPO reduces Social Security spousal and survivor benefits by two dollars for every three dollars paid in CSRS annuity benefits to affected retirees.

For example, if a CSRS retiree's spouse receives $2,000 in Social Security retirement benefits, the 50% spousal benefit would normally be $1,000 per month. But if the annuitant receives $3,000 in CSRS benefits, his spousal benefit would be totally eliminated. The same grossly unfair impact is seen with Social Security survivor benefits. Again, Social Security recipients who receive private pensions see no reduction in the Social Security's spousal or survivor benefits.

Legislation in the 116th Congress

There are three legislative efforts related to addressing the WEP and GPO that NALC is tracking.

- ***H.R. 141 and S. 521, the Social Security Fairness Act of 2019:*** Rep. Rodney Davis (R-IL) and Sen. Sherrod Brown (D-OH) have introduced identical bills to repeal both the WEP and GPO provisions. This would deliver some measure of fairness to all retired public employees who have been adversely affected by the provisions and ensure that no others would be affected by them in the future. While it would not authorize "back pay" for reduced past Social Security payments for existing Social Security recipients, it would require the recalculation of their monthly benefits and full payments going forward starting in January 2020.
- ***H.R. 3934, the Equal Treatment of Public Servants Act of 2019:*** Rep. Kevin Brady (R-TX), the ranking member of the House Ways & Means Committee, introduced this bill to reform how the future Social Security benefits of CSRS participants are calculated to mitigate the negative impact of the WEP. The bill would neither address past victims of the WEP provisions nor immediately repeal the provisions but it would:
    - Offer monthly rebates to retirees who are 60 and older in 2019 – those affected by the WEP would get an additional $100 per month while those affected by the GPO would get an additional $50 per month.
    - Create a new formula to replace the WEP for CSRS participants between the ages of 21 and 59 in 2019 (first eligible for SS benefits between 2022 and 2060) that will be used to replace the WEP, unless the current WEP formula would produce a greater benefit. This provision could apply to a small number of CSRS employees.
    - Replace the WEP with the new formula for those under the age of 20 in 2019 (first eligible for SS benefits in 2061) that would increase the Social Security benefits of most CSRS retirees. This provision would apply only to state and local government employees since no new federal employees are covered by CSRS.
- ***H.R. 4540, the Public Servants Protection and Fairness Act:*** House Committee on Ways and Means Chairman Rep. Richard Neal (D-MA) introduced this bill to create a new equitable Social Security formula and provide relief to the public employees/retirees who are impacted and penalized by the Windfall Elimination Provision (WEP).

    This bill would provide relief to current Social Security beneficiaries (and those turning 62 before 2022) affected by WEP, providing them with an additional $150 a month.

    For future retirees (those turning 62 in 2022 and later), they would be eligible for the new formula, which calculates benefit amounts based on the proportion of lifetime earnings covered by Social Security. The bill also includes protections, benefit guarantees, and improves language to ensure future benefit amounts will not be a surprise.

NALC fully supports H.R. 141/S. 521 and urges Congress to co-sponsor and pass into law this important legislation. With regards to H.R. 3934 and H.R. 4540, while these bills are well-intended and would provide some relief, NALC's preference is a full repeal of WEP and the Government Pension Offset (GPO) laid out in the Social Security Fairness Act (H.R. 141/S. 521).