# The repeal of the Windfall Elimination Provision

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**The Windfall Elimination Provision** (WEP) is a formula that modifies Social Security benefits for workers who receive "non-covered" pensions and qualify for Social Security benefits based on other covered work, such as work in the private sector. Work under the Civil Service Retirement System (CSRS) is non-covered work, so many of our current, and some of our future, retirees will be negatively affected by the WEP.

The WEP has been infamous among letter carriers for several decades already. Although the WEP did not become law until 1983, the NALC passed a resolution in 1980 at the 52nd Biennial Convention in Atlanta to oppose reductions to Social Security benefits, including reductions to so-called windfall benefits. The NALC has remained steadfastly opposed to the WEP and other reduction provisions, such as the Government Pension Offset (GPO). The GPO reduces Social Security spouse, widow or widower benefits for those who receive a pension based on their own work for which they didn't pay Social Security taxes (such as CSRS).

Social Security benefit calculations are complicated and involve several factors, including taking into account one's lifetime earnings. To understand the WEP, two important aspects to understand are how non-covered work is viewed by Social Security, and how the benefit calculation is progressive.

Under non-covered employment (such as CSRS), one does not pay into Social Security. That means that earnings from non-covered employment are not taken into account when Social Security calculates lifetime earnings. Lifetime earnings are an important component of the Social Security benefit payment calculation, as they are used to determine the average indexed monthly earnings (AIME). From there, the AIME are applied to a few bend points to determine a benefit.

Now consider that the Social Security benefit formula is progressive. That means that the more money one earned through their life, the less their replacement rate will be. Conversely, lower income earners have higher replacement rates. This is due to the structure of the bend points.

The replacement rate represents the percentage of benefits received compared to the AIME. For example, if one earned a lifetime average of $3,000 per month (AIME) and received a Social Security benefit of $1,200 per month, they would have a 40 percent replacement rate.

As Social Security doesn't take into account the non-covered earnings, the calculated lifetime earnings—and therefore the AIME—will not reflect the actual lifetime earnings (covered plus non-covered earnings). This results in employees with non-covered work receiving a higher replacement rate than an equally situated person performing covered work. Some politicians considered this a "windfall" and attempted to correct this deviation in the replacement rate by creating the WEP which artificially reduces the first bend point.

Unfortunately, the WEP simply reduces the first bend point of the benefits calculation. That means that the WEP disproportionately affects lower earners whose benefits are derived primarily—or entirely—through the first bend point. Those with high earnings beyond the first bend point don't face as large a reduction of their benefit. At the end of the day, the WEP does not accurately or fairly account for non-covered earnings and needs to be fixed.

**The GPO reduces Social Security spouses, widows or** widowers benefits if you receive a retirement or disability pension from federal, state or local government based on your own work for which you didn't pay Social Security taxes. These benefits are reduced by two-thirds of the government pension. So if your CSRS pension is $3,000, two-thirds of that is $2,000. This would result in your Social Security spousal benefits being reduced by $2,000 per month!

Additionally, the WEP and GPO affect government employees—those who have spent all or a significant chunk of their career dedicated to a vital service for the country. Imagine a life of dedicated public service, finally hanging up the satchel, and then having your retirement benefits penalized for being a government employee.

Fortunately, H.R. 82, the Social Security Fairness Act of 2021, would repeal the WEP and GPO provisions that erroneously reduce, and sometimes eliminate, benefits for millions of federal workers. Toward the end of September, the bill was approved by the House Committee on Ways and Means. At the time this magazine was headed to press, the bill had 305 co-sponsors, which shows that there is immense bipartisan support.

**I mention it often, but this issue regarding the WEP/GPO is** just another example of why active and retired letter carriers must remain an active part of democracy by voting in every single election and supporting candidates who support us and our service to the country. Please be sure to contact your representatives and let them know your position on the repeal of the WEP and GPO. If they already support repeal, call them to thank them and remind them where you stand on the issue. And if we aren't successful passing legislation this year, let's be sure to contact any new representatives as we head into the 118th Congress in 2023.