Defense Report
from AUSA's Institute of Land Warfare

Government Pension Offset and Windfall Elimination Provision: In Need of Serious Reform

Government Pension Offset (GPO)

What it is: Under the Government Pension Offset, many federal, state and local government employees' spousal Social Security benefits may be reduced or eliminated if the employee has a government pension. Normally, the spouse of a Social Security recipient is eligible for a spousal Social Security benefit based on his or her spouse's work record. The GPO reduces or eliminates this spousal benefit for many government retirees.

For example, if a federal government retiree is eligible for a monthly pension payment of $600, two-thirds of that amount ($400) must be used to "offset" the spousal Social Security benefit. If this spousal benefit were $500 a month, it would be reduced to $100. Frequently, spousal benefits are eliminated entirely!

Who it affects: The GPO affects people who meet both of the following criteria:

- They receive a government pension;
- They are entitled to Social Security benefits because they are a spouse or a survivor of an individual entitled to Social Security benefits.

Since the GPO went into effect in 1977, it has negatively impacted more than 300,000 federal, state and local retirees. Of that number, approximately 80 percent have their spousal Social Security benefit fully offset. Unfortunately, a disproportionate number of women are affected by this policy. The Coalition to Assure Retirement Equity estimates 54 percent of those affected by the GPO rules are women, as women tend to have lower pensions and longer life expectancies.

Who it impacts (figures from December 1999)[1]:

	Men	Women
Affected by the GPO	96,000	209,000
Benefits Fully Offset	98%	65%
Avg. Monthly Reduction	$276	$391

Why it needs reform: The GPO applies uniformly to all government retirees regardless of the size of their pension or their overall retirement income. Because of this, the GPO disproportionately cuts the retirement income of the retirees who have the lowest overall retirement benefits. These are largely a) government retirees who retired at a low rank and have smaller pensions and b) government retirees who survive their spouses. By not "means testing" the 2/3 reduction in spousal benefits, the GPO regressively hurts those who need their retirement benefits the most. The GPO must be reformed to take into account the total retirement income of government employees to ensure this is not the case.

Windfall Elimination Provision (WEP)

What it is: The Windfall Elimination Provision reduces the Social Security benefits of retired government workers. Government workers who worked for the private sector before or after their government service see their Social Security benefits reduced by as much as 50 percent. The Windfall Elimination Provision affects workers who reach age 62 or become disabled after 1985 and who first became eligible after 1985 for a government pension.

Who it affects: The WEP primarily affects employees whose government service warranted a pension and who

more . . .

DEFENSE REPORT is published by the Association of the United States Army's Institute of Land Warfare (ILW). The series is designed to provide information on topics that will stimulate professional discussion and further public understanding of the Army's role in national defense. Questions regarding the ***DEFENSE REPORT*** should be directed to: AUSA's Institute of Land Warfare (Attn: ***DEFENSE REPORT***), 2425 Wilson Boulevard, Arlington VA 22201. For more information about AUSA and ILW, visit our website at www.ausa.org.

December 2001/DR 01-4

also worked in private-sector jobs where Social Security taxes were paid long enough to qualify for Social Security retirement benefits. For example, due to the WEP, a retired Defense Department worker who worked in the private sector for 12 years before beginning his government service could see his Social Security benefits cut in half. Approximately 500,000 Social Security recipients are affected by the WEP, and that number is growing by 60,000 annually as more and more "baby boom" generation employees begin to retire.[2]

Why it needs reform: The WEP should be changed for the same reason as the GPO. It is not means tested and applies equally to all retired government employees regardless of the size of their government pension or overall retirement income. As a result, it regressively impacts government employees who retired at a lower rank, have survived their spouses or who have very low overall retirement incomes.

What Must Be Done

Four bills currently before the 107th Congress seek to address these unfair and damaging retirement benefit reductions:

H.R. 644 – A bill that would means test and restrict the GPO to retired government employees whose combined pension and spousal Social Security benefits exceed $1,200 a month.

S.611 – The Senate version of H.R. 644, which would similarly reduce the number of retirees affected by the GPO.

H.R. 1073 – A bill that would eliminate the WEP when a government retiree's pension and Social Security benefits are below $2,000 a month.

H.R. 848 – A bill that would eliminate the WEP entirely.

AUSA believes that Congress must act to address the significant and unfair financial hardship the GPO and WEP impose on government retirees who faithfully served the American people. Eliminating both of these provisions would be the best solution, but at a minimum Congress should act to reduce their impact on retirees with the lowest retirement benefits.

Key Points

- The Government Pension Offset unfairly reduces a retired government worker's spousal or survivor benefit from Social Security. This penalty falls hardest on federal workers who retired at a low rank or who have survived their spouses.
- The Windfall Elimination Provision also unfairly lowers Social Security benefits that some retired government employees have earned through prior work in the private sector.
- Congress must pass legislation that amends Title II of the Social Security Act to reform the Windfall Elimination Provision and the Government Pension Offset. As a first step, Title II should be amended to protect government retirees with particularly low retirement incomes, as they are the most vulnerable to the financial impact of the GPO and WEP.

[1] Statement of Jane Ross, Deputy Commissioner for Policy, Social Security Administration; in testimony before the Subcommittee on Social Security of the House Committee on Ways and Means, 27 June 2000.

[2] Statement of John Keane, Administrator, Jacksonville, Florida Police and Fire Pension Fund; in testimony before the Subcommittee on Social Security of the House Committee on Ways and Means, 27 June 2000.