

## THE SOCIAL SECURITY OFFSETS – WEP AND GPO

### **The Windfall Elimination Provision**

The Windfall Elimination Provision (WEP) reduces the Social Security benefits of local, state and federal retirees who worked in Social Security-covered employment (e.g., private-sector jobs) and who also receive a government annuity from their non-Social Security covered government employment.

Specifically, the WEP applies to federal retirees who began their federal employment prior to 1983 and are covered by the Civil Service Retirement System (CSRS). Under CSRS, federal employees do not pay the 6.2 percent payroll tax toward Social Security, and therefore, do not earn any Social Security benefits based on their federal work. The WEP does not apply to federal employees covered by the Federal Employees Retirement System (FERS), as these federal employees pay the 6.2 percent payroll tax and therefore earn Social Security benefits based on their government work. The WEP also applies to state and local government retirees who likewise did not pay Social Security payroll taxes in connection with their government employment, similar to CSRS.

Normally, Social Security benefits are calculated using a progressive formula in which an individual's Average Indexed Monthly Earnings (AIME) are multiplied by three progressive factors – 90 percent, 32 percent and 15 percent – at different levels of AIME, resulting in the basic monthly benefit. In 2023, the first \$1,115 of AIME is multiplied by 90 percent, then added to AIME over \$1,115 through \$6,721, multiplied by 32 percent, then added to AIME over \$6,721, multiplied by 15 percent. Under the WEP, the 90 percent factor is reduced to as low as 40 percent.

As of December 2022, the WEP affects about 2 million beneficiaries, including 1.9 million retired workers, the remaining affected persons were disabled-worker beneficiaries and eligible family members of retired- or disabled-worker beneficiaries.<sup>1</sup> In 2023, the WEP could result in a monthly benefit that is \$558 lower than under the normal benefit formula. This unfair reduction causes a disproportionate reduction in benefits for workers with lower monthly benefit amounts than those with higher benefit amounts.

### **The Government Pension Offset**

Legislation was enacted in 1977 to prevent government retirees from collecting both a government annuity based on their own work in non-Social Security covered employment and Social Security benefits based on their spouse's work record. The new law became effective with government employees who were first eligible to retire in December 1982. The law – known as the Social Security Government Pension Offset

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<sup>1</sup> See “ Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO),” Congressional Research Service, available at: <https://crsreports.congress.gov/product/pdf/IF/IF10203#:~:text=As%20of%20December%202022%2C%20about,entire%20retired%2Dworker%20beneficiary%20population.>

(GPO) – provides that two-thirds of the government annuity offsets whatever Social Security benefits would be payable to the retired government worker as a spouse (wife, husband, widow, widower). Take the example of a spouse who receives a civil service annuity of \$900 per month based on his/her own earnings and applies for a Social Security widow(er)'s benefit of \$500. Two-thirds of his/her annuity, or \$600, totally offsets the Social Security widow(er)'s benefit. Therefore, he/she receives no widow(er)'s benefit from Social Security.

As of December 2022, the GPO affects 734,601 beneficiaries. Of those affected by the GPO, 48 percent are widows or widowers, and 52 percent are spouses.<sup>1</sup> In addition to CSRS annuitants, the GPO affects thousands of state and municipal retirees, as well as teachers and police officers whose work is not covered by Social Security.

## **Current Legislation**

NARFE is a leader in the effort to repeal or reform the WEP and GPO and will work with the 118th Congress to advance legislation to achieve significant relief for those impacted by the penalties. Below is NARFE-supported legislation from the current and previous Congress that took aim at the WEP and GPO.

### ***H.R. 82/ S.597, the Social Security Fairness Act***

The Social Security Fairness Act, H.R. 82/S. 597, introduced in the House by Reps. Garret Graves, R-LA, and Abigail Spanberger, D-VA, and in the Senate by Sens. Sherrod Brown, D-OH, and Susan Collins, R-ME, would fully repeal the WEP and GPO. NARFE supports these bills and will work with our allies in the 118th Congress to advance them.

### ***H.R. 4583, Social Security 2100***

Social Security 2100 Act, H.R. 4583, introduced by John Larson, D-CT, would fortify the Social Security program and expand benefits. Most notably, the bill would fully repeal the WEP and GPO. In addition, the bill would increase the average Social Security benefit, improve cost-of-living adjustments, index Social Security to wage levels, and more. As it would repeal WEP and GPO, extend the solvency of the Social Security trust fund, and improve Social Security benefits in other ways, NARFE supports the bill.

### ***H.R. 4260, the Public Servants Protection and Fairness Act***

The Public Servants Protection and Fairness Act, H.R. 4260, introduced by Ranking Member of the House Ways and Means Committee, Richard Neal, D-MA, would provide some relief from the WEP for both current and future retirees. While the legislation does not fully repeal the WEP, it represents a significant improvement over the status quo for CSRS retirees unfairly penalized for their public service—and for this reason NARFE supports the bill. Specifically, the bill would do the following:

- **Individuals turning age 62 before 2025:** Under the bill, individuals receiving WEP-reduced Social Security benefits based on their own work record would receive a rebate of \$150 per month.

- **Individuals turning age 62 in 2025 or later:** These individuals' WEP penalty would be subject to either a new formula or the current formula, whichever provides a higher benefit. The new formula would calculate benefits based on the proportion of a worker's career earnings in Social Security-covered jobs to total earnings in covered and non-covered jobs.

### **Previous Legislation**

#### ***H.R. 5834, the Equal Treatment of Public Servants Act***

The Equal Treatment of Public Servants Act, H.R. 5834, introduced by the retired former Ranking Member of the Ways and Means Committee, Kevin Brady, R-TX, would provide relief from WEP for both current and future retirees. While this legislation does not fully repeal the WEP, it also represents a significant improvement over the status quo — and for this reason NARFE supported the bill. Specifically, the bill would have done the following:

- **For individuals who are first eligible for Social Security benefits before 2023 (turning age 62 before 2023):** Under the bill, individuals receiving WEP-reduced Social Security benefits based on their own work record would receive a payment of \$100 per month. Meanwhile, spousal and child beneficiaries receiving a WEP-reduced Social Security benefit would receive a payment of \$50 each month.
- **For individuals who are first eligible for benefits between 2023 and 2060 (turning age 62 in 2023 through 2061):** These individuals' WEP penalty would be subject to either a new formula created by the bill or the current formula, whichever is more beneficial. The new formula would calculate benefits based on the proportion of a worker's career earnings in Social Security-covered jobs to total earnings in covered and non-covered jobs.
- **For individuals who are eligible for benefits starting in 2062 (age 21 and under in 2021):** These individuals' WEP penalty would be calculated with the new formula only.

#### ***H.R. 4788, the Wellbeing for Every Public Servant Act***

The Wellbeing for Every Public Servant Act, H.R. 4788, introduced by Representative Julia Letlow, R-LA, would fully repeal the WEP for individuals whose combined monthly income from their non-Social Security covered government annuity and Social Security benefits is \$5,500 or lower. For those with combined monthly benefits above \$5,500, the repeal is gradually phased out until the full penalty is applied after a combined monthly income of \$6,333 or more. As it would repeal WEP for many, NARFE supported the bill.