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**Statement of Linda Bridges, President of Texas AFT,
For Inclusion in the Record of the November 6, 2007, Hearing
of the Social Security Subcommittee of the Senate Finance Committee on
“GPO and WEP: Policies Affecting Pensions from Work Not Covered by Social Security”
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On behalf of the more than 58,000 members of Texas AFT, a state affiliate of the American Federation of Teachers, I thank subcommittee chair Sen. John Kerry for creating this opportunity to address the issue of Social Security fairness for public servants at the state and local level. I urge the subcommittee to seek repeal of these two unjust Social Security provisions that inflict serious financial harm on Texas school employees and on more than a million teachers, school support personnel, police officers, firefighters, and other public servants nationwide.

These offsets reduce or eliminate earned Social Security benefits for retirees who receive pensions from work not covered by Social Security. They apply only to public servants—recipients of private pensions are not subject to such penalties.

While these Social Security benefit reductions originally may have been meant to limit payments of windfall benefits to highly paid individuals, in practice they have little relationship to an employee’s career earnings and have devastating consequences for low- and middle-income public employees, particularly in Texas.

The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) each can reduce monthly Social Security benefits drastically. The GPO cuts a Social Security survivor's benefit by two-thirds of his or her public pension that is not covered by Social Security—wiping out the survivor's benefit entirely for many workers, even though that spousal benefit has been fully earned by the Social Security contributions from covered employment of the deceased spouse. The WEP currently can take away up to \$340 a month of Social Security benefits earned by a public employee who has paid into Social Security for as many as 20 years. The WEP does not phase out completely until a worker has 30 years of substantial earnings covered by Social Security.

It is important to stress that both the GPO and WEP cut EARNED benefits. Sen. Collins and other invited witnesses in this hearing have cited case after case in which educators and other

public servants conscientiously contributed to Social Security and to their state or local pension system, only to find out upon retirement that the latter contributions actually canceled out part or all of their earned Social Security benefit, thanks to the GPO and/or WEP. These individual stories reflect the bitter experience of tens and hundreds of thousands of school employees in Texas, the vast majority of whom work in school districts not covered by Social Security. As Sen. Kerry has rightly pointed out, there is something perverse about a policy that penalizes public servants for playing the hand they have been dealt by Congress and “making a good choice about how to retire decently” under the circumstances, not of their own choosing, in which they find themselves. Remember: These are individuals who have earned Social Security benefits (or whose spouse has earned those benefits on their behalf) but who also are employed by and retire with a state pension from school districts that have chosen not to participate in Social Security. As Sen. Kerry suggests, there should be a presumption in Congress that pension policy should encourage and empower Americans to retire with a decent income rather than take away their earned Social Security benefits.

Besides being grossly unfair to those who have paid into Social Security but are being denied their duly earned benefits—relegating many to a poverty-level income in retirement—the GPO and WEP have other perverse effects. By targeting pensions of teachers and other school employees, these offsets discourage qualified individuals from entering or remaining in the classroom—at exactly the time when our state and nation face a severe shortage of qualified educators.

Bipartisan legislation introduced in the current session of Congress would repeal these two offsets. The Senate version of this Social Security Fairness Act is S. 206 by Sens. Feinstein and Collins, with a total of 35 cosponsors. (The identical House companion bill, H.R. 82, has 335 bipartisan cosponsors—more than 75 percent of the voting membership of the House.) I urge the subcommittee and the full Senate Finance Committee to take early action to advance this long-overdue legislation, which enjoys the full support of the 1.4-million-member American Federation of Teachers as well as of state affiliates such as Texas AFT.

You can anticipate hearing from opponents who say that the Fairness Act will be too costly to implement. But the projected annual cost of the Fairness Act is only a tiny fraction—roughly 2 percent—of the annual amount of taxes owed but not paid to the Internal Revenue Service. This sum could be collected, without any new tax increase, if Congress took steps to close the “tax gap” resulting from failure to enforce current tax laws. That is just one example of the measures that could cover the full cost of Social Security fairness for educators and other public servants. Another revenue option would be to close tax loopholes that currently let U.S. corporations avoid taxes by moving their headquarters overseas. The bottom line is that if Congress has the will to fund the Social Security Fairness Act, there is more than one good way to do it. Cost is not the issue. Fairness is.

The revenue options cited here should take the cost issue off of the table entirely. Yet it also has been suggested that repeal of the GPO and WEP must wait until Congress tackles comprehensively all the supposedly urgent problems of financing Social Security benefits for the

long term. However, this argument depends on assumptions about the soundness of the Social Security fund that do not hold up under close scrutiny.

The Social Security program is not in any imminent danger of running out of funds to cover its obligations. On the contrary, thanks in good part to the reforms enacted in the 1980s, Social Security's current revenue sources are sufficient to cover 100 percent of obligations through 2041 and to cover roughly 75 percent after that date. As Robert M. Ball, the former commissioner of Social Security in the Kennedy, Johnson, and Nixon administrations, wrote in the *Washington Post* on October 29, 2007, "We can shore up Social Security for the future without cutting benefits—or raising contribution rates." The program can be brought into close actuarial balance over the long run with just a few revenue-enhancing changes, said the former commissioner—most importantly by gradually raising the amount of earnings covered by Social Security over the next 20 or 30 years, above the current ceiling of just under \$100,000, so that the traditional goal of covering 90 percent of all earnings is once again achieved. As Ball noted, this gradual change would affect only the top 6 percent of earners and would have a minimal impact on them. Again, therefore, the cost of repealing the GPO and WEP is not the issue, and the separate need for limited revenue-enhancing measures to shore up Social Security for the post-2041 era is no excuse for failing to act separately to pass the Social Security Fairness Act now.

In closing, I would like again to thank Sen. Kerry and also Sen. Collins for using this hearing to put a spotlight on the unfairness of the GPO and WEP and to build bipartisan momentum for action in the current Congress to undo the impact of these provisions that unfairly penalize individuals for their public service when the time comes for them to retire. Members of Texas AFT stand ready to work diligently with you and the 368 other members of the Senate and House who are cosponsors of the Social Security Fairness Act to bring this effort to fruition.