

# MAINE STATE LEGISLATURE

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December 29, 2021

Senator Craig Hickman, Senate Chair  
Representative Mike Sylvester, House Chair  
Members, Joint Standing Committee on Labor and Housing  
100 State House Station  
Augusta, ME 04333-0100

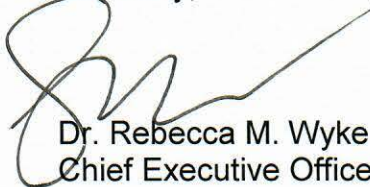
Re: Cooperation of Statewide Retirement Systems on the Windfall Elimination Provision ("WEP") and Government Pension Offset ("GPO")

Dear Senator Hickman, Representative Sylvester, and Members of the Joint Standing Committee on Labor and Housing:

I am pleased to submit the enclosed report on Cooperation of Statewide Retirement Systems on the WEP and GPO, which is required by Resolve 2021, chapter 84.

We look forward to assisting the Committee in its review of the report.

Sincerely,



Dr. Rebecca M. Wyke  
Chief Executive Officer

RMW/mg

Enclosure



Resolve 2021, Chapter 84 – Report to the Joint Standing Committee on Labor and Housing

# Cooperation of Statewide Retirement Systems on the WEP and GPO



December 29, 2021

Prepared by: Maine Public Employees Retirement System

# Resolve 2021, Chapter 84 Report to the Joint Standing Committee on Labor and Housing

**PREPARED BY MAINE PUBLIC EMPLOYEES RETIREMENT SYSTEM**

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## RESOLVE 2021, CHAPTER 84

Resolve 2021, chapter 84 directs the Maine Public Employees Retirement System (MainePERS) to study and report on how statewide retirement systems affected by the Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) can cooperate on solutions to mitigate the effects of these provisions.

Chapter 84 includes provisions requiring MainePERS to:

- Study cooperation and any potential cooperation among statewide retirement systems affected by the WEP and GPO;
- Consult with any applicable retirement associations as necessary;<sup>1</sup> and
- Submit a report with any recommendations to the Joint Standing Committee on Labor and Housing by January 1, 2022.

Following submission of information received from MainePERS, chapter 84 states that the Joint Standing Committee on Labor and Housing “may report out a bill based on the report and recommendations to the Second Regular Session of the 130th Legislature.”

## BACKGROUND

### Social Security

The Social Security Act of 1935 created the Social Security program. The Federal Insurance Contribution Act (FICA) enabled collection of payroll taxes beginning in 1937.

The original Social Security Act of 1935 excluded state and local government employees from Social Security coverage because of unresolved legal questions regarding the federal government’s authority to tax state and local governments.

Beginning in 1951, an amendment to the Act allowed state and local governments to enter into voluntary agreements with the Federal government to provide Social Security coverage to their public employees. Section 218 of the Social Security Act authorized these “Section 218 Agreements.”

Nearly all states have public employee retirement plans that are not covered by Section 218 Agreements and remain exempt from Social Security. The vast majority of retirement plans not under Section 218 agreements are smaller local government plans, although the majority of the

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<sup>1</sup> MainePERS has consulted with the National Association of State Retirement Administrators and the Coalition to Preserve Retirement Security in preparing this report.

approximately 6.4 million individuals not covered appear to be in larger statewide plans.<sup>2</sup> The largest share of non-covered state and local government employees work at the local level, and most non-covered local government employees are police officers, firefighters, and teachers.<sup>3</sup>

Over the years, most states have entered into 218 Agreements for at least part of their statewide retirement systems, providing retirement coverage by both Social Security and a supplemental retirement plan.<sup>4</sup>

Fifteen statewide retirement systems do not participate in Social Security under a 218 Agreement for at least some of their members. Actual coverage varies state to state depending on the structure of their retirement systems. For example, Texas has separate systems for teachers and state employees – most Texas teachers are in one retirement system that remains out of Social Security, while Texas state employees are in another system with Social Security coverage. Similarly, some states have school districts or local governments within their plans that are under Section 218 Agreements while others are not. Maine state employees and teachers are in a single retirement system that remains outside of Social Security.

#### Statewide Retirement Systems Remaining Primarily Out of Social Security<sup>5</sup>

All State and Teachers	Some State or Teachers
Alaska	California
Colorado	Connecticut
Louisiana	Georgia
Maine	Illinois
Massachusetts	Kentucky
Nevada	Missouri
Ohio	Rhode Island
	Texas

### Federal Requirements for Remaining Out of Social Security

Social Security payments are not required for government employees if they are (1) not in a position that is covered by a Section 218 Agreement and (2) a member of a qualified Social Security replacement plan. One of the key factors involved in determining qualified replacement plan status is the level of benefits the plan provides, i.e. what level of replacement income the plan provides at retirement.

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<sup>2</sup> See Federal State Reference Guide, IRS Publication 963, July 2020, <https://www.irs.gov/pub/irs-pdf/p963.pdf>.

<sup>3</sup> See Publication 963, <https://www.irs.gov/pub/irs-pdf/p963.pdf>.

<sup>4</sup> See Congressional Research Service, <https://crsreports.congress.gov/product/pdf/RS/98-35>, for more information about the WEP.

<sup>5</sup> National Association of State Retirement Administrators, <https://www.nasra.org/socialsecurity>.

## Maine State Employee and Teacher Retirement Program

The State of Maine created the State Employee and Teacher Retirement Program (State/Teacher Plan) in 1942. The State has maintained this plan as a qualified replacement plan and has never entered into a Section 218 Agreement covering members of the plan.

With respect to both average and maximum benefits paid, the State/Teacher Plan benefit exceeds the benefit provided by Social Security for a similar cost. While the cost of Social Security remains constant at 12.4% of payroll unless permanently changed by Congress, the 12% +/-<sup>6</sup> normal cost of the State/Teacher Plan fluctuates based on plan demographics, economic factors, and investment returns.

## Impacts of Remaining Out of Social Security

There are three primary considerations relating to the existing status of the State/Teacher Plan as exempt from Social Security:

1. Neither employers nor employees currently pay the 12.4% (6.2% each) cost of payroll for Social Security;
2. *WEP* – If a State/Teacher Plan member receives a retirement benefit from the Plan, any Social Security benefits they earned from other work covered by Social Security may be reduced by 10-60% depending on the number of years worked in those positions (see Attachment 1); and
3. *GPO* – Social Security spousal benefits are reduced by two-thirds of any pension benefits received for governmental work not covered by Social Security (see Attachment 2).

The WEP was designed to make Social Security benefits equivalent between those who paid into Social Security for all of their earnings and those who paid into Social Security for some, but not all of their earnings. This is because Social Security benefits are weighted toward workers with lower lifetime earnings. Before the WEP was adopted, “people whose primary job wasn’t covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn’t pay Social Security taxes.” (See Attachment 1). Many workers in retirement plans exempt from Social Security will work for fewer years in Social Security, benefitting from the weighting originally intended for low-wage workers. The WEP formula was intended to address this, although the many legislative attempts to repeal or revise the original WEP formula suggest that it could be improved.

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<sup>6</sup> The cost of the State/Teacher Plan is the 7.65% of income paid by most employees plus the normal costs paid by employers, which range from 3.84% of payroll for teachers to 4.08% of payroll for the State for FY2022. Costs for special plans are higher. The State/Teacher Plan can incur Unfunded Actuarial Liability (UAL) costs on top of the normal costs. Social Security is a tax, and therefore a static cost of 6.2% for employees and 6.2% for employers is required unless changed by Congress.



The GPO does not reduce a worker's own Social Security benefit. It reduces benefits the worker is receiving as a spouse or surviving spouse of a Social Security participant. The spousal benefit was adopted in the 1930s "to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse." (See Attachment 2). Where both spouses earn their own Social Security benefit, the spousal benefit is reduced dollar-for-dollar by the worker's own benefit. This is known as the "dual entitlement rule." The GPO was enacted in 1977 to create a comparable reduction to the Social Security spousal benefit for workers who are not covered by Social Security but receive a government pension. The GPO initially was a dollar-for-dollar reduction to the spousal benefit for the pension benefit but was changed through a political compromise in 1983 to be a reduction of two-thirds of the government pension. Therefore, the GPO imposes a smaller benefit reduction than the dual entitlement rule imposes on workers covered by Social Security.<sup>7</sup>

## STATEWIDE RETIREMENT SYSTEM COOPERATION

Statewide retirement system cooperation could address the WEP and GPO through support for federal legislation that decreases or eliminates the reductions.

### Coalition to Preserve Retirement Security

The WEP and GPO affect the members of all public retirement plans that remain exempt from Social Security if the members have earned Social Security benefits from other work. In Maine, it is one of the key issues state and federal officials hear about from their constituents.

Eliminating or changing the WEP and GPO has been discussed and debated for years, but can only be addressed at the federal level. The WEP and GPO are provisions of the federal Social Security program intended roughly to equalize Social Security benefits for workers with similar earnings histories inside and outside of the Social Security System.

Several years ago, many of the statewide systems that remain exempt from coverage formed the Coalition to Preserve Retirement Security (CPRS), a non-profit organization whose members face issues relating to government retirement plans not covered by Social Security. Among other activities, CPRS tracks federal legislation regarding changing or eliminating the WEP and GPO.

### Federal Legislation

Several pieces of federal legislation to reduce the impact of the WEP and GPO have been introduced over the years, but none has been enacted. Federal legislation currently pending to change the WEP includes The Public Servants Protection and Fairness Act of 2021.<sup>8</sup> Sponsored

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<sup>7</sup> See Congressional Research Service, <https://crsreports.congress.gov/product/pdf/RL/RL32453/35>, for more information about the GPO.

<sup>8</sup> The full text of the bill can be found at <https://www.congress.gov/117/bills/hr2337/BILLS-117hr2337ih.pdf>.

by House Committee on Ways & Means Chair Richard E. Neal, the bill was introduced in April of 2021. See Attachment 3 for an overview of this proposed legislation. This bill does not address the GPO.

The strength of this proposal is that it:

- Guarantees benefits so that no retiree can be worse off as a result of the bill;
- Provides up to \$150/month to current Social Security beneficiaries (and those turning 62 before 2023) affected by the WEP;
- Uses a new Public Servant Protection (PSP) formula for new retirees based on all employment in covered and non-covered jobs, paying Social Security benefits in proportion to the share of a worker's earnings that were covered for Social Security purposes;
- Pays benefits based on the higher of the PSP formula or the original WEP formula;
- Provides for no benefit cuts relative to the current law; and
- Protects Social Security trust funds with general revenue transfers to cover the estimated \$30.6 billion cost over the period 2021 through 2030.<sup>9</sup>

## MAINEPERS' RECOMMENDATION

Ample cooperation between retirement plans not participating in Social Security currently exists, primarily through the CPRS. This cooperation includes tracking federal legislation to mitigate the impacts of the current WEP and GPO provisions.

No readily identifiable gap in the existing cooperation through CPRS could improve cooperation as requested by chapter 84.

MainePERS will alert employer and employee associations with membership in MainePERS regarding The Public Servants Protection and Fairness Act of 2021. These are the organizations best suited to represent their membership in support or opposition to this federal legislation intended to mitigate the impacts of the WEP.

MainePERS is preparing reports in response to Resolve 2021, chapters 66 and 72. Chapter 66 directs MainePERS to convene a working group to investigate public pension plan options based on entering Social Security. Chapter 72 requires MainePERS to examine options for teachers to participate in Social Security. Any such options would eliminate the impact of the WEP and GPO

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<sup>9</sup> See Letter from the Office of the Chief Actuary, Social Security Administration, for an estimate of the financial effects on the Social Security Trust Funds from the bill, [https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/ActuaryLetter\\_20210401.pdf](https://waysandmeans.house.gov/sites/democrats.waysandmeans.house.gov/files/documents/ActuaryLetter_20210401.pdf).

for future service by affected members, but would not address the Social Security benefit reduction based on past earnings that were exempt from Social Security.



# Windfall Elimination Provision

## Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

## When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached age 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

## How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2021, the first \$996 of average monthly earnings is multiplied by 90 percent; earnings between \$996 and \$6,002 are multiplied by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA, which is then decreased or increased depending

on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2021, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,537 (approximately 50 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,798 (approximately 35 percent) plus COLAs. However, if either of these workers start benefits earlier than their FRA, we'll reduce their monthly benefit.

## Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

## Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983.
- You're an employee of a non-profit organization who was exempt from Social Security coverage on December 31, 1983, unless the non-profit organization waived exemption and did pay Social Security taxes, but then the waiver was terminated prior to December 31, 1983.
- Your only pension is for railroad employment.
- The only work you performed for which you didn't pay Social Security taxes was before 1957.
- You have 30 or more years of substantial earnings under Social Security.

The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce spouses, widows, or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

## Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit [www.ssa.gov/benefits/retirement/planner/wep.html](http://www.ssa.gov/benefits/retirement/planner/wep.html).

## A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit by more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

## Contacting Social Security

The most convenient way to do business with us from anywhere, on any device, is to visit [www.ssa.gov](http://www.ssa.gov). There are several things you can do online: apply for benefits; get useful information; find publications; and get answers to frequently asked questions.

When you open a personal *my* Social Security account, you have more capabilities. You can review your *Social Security Statement*, verify your earnings, and get estimates of future benefits. You can also print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, get a replacement SSA-1099/1042S, and request a replacement Social Security card (if you have no changes and your state participates).

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

A member of our staff can answer your call from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a high rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings
1937–1954	\$900
1955–1958	\$1,050
1959–1965	\$1,200
1966–1967	\$1,650
1968–1971	\$1,950
1972	\$2,250
1973	\$2,700
1974	\$3,300
1975	\$3,525
1976	\$3,825
1977	\$4,125
1978	\$4,425
1979	\$4,725
1980	\$5,100
1981	\$5,550
1982	\$6,075
1983	\$6,675
1984	\$7,050
1985	\$7,425
1986	\$7,875
1987	\$8,175
1988	\$8,400

Year	Substantial earnings
1989	\$8,925
1990	\$9,525
1991	\$9,900
1992	\$10,350
1993	\$10,725
1994	\$11,250
1995	\$11,325
1996	\$11,625
1997	\$12,150
1998	\$12,675
1999	\$13,425
2000	\$14,175
2001	\$14,925
2002	\$15,750
2003	\$16,125
2004	\$16,275
2005	\$16,725
2006	\$17,475
2007	\$18,150
2008	\$18,975
2009–2011	\$19,800
2012	\$20,475

Year	Substantial earnings
2013	\$21,075
2014	\$21,750
2015–2016	\$22,050
2017	\$23,625
2018	\$23,850
2019	\$24,675
2020	\$25,575
2021	\$26,550

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent



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# Government Pension Offset

## A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

## How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you're eligible for a \$500 spouses, widows, or widowers benefit from Social Security, you'll get \$100 a month from Social Security ( $\$500 - \$400 = \$100$ ). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

## Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but was also due a \$500 spouse's benefit on her husband's record, we couldn't pay that spouse's benefit because her own benefit offsets it. Before enactment of the Government Pension Offset law, if that same woman was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay her a full spouse's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security retirement benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

## When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
  - Your last day of employment (that your pension is based on) is before July 1, 2004; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
  - You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain

conditions, we require fewer than 60 months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
  - Your last day of service (that your pension is based on) is before July 1, 2004;
  - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

**Note:** A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.

## What about Medicare?

Even if you don't get benefit payments from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

## Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, go online to read *Windfall Elimination Provision* (Publication No. 05-10045).

## Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov). There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement SSA-1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



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## HOUSE COMMITTEE ON WAYS & MEANS

CHAIRMAN RICHARD E. NEAL

### *Public Servants Protection and Fairness Act of 2021*

The Public Servants Protection and Fairness Act of 2021 fixes the Windfall Elimination Provision (WEP) by introducing a new proportional formula, provides meaningful WEP relief to current retirees, includes a benefit guarantee so that no current or future retirees can be worse off as a result of the bill, and ensures that public servants across the nation can retire with the security and dignity they deserve.

Originally, the WEP was intended to equalize the Social Security benefit formula for workers with similar earnings histories, both inside and outside of the Social Security system. However, in practice, it has unfairly penalized many public employees. Currently, 1.9 million Social Security beneficiaries are affected by the WEP. The much-needed reform in this bill provides meaningful WEP relief to current retirees and public employees while treating all workers fairly.

#### ***Current Retirees: Immediate Relief Payments***

The bill provides immediate relief to current Social Security beneficiaries affected by the WEP. Current beneficiaries (and those turning 62 before 2023) who are affected by the WEP due to their own public service work will receive an extra \$150 a month, starting nine months after enactment and continuing for as long as the eligible individuals are receiving Social Security benefits. The relief amount cannot exceed the size of each person's current WEP reduction.

#### ***Future Retirees: New Formula and Benefit Guarantee***

Future retirees (those turning 62 in 2023 and later) will be eligible for a new, fairer benefit formula, called the Public Servant Protection (PSP) formula. The PSP formula calculates benefit amounts based on the proportion of lifetime earnings covered by Social Security.

The Public Servants Protection and Fairness Act of 2021 includes critical protections to ensure that no one receives a lower benefit a result of this legislation. First, it *maintains the current WEP exemptions* (i.e., for individuals not receiving a pension, and for those with 30 years of coverage) and extends them to the PSP as well. That is, people are exempt from both the PSP and the WEP if they have 30 or more years of coverage or if they do not receive any pension based on their state or local employment.

In addition, the bill provides *a benefit guarantee* for all future retirees: if someone's PSP benefit is not as high as their WEP benefit, they will automatically receive the higher benefit. This guarantee is permanent, applying to all future retirees.

About seven in 10 future retirees affected by the WEP will receive a higher benefit under the new PSP formula, with the increase averaging about \$75 a month. The remaining three in 10 are protected by the benefit guarantee and will see no change in benefits because they already receive higher benefits under the WEP than they would under the proportional formula due to their specific earnings patterns. They will get to keep that higher amount. Finally, the bill shields millions of other public servants from being newly subjected to the WEP or PSP.

#### ***Additional Provisions***

The bill also improves the *Social Security Statement* for affected workers, so that future benefit amounts will not be a surprise. Finally, it protects the Social Security trust funds with general revenue transfers to cover these costs, so as not to penalize other workers' retirement security even as we correct the urgent problems with the WEP.