

BILL ANALYSIS

Senate Research Center
79R1547 EAM-D

S.C.R. 5
By: Gallegos
State Affairs
3/15/2005
As Filed

AUTHOR'S/SPONSOR'S STATEMENT OF INTENT

Social security is the foundation for retirement income for millions of American workers and their families; two-thirds of those older or disabled Americans who receive program benefits rely on social security for 50 percent or more of their total income, one-third rely on it for 90 percent or more, and for 20 percent it is their only source of income.

The Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP), social security provisions enacted in 1977 and 1983, respectively, severely and unfairly penalize recipients of public pensions.

The GPO effectively eliminates or reduces the social security benefit for spouses, widows, or widowers who also receive a pension based on their own work for federal, state, or local government entities not covered by social security; an estimated 9 out of 10 public employees affected by the GPO lose their entire spousal benefit, even though their deceased spouses paid social security taxes for many years.

The WEP reduces the social security benefit for public employees who held positions not covered by social security but who at some time in their careers were also employed in jobs where they paid social security taxes for the period required to qualify for retirement benefits; in some cases, those years in public sector jobs amount to more than half of the worker's career; the WEP can deprive a retiree of more than \$300 a month in social security benefits duly earned by that individual.

The GPO and WEP currently affect more than 900,000 government employees and retirees residing in virtually every state, but their effect is more acute in Texas and 14 other states where most public employees participate in state or municipal retirement systems that do not include social security; the harshest impact falls on low-income women, causing many to live near, or even below, the poverty level; the cumulative loss of benefits as a result of these penalties over the next ten years has been projected by the Congressional Budget Office to exceed \$50 billion.

These punitive and discriminatory provisions target hundreds of thousands of teachers, police officers, firefighters, and other public servants because they apply only to recipients of public pensions; recipients of private-sector pension benefits are not subject to the same penalty.

Although these provisions were intended to curtail the payment of windfall benefits to highly paid government employees, in practice they have had and continue to have devastating consequences for low-income employees who worked for many years as public servants; the GPO and WEP as applied to this group is unreasonable and unjust and will cause tens of thousands of retired government employees to live out their retirement years in poverty or be forced to return to work to make up for the effects of these provisions.

Public school employees are especially affected by these provisions; although the vast majority of Texas school employees participate in the state's teacher retirement system and therefore are not required to and do not participate in the social security system, many Texas teachers and other public school employees nonetheless have earned social security benefits on their own behalf through other employment, the WEP notwithstanding, or would be entitled to spousal social security benefits based on their spouses' lifetime earnings were it not for the GPO penalty.

Because of their adverse effect on the pensions of teachers, these provisions cause veteran teachers to retire prematurely and discourage qualified individuals from entering the teaching

profession at precisely the time that Texas and the nation face a severe shortage of highly qualified educators.

RESOLVED

That the 79th Legislature of the State of Texas hereby respectfully urge the Congress of the United States to repeal the Government Pension Offset provision and the Windfall Elimination Provision of the Social Security Act.

That the Texas secretary of state forward official copies of this resolution to the president of the United States, to the speaker of the house of representatives and the president of the senate of the United States Congress, and to all the members of the Texas delegation to the congress with the request that this resolution be officially entered in the Congressional Record as a memorial to the Congress of the United States of America.