



STATEMENT OF

THE MASSACHUSETTS TEACHERS ASSOCIATION

SUBMITTED TO THE

FINANCE COMMITTEE
SUBCOMMITTEE ON SOCIAL SECURITY,
PENSIONS AND FAMILY POLICY

U.S. SENATE

ON

GPO AND WEP: POLICIES AFFECTING PENSIONS
FROM WORK NOT COVERED BY
SOCIAL SECURITY

NOVEMBER 6, 2007

Mr. Chairman and Members of the Subcommittee:

On behalf of the more than 107,000 educators of the Massachusetts Teachers Association, we would like to thank you for the opportunity to offer our comments on the Social Security Fairness Act of 2007 (S. 206). We appreciate your time and your attention to this issue. We also would like to express our gratitude to Senator Kerry for his lengthy history of strong advocacy on behalf of Massachusetts educators.

The MTA and the National Education Association stand in strong opposition to the Government Pension Offset and the Windfall Elimination Provision, both of which have a highly negative impact on the retirement security of people who have dedicated their lives to public service. The MTA and the NEA support the complete repeal of these two unfair and counterproductive provisions, which take away benefits that public employees and their spouses have earned.

Individually and in combination, the GPO and the WEP heavily penalize teachers, higher education faculty and staff and other education professionals, as well as other public employees, in Massachusetts and 14 other states in which public employees are not part of the Social Security system. In fact, they have left many retirees near or in poverty.

The GPO reduces public employees' Social Security spousal or survivor benefits by an amount equal to two-thirds of their public pensions. Estimates indicate that nine 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 affects people who have worked in jobs not covered by Social Security and in jobs in which they earned Social Security benefits. Educators are commonly hurt by this provision because many work in the public schools, where they pay toward a public pension but not toward Social Security, and then work part time or during summers in jobs that are covered by Social Security. The result is that public employee retirees often receive a much smaller benefit.

The WEP also affects people who move from jobs in which they earn Social Security to jobs in which they do not. This has an impact on the recruitment and retention of teachers at a time when both are crucial for public education.

Background of the Problem

The Social Security system was established in 1935 as a retirement program in response to the Great Depression and the shift from a primarily agrarian-based work force to a more industrial one. Congress created this social insurance program to pay workers 65 or older a continuing income after retirement. The system excluded state and local government employees from coverage.

Four years later, in 1939, Social Security was expanded to provide payments to the spouses and minor children of retired workers and survivor benefits to family members in

the event of a worker's premature death. This change transformed Social Security into a family-based economic security program.

In the 1960s, state and local government employees were given the opportunity to elect to participate in the Social Security system. Massachusetts and a number of other states chose not to enroll their public-sector employees in Social Security. Instead, these states decided to maintain their existing retirement systems.

During the next decade, Congress amended the Social Security Act to treat state and local public pensions as Social Security benefits. Recipients of such pensions were now covered by the "dual entitlement" rule, prohibiting receipt of earned Social Security benefits and full survivor benefits at the same time. Spousal benefits for those earning state or local public pensions were, therefore, reduced dollar-for-dollar.

In the early 1980s, criticism of the Government Pension Offset's dollar-for-dollar reduction was strong. In response, Congress amended the law in 1983, changing the reduction to a two-thirds offset. The remedial step, however, fell short, and the continuing impact of the GPO is devastating for many retired educators and other public employees.

Congress also enacted the WEP at that time, intending to remove a perceived advantage to people who received pensions both from Social Security employment and from government pension plans, and to protect low-wage earners. Yet instead of protecting low-earning retirees, the WEP has unfairly affected retirees with only slightly higher earnings.

That brings us to 2007 and the current efforts to repeal these offset provisions, a step we consider vital for the retirement security of our members and many thousands of other public employees.

Stories from the Front Lines

The MTA regularly hears from Massachusetts educators who have given their entire careers to teaching, only to learn later that they will suffer financially as a result. The following are a few examples.

Margaret "Peggy" Kane Retired English Teacher Medford High School

Peggy Kane taught English at Medford High School for 35 years. Her husband, Dennis, worked as a machinist for General Electric for 26 years – until he lost his battle with cancer at the age of 53.

During his last days of life, Mr. Kane told his wife that he "could rest in peace," knowing that she would be able to supplement her pension by collecting survivor benefits from Social Security. Mr. Kane worked for a total of over 30 years, contributing to Social Security during each pay period. Had Mrs. Kane not been a public employee and limited

by the GPO, she would have collected an estimated \$1,000 each month after her husband's death. She says it is a relief that her husband never knew that she would be unable to collect a dime of his Social Security benefits.

The benefits would have made a huge difference for Mrs. Kane, who was now forced to pay the same bills – covering the mortgage, utilities, a car loan, clothing, food and tuition for two college-age children – that she previously had shared with her late husband, who was earning an annual salary of \$72,000 at the time of his death.

“The more I get involved in this issue, the more I learn just how many women are hurt by these two provisions,” Mrs. Kane said of the GPO and the WEP. “People are shocked when they discover at retirement age, when it is too late, that Social Security is not going to be available to them.

“This is an issue of fairness,” she added. “My husband worked hard and paid into the Social Security system for many years, yet my family never saw a dollar.”

Mark Levine
English Teacher
Littleton Middle School

Mark Levine spent the first 15 years of his adult working life as a waiter and chef. When he was about to become a father, he recalled, he decided that he “needed to do more for society than just feed people.” He went to college full time while working 60-hour weeks as a chef and earned a degree with honors. “Now, I do more than feed people. I get to teach Shakespeare and poetry to kids,” he said.

Mr. Levine, a teacher now in his 13th year in the classroom, was shocked to learn that because of the GPO and the WEP, he is unlikely to get any of the money he paid into Social Security at past jobs in the service sector. It turns out that if he had chosen to continue working as a cook, he would have qualified for these benefits.

“Since I decided to change careers, I’ll get nothing,” Mr. Levine said. “The bottom line for me, personally, is that I’ve paid into the fund. I’ve done what I was supposed to do. So why am I getting penalized for choosing to teach?”

Paul McLaughlin
Retired Social Studies Teacher
Greater Lowell Technical High School

Had Paul McLaughlin chosen a career other than teaching, he would be receiving \$421 a month in Social Security benefits. Instead, the retired social studies teacher is 71 years old and still working part time.

Mr. McLaughlin has always been a hard worker. He drove a cab in high school and worked as a furniture mover to earn money for college. He taught for 31 years and worked part-time jobs throughout to supplement his teaching salary.

Mr. McLaughlin must continue to work to make up for the partial loss of his Social Security benefits. After his retirement in 2001, he was shocked to learn that his monthly Social Security payment would not be the \$421 that he had expected. After a deduction for Medicare, his benefit was reduced to \$160 because of the Windfall Elimination Provision.

“The WEP has certainly impacted my life,” Mr. McLaughlin said. “I’m still driving a car that has over 160,000 miles because my wife and I can’t afford to replace it, and I can’t think about giving up my part-time job.”

Joan Piacquadio
Retired School Nurse
Lee Public Schools

Joan Piacquadio is a 73-year-old widow who worked as a registered nurse in and around her hometown of Lee for a total of over 50 years. For 25 of those years, Mrs. Piacquadio was a public school nurse. She has been hurt financially by both the Government Pension Offset and the Windfall Elimination Provision.

After working at Lee’s elementary school, middle school and high school, Mrs. Piacquadio retired at age 64 to care for her seriously ill husband. For two years, they lived on her monthly pension check and about \$1,500 a month in Social Security benefits that her husband received after retiring from a 30-year career as a truck driver.

As it turned out, however, Mrs. Piacquadio’s retirement from the school nurse’s job was not the end of her working life.

When her husband died in 2000, his Social Security checks stopped coming, and Mrs. Piacquadio could not collect survivor benefits, which would have been an estimated \$869 per month.

She did receive a much smaller Social Security check each month; after a Medicare deduction, it amounted to \$167. Without the WEP, her monthly check would have been about \$400. She does not receive the full amount she deserves because years ago, she made the decision to work in public education.

At the age of 66, Mrs. Piacquadio went back to work part time as a nurse. She continued to hold a job for over six years so she wouldn’t have to struggle to make it and would have a little extra money. She stopped working earlier this year only because of a health scare that required triple-bypass surgery.

“Ordinary people who don’t work in the public sector don’t have any idea how public employees are treated,” Mrs. Piacquadio said. “We are treated like second-class citizens.”

These Provisions Undermine Teacher Recruitment Efforts

The GPO and the WEP have an effect far beyond taking benefits away from individuals. Indeed, their impact ripples through the education profession.

Massachusetts is currently facing the biggest teacher shortage in its history. At the end of this school year, approximately 5,000 teachers are expected to retire. At the same time, there is already a huge demand for people who want to join the education profession and make it a career.

The problems associated with recruitment and retention are showing in a variety of ways. One involves the hiring of teachers who are not yet licensed, a phenomenon that has major implications for the quality of the education received by children in our public schools. Between 2003 and 2006, the number of newly hired Massachusetts teachers without certification grew by 31 percent. The struggle to keep new teachers in the field can be seen in another statistic: Over a three-year period ending in 2006, 29 percent of the new teachers in the state left public education.

Efforts to recruit and retain talented educators in Massachusetts and across the nation, from pre-kindergarten through graduate school, must be a top priority, and it is vital to eliminate barriers such as the GPO and the WEP to make the profession more attractive. Many people with valuable experience give thought to making career changes to enter education. Yet individuals who have worked in other fields are far less likely to want to join the field if doing so will mean the loss of the Social Security benefits they have earned.

Loss of Income Can Mean the Difference Between Poverty and Self-Sufficiency

The repeal of the GPO and the WEP would mean the difference between poverty and self-sufficiency for retired educators, as well as other public employees. Some 300,000 individuals lose an average of \$3,600 a year due to the GPO alone – an amount that can make a huge difference for an individual straddling the line between being financially solvent and destitute.

Karen Beauchemin, president of the Dennis-Yarmouth Regional Secretary and Assistants Association, sees the harm inflicted by the GPO and the WEP on a regular basis. She represents 177 secretaries and education support professionals, most of whom earn less than \$20,000 a year at their jobs in the public schools.

Many of her members, most of whom are women, work two or three jobs to make ends meet. They are hit from both sides. The GPO prevents many of them from collecting survivor benefits after a spouse dies, and the WEP keeps them from collecting Social Security benefits once they retire from their jobs in the public schools.

“Women are hit the hardest by the Government Pension Offset because they are the ones usually left behind,” Mrs. Beauchemin said. “I hear stories of retired teachers, who

make more money than my members who are in lesser-paying jobs, going on welfare after their husbands die because they cannot make it on their pension and they cannot collect survivor benefits.” Mrs. Beauchemin knows one support staff member who must regularly visit a food bank.

The repeal of the GPO and the WEP would mean the difference between poverty and making ends meet for many public employees who have worked or are working in low-paying jobs.

Conclusion

Across the country, hundreds of thousands of public-sector retirees are not collecting all or part of the Social Security benefits they deserve as a result of the Government Pension Offset and the Windfall Elimination Provision. Clearly, these people – all of whom have dedicated their lives to public service – are not rejecting Social Security. Rather, they cannot collect benefits because of an imbalance in the system. Now is the time to make changes and protect the retirement security of future generations of teachers, faculty members and other education professionals.

This is essential not only for these individuals but for the sake of our public education system, because the two offsets have an impact far beyond the people whose retirement security they affect. By undermining teacher recruitment and retention, they do significant harm to public education as a whole.

In addition, the offsets’ broad geographic implications must be taken into account. Although the GPO and the WEP directly affect educators in a minority of states, they have a nationwide economic and social impact. As people move from state to state, the problems associated with their lack of retirement security travel with them.

The repeal of the offsets would right a significant wrong. People who have dedicated their lives to public service and to our nation’s students deserve fairness and a secure retirement.

We thank you for your time, and we urge the committee to mark up the Social Security Protection Act of 2007 and move it swiftly to final passage and enactment.