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Why Congress Should Fix, Not Eliminate, Social Security's WEP and GPO

THE ISSUE

Eliminating Social Security's Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) would create an unequal benefit structure and hasten Social Security's insolvency.

A bipartisan group of lawmakers has filed a discharge petition to bring H.R. 82, the Social Security Fairness Act of 2023, to a vote on the floor. The act addresses Social Security's WEP and GPO. Both need to be fixed, but the Social Security Fairness Act is neither fair, nor accurate, nor fiscally responsible.

Congress passed the WEP and GPO to eliminate unintended "windfall" Social Security benefits for people who worked in government jobs—such as teachers and public utility workers—that were not subject to Social Security taxes. Before the WEP and GPO, Social Security's benefit formula treated these individuals like they had significantly lower incomes than they did or like stay-at-home spouses when they had full careers and their own non–Social Security pensions.

When Congress passed the WEP and GPO, it lacked the necessary data to calculate benefits as the program intended, based on individuals' actual earnings and actual Social Security payroll tax contributions. Consequently, the imperfect WEP and GPO adjustments leave some individuals with higher or lower Social Security benefits than they should receive. The data necessary to implement a fair and accurate fix are now available. The Social Security Fairness Act ignores that data, eliminates the WEP and GPO, and reverts to the outdated and flawed benefit structure instead of fixing it.

TABLE 1

Eliminating the WEP Would Violate Social Security's Progressive Benefit Structure

	Average Income	Social Security's Intended Replacement Rate	Replacement Rate if WEP Eliminated
Tom	$25,000	65%	90%
Sue	$75,000	43%	64%
Rick	$150,000	30%	48%

SOURCE: Author's calculations based on Social Security's benefit formula for 2024 and workers who spent 12 years in jobs covered by Social Security and 23 years in jobs exempt from Social Security.

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NOT FAIR, NOT ACCURATE

Eliminating the WEP and GPO would result in some people with the *same lifetime incomes* being treated *differently* while also resulting in other people with *different lifetime earnings* being treated the *same* by providing higher replacement rates to those who worked in jobs not taxed by Social Security and by providing spousal benefits to individuals who were not stay-at-home spouses.

FIGURE 1

If GPO Is Eliminated, Couples with Equal Earnings Will Be Treated Unequally

	Sandra Smith	Scott Smith	Joe Jones	Janet Jones
The Smiths and the Jones have identical incomes ...	INCOME $60,000	INCOME $60,000	INCOME $60,000	INCOME $60,000
... but Janet Jones's job was not covered by Social Security and she earned her own non–Social Security government pension.	SOCIAL SECURITY $27,370	+ SOCIAL SECURITY $27,370	SOCIAL SECURITY $27,370	+ NON-SS PENSION $27,370* + SOCIAL SECURITY SPOUSAL BENEFIT $13,685
	TOTAL **$54,740**		TOTAL **$68,425**	

* This example conservatively assumes that Janet's non–Social Security government pension is equal to what Social Security would provide, but it is likely higher because individuals affected by the GPO receive government pensions that are 47 percent higher than the average Social Security benefit. For more information, see Social Security Administration, "Government Pension Offset," May 2024, https://www.ssa.gov/policy/docs/program-explainers/government-pension-offset.html (accessed November 7, 2024).
SOURCE: Author's research.

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NOT FISCALLY RESPONSIBLE, EXACERBATING SOCIAL SECURITY'S SHORTFALLS AND HASTENS INSOLVENCY

Eliminating the WEP and GPO would cost Social Security an additional $196 billion over the next 10 years and cause the program to become insolvent six months earlier than currently projected, in 2033. It would also necessitate even larger across-the-board benefit cuts in 2033 and beyond.

A BETTER WAY FORWARD

The data now exist for the Social Security Administration to calculate benefits as intended, applying a progressive benefit formula based on the income that people actually earn and the Social Security taxes they actually pay. The Equal Treatment of Public Servants Act of 2023 (H.R. 5342) is much closer to a fair and accurate fix for the WEP and would cost significantly less—about $24 billion over 10 years—with a "negligible" impact over 75 years. This act, or a separate bill, could incorporate a similar fix for the GPO.