

DISCLAIMER

Electronic versions of the exhibits in these minutes may not be complete.

This information is supplied as an informational service only and should not be relied upon as an official record.

Original exhibits are on file at the Legislative Counsel Bureau Research Library in Carson City.

Contact the Library at (775) 684-6827 or library@lcb.state.nv.us.

Testimony on AJR 3 March 11, 2003 by Terry Hickman

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, liberty, and the pursuit of Happiness...

These famous words from Thomas Jefferson help to launch a revolution-A revolution of ideas and ideals. We are created equal- We all expect to be treated fairly-We are Americans and we pride ourselves on justice for all, opportunity for all, and fairness for all.

In my own lifetime, I witnessed the Civil Rights struggle-America is not perfect but we recognize those issues that are inherently unfair and we work to change them. It may take years but justice does prevail. We, as a people, have a keen sense of fairness that is unequalled by any other country.

Today, we ask your support of Assembly Joint Resolution 3 because this resolution deals with an injustice that has penalized public employees for many years- It is the GPO/WEP. Allow me to give a brief history of how this unfair penalty for public employees came about.

1935: Social Security was created as a retirement system in response to the Great Depression and the shift from a primarily agrarian-based to a more industrial workforce. Congress created a social insurance program to pay workers age 65 or older a continuing income after retirement.

1939: In 1939 Social Security was expanded to provide payments to the spouse and minor children of a retired worker, and survivor benefits to the family in the event of the worker's premature death.

1960's : In the 1960's state and local employees were given the opportunity to elect to participate in the Social Security system. Public sector employees in 36 states opted to enroll in Social Security in the 1960's and 70's. The remaining 13 states and a number of local governments in 2 others chose instead to maintain and enhance their existing retirement systems.

1977: Creation of a dollar for dollar GPO. In 1977, 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, reduced dollar for dollar.

1983" Changed to a two-thirds offset. In the early 1980's, criticism of the GPO dollar for dollar reduction was strong. In response, Congress amended the law in 1983 changing the dollar for dollar reduction to a two-thirds offset.

1993- Creation of the Windfall Elimination Provision (WEP) Congress enacted the WEP in 1983, intending to remove a perceived advantage to persons who also had pensions from non-Social Security employment. The original Social Security formula was intended to help low-paid workers by replacing a higher proportion of their earnings than for workers with higher earnings. However, the formula could not differentiate between those who worked in low-paid jobs through their careers and those covered by Social Security. The WEP was intended to remove this advantage. Yet, instead of protecting

low-earning retirees, the WEP has unfairly impacted retirees with only slightly higher earnings.

What are the Government Pension Offset and Windfall Elimination Provision?

The Government Pension Offset reduces public employees' Social Security spousal or survivor benefits by to two-thirds of their public pension.

The Windfall Elimination Provision reduces the earned Social Security benefits of an individual who also receives a public pension from a job not covered by Social Security.

The GPO affects people who work as federal, state, or local government employees, including teachers and support professionals, police officers, and firefighters, if the job is not covered by Social Security.

The WEP affects people who worked in jobs not covered by Social Security and in jobs in which they earned Social Security benefits-such as educators who did not earn Social Security in the public schools, but who work part-time or during the summer in jobs covered by SS. The WEP affects people who move from a job in which they earn SS to a job, such as teaching, in which they do not.

The impact of the GPO and WEP is primarily felt in those states in which public employees like educators are not covered by SS-Alaska, California, Colorado, Connecticut, Georgia, Illinois, Kentucky, Louisiana, Maine, Mass. Missouri,, Nevada, Ohio, RI, and Texas. However, because people move from state to state there are people affected in every state.

Estimates indicate that 9 out 10 public employees affected by the GPO lose their entire spousal benefit, even though their deceased spouse paid SS taxes for many years. The Congressional Budget Office estimates the GPO reduces benefits for some 300,000 individuals by more than 3600 a year. The GPO has the harshest impact on those who can least afford the loss: lower income women.

The WEP causes low paid public employees outside the SS system, like educators, to lose up to sixty percent of their SS benefits. The WEP also impacts the teaching profession, as people are less likely to leave other careers, in which they earn SS benefits, to become educators.

Examples:

Martha began working as a teacher in 1978, after working for many years in the private sector. Based on her earnings, she was told she would be eligible for \$415 a month in Social Security in addition to her monthly teaching pension of \$1423. Martha's husband also worked in the private sector and paid into social security. Based on his earnings; Martha should have been eligible for \$970 in widow's benefits. However...

Impact of WEP- A loss of 209. Because of the WEP, Martha has been notified that her own SS benefits will be reduced to 206, a loss of 209 each month

Impact of GPO- A loss of over \$900 a month. Martha has been told that since she outlived her spouse her widow's benefits would be reduced by 2/3 of her public pension or by 949. Therefore, her \$970 benefit would be reduced to only \$21 a month.

A teaching assistant worked for 20 years in the public school system. She received a monthly pension of \$637. Her husband worked in the private sector, paying into SS for 50 years. After her husband's death, Stella expected to receive \$520 a month in survivor benefits

Impact of GPO: A loss of \$424 a month. The GPO reduced Stella's survivor benefits by 2/3 of her public pension. As a result, Stella only receives \$96 a month in SS. Her total monthly income is \$733, instead of the \$1157 she would have gotten if not for the GPO

A school bus driver worked for several years in the private sector and then for 14 years as a school bus driver. She expected to receive a monthly SS benefit of \$600

Impact of WEP: A loss of over \$500 a month. Debbie's actual SS benefit is only 61 a month because of the WEP

A teacher named Bob worked for many years in jobs covered by SS before moving to become a teacher in a non SS state. He was informed by the SS that he would receive approximately 360 a month based on his earlier earnings in the private sector. However,

Impact of the WEP: A loss of \$183 a month. When he retired, Bob discovered his SS benefit was reduced to 172 a month because of the WEP. Bob calculates he lost \$2196 a year, and will have lost nearly \$11,000 by 2002.

A new teacher changed careers when he left the military and is now teaching high school math. Because he has learned the WEP will reduce the SS he earned if he remains a teacher, Paul does not intend to stay in the teaching profession.

In conclusion, I worked nearly 10 years at Harrah's at Lake Tahoe-I decided to work a second job so my wife could stay home with our children. Eventually, my wife wanted to go back to school and she earned her bachelor's degree from UNR.

I worked nearly 10 years-I will be eligible for \$400 in SS but because of the WEP I will receive a little over a \$100. That is my penalty for being a teacher and counselor. That is my penalty for doing what was best for my family.

It is time to stop the penalty for public service employment. If I worked in the private sector I could earn a private retirement plus a full social security, but if you are a fire fighter, police officer, state worker, a teacher, or a support professional you are not entitled to your full social security benefit. It is time to end this injustice. Nevada is one of those states that has a great Public Retirement system, and we ask for your support of AJR3.

I believe all children can learn. I believe in a quality education for all. I believe in justice for all. I should not be penalized because I chose to be a teacher.

Let us send the message to Washington DC that the time has come for Nevadans to receive fairness and justice from the Social Security system. It is time to end the penalty for public service. It is time to stop treating firefighters, police officers, state employees, teachers, and support professionals as second class citizens.

May we together send our resolution to our Congressional team so they can vote to support HR---594 and S---349 both of which repeal GPO/WEP.