Congressional Research Service
Informing the legislative debate since 1914

# Social Security: The Windfall Elimination Provision (WEP)

Updated February 7, 2019

**Congressional Research Service**
https://crsreports.congress.gov
98-35

**CRS REPORT**
Prepared for Members and
Committees of Congress

# Summary

The *windfall elimination provision* (WEP) is a modified benefit formula that reduces the Social Security benefits of certain retired or disabled workers who are also entitled to pension benefits based on earnings from jobs that were not covered by Social Security and thus not subject to the Social Security payroll tax. Its purpose is to remove an unintended advantage or "windfall" that these workers would otherwise receive as a result of the interaction between the regular Social Security benefit formula and the workers' relatively short careers in Social Security-covered employment. In December 2017, more than 1.8 million people (or about 3% of all Social Security beneficiaries) were affected by the WEP.

# Contents

Introduction ..... 1
Background on the Social Security Benefit Formula ..... 1
How the Windfall Elimination Provision Works ..... 3
The Number of People Affected by the WEP ..... 5
Legislative History and Rationale ..... 6
Arguments for the WEP ..... 6
Arguments Against the WEP ..... 6
The WEP's Impact on Low-Income Workers ..... 7
Legislative Activity on the WEP in the 116th Congress ..... 7
Legislative Activity on the WEP in the 115th Congress ..... 8

## Tables

Table 1. Social Security Benefit Formula for Workers Who First Become Eligible in 2019 ..... 2
Table 2. PIA for a Worker with AIME of $1,500 Who Becomes Eligible in 2019 and Has 20 Years of Substantial Coverage ..... 3
Table 3. Maximum WEP Reduction for Workers Who Become Eligible in 2019, by Years of Substantial Coverage ..... 4
Table 4. Number of Social Security Beneficiaries in Current Payment Status with Benefits Affected by WEP, by Type, December 2014-December 2017 ..... 5
Table 5. Number of Social Security Worker Beneficiaries in Current Payment Status with Benefits Affected by WEP, by Gender and Type, December 2017 ..... 5

Table A-1. Number of Social Security Beneficiaries in Current Payment Status with Benefits Affected by WEP, by State and Type of Beneficiary, December 2017 ..... 9
Table A-2. Percentage of Social Security Beneficiaries in Current Payment Status Affected by the WEP, by State and Type of Beneficiary, December 2017 ..... 10

## Appendixes

Appendix. WEP Affected Beneficiaries, by State ..... 9

## Contacts

Author Information ..... 12

# Introduction

Social Security provides insured workers and their eligible family members with a measure of protection against the loss of income due to the worker's retirement, disability, or death. The amount of the monthly benefit payable to workers and their family members is based on the worker's career-average earnings from jobs covered by Social Security (i.e., jobs in which the worker's earnings were subject to the Social Security payroll tax).[1] The Social Security benefit formula is weighted to replace a greater share of career-average earnings for low-paid workers than for high-paid workers. This means that low-paid workers receive relatively high benefits in relation to their payroll tax contributions, although the dollar amount of their benefits is lower than that provided to high-paid workers.

The benefit formula, however, cannot distinguish between workers who have low career-average earnings because they worked for many years at low earnings in Social Security-covered employment and workers who appear to have low career-average earnings because they worked for many years in jobs not covered by Social Security. (Those years show up as zeros in their Social Security earnings records, which, when averaged, lower their career earnings from covered work.) Consequently, workers who split their careers between covered and noncovered employment—even highly paid ones—may also receive the advantage of the weighted formula.

The *windfall elimination provision* (WEP) is a modified benefit formula designed to remove the unintended advantage, or "windfall," of the regular benefit formula for certain retired or disabled workers who spent less than full careers in covered employment and who are also entitled to pension benefits based on earnings from jobs not covered by Social Security. The reduction in initial benefits caused by the WEP is designed to place affected workers in approximately the same position they would have been in had *all* their earnings been covered by Social Security.

# Background on the Social Security Benefit Formula

Workers qualify for Social Security benefits if they worked and paid Social Security payroll taxes for a sufficient amount of time in covered employment.[2] Retired workers need at least 40 quarters of coverage (or about 10 years of covered work), whereas disabled workers generally need fewer quarters of coverage.[3] Initial benefits are based on a worker's career-average earnings from jobs covered by Social Security. In computing the initial benefit amount, a worker's annual taxable earnings are indexed (i.e., adjusted) to average wage growth in the national economy.[4] This is done to bring earlier years of earnings up to a comparable, current basis. Next, a summarized measure of a worker's career-average earnings is found by totaling the highest 35 years of covered earnings and then dividing by 35.[5] After that, a monthly average, known as *average indexed monthly earnings* (AIME), is found by dividing the annual average by 12.

[1] For the purposes of this report, the term *payroll tax* includes the Social Security self-employment tax.

[2] Unless otherwise noted, the term *covered employment* includes self-employment covered by Social Security.

[3] See Social Security Administration (SSA), *How You Earn Credits*, Publication No. 05-10072, January 2019, https://www.ssa.gov/pubs/EN-05-10072.pdf.

[4] Years of earnings are indexed up to the second calendar year before the year of earliest eligibility (i.e., the year in which the worker first attains aged 62, becomes disabled, or dies). Years of earnings after the last indexing year are counted in nominal (i.e., unadjusted) dollars.

[5] The number of benefit computation years for disabled or deceased workers may be fewer than 35 years.

Once the worker's AIME has been derived, it is then entered into the Social Security benefit formula to produce the worker's initial benefit amount. The benefit formula is progressive, replacing a greater share of career-average earnings for low-paid workers than for high-paid workers. The benefit formula applies three factors—90%, 32%, and 15%—to three different levels, or *brackets*, of AIME. The result is known as the *primary insurance amount* (PIA) and is rounded down to the nearest 10 cents. The PIA is the worker's basic benefit before any adjustments are applied.[6] The benefit formula applicable to a given worker is based on the individual's earliest *eligibility year* (ELY), that is, the year in which the worker first attains age 62, becomes disabled, or dies.[7] For workers whose ELY is 2019, the PIA is determined as follows in **Table 1.**

**Table 1. Social Security Benefit Formula for Workers Who First Become Eligible in 2019**

| Factor | Average Indexed Monthly Earnings (AIME) |
|---|---|
| 90% | of the first $926, plus |
| 32% | of AIME over $926 and through $5,583 (if any), plus |
| 15% | of AIME over $5,583 (if any) |

**Source:** CRS, based on Social Security Administration (SSA), Office of the Chief Actuary (OCACT), "Benefit Formula Bend Points," https://www.ssa.gov/oact/cola/bendpoints.html.

The averaging provision in the benefit formula tends to cause workers with short careers in Social Security-covered employment to have low AIMEs, even if they had high earnings in their noncovered career, similar to people who worked for low earnings in covered employment throughout their careers. This is because years of zero covered earnings are entered as zeros into the formula that averages the worker's earnings history over 35 years. For example, a person with 10 years in Social Security-covered employment would have an AIME that reflects 25 years of zero earnings, even if that person worked for 25 years in a high-paying, noncovered career.

Consequently, for a worker whose AIME is low because his or her career was split between covered and noncovered employment, the benefit formula replaces more of covered earnings at the 90% rate than if the worker had spent a full 35-year career in covered employment at the same earnings level. The higher replacement rate[8] for workers who have split their careers between Social Security-covered and noncovered jobs is sometimes referred to as a "windfall."[9]

[6] The worker's primary insurance amount (PIA) is subsequently adjusted to account for inflation through cost-of-living adjustments (COLAs). Additional adjustments may be made to the PIA to account for early retirement, delayed retirement, or certain other factors.

[7] Although the factors in the formula are fixed in law, the dollar amounts defining the brackets, also known as *bend points*, are adjusted annually for average earnings growth in the national economy. Because the bend points change each year, the benefit formula for a worker with an earliest eligibility year (ELY) in 2019 is different from the benefit formula for a worker with an ELY in any other year. For bend point amount for years prior to 2019, see SSA, Office of the Chief Actuary (OCACT), "Benefit Formula Bend Points," https://www.ssa.gov/oact/cola/bendpoints.html.

[8] The *replacement rate* is the ratio of the program benefit to a worker's prior earnings.

[9] The windfall elimination provision (WEP) is sometimes confused with the government pension offset (GPO), which reduces Social Security benefits paid to spouses and widow(er)s of insured workers if the spouse or widow(er) also receives a pension based on government employment not covered by Social Security. See CRS Report RL32453, *Social Security: The Government Pension Offset (GPO)*.

# How the Windfall Elimination Provision Works

A different Social Security benefit formula, known informally as the *windfall elimination provision*, applies to certain workers who are entitled to Social Security benefits as well as to pension benefits from employment not covered by Social Security.[10] Under the WEP, the 90% factor in the first bracket of the formula is reduced to as low as 40%. The effect is to lower the proportion of earnings in the first bracket that are converted to benefits. **Table 2** illustrates how the regular benefit formula and the WEP work in 2019 for someone with a 40% factor.

**Table 2. PIA for a Worker with AIME of $1,500 Who Becomes Eligible in 2019 and Has 20 Years of Substantial Coverage**

| Regular Formula | | WEP Formula | |
|---|---|---|---|
| *90%* of first $926 | $833.40 | *40%* of first $926 | $370.40 |
| 32% of earnings over $926 and through $5,583 | 183.68 | 32% of earnings over $926 and through $5,583 | 183.68 |
| 15% over $5,583 | 0.00 | 15% over $5,583 | 0.00 |
| **Total before rounding** | **$1,017.08** | **Total before rounding** | **$554.08** |
| Rounded down to the nearest 10¢ | **$1,017.00** | Rounded down to the nearest 10¢ | **$554.00** |

**Source:** CRS.

**Note:** PIA = Primary Insurance Amount. AIME = Average Indexed Monthly Earnings.

In this scenario, the monthly benefit is $463.00 lower under the WEP than under the regular benefit formula ($1,017.00 *minus* $554.00). Note that the WEP reduction is limited to the first bracket in the AIME formula (90% vs. 40%), while the 32% and 15% factors for the second and third brackets are unchanged. As a result, for AIME amounts that exceed the first formula threshold of $926, the WEP reduction remains a flat $463.00 per month. For example, if the worker had an AIME of $4,000 instead of $1,500, the WEP reduction would still be $463.00 per month. The WEP therefore causes a proportionally larger reduction in benefits for workers with lower AIMEs and monthly benefit amounts.[11]

A *guarantee* in the WEP ensures that the WEP reduction cannot exceed half of the noncovered pension based on the worker's noncovered work. This guarantee is designed to help protect workers with low pensions from noncovered work. The WEP does not apply to workers who have 30 or more years of substantial employment covered under Social Security, with an adjusted formula for workers with 21 to 29 years of substantial covered employment, as shown in **Table 3**.[12]

[10] Section 215(a)(7) and (d)(3) of the Social Security Act; 42 U.S.C. §415(a)(7) and (d)(3). See also 20 C.F.R. §§404.213 and 404.243. Moreover, see SSA, Program Operations Manual System, "RS 00605.360 WEP Applicability," June 24, 2013, http://policy.ssa.gov/poms.nsf/lnx/0300605360. The term "windfall elimination provision" is not specified in statute or in SSA's regulations.

[11] For the worker shown in **Table 2,** with an AIME of $1,500 and a monthly benefit of $1,017.08 under the regular benefit formula in 2019, the WEP reduction of $463.00 represents a cut of approximately 46% to the regular formula monthly benefit amount. By comparison, a worker with an AIME of $4,000 would be entitled to a PIA of $1,817.08 under the 2019 regular benefit formula, and the same WEP reduction of $463.00 per month would represent a 25% reduction in this worker's monthly benefit amount.

[12] For determining years of coverage after 1978 for individuals with pensions from noncovered employment, "substantial coverage" is defined as 25% of the "old law" Social Security maximum taxable earnings base for each year

**Table 3. Maximum WEP Reduction for Workers Who Become Eligible in 2019, by Years of Substantial Coverage**

| Years of Social Security Coverage | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **20 or fewer** | **21** | **22** | **23** | **24** | **25** | **26** | **27** | **28** | **29** | **30+** |
| First factor in formula: | | | | | | | | | | |
| 40% | 45% | 50% | 55% | 60% | 65% | 70% | 75% | 80% | 85% | 90% |
| Maximum dollar amount of monthly WEP reduction for workers who first become eligible for Social Security in 2019:[a] | | | | | | | | | | |
| $463.00 | $416.70 | $370.40 | $324.10 | $277.80 | $231.50 | $185.20 | $138.90 | $92.60 | $46.30 | $0.00 |

**Source:** CRS.

**Notes:** The WEP reduction may be lower than the amount shown because the reduction is limited to one-half of the worker's pension from noncovered employment. In addition, because the WEP reduces the initial benefit amount *before* it is reduced or increased due to early retirement, delayed retirement credits (DRCs), cost-of-living adjustments (COLAs), or other factors, the difference between the final benefit with the WEP and the final benefit without the WEP may be less than or greater than the amounts shown.

a. The maximum dollar amount of the monthly WEP is based on a worker's ELY. Because the dollar amounts defining the brackets in the benefit formula change each year, the maximum dollar amount of the WEP reduction for a worker with an ELY of 2019 is different from the maximum deduction for a worker with an ELY of any other year. For maximum WEP reduction amounts for workers with ELYs prior to 2019, see SSA, "Windfall Elimination Provision (WEP) Chart," https://www.ssa.gov/planners/retire/wep-chart.html.

The WEP applies to benefits payable to retired or disabled workers who meet the criteria above and to their eligible dependents; however, it does *not* apply to benefits payable to survivors of deceased insured workers. Groups of workers likely to be affected by the WEP include certain state and local government employees who are covered by alternative pension plans through their employers[13] and most permanent civilian federal employees hired before January 1, 1984, who are covered by the Civil Service Retirement System (CSRS).[14] The WEP does *not* apply to

- federal employees performing service on January 1, 1984, to which coverage was extended on that date by reason of the Social Security Amendments of 1983 (P.L. 98-21);
- employees of a nonprofit organization who were exempt from Social Security coverage on December 31, 1983, and who became covered for the first time on January 1, 1984, under P.L. 98-21;
- workers who attained age 62, became disabled, or were first eligible for a pension from noncovered employment before 1986;

in question. The old law maximum taxable earnings base refers to the earnings base that would have been in effect had the Social Security Amendments of 1977 (P.L. 95-216) not been enacted. In 2019, the old-law taxable earnings base is equal to $98,700; therefore, to earn credit for one year of substantial employment under the WEP, a worker would have to earn at least $24,675 in Social Security-covered employment. For the thresholds for previous years, see SSA, OCACT, "Old-Law Base and Year of Coverage," https://www.ssa.gov/oact/cola/yoc.html.

[13] See Department of the Treasury, Internal Revenue Service (IRS), *Federal-State Reference Guide*, IRS Publication 963 (Rev. 11-2014), https://www.irs.gov/pub/irs-pdf/p963.pdf.

[14] See CRS Report 98-810, *Federal Employees' Retirement System: Benefits and Financing*.

- workers who receive foreign pension payments after 1994 that are based on a totalization agreement with the United States;[15]
- workers whose only noncovered pension is based on earnings from noncovered domestic or foreign employment before 1957;[16] and
- railroad workers whose only noncovered pension is based on earnings from employment covered by the Railroad Retirement Act.[17]

# The Number of People Affected by the WEP

According to the Social Security Administration (SSA), as of December 2017, more than 1.8 million Social Security beneficiaries were affected by the WEP (**Table 4**). The overwhelming majority of those affected (about 94%) were retired workers. Approximately 3% of all Social Security beneficiaries (including disabled workers and dependent beneficiaries) and 4% of all retired-worker beneficiaries were affected by the WEP in December 2017.[18] Of retired workers affected by the WEP, approximately 58% were men (**Table 5**).

**Table 4. Number of Social Security Beneficiaries in Current Payment Status with Benefits Affected by WEP, by Type, December 2014-December 2017**

| Year | Total | Retired Worker | Disabled Worker | Spouses and Children |
|---|---|---|---|---|
| 2014 | 1,623,795 | 1,506,792 | 16,613 | 100,390 |
| 2015 | 1,692,609 | 1,574,787 | 15,823 | 101,999 |
| 2016 | 1,747,361 | 1,629,825 | 14,896 | 102,640 |
| 2017 | 1,804,095 | 1,687,542 | 13,981 | 102,572 |

**Source:** CRS, based on unpublished data from Social Security Administration (SSA), Office of Research, Evaluation, and Statistics (ORES), Table B, selected years.

**Table 5. Number of Social Security Worker Beneficiaries in Current Payment Status with Benefits Affected by WEP, by Gender and Type, December 2017**

| Gender | All Workers | Retired Workers | Disabled Workers |
|---|---|---|---|
| **All Beneficiaries** | **1,701,523** | **1,687,542** | **13,981** |
| Women | 710,094 | 703,775 | 6,319 |
| Men | 991,429 | 983,767 | 7,662 |

**Source:** CRS, based on unpublished data from SSA, ORES, Table W01, June 2018.

[15] *Totalization agreements* are bilateral agreements that provide limited coordination of the U.S. Social Security program with comparable social insurance programs of other countries. The agreements are intended primarily to eliminate dual Social Security taxation based on the same work and provide benefit protection for workers who divide their careers between the United States and a foreign country.

[16] The WEP does not apply in cases where the pension is based, in part, on noncovered military reserve duty before 1988 but after 1956.

[17] SSA, POMS, "RS 00605.362 Windfall Elimination Provision (WEP) Exceptions," November 21, 2018, https://secure.ssa.gov/poms.nsf/lnx/0300605362.

[18] Data on the total Social Security beneficiary and retired-worker populations used in these calculations are from SSA, OCACT, "Benefits Paid By Type Of Beneficiary," https://www.ssa.gov/oact/ProgData/icp.html.

For data on the number and share of Social Security beneficiaries affected by the WEP, by state, see **Table A-1** and **Table A-2** in the **Appendix**, respectively.

# Legislative History and Rationale

The WEP was enacted in 1983 as part of major amendments (P.L. 98-21) designed to shore up the financing of the Social Security program. The 40% WEP formula factor was the result of a compromise between a House bill that would have substituted a 61% factor for the regular 90% factor and a Senate proposal that would have substituted a 32% factor.[19]

The purpose of the 1983 provision was to remove an unintended advantage that the regular Social Security benefit formula provided to certain retired or disabled worker-beneficiaries who were also entitled to pension benefits based on earnings from jobs not subject to the Social Security payroll tax. The regular formula was intended to help workers who spent their lifetimes in low-paying jobs, by providing them with a benefit that replaces a higher proportion of their career-average earnings than the benefit provided to workers with high career-average earnings. However, the formula does not differentiate between those who worked in low-paid jobs throughout their careers and other workers who appear to have been low paid because they worked many years in jobs not covered by Social Security. Under the old law, workers who were employed for only a portion of their careers in jobs covered by Social Security—even highly paid ones—also received the advantage of the weighted formula, because their few years of covered earnings were averaged over their entire working career to determine the average covered earnings on which their Social Security benefits were based. The WEP is intended to place affected workers in approximately the same position they would have been in had *all* their earnings been covered by Social Security.

## Arguments for the WEP

Proponents of the measure say that it is a reasonable means to prevent payment of overgenerous and unintended benefits to certain workers who otherwise would profit from happenstance (i.e., the mechanics of the Social Security benefit formula). Furthermore, they maintain that the provision rarely causes hardship because by and large the people affected are reasonably well off because by definition they also receive pensions from noncovered work. The guarantee provision ensures that the reduction in Social Security benefits cannot exceed half of the pension from noncovered work, which protects people with small pensions from noncovered work. In addition, the impact of the WEP is reduced for workers who spend 21 to 29 years in Social Security-covered work and is eliminated for people who spend 30 years or more in Social Security-covered work.

## Arguments Against the WEP

Some opponents believe the provision is unfair because it substantially reduces a benefit that workers may have included in their retirement plans. Others criticize how the provision works.

[19] U.S. Congress, Committee of Conference, *Social Security Amendments of 1983*, conference report to accompany H.R. 1900, 98th Cong., 1st sess., March 24, 1983, H.Rept. 98-47 (Washington: GPO, 1983), pp. 120-121, http://www.finance.senate.gov/imo/media/doc/Conf-98-47.pdf.

They say the arbitrary 40% factor in the windfall elimination formula is an imprecise way to determine the actual windfall when applied to individual cases.[20]

# The WEP's Impact on Low-Income Workers

The impact of the WEP on low-income workers has been the subject of debate. Jeffrey Brown and Scott Weisbenner (hereinafter "Brown and Weisbenner") point out two reasons why the WEP can be regressive.[21] First, because the WEP adjustment is confined to the first bracket of the benefit formula ($926 in 2019), it causes a proportionally larger reduction in benefits for workers with lower AIMEs and benefit amounts. Second, a high earner is more likely than a low earner to cross the "substantial work" threshold for accumulating years of covered earnings (in 2019 this threshold is $24,675 in Social Security-covered earnings); therefore, high earners are more likely to benefit from the provision that phases out the WEP for people with between 21 and 30 years of covered employment.

Brown and Weisbenner found that the WEP does reduce benefits disproportionately for lower-earning households. For some high-income households, applying the WEP to covered earnings even provides a higher replacement rate than if the WEP were applied proportionately to all earnings, covered and noncovered. Brown and Weisbenner found that the WEP can also lead to large changes in Social Security replacement rates based on small changes in covered earnings, particularly when a small increase in covered earnings carries a person over the threshold for an additional year of substantial covered earnings, leading to an adjustment in the WEP formula applied to the AIME.

# Legislative Activity on the WEP in the 116th Congress

H.R. 141, the Social Security Fairness Act of 2019, was introduced by Representative Rodney Davis on January 3, 2019. The proposed legislation would repeal the WEP and the *government pension offset* (GPO), which reduces the Social Security benefits paid to spouses and widow(er)s of insured workers if the spouse or widow(er) also receives a pension based on government employment not covered by Social Security.[22] The elimination of the WEP and GPO would apply to benefits payable for months after December 2019.

In 2016, SSA's Office of the Chief Actuary (OCACT) projected that repealing both the WEP and the GPO would reduce the long-range actuarial balance (i.e., increase the net long-term cost) of the combined Social Security trust funds by 0.13% of taxable payroll.[23] The OCACT estimated

[20] See, for example, the Social Security Advisory Board, *The Windfall Elimination Provision: It's Time to Correct the Math*, October 1, 2015, http://www.ssab.gov/Portals/0/OUR_WORK/REPORTS/WEP_Position_Paper_2015.pdf.

[21] Jeffrey R. Brown and Scott Weisbenner, "The Distributional Effects of the Social Security Windfall Elimination Provision," *Journal of Pension Economics and Finance*, vol. 12, iss. 04 (October 2013), pp. 415-434, http://business.illinois.edu/weisbenn/RESEARCH/PAPERS/JPEF_Brown_Weisbenner.pdf.

[22] See CRS Report RL32453, *Social Security: The Government Pension Offset (GPO)*. See also CRS In Focus IF10203, *Social Security: The Windfall Elimination Provision (WEP) and the Government Pension Offset (GPO)*.

[23] Letter from Stephen C. Goss, Chief Actuary, SSA, to the Honorable Sherrod Brown, U.S. Senate, February 24, 2016, https://www.ssa.gov/oact/solvency/SBrown_20160224.pdf. The projection was based on the intermediate assumptions of the 2015 Social Security trustees report. *Taxable payroll* is the total amount of earnings in the economy that is subject to Social Security payroll and self-employment taxes (with some adjustments).

that repealing only the WEP would reduce the long-range actuarial balance of the combined trust funds by 0.08% of taxable payroll.[24]

# Legislative Activity on the WEP in the 115th Congress

H.R. 1205 and S. 915, identical bills both titled the Social Security Fairness Act of 2017, would repeal the WEP as well as the GPO.[25] The elimination of the WEP and GPO would apply to benefits payable for months after December 2017.

H.R. 6933 and S. 3526, identical bills both titled the Equal Treatment of Public Servants Act of 2018, proposed to replace the WEP with a new proportional formula for individuals who would become eligible for OASDI benefits in 2025 or later.[26] The proposal would also provide for a rebate payment staring in 2020 for individuals affected by the current WEP. In October 2018, the OCACT projected that the enactment of this legislation would increase (improve) the long-range actuarial balance of the combined trust funds by 0.04% of taxable payroll.[27]

Other bills in the 115th Congress related to the WEP included H.R. 6962, the Social Security Equity Act of 2018, and S. 3433, the Social Security Fairness for Firefighters and Police Officers Act. H.R. 6962 would reduce the WEP benefit reduction relative to current law,[28] and S. 3433 would exempt certain firefighters and police officers with five years of qualified service from the WEP.[29]

[24] Informal cost estimate provided to CRS by OCACT on June 14, 2018. OCACT estimated that repealing only the GPO would reduce the long-range actuarial balance of the combined trust funds by 0.06% of taxable payroll.

[25] H.R. 1205 and S. 915 were introduced by Representative Rodney Davis on February 21, 2017 and Senator Sherrod Brown on April 24, 2017, respectively. Representative Rodney Davis introduced a similar bill, H.R. 141, in the 116th Congress (see "Legislative Activity on the WEP in the 116th Congress").

[26] The proposed formula, referred to as the "Public Servant Fairness Formula" (PSF), would provide retired-worker and disabled-worker beneficiaries (and their dependents) with a modified benefit computed using all past earnings (including both covered and non-covered earnings) multiplied by the ratio of the AIME based on covered earnings only to a modified AIME that includes both covered and non-covered earnings.

[27] Letter from Stephen C. Goss, Chief Actuary, SSA, to the Honorable Kevin Brady, U.S. House, October 4, 2018, https://www.ssa.gov/oact/solvency/KBrady_20181004.pdf. The projection was based on the intermediate assumptions of the 2018 Social Security trustees report.

[28] H.R. 6962 would revise the current WEP formula for the PIA computation to: (1) lower from 30 to 25 the number of years of coverage required for exception to the WEP; (2) alter the determination of partial exemptions for those who have more than 20 but less than 25 years of coverage; and (3) reduce the dollar amount required for a year of substantial coverage.

[29] Qualified service is defined in 34 U.S.C. §10284.

# Appendix. WEP Affected Beneficiaries, by State

**Table A-1. Number of Social Security Beneficiaries in Current Payment Status with Benefits Affected by WEP, by State and Type of Beneficiary, December 2017**

| State | Total | Type of Beneficiary | | |
|---|---|---|---|---|
| | | Retired Workers | Disabled Workers | Spouses and Children |
| **Total** | **1,804,095** | **1,687,542** | **13,981** | **102,572** |
| Alabama | 18,771 | 17,463 | 224 | 1,084 |
| Alaska | 10,862 | 10,334 | 74 | 454 |
| Arizona | 34,000 | 31,945 | 240 | 1,815 |
| Arkansas | 10,570 | 10,012 | 136 | 422 |
| California | 249,198 | 234,081 | 1,784 | 13,333 |
| Colorado | 59,621 | 56,533 | 734 | 2,354 |
| Connecticut | 18,875 | 18,089 | 123 | 663 |
| Delaware | 4,152 | 3,962 | 31 | 159 |
| District of Columbia | 7,711 | 7,435 | 71 | 205 |
| Florida | 99,892 | 93,602 | 659 | 5,631 |
| Georgia | 52,543 | 50,108 | 440 | 1,995 |
| Hawaii | 10,812 | 10,042 | 41 | 729 |
| Idaho | 7,852 | 7,344 | 72 | 436 |
| Illinois | 93,718 | 89,644 | 451 | 3,623 |
| Indiana | 16,785 | 15,849 | 156 | 780 |
| Iowa | 8,300 | 7,894 | 52 | 354 |
| Kansas | 9,340 | 8,840 | 86 | 414 |
| Kentucky | 23,693 | 22,523 | 216 | 954 |
| Louisiana | 42,328 | 39,500 | 636 | 2,192 |
| Maine | 17,642 | 16,880 | 96 | 666 |
| Maryland | 47,577 | 45,152 | 321 | 2,104 |
| Massachusetts | 72,856 | 69,776 | 597 | 2,483 |
| Michigan | 21,539 | 20,127 | 208 | 1,204 |
| Minnesota | 16,874 | 16,060 | 104 | 710 |
| Mississippi | 9,761 | 9,150 | 120 | 491 |
| Missouri | 38,192 | 36,731 | 271 | 1,190 |
| Montana | 6,249 | 5,891 | 29 | 329 |
| Nebraska | 5,471 | 5,207 | 42 | 222 |
| Nevada | 30,918 | 29,640 | 222 | 1,056 |
| New Hampshire | 8,043 | 7,626 | 84 | 333 |
| New Jersey | 22,916 | 21,347 | 236 | 1,333 |
| New Mexico | 13,462 | 12,463 | 142 | 857 |
| New York | 32,532 | 30,162 | 296 | 2,074 |
| North Carolina | 30,227 | 28,731 | 198 | 1,298 |
| North Dakota | 2,342 | 2,223 | 13 | 106 |

| State | Total | Type of Beneficiary | | |
|---|---|---|---|---|
| | | Retired Workers | Disabled Workers | Spouses and Children |
| Ohio | 138,005 | 131,219 | 1,333 | 5,453 |
| Oklahoma | 17,503 | 16,414 | 176 | 913 |
| Oregon | 17,424 | 16,371 | 102 | 951 |
| Pennsylvania | 36,607 | 34,298 | 359 | 1,950 |
| Rhode Island | 5,618 | 5,376 | 49 | 193 |
| South Carolina | 18,711 | 17,700 | 142 | 869 |
| South Dakota | 3,977 | 3,807 | 23 | 147 |
| Tennessee | 20,787 | 19,592 | 162 | 1,033 |
| Texas | 172,981 | 163,210 | 1,215 | 8,556 |
| Utah | 13,818 | 12,756 | 101 | 961 |
| Vermont | 2,653 | 2,491 | 12 | 150 |
| Virginia | 49,212 | 46,137 | 238 | 2,837 |
| Washington | 32,811 | 30,409 | 220 | 2,182 |
| West Virginia | 6,306 | 5,820 | 80 | 406 |
| Wisconsin | 12,421 | 11,771 | 68 | 582 |
| Wyoming | 2,482 | 2,354 | 13 | 115 |
| Outlying Areas and Foreign Countries | 97,155 | 75,451 | 483 | 21,221 |

**Source:** CRS, based on unpublished data from SSA, ORES, Table B, June 2018.

## Table A-2. Percentage of Social Security Beneficiaries in Current Payment Status Affected by the WEP, by State and Type of Beneficiary, December 2017

| State | All Beneficiaries | Type of Beneficiary | | |
|---|---|---|---|---|
| | | Retired Workers | Disabled Workers | Spouses and Children |
| **Total** | **2.9%** | **4.0%** | **0.2%** | **2.2%** |
| Alabama | 1.7% | 2.5% | 0.1% | 1.2% |
| Alaska | 11.0% | 15.1% | 0.6% | 6.0% |
| Arizona | 2.6% | 3.4% | 0.2% | 2.0% |
| Arkansas | 1.5% | 2.3% | 0.1% | 0.8% |
| California | 4.3% | 5.6% | 0.3% | 2.7% |
| Colorado | 7.0% | 9.2% | 0.7% | 3.8% |
| Connecticut | 2.8% | 3.7% | 0.2% | 1.5% |
| Delaware | 2.0% | 2.6% | 0.1% | 1.3% |
| District of Columbia | 9.4% | 13.3% | 0.5% | 4.5% |
| Florida | 2.2% | 2.8% | 0.1% | 1.8% |
| Georgia | 2.9% | 4.2% | 0.2% | 1.6% |
| Hawaii | 4.1% | 4.9% | 0.2% | 4.2% |
| Idaho | 2.3% | 3.1% | 0.2% | 1.7% |
| Illinois | 4.2% | 5.8% | 0.2% | 2.2% |
| Indiana | 1.3% | 1.8% | 0.1% | 0.8% |

| State | All Beneficiaries | Type of Beneficiary | | |
|---|---|---|---|---|
| | | Retired Workers | Disabled Workers | Spouses and Children |
| Iowa | 1.3% | 1.7% | 0.1% | 0.9% |
| Kansas | 1.7% | 2.3% | 0.1% | 1.1% |
| Kentucky | 2.4% | 3.9% | 0.1% | 1.1% |
| Louisiana | 4.7% | 7.5% | 0.4% | 2.5% |
| Maine | 5.2% | 7.4% | 0.2% | 2.6% |
| Maryland | 4.8% | 6.4% | 0.2% | 3.3% |
| Massachusetts | 5.8% | 8.1% | 0.3% | 2.5% |
| Michigan | 1.0% | 1.4% | 0.1% | 0.7% |
| Minnesota | 1.7% | 2.2% | 0.1% | 1.0% |
| Mississippi | 1.5% | 2.3% | 0.1% | 0.9% |
| Missouri | 3.0% | 4.3% | 0.1% | 1.4% |
| Montana | 2.7% | 3.6% | 0.1% | 2.2% |
| Nebraska | 1.6% | 2.1% | 0.1% | 1.0% |
| Nevada | 5.9% | 7.8% | 0.3% | 3.3% |
| New Hampshire | 2.7% | 3.7% | 0.2% | 1.4% |
| New Jersey | 1.4% | 1.8% | 0.1% | 1.1% |
| New Mexico | 3.1% | 4.3% | 0.2% | 2.5% |
| New York | 0.9% | 1.2% | 0.1% | 0.7% |
| North Carolina | 1.5% | 2.0% | 0.1% | 1.0% |
| North Dakota | 1.8% | 2.4% | 0.1% | 1.2% |
| Ohio | 5.9% | 8.5% | 0.4% | 3.1% |
| Oklahoma | 2.2% | 3.2% | 0.1% | 1.6% |
| Oregon | 2.0% | 2.6% | 0.1% | 1.7% |
| Pennsylvania | 1.3% | 1.8% | 0.1% | 1.0% |
| Rhode Island | 2.5% | 3.5% | 0.1% | 1.3% |
| South Carolina | 1.7% | 2.3% | 0.1% | 1.2% |
| South Dakota | 2.3% | 3.0% | 0.1% | 1.4% |
| Tennessee | 1.5% | 2.1% | 0.1% | 1.0% |
| Texas | 4.2% | 6.0% | 0.2% | 2.3% |
| Utah | 3.5% | 4.7% | 0.2% | 2.7% |
| Vermont | 1.8% | 2.4% | 0.1% | 1.4% |
| Virginia | 3.3% | 4.4% | 0.1% | 2.6% |
| Washington | 2.5% | 3.2% | 0.1% | 2.2% |
| West Virginia | 1.3% | 2.1% | 0.1% | 0.9% |
| Wisconsin | 1.0% | 1.4% | 0.0% | 0.7% |
| Wyoming | 2.3% | 3.0% | 0.1% | 1.7% |
| Outlying Areas and Foreign Countries | 6.4% | 8.4% | 0.3% | 8.9% |

**Source:** CRS analysis of data from the following sources: SSA, ORES, Table B, June 2018 (unpublished); and SSA, ORES, *Annual Statistical Supplement, 2018* (in progress), Table 5.J2, https://www.ssa.gov/policy/docs/statcomps/supplement/2018/.

**Notes:** The column "All Beneficiaries" includes survivor beneficiaries who are not subject to the WEP. The row "Outlying Areas and Foreign Countries" includes a small number of Social Security beneficiaries whose state or area is unknown.

## Author Information

Zhe Li
Analyst in Social Policy

## Acknowledgments

This report previously was authored by multiple former CRS analysts. CRS would like to thank SSA's Office of Research, Evaluation, and Statistics for providing CRS with unpublished data on beneficiaries affected by the WEP.

## Disclaimer

This document was prepared by the Congressional Research Service (CRS). CRS serves as nonpartisan shared staff to congressional committees and Members of Congress. It operates solely at the behest of and under the direction of Congress. Information in a CRS Report should not be relied upon for purposes other than public understanding of information that has been provided by CRS to Members of Congress in connection with CRS's institutional role. CRS Reports, as a work of the United States Government, are not subject to copyright protection in the United States. Any CRS Report may be reproduced and distributed in its entirety without permission from CRS. However, as a CRS Report may include copyrighted images or material from a third party, you may need to obtain the permission of the copyright holder if you wish to copy or otherwise use copyrighted material.