

Statement by Joseph P. Rugola
Executive Director
of
Ohio Association of Public School Employees (OAPSE/AFSCME Local 4)
On
“Equity in Social Security: In Their Own Words”
Subcommittee on Social Security
Committee on Ways and Means
U.S. House of Representatives

June 15, 2021

On behalf of the more than 34,000 members in 480 locals around our state, the Ohio Association of Public School Employees/American Federation of State, County and Municipal Employees Local 4 (OAPSE), I submit this testimony for the record for the June 15th hearing on “Equity in Social Security: In Their Own Words,” before the Subcommittee on Social Security of the House Ways and Means Committee.

OAPSE members include cafeteria workers, crossing guards, teachers’ aides and instructional assistants, custodial and maintenance workers, school bus drivers and aides, and secretaries in our public schools and other public service agencies in Ohio which provide important services for our children and families. Ohio is a state that does not participate in Social Security for its public employees. OAPSE members, like some 97 percent of Ohio public employees, are covered by public employee retirement systems, including the School Employees Retirement System of Ohio (SERS).

After working hard their entire lives and contributing part of their wages to SERS, OAPSE members should look forward to retiring with dignity. The inequity of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) has had a devastating effect on thousands of our members. **We urge this subcommittee to pass the Social Security Fairness Act of 2021 (H.R. 82), which fully repeals these provisions that penalize ordinary public sector retirees who have worked hard and played by the rules.**

The GPO hits OAPSE members particularly hard because it disproportionately impacts low-wage workers, particularly women. About 80 percent of public pensioners affected by the GPO are women. Most of these women began their careers expecting to retire with both a public pension and a Social Security spousal benefit. It’s a shock when they realize that they will not receive a much-needed portion of their expected retirement income. Many are forced to make extreme choices because of the loss of income. They are already existing on shoestring budgets, having been low-wage earners. The GPO cuts are demoralizing, as evidenced by the individual examples included in this testimony.

As of December 2020, the GPO has cut the Social Security spousal or widow(er)’s benefit of 100,185 Ohio spouses and widow(er)s. Of these spouses and widow(er)s, 61,735 have seen the GPO wipe out all of their Social Security spousal or widow(er)’s benefit. Because of GPO, they are denied even a penny of spousal or widow(er)’s benefit under Social Security. In this same time

period, the WEP cut to earned Social Security benefits has hurt 152,863 Ohio retirees, disabled workers, spouses and children.

With data exchanges, the Social Security Administration (SSA) will soon have 35 years of W-2 earnings data for all covered workers on file. With this data, SSA will be able to more accurately identify individuals who are receiving pensions from non-covered employment, but whose benefits are not yet being reduced. As SSA begins to use this data, it is likely that more individuals will experience the harsh effects of seeing their Social Security benefits shrink because of these unfair laws. This expected expansion of the application of GPO and WEP increases our sense of urgency for Congress to repeal both the GPO and the WEP fully.

For purposes of this testimony, I focus on the devastating impact of the GPO on OAPSE retirees.

Government Pension Offset – The GPO offset requires a cut in the Social Security spousal and widow(er)'s benefit received by public employees who earn a pension from non-covered employment. The cut is equal to two-thirds of one's public pension and has devastating effects on the retirement security of those individuals. Nearly three of four beneficiaries who were harmed by the GPO as of December 2020 lost all their Social Security benefit. More than half a million spouses and widow(er)s saw the GPO offset wipe out all their Social Security benefit.

In creating the GPO, Congress decided to arbitrarily equate two-thirds of a public pension (earned from work not covered by Social Security) with a Social Security earned benefit. Under this rationale, the GPO is essentially applying the dual entitlement prohibition to this portion of the pension and equates the remaining one-third portion of the public pension to a private pension benefit. But the situations really are not comparable. To start, school district employers in Ohio contribute 14 percent of payroll to their pension. The workers' share is 10 percent. The total of these contributions – 24 percent – is nearly double the combined employer-employee contribution under Social Security, which is only 12.4 percent. These rates are typical for public pensions in non-Social Security jurisdictions.

The experience of OAPSE retirees shows that the GPO formula is capricious and the reasoning behind it faulty. The GPO formula ignores the generally large contributions made to public pensions by both employers and their employees. This disparity is important because, unlike private pensioners whose pension plans are generally financed solely by their employer, public pensioners typically put in more than half of the total pension contribution. Most private pensioners only pay into Social Security, yet they can receive a full pension *and* a full Social Security benefit, with no offset of any kind. The GPO penalizes public pensioners for their contribution to their own retirement.

How benefits are taxed compounds the inequity under the GPO. A public retiree's entire pension is subject to federal income tax – including the part that is deemed equivalent to Social Security. Most Social Security benefits, however, are tax-free. A public retiree is effectively hit twice – once with taxes and again with the GPO.

When you consider together the life-long low wages, the taxing of retirement benefits and the cuts to Social Security survivor benefits, the devastation to retired Ohio public retirees is clear.

Take, for example, Barbara Ward, who is 70 years old. For 40 years, she has driven special needs students in her school bus at Fairland Local Schools in Proctorville, Ohio. The only time Barb ever missed work was to bury her father and then her husband and to recover from breast cancer. Barb makes \$22,000 per year. Her taxable retirement benefit will be about \$2,000 per month. She should also receive a Social Security survivor benefit of \$1,800. But because of the GPO, she will lose two-thirds, or \$1,340, of that. Barb's husband, Ron, paid into Social Security for decades. He died of a brain tumor less than a year after he retired and received only a few Social Security checks. But Ron thought he had left Barb with a benefit that would allow her to live with dignity in her retirement. Barb wants to retire, but if her survivor benefit is slashed to \$460 per month, she will be forced to remain at the wheel of her school bus. Barb shouldn't be penalized because of her decades of work in our public schools.

Sheila Dawkins-Flinn is a library technician at Akron City Schools, where she has worked for 43 years. Sheila, 72, makes about \$27,500 annually to help Akron students learn to read and develop a life-long love of books. Because her husband is deceased, Sheila receives a Social Security survivor benefit of \$1,300 per month. If she retired today, she would receive a taxable SERS benefit of about \$2,345. She would like to retire and collect that SERS pension, but when she does, her Social Security survivor benefit will be cut by two-thirds of her public pension amount, or \$1,571. That means Sheila will receive NO Social Security survivor benefit. The minute she retires, she loses \$1,300 per month. Sheila still has a mortgage, car payment, utilities and food costs. She will not be able to meet her financial obligations and will have to leave her home. So, Sheila keeps working.

Beverly Payne joined Crestline Schools 35 years ago and has worked many jobs there, including her current positions of pre-school secretary and transportation secretary. At 75, Bev would really like to retire. But because of the GPO, her \$1,535 Social Security survivor benefit will be cut by two-thirds of her SERS pension -- \$1,921 before taxes. Two-thirds of that is \$1,267, leaving Bev with a Social Security survivor benefit of \$248. Bev recently survived a house fire --to her home which was paid off -- and is still paying the costs not covered by insurance. Bev's husband worked hard for decades in construction and thought he had left Bev financially sound. But now she is considering selling her home and moving in with one of her children. That's not how she thought her retirement would play out.

Lois Carson didn't know her husband would become gravely ill and die at 50 years old. But the 33-year secretary at Columbus City Schools was comforted by the understanding that Vincente Carson had done all he could to provide for his family before he passed. After all, he worked for the City of Columbus for 26 years and always worked a second job and paid into

Social Security to make sure he got that benefit, too. Unfortunately, he was wrong. When Vincente became ill, he used all his sick leave and short- and long-term disability. Because he could never return to work, he received a disability retirement benefit of \$759 per month. And since his death in 2008, Lois has received a survivor benefit from his public pension. But because of the GPO, she did not receive a survivor benefit from Social Security – even though Vincente paid into the system since he was 15 years old. At 61, Lois helps financially support her daughter, who has Multiple Sclerosis, and her grandson. The Social Security benefits Vincente earned would go a long way to giving Lois comfort that she could afford to retire and continue that assistance. For now, she keeps working – and worrying about long-term finances.

Carol Harper retired because she had no choice. After 39.5 years of working as a cook at Rock Hill Local School and standing all day on hard concrete floors and lifting heavy boxes of food, Carol's back just couldn't take it anymore. But even at 73 years old, Carol did not want to retire – because she will lose her deceased husband's Social Security survivor benefit as soon as the paperwork goes through. Since Orland Harper died, Carol has received a \$1,200 monthly check from Social Security. She will lose all of that in August when her retirement begins. Carol's monthly pension benefit will be \$1,931 before taxes and insurance -- about \$400 -- are deducted, and she just doesn't know how she is going to make it. Carol's grandchildren live with her, and the loss of \$1,200 per month is really going to hurt. She just doesn't think it is fair to have people suffering in poverty after four decades of working so hard to feed hungry children at school.

Fully repealing the GPO advances the principle of equity and ensures that for public pensioners, like Barb, Sheila, Bev, Lois and Carol, Social Security is a shield against poverty in old age.

Conclusion

The GPO and WEP unfairly penalize average public sector retirees and we believe that it is imperative for Congress to act to eliminate the serious inequities and unintended consequences of the application of the GPO and WEP laws. The widespread bipartisan support that exists in Congress for making changes to these laws is due to the gross injustices these laws have created. Congress should act immediately to repeal both the GPO and WEP by passing the **Social Security Fairness Act of 2021 (H.R. 82)**