



BIPARTISAN POLICY CENTER

July 5, 2016

The Honorable Kevin Brady
Chairman
Committee on Ways & Means
U.S. House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Ways & Means Subcommittee on Tax Policy
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Brady and Ranking Member Neal:

We are writing in regard to your leadership on addressing the Social Security windfall elimination provision (WEP).

Many state and local government workers are not covered by Social Security, meaning that employees and their employers do not contribute payroll taxes on their earnings from those positions. Yet many of these workers also work part of their careers (or work part-time) in covered employment and will still be eligible for Social Security benefits. The WEP was originally designed to prevent these individuals from receiving unintentionally large Social Security benefits, but its methodology is overly complex and does not allocate benefits equitably.

We recently co-chaired the Bipartisan Policy Center's [Commission on Retirement Security and Personal Savings](#), which featured 19 Democrats and Republicans with a variety of perspectives, including former government officials, policy experts, and people with labor and business backgrounds. As part of a comprehensive approach to enhance retirement security, our commission offered a balanced set of solutions to improve Social Security. The report was agreed to as a package, but one of our recommendations was to replace the complex WEP formula, as well as the companion government pension offset (GPO), with something more straightforward and even-handed.

Specifically, we recommended that the WEP be replaced with a provision that would proportionally scale Social Security benefits based on the ratio of covered earnings to total earnings. We believe this would treat beneficiaries more equitably, especially those who work roughly half of their career in covered employment and the other half in uncovered employment, who experience disproportionately large reductions in Social Security benefits under current law. This approach would also be more transparent than the current formula and would allow more-accurate projections of benefits on the Social Security statement.

President Obama offered a similar proposal in his most recent budget. The policy set forth in the *Equal Treatment of Public Servants Act* (H.R. 711) is aligned with these proposals and puts them into actionable bipartisan legislation. We recommend including a similar fix for the GPO in the bill, as we did in our report.



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Social Security faces serious financial challenges, and moreover, some aspects of the program are either outdated or could be better structured. The program will need a comprehensive solution, along the lines of our commission's package, in order to reliably pay future benefits. While WEP reform is far from the only improvement needed for Social Security — and more broadly, Americans' retirement security — it is a meaningful step in the right direction.

We commend the initiative of Chairman Brady, Ranking Member Neal, and others working to reform the Social Security WEP, and we stand ready to assist those tackling difficult challenges to improve retirement security in America.

Sincerely,

Kent Conrad
BPC Commission Co-Chair
Former U.S. Senator from North Dakota

James B. Lockhart III
BPC Commission Co-Chair
Vice Chairman, WL Ross & Co. LLC
Former Principal Deputy Commissioner,
Social Security Administration

CC:

Members, Committee on Ways & Means, U.S. House of Representatives
House Speaker Paul Ryan
House Democratic Leader Nancy Pelosi