



**Massachusetts Association
of School Committees**

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Massachusetts Association of School Committees Position Paper

**PROTECTING SOCIAL SECURITY
CORRECTING THE GOVERNMENT PENSION
OFFSET AND
RESCINDING THE WINDFALL ELIMINATION
PROVISION**

The Massachusetts Association of School Committees (MASC) urges the Massachusetts Congressional delegation to oppose the privatization of Social Security, and support repeal of the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) of the Social Security Act. We recognize that thousands of school district employees are disadvantaged by the GPO and WEP, and we believe that sound public policy calls for the repeal.

However, we also that allowing some workers to divert a portion of their payroll tax to private retirement savings instruments would put the system in jeopardy. Privatization, even in part, is, in the opinion of MASC, an imprudent strategy that will undermine the actuarial soundness of the program, threaten the entire system, and make further benefit reforms impossible. On behalf of thousands of Massachusetts students who are surviving dependent children or families of disabled workers, their surviving parents, and their grandparents who depend on their retirement security, we urge that Congress focus, not on privatization, but on strengthening the Social Security System.

WEP and GPO PROVISIONS

Advocates for working Americans have made powerful arguments to repeal these provisions that were enacted when the Social Security trust funds were near bankruptcy in 1983. However, with the trust funds stable and strong, new and vital arguments support repeal. Doing so will have an immediate and positive impact on public education by removing the barrier that discourages many potentially outstanding individuals from pursuing careers, or second careers, in public school teaching and administration.

Many of our current school district employees entered public education from private sector jobs where they had paid into the Social Security system and under which they anticipated not only retirement benefits for themselves, but also for their spouses and dependents. This changed when the GPO and WEP were enacted and went into effect two decades ago.

The formula for calculating Social Security benefits is complex, especially when determining the lower benefit for people who also worked in the public sector. In short, a Massachusetts public employee affected by WEP may receive a Social Security pension for his or her private sector employment of as much as \$394 less than someone who worked at the identical private sector job for the same period. (See footnote.)

A Massachusetts retiree from public employment whose spouse worked in the private sector under Social Security might otherwise be eligible for a Social Security spouse's benefit but could lose up to 2/3 of that spouse's benefit, depending upon the size of the public employee's pension.

The GPO and WEP will continue to pose a special challenge to school districts trying to recruit vocational and technical faculty as well as teachers in mathematics, science, fine arts, and several other disciplines where the private sector offered more lucrative but less rewarding careers.

For example, vocational technical schools attract many able teachers who bring years of private experience in the trades with them to the classroom. They are among our finest teachers because they share years of expert on-the-job training and skills with young students aspiring to enter their trades. Because Massachusetts public school employees have their own public pension system and do not participate as faculty in the Social Security retirement system under which many of them worked prior to teaching, many of our vocational teachers find their Social Security pension benefits reduced under WEP. Unfortunately, many did not anticipate this impact when they entered the teaching profession. Their successors, however, are much more mindful of the impact.

In the past we have always been able to recruit excellent teachers for vocational technical schools from the ranks of skilled tradespersons who were willing to retrain as educators. However, now, as we recruit craftspersons of all ages, but particularly among those who are doing life and retirement planning, we find they are unwilling to risk the loss of their hard earned Social Security pension benefits to enter a public retirement system. Tradespersons who might consider entering teaching in their mid 40s or 50s will, at best, earn a public pension equal to 30 to 40% of their pre-retirement wage. Many will earn less. They would consider this career change seriously if they knew they could count on the full Social Security benefit to which they would be entitled had they not earned a separate Massachusetts public pension in their second careers.

When they confront having to sacrifice a significant share of their Social Security benefit to earn a public pension, they are reluctant to make a career switch to work with young students.

Highly skilled workers in other professions are in the same situation, including those skilled in mathematics and sciences and other transferable subject matters who are also reluctant to give up Social Security to enter public employment when it results in a meaningful reduction to their benefits.

We also note the impact of the Government Pension Offset for spouses establishes a similar disincentive for people to change careers to work in public schools. By offsetting the spouse's Social Security benefit based on that spouse's public pension earnings a two tiered system is created. Workers in identical jobs covered by Social Security might generate substantially different pensions for their spouses based solely on where those spouses worked or did not work.

SUMMARY

Social Security is not the primary retirement source for Massachusetts public employees. However, the economic security of our workforce, students, and their families is linked strongly to the strength of the Social Security System. At a time when so many of our constituents rely on the social safety net that includes Social Security, Medicare, Medicaid, public health, and many other federal programs to promote the public welfare, we urge the Congress to begin the process of strengthening the Social Security System.

As part of this strengthening, we urge the Congress to repeal the Windfall Elimination Provision and the Government Pension Offset to the Social Security Act.

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Massachusetts Association of School Committees

See footnote on next page

FOOTNOTE:

Social Security benefits are based on an “average indexed monthly earnings” figure representing the inflation-adjusted average monthly wages for a worker’s highest 35 years of covered employment. The benefit calculation formula is designed to favor low wage earners by providing them with a higher share of the first earning step than the second or third step. Consider the case of a worker whose AIME is calculated at \$4,000 per month and who retires at the normal retirement age. That worker’s monthly Social Security benefit will be based on:

Step 1: 90% of the first \$656 or	\$	590*
Step 2: 32% of the next \$3,299, and	\$	1,056
Step 3 15% of the remainder (\$ 45)	\$	7
TOTAL BENEFIT	\$	1,653

*For individuals with public sector employment, the factor in Step 1 could be reduced incrementally to as low as 40% of the AIME or \$262 instead of \$656, for a potential net loss of benefits of \$394.