



**Massachusetts Association
of School Committees**

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Massachusetts Association of School Committees Position Paper

**PROTECTING SOCIAL SECURITY BY STABILIZING
PENSION TRUST FUNDS**

**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 recognize the potential of a futurer assault on Social Security as we know it, by allowing some workers to divert a portion of their payroll tax to private retirement savings instruments, which 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.

We also note that Social Security benefits are usually spent quickly in the community by beneficiaries and function as a constant “stimulus” to local economies. In this way, the benefits act as a boost to local economies while they bring economic stability and strength to families.

WEP and GPO Provisions

Massachusetts is one of fifteen states where many or all public employees do not participate in the Social Security old age and survivors pension system¹. While public educators, therefore, do not pay into the system as employees of the state or local school district, they would otherwise earn Social Security through their own non-public covered employment or as spouses of workers in the Social Security System².

¹ These states include Alaska, California, Colorado, Connecticut, Georgia (some localities), Illinois, Louisiana, Kentucky, Maine, Massachusetts, Missouri, Nevada, Ohio, Rhode Island (some localities) and Texas (some localities).

² Workers under Social Security earn a “worker’s benefit” determined by a formula based on covered earnings. In addition, their spouses are eligible for a “spouse’s benefit” equal to as much as 50% of the worker’s benefit. Upon the death of the worker, the spouse then receives the higher, but not both, of the two benefits. Spouses who work in the private sector, however, may also earn their own worker’s benefit. The spouse may elect to receive either their own worker’s benefit or the spouse’s benefit, whichever is higher.

Many spouses who did not work under the Social Security System or who were minimally employed, if at all, during their pre-retirement have elected to receive this spouse’s benefit. Prior to the implementation of the 1983 Social Security Amendments, many government employees in states not participating in Social Security enjoyed not only their own public pensions, but also a Social Security spouse’s benefit because they were not eligible for a Social Security worker’s benefit on their own. In the event of death of the worker, Social Security also provides survivors benefits to dependent widows and children. The 1983 Amendments also eliminated benefits for children over 18 including college age students.

Unfortunately, these public employees are disadvantaged in two ways by the 1983 Amendments to the Social Security Act.

- First, they may lose some or all of their “spouses benefit” which is paid to spouses of workers who earned a Social Security benefit through private sector employment (WEP).
- Second, they may lose part of their own earned Social Security benefit from work in the private sector through an “offset” determined by the size of their public pensions (GPO)³.

Advocates for working Americans have made powerful arguments to repeal these provisions that were necessary to preserve and strengthen the Social Security system when the Old Age Survivors and Disability Insurance Trust Funds were near bankruptcy in 1983. However, with the trust funds now 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 who also has worked in the private sector may receive a Social Security pension for his or her private sector employment of as much as \$381 less than someone who worked at the identical private sector job for the very same period. (See footnote.)

In the event of death of the worker, Social Security also provides survivors benefits to dependent widows and children. The 1983 Amendments eliminated benefits for children over 18, including college age students who had previously received monthly checks from Social Security.

³ 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 \$5,000 per month (\$60,000 per year):

Step 1:	90% of the first \$761	\$ 685
Step 2:	32% of the next \$3,925	\$ 1,256
Step 3	15% of the remainder (\$ 414)	\$ 62
	TOTAL BENEFIT	\$ 2,003

*For individuals with public employment, the factor in Step 1 would be reduced incrementally to as low as 40% of the AIME or \$304 instead of \$685, for a potential net loss of benefits of \$381.

WHY PUBLIC SCHOOL DISTRICTS CARE ABOUT THE GPO AND WEP

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 mature workers did not anticipate or even know 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 we recruit craftspersons of all ages, but they are workers who engage in retirement planning earlier than did a previous generation. We are discovering that they are unwilling to risk the loss of their hard earned Social Security pension benefits for themselves, spouses, or dependent children should they elect 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.

In the same situation are highly skilled workers in other professions, including those proficient 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 retirement benefits.

We also note the impact of the Government Pension Offset for spouses which 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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