DEMOCRATS ABROAD

ISSUE BRIEF
Windfall Elimination Provision (WEP)

Background

Years ago, government employees in the US (local, state and federal) had to choose between the Social Security system or a government pension plan. Most employees opted for the latter. In 1984, Congress mandated that all workers must belong to the Social Security system. Congress realized that these civil servants would retire, having paid in only the minimum of 40 quarters or a little more. But they paid at a much higher rate than those who joined long before and contributed when the rate was lower.

Therefore, beginning in 1984, those with a non- covered pension would in effect get that pension in full plus much higher social security benefits. Thus, retirees leaving work in the 1990s and thereafter, with a full non-covered pension, would enjoy a proportionately larger social security benefit than those who had contributed for many more years but had contributed less. To adjust this situation, when Congress amended the Social Security Act in 1983, it included a provision to offset this known as the Windfall Elimination Provision (WEP).

Legislation

Provision 113-WEP of the 1983 Social Security Amendments PL98-21 stipulates that a retiree entitled to Social Security benefits plus a non- covered pension will have $50 deducted from the monthly Social Security benefit for every $100 in non-covered pension payments. Individuals cannot lose more than half of their entitled Social Security benefit. This law went into effect in January 1986 and affects anyone drawing social security benefits after that date.

Impact on Americans abroad

Americans abroad are adversely affected twice. First, our Social Security benefit is frozen when we relocated abroad. For example, if you moved abroad in 1973, our maximum monthly benefit ($550) is less than half of what it is today ($1326). Second, those of us receiving a small or partial foreign pension ($200-$600) have our Social Security benefit reduced by up to half, netting only a few hundred dollars a month.

This is a gross inequity. First, when those affected relocated abroad they were certain that upon retirement the full Social Security due would be guaranteed. Second, the WEP was only intended for those with a substantial non-covered pension. For many, a meager foreign pension together with their low, frozen Social Security is their only means of income. This places the overseas retiree in an unequal situation relative to others falling under the WEP but residing in the U.S.

Remedy

To correct this inequity, Congress is petitioned to modify the Windfall Elimination Provision as follows:

1. Anyone whose non-covered pension is $600 or less shall be exempt from the WEP.
2. Anyone whose non-covered pension is between $600-$1,200 shall have the first $400 exempt before applying the WEP formula.
3. Anyone whose non-covered pension is $1,200 or above shall have monthly social security benefits fully computed in accordance with the WEP provision.