

# Committee on Ways and Means

## *Subcommittee on Social Security*

### Summary of Public Servant Retirement Protection Act – H.R. 4391

- Under current law, certain Federal, State, and local government employees and other employees who receive a pension based on work not subject to Social Security taxes, but who gain eligibility for Social Security worker benefits through other employment, have their benefits computed using a modified benefit formula. This modified formula is called the Windfall Elimination Provision (WEP).
- The *Public Servants Retirement Protection Act* repeals the WEP. Social Security will no longer be figured by an arbitrary formula, but will be based on each worker's actual work history so that all workers are treated fairly.
- Under the legislation, Social Security benefits would be calculated as if all the worker's earnings were subject to Social Security taxes, using the standard benefit formula. To ensure Social Security benefits are based only on Social Security wages, the benefit would be multiplied by the percent of earnings subject to Social Security taxes.
- Current retirees and workers who have non-Social Security wages in or before the year following enactment will receive the higher of either their benefit under current law or their benefit calculated under this bill.

#### Example of Benefit Computation Under WEP and H.R. 4391

In the example below, the worker had career earnings averaging \$3,300 per month and is age 62 in 2004. Half of his earnings were subject to Social Security taxes. He paid into a government employee pension plan in lieu of Social Security for the other half of his earnings.

	Worker Under WEP	Worker Under H.R. 4391
Average Wages Used to Calculate Benefits	\$1,650 (half of \$3,300)	\$3,300
Benefit Formula		
• 40% of first \$612 (WEP Benefit Formula), OR	\$244.80	
• 90% of first \$612 (Standard Benefit Formula)		\$550.80
• 32% of amount above \$612	\$332.16	\$860.16
Total Benefit	\$576	\$1,410
Percent of Wages Subject to Social Security Taxes	n/a	50%
Total Benefit Payable	\$576*	\$705 (\$1,410 x 50%)**

\* No reductions for early retirement applied.

\*\* The proportion (1/2 in the example) used to calculate benefits will vary based on the individual's work history.