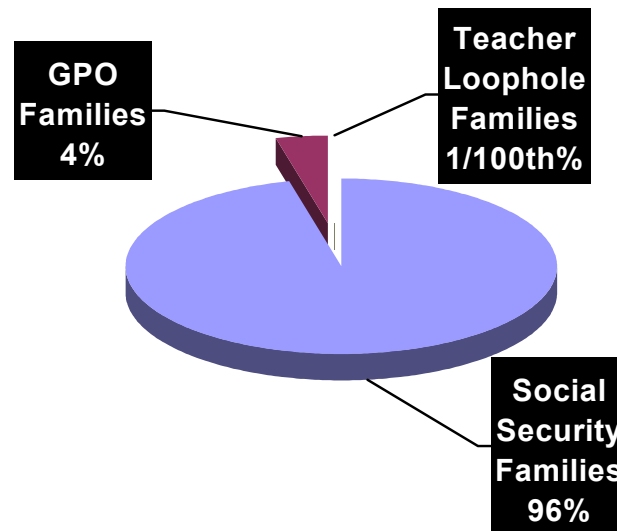


QUICK REFERENCE GUIDE

To the Government Pension Offset (GPO) & the Texas Teacher Loophole

I. WHO IS AFFECTED BY THE GPO & TEXAS TEACHER LOOPHOLE?

Very few. Here is how it breaks down for U.S. families where both spouses work:



Social Security Families – 96%

In most American working families both husband and wife contribute to Social Security through their payroll taxes. Contrary to popular perception, this includes many government workers at the local, state and federal level, including firefighters, police and Texas teachers who work in the two dozen school districts that contribute to Social Security.

GPO Families – 4%

In these families, one spouse doesn't contribute into Social Security but rather into a substitute for Social Security. Most of these workers are in retirement plans, like the Texas Teachers Retirement System, that elected many years ago to choose a substitute rather than Social Security.

Texas Teacher Loophole Families -- 1/100th of 1%

Only 24 teachers in Georgia -- and Texas teachers who do not contribute to Social Security and are under a special bifurcated system like the Teacher Retirement System -- have been able to take advantage of this 25 year-old obscure loophole, which the Social Security Administration and the General Accounting Office confirm was never intended for this purpose.

The way the “last-day exemption” works: A Texas teacher or college professor who has not contributed to Social Security can work their last day in the Teacher Retirement System at a school that participates in Social Security. Teachers can work as little as one day as a cafeteria worker or janitor, contribute \$3 into Social Security and receive an average of \$93,000 in spousal benefits over their retirement. No one else in America has a loophole. According to the U.S. General Accounting Office, this loophole is draining \$450 million from the Social Security Trust Fund and will grow if not closed.

II. HOW ARE WIDOW'S BENEFITS FIGURED FOR SOCIAL SECURITY FAMILIES VS. GPO FAMILIES (INCLUDING TEXAS TEACHERS)?

The formula is nearly the same except that GPO families, which include most Texas teachers, have a slight *advantage*.

Using the typical family where both spouses work and the husband passes away first, here is the formula for figuring widows benefits (or spousal benefits, as it is known):

Widows Benefits for Social Security Family

- *Formula:* 100% of the wife's Social Security plus her husband's Social Security minus 100% of the wife's Social Security.

Example: The wife keeps all \$800 of her monthly Social Security benefits + her husband's \$1,000 minus her \$800 = \$200. **Total: \$1,000**

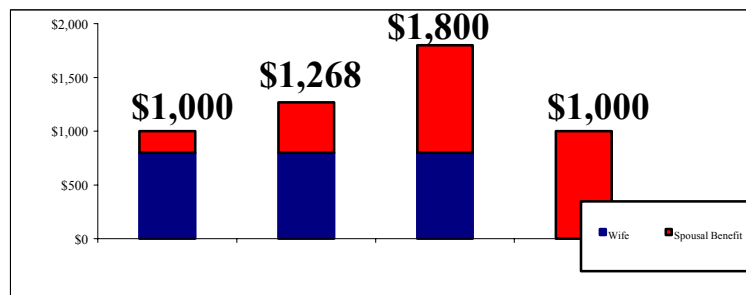
This offset is called the Dual Entitlement offset and applies to all working Social Security families in America.

Widows Benefits for GPO/Texas Teachers:

- *Formula:* 100% of the wife's benefits plus her husband's Social Security minus 2/3 of the wife's pension.

Example: The wife keeps all \$800 of her monthly retirement benefits + her husband's \$1,000 minus 2/3 of her \$800 = \$468. **Total: \$1,268**

This offset is called the Government Pension Offset (GPO) and is almost identical to the Dual Entitlement offset, except that it is more favorable for government workers and Texas teachers. The GPO is fair because it treats the government pension just like it was Social Security, which it is a substitute for.



Social Security Family (Dual Entitlement 100%) GPO Family (GPO offset 2/3) **Teacher Loophole/ GPO Repeal** Stay-at-Home

Top Two Mistakes When Describing GPO/Texas Teacher Benefits:

1. *“Compared to other married couples of retirement age, spousal benefits involving teachers are cut by two-thirds.”*

Inaccurate. While teachers who paid into the state retirement fund have their Social Security benefits reduced by two-thirds, the rest of Social Security widows have their benefits reduced *by more*, a rate of 100%. Spousal benefits are reduced for Social Security spouses just as they are for teachers and GPO spouses. Compared to other married couples of retirement age, spousal benefits involving teachers are reduced *less* than Social Security families where both spouses worked.

2. *“Other retired widowers who contributed to the Social Security system receive their own benefits or whatever their deceased spouse would receive, but not both.”*

Even the Social Security Administration makes this error. Over the years this inaccurate description evolved into the agency’s shorthand for the Dual Entitlement offset as well as the Government Pension offset. In truth, the formula that’s outlined in Section II of this e-mail applies. The Social Security Administration has now corrected its description to make it accurate for reporters and families planning their retirement.

III. HOW DOES KEEPING THE TEACHER LOOPHOLE OPEN OR REPEALING THE GPO DISCRIMINATE AGAINST OTHER WORKING FAMILIES?

Using the loophole -- or “gimmick” as Texas Federation of Teachers Association President John Cole describes it on his webpage -- allows a few teachers to avoid the offset that applies to Social Security families and other Government Pension Offset families.

Unlike 99% of the working families of America, by avoiding the dual entitlement and government pension offset, the teacher loophole formula becomes: *All of the wife’s benefits (\$800) plus all of her husband’s benefits (\$1,000). Total: \$1,800.* The same outlandish disparity occurs if the Government Pension Offset is repealed.

Comparison of Identical Families:

Husband’s benefits \$1000 monthly, wife’s \$800.

Social Security monthly widow’s benefits:	\$ 1,000
GPO monthly widow’s benefits:	\$ 1,268
Teacher Loophole monthly widow’s benefits:	\$ 1,800

Amazingly, the Texas Teacher Loophole permits a spouse who only contributed into Social Security for one day to receive much more than an identical widow who paid their whole life into Social Security.

* * *

“We can’t have two classes of families in America: those who have Social Security loopholes and those who don’t. The teacher loophole is unfair to other working families, drains hundreds of millions of dollars from the Social Security Trust Fund and deserves to be closed.”

**- U.S. Congressman Kevin Brady
Social Security Sub-committee**