

US Social Security Aspects of Working Abroad

Americans who work in a foreign country rarely focus on the long-term consequences of doing so when they accept a job abroad, although the decision can have an appreciable adverse effect on their American old-age pension from Social Security. Since 1983 the US Social Security Act was amended to «remove the advantage which the Social Security benefit formula provides for persons earning substantial pensions from non-US Social Security sources », essentially by reducing the amount of American old-age pension they can earn by application of the Windfall Elimination Provision (WEP) offset. This penalty reduces the retiree's benefit check by as much as 50% of the first segment of Social Security's 'Average Monthly Earnings' for the retiree.

Associations representing overseas Americans have raised questions before the House Social Security & Senate Finance Committees regarding the application of the offset to Americans working abroad and the fairness of such application in the absence of administrative hearings on the issue, but have not been successful in pressing these arguments. The inequity of the Windfall Elimination Provision is further dramatized by the fact that the retiree often stopped contributing to US Social Security when he left to work abroad when his Average Monthly Earnings were low (thus limiting his US pension) and receives a foreign pension for work abroad that is not commensurate with what he would have earned under US Social Security (his foreign pension will be far from 'substantial'). He or she is thus doubly penalized for taking the job abroad.

Totalization Agreements with 20 foreign countries do not adequately relieve the effect of this penalty and produce 'unintended consequences'. Experience under the Totalization Agreement of one country reveals that in order to avoid the WEP by totalizing US work credits with foreign ones, the American worker has to forfeit rights under the foreign social security system by taking 'early retirement' before Normal Retirement Age. This requirement runs counter to policies of both foreign countries and the USA, embodied in the 2000 Seniors Right to Work Act, which encourages older workers to remain on the job after Normal Retirement Age. It also requires them to make a shrewd calculation as to when to retire so as to avoid the greater loss under one system or the other.

AARO, FAWCO and ACA have joined a Washington lobbying alliance called CARE (for Coalition Assuring Retirement Equity) dedicated to repeal of the WEP and representing many employee associations. The "Social Security Fairness Act of 2007" (H.R. 82 and S. 206) seeks to address many of the inequities caused by the WEP, and we join with other CARE organizations in urging Congress to support this measure.

