



U.S. Social Security Aspects of Working Abroad

Americans who go to 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 U.S. old-age pension from Social Security. Since 1983, when the U.S. Social Security Act was amended to “remove the advantage which the Social Security benefit formula provides for persons earning substantial pensions from non-U.S. Social Security sources”, the Social Security Administration has been authorized to apply the Windfall Elimination Provision’s (WEP) offset to American’s U.S. old-age pension. This penalty reduces the retiree’s benefit check by as much as 50% of the first tier of Social Security’s “Average Monthly Earnings” for the retiree.

Our coalition of Associations representing overseas Americans have raised questions before the House Social Security & Senate Finance Committees regarding the appropriateness of the WEP offset as applied to Americans working abroad, and the fairness of such application in the absence of administrative hearings on the issue. Our arguments have not been successful. In addition, the Windfall Elimination Provision is inequitable for the retiree who stopped contributing to U.S. Social Security when he left to work abroad (when his Average Monthly Earnings were low, thus limiting his U.S. pension) and receives a foreign pension for work abroad that is not commensurate with what he would have earned under U.S. Social Security (his foreign pension often being far from “substantial”). He or she is thus doubly penalized for taking the job abroad.

UNINTENDED CONSEQUENCES

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 U.S. 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 the Washington lobbying alliance CARE (for Coalition Assuring Retirement Equity) which representing many employee associations and is dedicated to repeal the WEP. The “Social Security Fairness Act of 2009” (H.R. 235 and S. 484) seeks to address the inequities caused by the WEP, and we join with other CARE organizations in urging Congress to support this measure.



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