

National Conference of State Legislatures (NCSL)
American Federation of State County and Municipal Employees (AFSCME)
National Association of Counties (NACo)
American Federation of Teachers (AFT)
National League of Cities (NLC)
International City/County Management Association (ICMA)
Fraternal Order of Police (FOP)
National Association of State Treasurers (NAST)
National Association of Government Employees (NAGE)
National Association of State Auditors Comptrollers and Treasurers (NASACT)
National Association of State Retirement Administrators (NASRA)
National Association of Police Organizations (NAPO)
Government Finance Officers Association (GFOA)
Communications Workers of America (CWA)
International Public Management Association for Human Resources (IPMA-HR)

October 23, 2003

The Honorable Charles E. Grassley
Chairman
Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Grassley:

The national organizations listed above—representing state and local governments, public employee unions, public retirement systems, and millions of public employees, retirees, and beneficiaries—are writing to urge your reconsideration of two provisions of **HR 743, The Social Security Program Protection Act of 2003**, as passed by the Senate Finance Committee. Our associations appreciate your continued interest in proposals that assist State and local government retirement systems, state and local governments and their employees and retirees.

Section 210 of the Senate version of HR 743 is extremely problematic and raises substantial concerns for State and local governments, their retirement systems and millions of retirees. This provision would require State and local government pension paying entities to indicate on a modified form 1099R whether a retiree's pension is based in whole or in part on earnings not covered by Social Security. This federal payroll tax-related data is not pertinent to state or local retirement benefits and is not currently collected by these pension systems. Such reporting would likely do too little too late to assist the Social Security Administration in better estimating potential offsets to Social Security benefits of governmental employees' and would only exacerbate the current problem of the Social Security Administration providing inaccurate benefit statements to employees and informing retirees after-the-fact that they are subject to such offsets.

Information on earnings that have or have not been subject to Social Security taxation is already provided to the Internal Revenue Service by public employers, as is information on whether the employee is covered by an employer pension plan. Pension paying entities, on the other hand, generally do not have payroll tax information on employees working in the many, in some cases thousands, of agencies and jurisdictions covered by the retirement system. Requiring state and local government pension systems to undergo potentially substantial and costly data collection efforts for information that has already been provided to the federal government (and may be impossible for a pension plan to retroactively collect on retirees that have been out of the workforce for years) is extremely unreasonable and unnecessary. It does nothing to assist the SSA in providing more accurate advanced notice to public employees of their estimated benefits under Social Security. **We therefore strongly urge the removal of Section 210 from the legislation.**

Similarly, we are opposed to the inclusion of Section 416 of the Senate version of HR 743. This provision would extend to all states the authority to operate a divided retirement system for Social Security coverage. Under this system, a referendum could be held whereby existing employees may individually choose whether they want Social Security coverage, provided that all newly hired employees are required to participate in Social Security. Under current law, 21 states are allowed to operate a divided retirement system. The House version of HR 743 extends this authority only to the state of Kentucky, which has repeatedly requested the option to operate a divided retirement system. States and localities have routinely expressed opposition to mandatory Social Security coverage and are concerned that the extension of this authority to all states could have a destabilizing effect on state and local pension systems. **We urge you to remove the language from the Senate version of the bill and allow the House language to prevail in conference so that the state of Kentucky can move forward with its efforts to harmonize its retirement systems.**

If you have any questions or need additional information, please contact our legislative representatives:

Chris Allen, NAST, (202) 624-8595
Neil Bomberg, NACo, (202) 942-4205
Cornelia Chebinou, NASACT, (202) 624-5451
Tina Ott Chiapetta, IPMA, (703) 549-7100
Bill Cunningham, AFT, (202) 393-6301
Lucian Deaton, NAPO, (202) 842-4420
Susan Gaffney, GFOA, (202) 393-8020
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Molly Singer, ICMA, (202) 962-3629
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October 23, 2003

The Honorable Max Baucus
Ranking Member
Senate Committee on Finance
United States Senate
Washington, D.C. 20510

Dear Senator Baucus:

The national organizations listed above—representing state and local governments, public employee unions, public retirement systems, and millions of public employees, retirees, and beneficiaries—are writing to urge your reconsideration of two provisions of **HR 743, The Social Security Program Protection Act of 2003**, as passed by the Senate Finance Committee. Our associations appreciate your continued interest in proposals that assist State and local government retirement systems, state and local governments and their employees and retirees.

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