



Social Security Offsets: Frequently Asked Questions

I. General Impact

What is the Government Pension Offset (GPO)?

The GPO reduces a Social Security survivor benefit. A survivor benefit is paid to the spouse and minor children of a Social Security-eligible worker who has died.

What is the Windfall Elimination Provision (WEP)?

The WEP reduces the Social Security benefit for retired and disabled workers receiving pensions from non-SS-covered employment.

Whom does the GPO affect?

The GPO affects persons who:

- (1) Work(ed) for a state or local government in non-SS-covered employment;
- (2) Are entitled to a government pension from that employment. (The Social Security Administration [SSA] deems you to be "entitled to a pension" when you file an application for the pension and a benefit is payable); and
- (3) Are entitled to a Social Security survivor/dependent benefit.

Whom does the WEP affect?

The WEP affects persons who:

- (1) Work(ed) for a state or local government in non-SS-covered employment;
- (2) Are entitled to a government pension from that employment; and
- (3) Are also entitled to a Social Security retirement or disability benefit from SS-covered work.

How does the GPO work?

The GPO reduces Social Security survivor/dependent benefits by two-thirds of the person's public pension. It can cause a total loss of Social Security benefits.

How does the WEP work?

The WEP reduces the factor by which average earnings are multiplied to determine Social Security benefits. The amount of reduction depends on when the person retires and how many years of earnings he or she has accumulated. The reduction may be no more than one-half of the government pension to which the person is entitled in the initial month of entitlement to the pension. For 2010, the maximum reduction is \$380 a month.

Key Terms:

Non-SS-covered employment:

Work for a state or local government that is not covered by Social Security.

SS-covered employment:

Work that is covered by Social Security.

Government pension:

A retirement benefit from non-SS-covered employment for a state or local government. Does not include a Social Security retirement or disability benefit; payment from an optional savings plan such as a 403(b) or 457 plan; early incentive retirement payment; or survivor annuity from a spouse's government pension.



II. Avoiding The Offsets

What are the exceptions to the GPO?

The GPO does not apply for persons who:

- Work the last five years of a state or local government job in a position covered both by Social Security and the same government pension as the non-SS-covered position;
- Receive a government pension from state or local government employment that is not based on their own earnings (such as a survivor's annuity from a deceased spouse);
- Were eligible for a dependent/survivor benefit before December 1, 1977;
- Were eligible to receive a government pension from non-SS-covered employment before December 1, 1982, and met the requirements for a dependent/survivor benefit in effect in January 1977; or
- Receive a government pension from non-SS-covered military reserve service.

What are the exceptions to WEP?

The WEP does not apply for persons who:

- Have 30 or more years of coverage under Social Security. Those with 21 to 29 years of coverage are eligible for a partial exemption; or
- Have a government pension from non-SS-covered military reserve service.

Do the offsets apply if one retires from non-SS-covered employment, draws the government pension, and then works in SS-covered employment?

Yes. The trigger is receipt of the pension from non-SS-covered employment.

Do the offsets apply if a government pension from non-SS-covered employment is taken as a lump sum?

Yes. For purposes of the GPO, SSA will determine how much the government pension would be if paid monthly and then reduce the monthly survivor/dependent benefit accordingly. For purposes of the WEP, the pension-paying agency will usually prorate the lump sum to determine a monthly amount. If it does not, SSA has a method for determining the amount.

Does the WEP apply if one moves from non-SS-covered employment to SS-covered employment?

Yes, unless one forfeits the right to the government pension from the non-SS-covered employment (by withdrawing contributions and interest before becoming eligible to receive such a pension.) The trigger is whether the person is eligible for the pension from the non-SS-covered work.

III. Impact On Other Benefits

Does the WEP affect the Social Security survivor benefit to which a spouse and minor children are entitled if a wage earner dies?

No. If an individual subject to the WEP dies and has one or more survivors entitled to a benefit, the SSA recomputes the amount in a manner that eliminates the WEP and results in a higher benefit.

Do the offsets impact Medicare?

No. Those affected by the offsets are still eligible for Medicare.



IV. Policy Questions

Why did Congress enact the GPO?

In 1977, Congress revisited the Social Security Act and looked at many issues, including the dual entitlement rule, which forbids an individual from receiving both a Social Security benefit from his/her own work and a Social Security dependent/survivor benefit. Congress decided that someone with both a government pension and a survivor/dependent benefit violates the dual entitlement rule. It reached that conclusion by equating the government pension with a Social Security retirement benefit. Congress could have just as easily determined that the government pension is analogous to a pension from a private sector employment or SS-covered work for a state or local government, in which case no dual entitlement would arise. It chose not to do so, however.

Why is the GPO an unfair policy?

When it enacted the GPO, Congress forgot that the original purpose of the dependent/survivor benefit was to provide additional income to help a financially dependent husband or wife once the breadwinner retires, is disabled, or dies. By reducing the dependent/survivor benefit, the GPO harms the financially dependent spouse. Those most likely affected by the GPO are women who spend most of their lives raising their families and who work outside the home for only a short period of time. The GPO has a harsh effect and undermines the original purpose of the Social Security dependent/survivor benefit.

Why did Congress enact the WEP?

SSA uses a formula for computing Social Security benefits that provides individuals with low average

lifetime wages a proportionally higher rate of return on their contributions to Social Security than individuals with relatively high average lifetime wages. Those who have spent most of their careers in non-SS-covered employment with a state or local government and a minimal amount of time in SS-covered employment will appear to SSA as lower-paid workers. Congress enacted the WEP in the belief that one should not receive a Social Security benefit as a low-paid worker, plus receive a government pension from non-SS-covered employment.

Why is the WEP an unfair policy?

The WEP causes public employees outside the Social Security system, such as educators, to lose a significant share of their Social Security benefit. It fails to account for the severe effect of the WEP on low-wage state or local government employees. The WEP also affects the teaching profession as a whole. Some individuals in SS-covered employment may wish to make a career change and go into teaching. If the teachers in their state are impacted by the WEP, those individuals will be less likely to make the change.

Why do the offsets only affect educators in 15 states?

In the 1960s, state and local employees were given the opportunity to elect to participate in the Social Security system. Public sector employees in 36 states opted to enroll in Social Security in the 1960s and 1970s. The remaining states (or local governments in some states) chose instead to maintain and enhance their existing retirement systems. Since public employees in these states don't pay into Social Security, they are affected by the offsets.



Why should educators in other states care?

Although the offsets only affect educators who have worked in one of the impacted states, the mobile population assures that there are impacted individuals everywhere. The offsets limit choices for educators who might be unable or unwilling to relocate to an impacted state. Most importantly, the offsets represent unfair public policy that is harming education colleagues and the entire profession.

What can be done to address the offsets?

Addressing the offsets requires congressional action. NEA seeks total repeal of both the GPO and WEP and supports legislation to this end. The Social Security Fairness Act would completely repeal the offsets.

Would repeal of the offsets threaten existing retirement systems?

NEA strongly opposes any proposal to mandate Social Security coverage for currently non-covered employees. It is possible that Congress could consider both repeal of the offsets and other Social Security reform issues, including mandatory coverage or privatization, at the same time.

What are the arguments on the other side?

Some of those who oppose repeal of the GPO and WEP cite cost as a factor. Others believe that allowing a person to receive both a full government pension and Social Security survivor/dependent or earned benefits would constitute "double dipping." NEA believes such a scenario should be treated no differently than receipt of a private pension and Social Security benefit. NEA also believes that "double dipping" is not an appropriate characterization when an individual has worked two jobs and earned two benefits.