

Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions

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September 2016

Office of Audit Report Summary

Objective

To review the Social Security Administration's (SSA) Windfall Elimination Provision (WEP) and Government Pension Offset (GPO) processes as they applied to Federal pensions.

Background

The *Social Security Act* includes two provisions that reduce Social Security monthly benefits paid to individuals who receive a pension based on Federal, State, or local government employment not covered by Social Security. WEP eliminates “windfall” Social Security benefits for retired and disabled workers receiving pensions from employment not covered by Social Security. Under WEP, SSA uses a modified benefit formula to determine a wage earner’s monthly Social Security benefit. GPO reduces monthly Social Security benefits for spouses, divorced spouses, and surviving spouses who receive a pension based on their own work for a Federal, State, or local government that was not covered by Social Security. The GPO reduction is generally equal to two-thirds of the government pension.

Findings

SSA needs to improve its controls to ensure WEP is timely and accurately applied for Federal pensions. We determined WEP should have been applied to 14 of the 250 beneficiaries sampled. We did not identify any beneficiaries for whom GPO should have been applied. Although SSA was aware these 14 beneficiaries had a government pension, the Agency did not reduce their benefit payments for WEP. The 14 beneficiaries received about \$372,000 in overpayments. Based on our sample results, we estimate SSA overpaid about \$129 million in Old-Age, Survivors and Disability Insurance benefits to about 4,900 beneficiaries.

Because of its administrative finality policies, SSA may not correct all payment errors we identified. If it does not take corrective action, we estimate the Agency will pay an additional \$48 million in future payments to these beneficiaries.

Recommendations

We recommend SSA:

1. Complete the WEP and administrative finality determinations for the remaining nine beneficiaries identified during this review and collect overpayments, if applicable.
2. Send a reminder to staff to take the appropriate action on reported pension information.
3. Finalize changes to its administrative finality policy regarding whether the Agency should continue to pay prospective benefits even where administrative finality currently prohibits reopening the determination.

SSA agreed with our recommendations.