

Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) accurately adjusted disabled wage earners' benefits when they reached full retirement age (FRA).

Background

The *Social Security Act* contains two provisions that affect the calculation of monthly benefits for individuals who are entitled to both retirement and disability benefits before FRA.

The first provision allows a disabled beneficiary to elect a reduced retirement benefit at age 62 to avoid workers' compensation or public disability benefits offset. In these instances, the beneficiary is simultaneously entitled to disability and reduced retirement benefits.

When the beneficiary attains FRA, the benefit reduction must be eliminated for any months of simultaneous entitlement to disability benefits.

The second provision concerns individuals who elect reduced retirement benefits before they become entitled to disability benefits. In these instances, the disability benefit must be reduced for the months the individual was entitled to reduced retirement benefits.

Our Findings

SSA did not always properly adjust the benefits of disabled wage earners at FRA. We estimate:

- SSA improperly paid about \$8.2 million to 652 beneficiaries who had previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset.
- SSA improperly paid about \$1.4 million to 1,345 beneficiaries because it did not correctly adjust their disability benefits to account for the months they received reduced retirement benefits before FRA.

These payment errors occurred because SSA did not (1) establish manual diaries to ensure it increased monthly benefit amounts at FRA, (2) take appropriate action on the diaries when they matured, or (3) account for prior entitlement to reduced retirement benefits.

Our Recommendations

We recommend that SSA:

1. Take appropriate action to pay underpayments and establish overpayments for the 53 beneficiaries identified by our audit.
2. Review and take appropriate action for the remaining population of 969 beneficiaries who were simultaneously entitled to retirement and disability benefits while eligible for workers' compensation or public disability benefits.
3. Improve controls to ensure reduction factors are properly adjusted upon entitlement to disability benefits and at FRA. For example, generate an alert at FRA for beneficiaries who were simultaneously entitled to retirement and disability benefits but elected to receive reduced retirement benefits.
4. Remind employees to ensure reduction factors are properly adjusted upon entitlement to disability benefits and at FRA.

SSA generally agreed with our recommendations.