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United States General Accounting Office

GAO

Report to the Honorable William D. Ford, Chairman, Committee on Post Office and Civil Service, House of Representatives

April 1988

FEDERAL WORKFORCE

Effects of Public Pension Offset on Social Security Benefits of Federal Retirees

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United States
General Accounting Office
Washington, D.C. 20548

General Government Division

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April 27, 1988

The Honorable William D. Ford
Chairman, Committee on Post Office
and Civil Service
House of Representatives

Dear Mr. Chairman:

This report responds to your request for an analysis of the impact of the public pension offset provisions of the Social Security Act on federal retirees. Specifically, we were asked to develop information on the number of federal retirees subject to the offset, including their gender, their Civil Service pension and Social Security benefit amounts, and the amounts by which their Social Security benefits were reduced because of the offset. Additionally, we were asked to describe how Social Security benefits are determined when both spouses have worked solely under Social Security covered employment (dual entitlement).

Background

Individuals are eligible for Social Security benefits if they meet the age and length-of-service requirements in employment covered by the program. The amount of the benefit, called a worker's benefit, is calculated using the individual's earnings during the covered employment. Spouses and surviving spouses of covered workers may also receive Social Security benefits even if they did not have covered earnings. A spouse receives the greater of any benefits earned from his/her own covered employment or one-half the benefit amounts received by his/her spouse. When either spouse dies, the survivor receives the greater of the benefit amounts each had previously received.

The public pension offset provision was enacted by the Social Security Amendments of 1977. The provision applies to federal, state, and local government retirees who were not covered by Social Security during their government employment, but become eligible for Social Security benefits as the spouse or surviving spouse of a Social Security recipient.[1]

[1]Federal civilian employees hired before January 1, 1984, were covered by the Civil Service Retirement System or one of the several other retirement systems for specific groups of federal employees. As a rule, these retirement systems did not include Social Security coverage. The Social Security Amendments of 1983 required that all federal civilian employees hired after December 31, 1983, former employees returning to federal employment after a break in service of 1 year or more, and elected and politically appointed office holders would be covered by Social Security. In most cases, these employees are under the new Federal Employees Retirement System. Retirement programs for employees of 43 state goverments also provide Social Security coverage. Information on Social Security coverage of local government employees was not readily available.

In enacting the offset provision, Congress wanted to prevent the spouses of Social Security recipients from receiving a full spousal benefit in addition to a pension from their own work in government employment not covered by Social Security. The offset provision requires a spousal (or survivor) Social Security benefit to be reduced by $2 for every $3 of public pension received. The offset does not apply to any Social Security benefits the government retiree earned from his or her own covered employment. For example, a spouse who is entitled to a worker's benefit from his/her own covered employment would not have the benefit reduced if he/she also receives a public pension.

Results in Brief

As of January 1988, the offset provision was being applied to 104,608 retired government employees, 74 percent of whom were men. About 69,000 were federal retirees, 79 percent of whom were men. These federal retirees' average monthly Civil Service annuity was $1,412. Social Security spousal or survivor benefits for most of the federal retirees (95 percent) were completely eliminated by the offset provision. On the average, their Social Security benefits would have been $178 a month if the offset had not been applied.

Objective, Scope, and Methodology

To identify federal retirees affected by the offset provisions and their benefit levels, we matched annuitant tapes obtained from the Office of Personnel Management (OPM) with beneficiary tapes obtained from the Social Security Administration (SSA). We interviewed officials at those agencies and reviewed applicable procedures to get an understanding of how the public pension offset and Social Security spousal and survivor benefits are determined. SSA officials cautioned that their data only reflected instances where retirees were entitled to and applied for Social Security benefits. They said they could not estimate how many retirees were eligible but did not apply because the retirees knew their Social Security benefits would be eliminated by the offset.

We discussed this report with SSA officials and they agreed with our explanations of the provisions of the law and our methodology and said they too believed the public pension offsets would usually eliminate spousal or survivor benefits. We did our work between October 1987 and March 1988 in accordance with generally accepted government auditing standards except that we did not verify the data provided by SSA and OPM. (See app. I for more details on our methodology.)

Retirees Subject to the Public Pension Offset

Data maintained by SSA in its master beneficiary record dated January 1988 showed that 104,608 retired federal, state, and local government employees were having their benefits subjected to the public pension offset provisions. A total of 77,253, or 74 percent, were men, and 27,355, or 26 percent, were women. Ninety-two percent of these retirees had their Social Security spousal or survivor benefits totally offset, while the remaining 8 percent received a partial Social Security spousal or survivor benefit.

Of the 104,608 retired government employees to whom the public pension offset was being applied, SSA records did not contain Social Security numbers for 7,695 individuals. Consequently, we could match only 96,913 of the retirees to OPM's data base to see if they were federal Civil Service retirees. Table 1 shows that most of the 96,913 retirees were federal retirees and were men.

Table 1: Retirees Subject to the Public Pension Offset Provisions

Public retirees	Men	Women	Totals
Federal	54,794	14,267	69,061
State and local[a]	16,852	11,000	27,852
Totals	**71,646**	**25,267**	**96,913**

[a]For purposes of our review, we assumed these individuals were state and local government retirees since they were not Civil Service retirees. However, some could have been retirees from other, smaller federal retirement systems such as the Foreign Service Retirement System.

Impact on Federal Retirees

We found that 95 percent of the federal retirees had their Social Security spousal or survivor benefits totally eliminated by the offset. Table 2 provides information on the gender and degree of offset (total elimination or partial reduction) for federal retirees affected by the offset provision.

Table 2: Federal Retirees Impacted by the Public Pension Offset Provision

Federal retirees	Total elimination	Partial reduction	Total	Percent
Men	54,630	164	54,794	79
Women	11,313	2,954	14,267	21
Totals	**65,943**	**3,118**	**69,061**	**100**

Average Civil Service Annuity for Federal Retirees Subject to the Offset

OPM's data showed that, in October 1987, approximately 1.5 million retirees (71 percent men) were receiving Civil Service retirement benefits averaging $1,133.25 a month. The average monthly Civil Service annuity for the 69,061 federal retirees to whom the offset was being applied was $1,412.45. Table 3 shows the average monthly Civil Service annuity for federal retirees by gender.

Table 3: Average Monthly Civil Service Annuity for Federal Retirees by Gender

	Average monthly annuity		
Category	Men	Women	Overall average
Subject to offset	$1,613.52	$640.18	$1,412.45
Not subject to offset	1,253.11	813.49	1,120.15

Average Monthly Social Security Benefit Subject to the Offset Provision

The average Social Security spousal or survivor benefit for federal retirees subject to the offset provision was $190.20 a month. Table 4 provides the average monthly Social Security benefit amount subject to offset by gender.

Table 4: Average Monthly Social Security Benefit Prior to Offset

Gender	No. of retirees	Average Social Security benefits prior to offset
Men	54,794	$172.70
Women	14,267	257.50

Average Monthly Social Security Benefit Actually Offset

Table 5 shows the gender and the average monthly Social Security benefit amount actually eliminated or reduced for the 69,061 federal retirees impacted by the public pension offset provisions. In 65,943 cases, the average monthly benefit of $177.70 was completely eliminated.

Table 5: Average Monthly Social Security Benefit Amounts Eliminated or Reduced

	Benefits eliminated		Benefits reduced	
Gender	No. of retirees	Average monthly benefits	No. of retirees	Average monthly benefit reduction
Men	54,630	$171.40	164	$461.80
Women	11,313	207.90	2,954	223.20

Effect of Dual Entitlement Provisions on Dual-Income Couples

As provided by the Social Security Amendments of 1939, a person who is entitled to both a worker's and a spousal or survivor benefit cannot receive both benefits in full but gets the worker's benefit plus the amount, if any, by which the spousal or survivor benefit exceeds the worker's benefit. The dual entitlement provision has the overall effect of providing the beneficiary with an amount equal to the higher of the two Social Security benefits.

Table 6 gives an example of how benefits for dual-income couples are affected.

Table 6: Illustration of Monthly Benefits for Dual-Income Couples

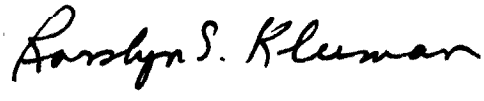
	Monthly benefits as		
Spouse	**Worker**	**Spouse**	**Amount paid**
Husband	$642	$129	$642
Wife	258	321	321

In this illustration, the husband receives his worker's benefit of $642, and the wife receives her worker's benefit of $258 plus an additional $63 to bring her total benefit to one-half the husband's benefit amount. (See p. 1 for details of how these benefits are determined.) The wife would have received the same amount as a spousal benefit without ever having worked in covered employment.

If the wife dies first, the husband continues to receive his worker's benefit. If the husband dies first, the wife's benefit is increased to the husband's benefit amount.

As arranged with your office, we are sending copies of this report to the Director, OPM; the Commissioner, SSA; and will make it available to others upon request. If you have any questions, please contact me on 275-6204.

Sincerely yours,



Rosslyn S. Kleeman
Senior Associate Director

Additional Details on Our Methodology

In doing our review, we interviewed OPM and SSA officials to obtain an understanding of the data bases needed to generate the statistical information to answer the request. We obtained the Civil Service pension data base from OPM, and SSA provided a tape of its master beneficiary record (MBR). Among other things, the MBR contains data on spousal benefit entitlement, as well as public pension receipt (if provided by the individual retiree). We created four data bases as follows:

- A file of persons eligible for Social Security spousal or survivor benefits who also received public pensions. This included federal as well as state and local retirees.
- A file of recipients of Social Security spousal or survivor benefits who also received Civil Service pensions.
- A file of persons eligible for Social Security spousal or survivor benefits who received a public pension other than Civil Service.
- A file of Civil Service pension recipients who were not eligible for Social Security spousal or survivor benefits.

We used the MBR tape of all active cases as of January 1988 where entitlement to a spousal or survivor benefit had been determined and a pension offset requirement existed. We matched this information by beneficiary Social Security number to the October 1987 OPM file of all active Civil Service pension recipients. We did not verify the completeness and accuracy of the data provided by OPM and SSA.

In addressing the question about the dual entitlement provisions, we interviewed SSA officials and reviewed applicable SSA regulations.

Data Limitations

Statistical data provided by SSA only reflected those federal, state, and local government retirees who were entitled to and applied for Social Security spousal or survivor benefits. SSA officials said they were unable to estimate the number of federal retirees entitled to Social Security benefits as spouses but who did not apply. SSA officials said that some government retirees do not apply for such benefits because they know the public pension offset would eliminate any benefits to which they otherwise would have been entitled.

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