



"Why Are My Social Security Dependent Benefits Reduced?" The Government Pension Offset: Q & A

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Members of the General Assembly periodically receive questions from constituents who have been told their Social Security dependent benefits are being reduced because they receive an Ohio public employees' pension. For example, a former state or local government employee expected to receive Social Security dependent benefits following the death of the spouse, but has been told the benefits are substantially reduced or eliminated because of the state pension. The reduction is the result of a federal Social Security law known as the Government Pension Offset.

1. What is the Government Pension Offset and who is affected by it?

The Government Pension Offset (GPO) is a reduction in the Social Security dependent benefits paid to the spouse (including the surviving spouse or, in certain circumstances, divorced spouse) of a Social Security contributor. It applies to a spouse who also receives a federal, state, or local government pension based on the spouse's own earnings for which no Social Security taxes were paid. In Ohio, the GPO affects a former state or local government employee who receives a pension¹ from a state retirement system and is eligible for a Social Security dependent benefit.²

The GPO reduces the Social Security dependent benefits the spouse is eligible to receive by $\frac{2}{3}$ of the amount of the spouse's government pension.³

2. Why are Ohio public employees subject to the GPO?

Retired Ohio public employees are subject to the GPO because they did not pay Social Security taxes on their earnings from government service. Since Ohio's state retirement system members and their employers do not contribute to Social Security, members do not receive Social Security benefits for employment covered under a state retirement system.

Social Security provides "dependent" benefits to the spouse of a person who contributed to Social Security. Dependent benefits were established in the 1930s to provide for those who stayed home to raise families and were financially dependent. A dependent benefits recipient need not have contributed to Social Security to be eligible for those benefits. However, the Social Security Act has consistently required that dependent benefits be offset by any Social Security old age benefit the recipient earned by reason of the recipient's own employment. This is the "dual-entitlement" restriction. With very few exceptions, a person cannot simultaneously receive an old age insurance benefit and a dependent or disability benefit from Social Security.⁴

Initially, the dual-entitlement restriction applied only to recipients eligible for two Social Security benefits – their own old age pension and a dependent benefit. In 1977, Congress created the GPO to reduce the Social Security benefit of a spouse who is receiving a government pension. Through the GPO, the dual-entitlement restriction is applied to a recipient of Social Security dependent benefits who also receives a pension for government service that is not subject to Social Security taxes.⁵ Thus, a person who receives a Social Security old age pension and a person who receives an Ohio state pension are treated similarly with respect to calculating their Social Security dependent benefits.

The states in which most government employees do not contribute to Social Security for their government service and are therefore subject to the GPO are Ohio, Alaska, Colorado, Louisiana, Maine, Massachusetts, and Nevada.⁶

3. Can Ohio do anything to change or eliminate the GPO?

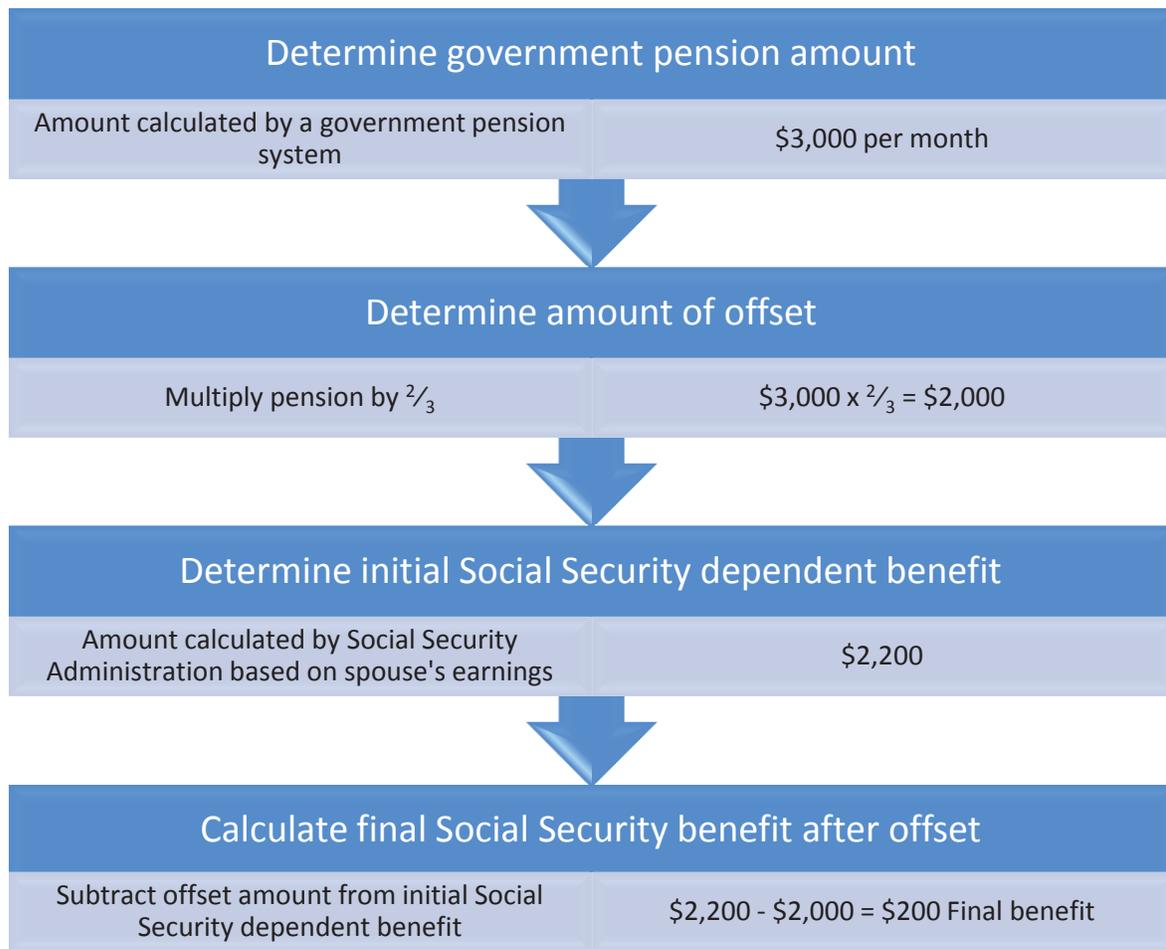
No. The GPO was enacted by Congress as an amendment to the federal Social Security Act. Any change to the GPO would have to be similarly enacted at the federal level. The Ohio General Assembly has no authority to revise or eliminate the GPO.

4. Does the GPO reduce a worker's own Social Security old age benefit?

No, the GPO reduces only Social Security *dependent* benefits, not the Social Security benefits a person receives based on the person's own work. However, another offset provision, the Windfall Elimination Provision (WEP), may reduce the Social Security old age benefits a person receives based on the person's own work, if the person also receives a government pension for service that was not subject to Social Security taxes. For more information on the WEP, please see the *Members Only* brief "Why is my Social Security Reduced? The Windfall Elimination Provision: Q & A," available online at www.lsc.ohio.gov (click on "Members Only Briefs").

5. How much will the Social Security dependent benefit be reduced by the GPO?

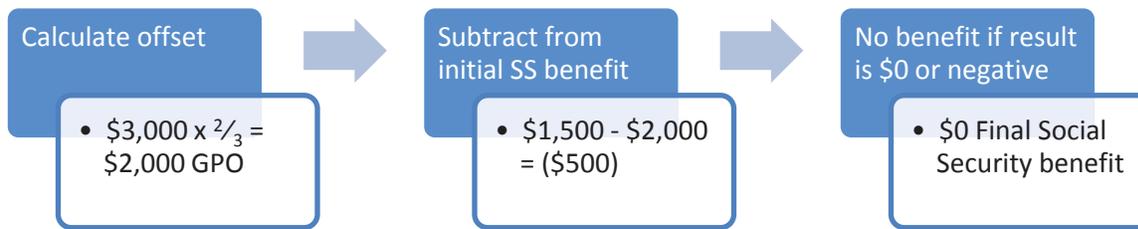
The GPO reduces Social Security dependent benefits by $\frac{2}{3}$ of the recipient's own state government pension. For example, if a retired member of the Public Employees Retirement System (PERS) was receiving a monthly PERS pension of \$3,000, any Social Security dependent benefit would be reduced by $\frac{2}{3}$ of \$3,000, or \$2,000. If the monthly dependent benefit was \$2,200, after the GPO it would be \$200. The following graphic illustrates this.



6. Can an entire Social Security dependent benefit be eliminated by the GPO?

Yes. If $\frac{2}{3}$ of the government pension equals or exceeds the amount of the Social Security dependent benefit, the entire Social Security dependent benefit will be offset and no Social Security dependent benefit will be paid.⁷

The following graphic demonstrates that a person who receives a government pension of \$3,000 per month and is generally entitled to a Social Security dependent benefit of \$1,500 would have the entire Social Security benefit offset, because the Social Security dependent benefit is less than $\frac{2}{3}$ of the person's government pension.



7. If a person receives a Social Security old age benefit based on the person's own work, will the GPO reduce survivor benefits from the state retirement system?

No. The GPO reduces only *Social Security* dependent benefits, not survivor benefits received from another source. A person receiving a Social Security old age benefit based on the person's own work history is not receiving *dependent* Social Security benefits. If that person becomes eligible for survivor benefits from a state retirement system, the old age benefit is unchanged. And, because the GPO applies only to offset Social Security dependent benefits, the person would receive the full survivor benefit from the state retirement system.

The following graphic demonstrates the final Social Security and survivor benefits of a person who receives a \$1,500 monthly Social Security old age benefit based on the person's own work history and a \$2,000 survivor benefit from a state retirement system.



8. If someone has left government employment, will the GPO still apply?

Potentially. The GPO does not apply to a former state retirement system member who terminated employment and received a refund of contributions to the retirement system, as long as the refund consisted only of the former member's contributions (and interest on those contributions) and the former member forfeited all rights to future retirement or disability benefits. The GPO will apply if the refund included any employer contributions.⁸

In Ohio, laws governing PERS and the State Teachers Retirement System provide for "enhanced" refunds under which members who terminate employment with at least five years of service credit may receive a refund that includes an amount from employer trust funds in addition to employee contributions and interest.⁹ It appears that an enhanced refund would cause the GPO to be applied even though the refund would make the former government employee ineligible for a state pension.

9. Who can a person contact to determine how this might affect the person's benefits?

Social Security information, including information about the GPO, is available online at www.socialsecurity.gov. A brochure that answers questions about the GPO is available at <https://www.ssa.gov/pubs/EN-05-10007.pdf>. Automated services are available by telephone, 24 hours a day, 7 days a week at 1-800-772-1213. The TTY number for people who are deaf or hard of hearing is 1-800-325-0778. Personal service is available through those telephone numbers from 7 a.m. to 7 p.m., Monday through Friday.¹⁰ 

Endnotes

¹ The GPO also applies to the recipient of a disability benefit from a government retirement system. "Government Pension Offset," Social Security Administration Pub. No. 05-10007, July 2015, <https://www.ssa.gov/pubs/EN-05-10007.pdf>.

² Ohio's state retirement systems are the Ohio Police & Fire Pension Fund, Public Employees Retirement System, School Employees Retirement System, State Highway Patrol Retirement System, and State Teachers Retirement System. Cincinnati has its own retirement system, and employees who are members of that system also are subject to the GPO. This brief focuses on state retirement system members.

³ Barbara D. Bovbjerg, U.S. Government Accountability Office, "Social Security: Issues Regarding the Coverage of Public Employees," GAO-08-248T (November 6, 2007). <https://www.gao.gov/assets/120/118512.pdf>.

⁴ Generally, a survivor will receive only the larger of the benefits (42 United States Code (U.S.C.) 402(k)(1), (2), (3), and (4)).

⁵ Social Security Amendments of 1977 (42 U.S.C. 402(k)(5)).

⁶ National Association of State Retirement Administrators, *Social Security Coverage*, <http://www.nasra.org/socialsecurity>.

⁷ "Government Pension Offset"; and Social Security Administration, "GN 02608.100: Government Pension Offset (GPO) Provision," Program Operations Manual System (POMS), effective June 21, 2016, <https://secure.ssa.gov/apps10/poms.nsf/lnx/0202608100>.

⁸ "GN 02608.400: Determining Pension Applicability and Pension Amount."

⁹ R.C. 145.041 and 3307.563.

¹⁰ "Government Pension Offset."

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