



Windfall Elimination Provision (WEP) and Government Pension Offset (GPO)

Ohio Retirement Study Council

February 8, 2024

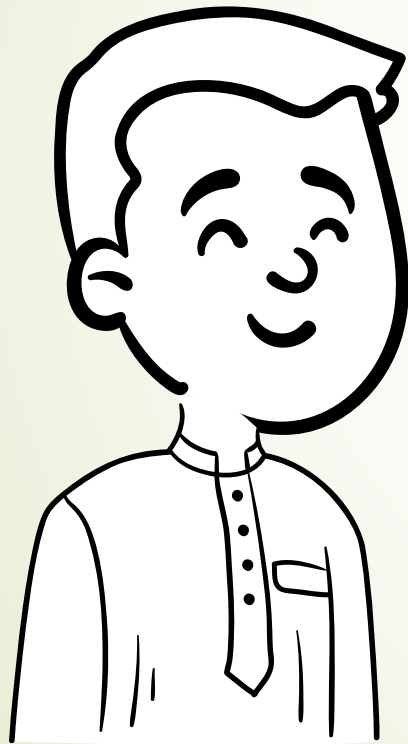


Social Security and State Retirement Systems

- ▶ Social Security did not initially cover state and local government employees.
- ▶ 99% of Ohio's state and local government employees do not contribute to Social Security or receive Social Security credit for their state and local employment.
- ▶ However, those employees may have credit in Social Security for private employment or be eligible for a Social Security spousal or survivor benefit from a spouse's private employment.
- ▶ Federal provisions, the Windfall Elimination Provision and Government Pension Offset, will likely affect these individuals.

Windfall Elimination Provision: Reduction Based on Own Work History

Bob



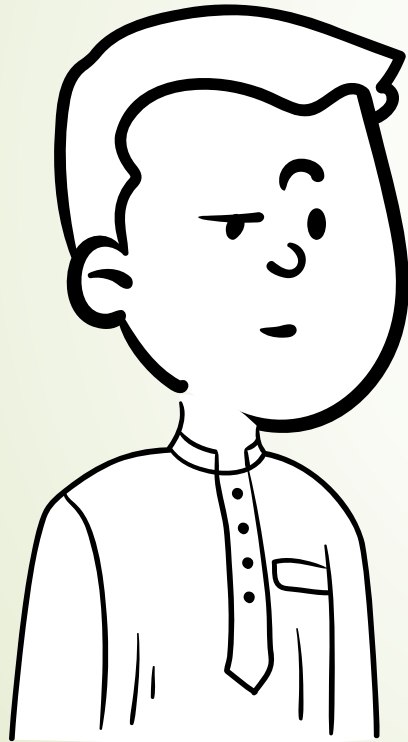
Social Security Retired
Worker Benefit (5 years)



Ohio Retirement
System Age and
Service Benefit (32
years)

Windfall Elimination Provision

Bob



Social Security Retired
Worker Benefit
(Reduced)



Ohio Retirement
System Age and
Service Benefit

Social Security as a Progressive Tax System

- ▶ Social Security intentionally replaces a greater share of low-income workers' earnings than for high-income workers.
- ▶ Low-income worker replaces 77% of their pre-retirement salary while high income worker receive 27% of their pre-retirement salary.

2023 Social Security Benefit Calculation

Monthly Average Earnings (Average Indexed Monthly Earnings-AIME)	Percent Returned as Social Security Benefit
Up to \$1,115	90%
>\$1,115-\$6,721	32%
>\$6,721-\$160,200	15%

1983 Enactment of WEP

- ▶ Social Security is designed to cover a larger portion of low-income workers' income.
- ▶ A person covered by a state retirement system who works part-time in the private sector would receive a higher portion of their total income in retirement than Social Security participants.
- ▶ Social Security applies a modified formula for those subject to WEP.
- ▶ The WEP *will not* eliminate the Social Security benefit (maximum 2023 reduction is \$557.50)

2023 Social Security Benefit Calculation

Monthly Average Earnings (AIME)	Percent Returned as Social Security Benefit
Up to \$1,115	40% (+5% per year over 20 years)
>\$1,115-\$6,721	32%
>\$6,721-\$160,200	15%

“Pre-Service” Bob, 5
years of Social Security
(\$1,000 AIME)

Benefit		As Adjusted
\$900	Social Security	\$400
\$1,500	State Retirement	\$1,500

“Split Service” Bob, 15
years of Social Security

Benefit		As Adjusted
\$900	Social Security	\$400
\$1,500	State Retirement	\$1,500

“Full-Time” Bob, 30 years
Social Security

Benefit		No Adjustment
\$900	Social Security	\$900
\$1,500	State Retirement	\$1,500

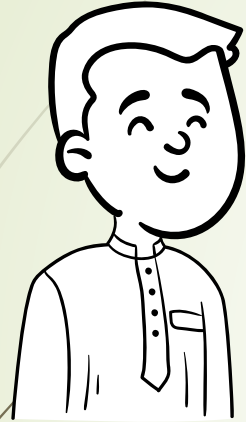
According to the Congressional Research Service, 161,739 individuals were subject to WEP in Ohio in December 2022.

Social Security Spousal and Survivor Benefits

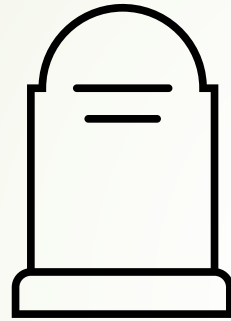
- ▶ A spouse is eligible for 100% of the deceased Social Security benefit.
- ▶ BUT, that benefit is offset dollar for dollar by the survivor's own Social Security Benefit.
- ▶ "Dual Entitlement" provision
- ▶ Can result in complete elimination of a benefit

Bob	Betty (Bob's spouse)
\$500	\$1,500
\$1,500 (if Betty is deceased)	\$1,500 (if Bob is deceased)

Government Pension Offset



State Retirement System

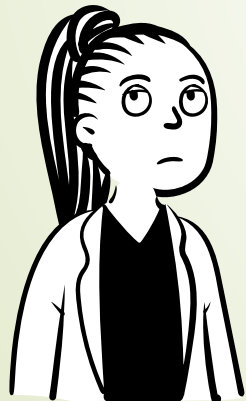
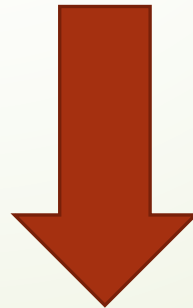


State Retirement System Survivor Benefit

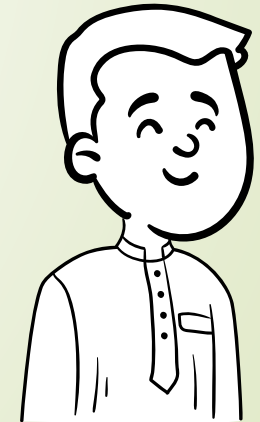
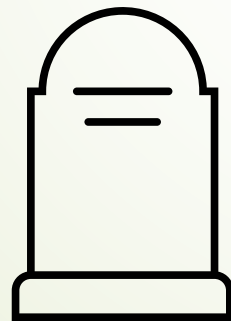


Social Security

Social Security survivor benefit reduced by 2/3 of the state retirement system benefit






Social Security



State Retirement System

Government Pension Offset

Bob: \$3,000 Retirement Benefit	Betty: \$2,200 Social Security Benefit
Unreduced to Betty	
	\$5,200 ($\$3,000 + \$2,200$)

Bob: \$3,000 Retirement Benefit	Betty: \$2,200 Social Security Benefit
	Reduced to Bob: $\$2,200 - (\$3,000 \times 2/3) = \$200$
\$3,200 ($\$3,000 + \200)	 



Government Pension Offset

- ▶ 96,563 Ohioans were subject to GPO in December 2017, with 60,447 of those being fully offset.
- ▶ GPO 2/3 reduction is less than the dollar-for-dollar dual entitlement provision.