



Highlights of [GAO-03-710T](#), a testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

Social Security covers about 96 percent of all US workers; the vast majority of the rest are state, local, and federal government employees. While these noncovered workers do not pay Social Security taxes on their government earnings, they may still be eligible for Social Security benefits. This poses difficult issues of fairness, and Social Security has provisions that attempt to address those issues, but critics contend these provisions are themselves often unfair. The Subcommittee asked GAO to discuss these provisions as well as the implications of mandatory coverage for public employees.

What GAO Recommends

GAO has previously recommended that the Internal Revenue Service (IRS) provide for complete and accurate reporting of noncovered pensions, but IRS has responded that it lacks the necessary authority from the Congress. GAO therefore takes this opportunity to bring the matter to the attention of the Congress for its consideration. To facilitate complete and accurate reporting of government pension income, the Congress should consider giving IRS the authority to collect this information, which could perhaps be accomplished through a simple modification to a single form.

www.gao.gov/cgi-bin/getrpt?GAO-03-710T.

To view the full report, including the scope and methodology, click on the link above. For more information, contact Barbara D. Bovbjerg at (202) 512-7215 or bovbjergbj@gao.gov.

SOCIAL SECURITY

Issues Relating to Noncoverage of Public Employees

What GAO Found

Social Security's provisions regarding public employees are rooted in the fact that about one-fourth of them do not pay Social Security taxes on the earnings from their government jobs, for various historical reasons. Even though noncovered employees may have many years of earnings on which they do not pay Social Security taxes, they can still be eligible for Social Security benefits based on their spouses' or their own earnings in covered employment.

To address the issues that arise with noncovered public employees, Social Security has two provisions—the Government Pension Offset (GPO), which affects spouse and survivor benefits, and the Windfall Elimination Provision (WEP), which affects retired worker benefits. Both provisions reduce Social Security benefits for those who receive noncovered pension benefits. Both provisions also depend on having complete and accurate information on receipt of such noncovered pension benefits. However, such information is not available for many state and local pension plans, even though it is for federal pension benefits. As a result, GPO and WEP are not applied consistently for all noncovered pension recipients. In addition to the administrative challenges, these provisions are viewed by some as confusing and unfair, and a number of proposals have been offered to either revise or eliminate GPO and WEP. Such actions, while they may reduce confusion among affected workers, would increase the long-range Social Security trust fund deficit and could create fairness issues for workers who have contributed to Social Security throughout their working lifetimes.

Making coverage mandatory has been proposed to help address the program's financing problems, and doing so could ultimately eliminate the need for the GPO and the WEP. According to Social Security actuaries, mandatory coverage would reduce the 75-year actuarial deficit by 10 percent. However, to provide for the same level of retirement income, mandating coverage would increase costs for the state and local governments that would sponsor the plans. Moreover, GPO and WEP would still be needed for many years to come even though they would become obsolete in the long run.