

Windfall Elimination Provision Exemptions A-13-17-34132



August 2019

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) correctly exempted Old-Age, Survivors and Disability Insurance (OASDI) benefits from the Windfall Elimination Provision (WEP). Specifically, we reviewed exemptions for (a) workers who had 30 or more years of coverage subject to Social Security earnings, (b) workers who were eligible for a pension before 1986, and (c) Federal employees under the mandatory coverage provision.

Background

The Social Security Amendments of 1983 include a provision that eliminates “windfall” Social Security benefits for retired and disabled workers who are receiving pensions from employment not covered by Social Security.

WEP applies when the wage earner becomes entitled to both a pension based on non-covered employment and Social Security benefits. Under WEP, SSA uses a modified benefit formula to determine a wage earner’s monthly Social Security benefit. WEP applies to both retirement and disability benefits. However, under certain circumstances, a beneficiary’s payments are exempt from this provision.

Findings

Of 150 sampled beneficiaries, SSA improperly exempted 26 from WEP. Because of this processing error, the 26 beneficiaries were improperly paid approximately \$774,000. Although the Agency was aware these 26 beneficiaries had received pensions, it did not reduce their benefits for WEP. Of these 26 beneficiaries, SSA may not correct the payments for 24 because of SSA’s administrative finality rules. Based on our sample results, we estimate SSA improperly paid approximately 3,600 beneficiaries \$118 million.

Additionally, SSA exempted 28 beneficiaries from WEP where we found the exemptions questionable. If SSA did not apply WEP, but should have, we estimate the Agency paid these 28 beneficiaries approximately \$971,000 more than they were entitled to receive.

Because of its administrative finality rules, SSA may not correct all the payment errors we identified. If it does not take corrective action, we estimate the Agency will improperly pay an additional \$140 million in future payments to these beneficiaries.

Recommendations

We made four recommendations pertaining to SSA’s exemptions of OASDI benefits from WEP.

SSA agreed with our recommendations.