Released: June 2016

Government Pension Offset

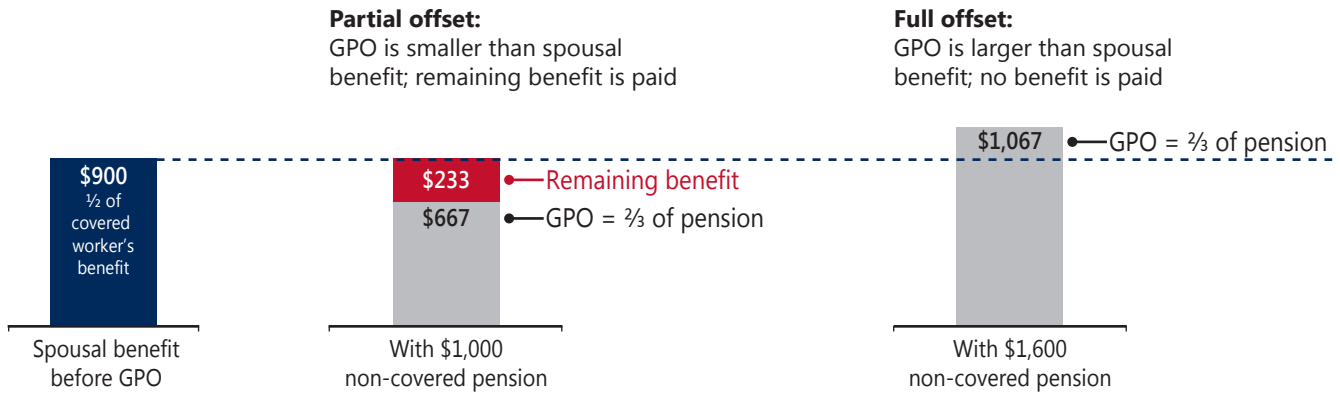
BACKGROUND: The Government Pension Offset (GPO) adjusts Social Security spousal or widow(er) benefits for people who receive "non-covered pensions." A **non-covered pension** is a pension paid by an employer that does not withhold Social Security taxes from your salary, typically, state and local governments or non-U.S. employers.

Congress created the GPO in 1977 to help ensure that spousal and widow(er) benefits of those with covered or non-covered lifetime earnings would be roughly equal.[a] Under Social Security's dual-entitlement rule, spouses with their own covered earnings have their spousal benefits offset dollar-for-dollar by their own earned benefit. The GPO has a similar intention; the offset originally was dollar-for-dollar for non-covered pensions, but Congress reduced it to two-thirds in 1983.

HOW THE GPO WORKS: The GPO reduces the spousal or widow(er) benefit by two-thirds of the monthly non-covered pension and can partially, or fully, offset an individual's spousal/widow(er) benefit, depending on the amount of the non-covered pension. The chart below shows how the GPO would affect spousal benefits for two non-covered pension amounts.

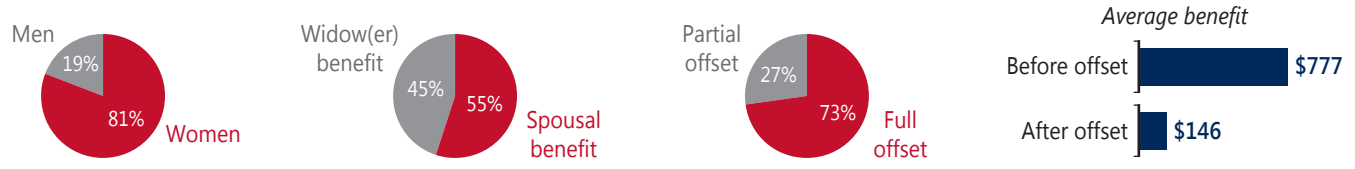
GPO Examples for Different Non-Covered Pensions

For a hypothetical spouse of a covered worker with an $1,800 benefit



CHARACTERISTICS OF GPO BENEFICIARIES:[b] In 2014, the GPO applied to approximately 9.7 percent of the 6.5 million spousal or widow(er) beneficiaries[c] (630,000 beneficiaries). Beneficiaries affected by the GPO had an average monthly non-covered pension of $2,250, which was $500 more than the average Social Security retired worker benefit of $1,708 in 2014. Nearly three-quarters of beneficiaries affected by the GPO had their entire spousal or widow(er) benefit offset and had an average monthly non-covered pension of $2,769. Those with partially offset benefits had an average non-covered pension of $840.

Selected Characteristics of GPO Population, 2014[b]



a. Social Security Administration, *Annual Statistical Supplement, 2015*, p. 18.

b. GPO beneficiary tabulations are based on unpublished data from the Social Security Administration, Office of Research, Evaluation, and Statistics.

c. Includes spouses of retired and disabled workers and disabled and non-disabled widow(er)s. See Social Security Administration, *Annual Statistical Supplement, 2015*, Table 5.A1.

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Produced and published at U.S. taxpayer expense