



Civil Service Offset Retirement Provisions

Working for America

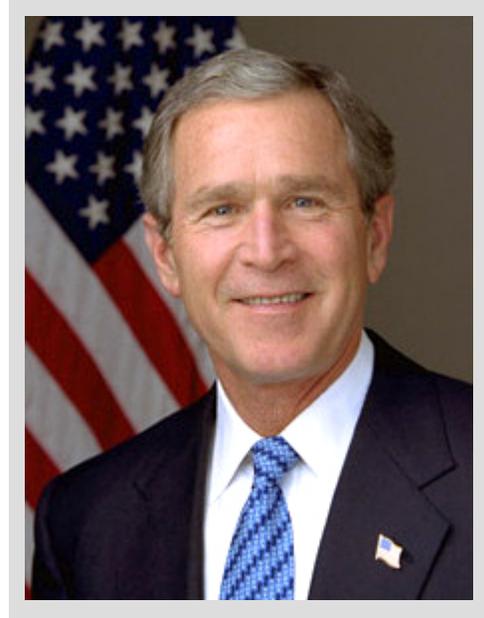
UNITED STATES OFFICE OF PERSONNEL MANAGEMENT



Message from the President

“This economy of ours is going through a time of change and challenge. We're helping people to gain the skills and the security to make a good living and to look forward to a good retirement.”

- George W. Bush



Message from the Director



“The United States has one of the finest civil services in the world...so good that our citizenry has come to take its excellence for granted.”

- Kay Coles James

REFERENCES

- 5 USC Section 8349
- 5 CFR Subpart J
- CSRS and FERS Handbook
 - Chapter 10 - Coverage
 - Chapter 12 - Special Employees
 - Chapter 100 - Reemployed Annuitants
- CSRS Retirement Facts 13
- References available on-line at:
www.opm.gov/benefits.



HISTORY

- Prior to 1984, only one retirement system for most Federal employees - Civil Service Retirement System (CSRS).
- By law, Federal employees covered by CSRS were excluded from Social Security coverage.



HISTORY - CSRS INTERIM

- Social Security Amendments of 1983 required Social Security coverage for most Federal employees hired or rehired after a break in CSRS coverage of more than 1 year, after 1983.
- Prior to 1987, affected employees were placed in CSRS Interim retirement plan - full Social Security deductions and reduced CSRS deductions.



HISTORY - FERS

- The Federal Employees Retirement System (FERS) was established 1/1/87.
- FERS legislation also created the CSRS Offset plan - full Social Security deductions and reduced CSRS deductions.



RETIREMENT COVERAGE DETERMINATIONS

- CSRS Offset applies to:
 - employees with prior CSRS coverage who had a break in service ending after 12/31/83 that exceeded 1 year, and who met the 5 year test; and,
 - Employees hired before 1/1/84 whom acquired CSRS coverage for the first time after 1/1/84, and who met the 5 year test.



The 5-YEAR TEST

- The **5-year test** is used to determine if an employee being hired, rehired, transferred, or converted is automatically subject to FERS.
- Applies to all retirement coverage determinations made on or after 1/1/87, where the employee is subject to Social Security.



5-YEAR TEST

- The 5-year test is met if the employee had 5 years of creditable civilian service as of 12/31/86.
- 5-year test is also met if employee had break in service in excess of 3 days ending after 12/31/86, **and** had past coverage under CSRS or the Foreign Service Retirement and Disability System (FSRDS), or for 5 year test determinations made on and after 12/12/99, had past coverage under CSRS, FSRDS or under the retirement benefit structure for Federal Reserve Board employees appointed prior to 1/1/84, **and** had 5 years of creditable civilian service as of break in service.



5-YEAR TEST

- An employee who satisfies the 5-year test, cannot be automatically covered by FERS.
- The 5-year test is not applicable to employees who have previously been covered by FERS



CSRS OFFSET INCLUSIONS BY LAW

- Social Security Amendments of 1993 extended mandatory Social Security coverage to certain senior officials even if they had other retirement coverage as Federal employees (such as full CSRS).
- Those who meet the **5-year test** are covered under CSRS Offset.
- A senior official's retirement coverage could change from full CSRS to CSRS Offset or FERS without a break in service.



CSRS OFFSET INCLUSIONS BY LAW

- Affected senior officials are:
 - All Members, Delegates/Resident Commissioners of or to Congress (including the VP)
 - Persons employed in Executive Schedule positions under sections 5312 through 5317 of Title 5, USC
 - Non-career SES appointees
 - Most White House staff whose rate of pay is at or above Level V of the Executive Schedule
 - Certain Federal judges
- Full listing under Section 10A1.3-6 of the CSRS and FERS Handbook.



EXCLUDED COVERED EMPLOYEES

- Most D.C. government municipal employees were covered under CSRS prior to 10/1/87.
 - Excluded from Social Security and CSRS Offset coverage.
 - D.C. government service is considered a separation from Federal service by SSA.
 - Most new D.C. municipal employees hired after 9/30/87 covered under Defined Contribution Pension Plan.



EXCLUDED COVERED EMPLOYEES

- D.C. Defined Contribution Pension Plan.
 - NOT a Federal retirement plan
 - Service NOT creditable
- DC government employees who were covered by CSRS any time prior to 10/1/87 can remain under CSRS as long as they are employed by DC.



EXCLUDED COVERED EMPLOYEES

- Reemployed CSRS annuitants who were covered by full CSRS are excluded from CSRS Offset. Exceptions are:
 - annuitants who accept Presidential appointments (annuity terminates).
 - annuitants whose annuity terminated and were rehired after 12/31/83 with more than 1 year break in service.



EXCLUDED COVERED EMPLOYEES

- Employees previously covered by another Federal retirement system who were not covered by Social Security, and who are employed subject to CSRS after 12/31/83 with less than a 1 year break in service.
- Retirees receiving an annuity from another Federal retirement system (where they were excluded from Social Security coverage) who are rehired in a position not excluded from retirement coverage.



CSRS OFFSET RETIREMENT CONTRIBUTIONS

- The amount the employee pays for CSRS coverage is reduced by Social Security taxes (currently 6.2 percent of pay).
- Most Offset employees pay .8% of base pay for CSRS coverage (most CSRS employees pay 7% of base pay for CSRS coverage).
- Full CSRS is withheld from pay after the maximum Social Security wage base is met (2004 maximum is \$87,900.00).



CSRS OFFSET RETIREMENT CONTRIBUTIONS

- FEHB Premium Conversion and Flexible Spending Accounts (FSA) affect the amount of retirement contributions.
 - Reduces the wage base for Social Security taxes withheld each pay period.
 - Employees will have the full CSRS amount withheld from the amount of pay excluded from Social Security taxes.



CSRS OFFSET RETIREMENT CONTRIBUTIONS

- Premium Conversion/FSA Example
- Gross Pay \$2000.00
- FEHB premium \$100.00
- FSA deduction \$50.00
- $\$1850.00 \times .8\% = \14.80
- $\$150.00 \times 7\% = \10.50
- CSRS Offset deduction = \$25.30



CSRS OFFSET RETIREMENT CONTRIBUTIONS

- Employees with special retirement rates, such as Law Enforcement Officials (LEO) or Members of Congress (MOC), pay the difference between their retirement rate and the Social Security tax rate.
- Examples:
 - LEO's pay 1.3% (7.5% - 6.2%) of base pay.
 - MOC's pay 1.8% (8% - 6.2%) of base pay.



CSRS OFFSET RETIREMENT CONTRIBUTIONS

- Note: Deposits for non-contributory service are still based on the prevailing CSRS withholding rate for the position held (presently 7% in most cases) and post-1956 military service deposits are still based upon 7% of earnings.



NON-DISABILITY ANNUITY PROVISIONS

- Age and service requirements and annuity computation provisions for retirement under CSRS Offset are the same as those for full CSRS.
- Annuity is reduced (offset) when the annuitant becomes eligible to receive Social Security benefits (usually at age 62).



NON-DISABILITY ANNUITY PROVISIONS

- Annuity is reduced by the portion of Social Security benefit that is payable based on Federal service performed after 1983 while covered by both CSRS and Social Security.
- Reduction is effective if the annuitant is or upon proper application would be entitled to Social Security at age 62 even if the individual is not actually in receipt of the benefit.



NON-DISABILITY ANNUITY PROVISIONS

- The reduction is effective the earlier of the date of first entitlement to Social Security or the commencing date of annuity.
- If an individual never becomes eligible for Social Security benefits based on his/her own employment, there is no offset.



DISABILITY ANNUITY PROVISIONS

- CSRS Offset Employees who retire under the disability provisions of CSRS and also qualify for a Social Security disability benefit, are subject to offset.
- Disability annuity is reduced by the portion of the Social Security disability benefit that is payable based on service performed after 1983 while covered by both CSRS and Social Security.



DISABILITY ANNUITY PROVISIONS

- The offset is effective the earlier of the date of first entitlement to Social Security disability or the commencing date of annuity.
- If the individual is not entitled to Social Security disability, CSRS Offset annuity will not be reduced unless and until the annuitant later becomes eligible to receive Social Security benefits.



SURVIVOR ANNUITY PROVISIONS

- OPM must reduce survivor annuity benefits if the widow(er) or children are entitled, or upon proper application would be entitled to Social Security benefits as the deceased employee or retiree's widow(er) or children.
- CSRS Offset survivor annuity is reduced by the portion of the total Social Security benefit that is payable based on Federal service performed by the deceased after 1983 while covered by both CSRS and Social Security.



SURVIVOR ANNUITY PROVISIONS

- Reduction effective the earlier of the date of first entitlement to Social Security survivor benefits or commencing date of the survivor annuity.
- If survivor(s) never become(s) eligible for Social Security benefits based on deceased's employment, there is no offset.



COMPUTATION OF OFFSET

- SSA uses the Federal earnings in the period(s) when the employee was covered by both Social Security and CSRS and computes a Social Security benefit with those earnings included.
- SSA also computes a benefit without those earnings included.



COMPUTATION OF OFFSET

- These two amounts are sent to OPM so that we can determine the CSRS Offset amount.
- The offset reduction is subtracted from the gross monthly annuity or survivor annuity rate to become the new gross annuity rate.



COMPUTATION OF OFFSET

- The offset reduction is the ***lesser*** of:
 - The SS benefit based on the CSRS Offset service (the difference between the SS monthly benefit with and without CSRS Offset service); or,
 - The product of the full SS monthly benefit, multiplied by the employee's total CSRS Offset service rounded to the nearest whole number divided by 40.
 - $$\frac{\text{SS benefit} \times \text{Years Offset Service}}{40}$$



RETIREMENT CLAIMS PROCESSING AT OPM

- The SSA/Federal Offset System is used to generate requests to SSA for offset information.
- Offset information is input for all CSRS Offset cases at the time of initial processing.



RETIREMENT CLAIMS PROCESSING AT OPM

- Cases that must be held for a response before final adjudication:
 - Annuitants who are age 62 at retirement or within 3 months of reaching their 62nd birthday;
 - Disabled annuitants;



RETIREMENT CLAIMS PROCESSING AT OPM

- Surviving spouses who are age 60 at annuitant's death or are within 3 months of age 60, or, have children under age 16; and,
- Unmarried dependent children:
 - under age 18; or,
 - are under age 19 and are full-time secondary school students; or,
 - are under a disability which began before reaching age 22.



Non-Disability Cases Annuitant Under 62

- Request for future offset sent to the SSA.
- The claim is processed at the full annuity amount.
- A letter is sent to annuitant informing them of future offset.
- Offset will be processed at age 62 if entitled to SS benefits.



Non-Disability Cases Annuitant 62

- Case file is held for response from SSA.
- Annuitant advised of delay.
- Upon receipt of offset from SSA, claim is processed and annuity is reduced by the offset amount.
- Letter sent to annuitant informing them of the offset.



Disability Cases

- All disability annuitants must apply for SSA benefits.
- Must provide OPM proof that he/she has filed for Social Security disability benefits, or proof that he/she is not eligible for Social Security disability benefits before interim payments can be authorized.
- A disability retirement case cannot be issued without SSA response.



Disability Cases

- If no response is received from SSA within 60 days, the annuitant has 2 choices:
 - OPM can leave the case in pending status until SSA responds to our request; or,
 - Issue the case with the annuity reduced by the potential offset amount.



Disability Cases

- If the annuitant is not eligible for social security disability:
- The claim is processed at the full annuity amount.
- A letter is sent to annuitant informing them of future offset.
- Offset will be processed at age 62 if entitled to SS benefits.



Death Claims

- OPM must hold all CSRS Offset death claims until we receive a response from SSA if:
 - Surviving spouse is age 60 at annuitant's death or is within 3 months of age 60, or, has children under age 16; or,



Death Claims

- If there are unmarried dependent children:
 - under age 18; or,
 - are under age 19 and are full-time secondary school students; or,
 - are under a disability which began before reaching age 22.



Death Claims

- Death claims that don't meet the "hold" criteria are processed at the full survivor rate similar to annuitant's who aren't 62.
- Offset will be processed at age 60 if entitled to SS benefits.



Death Claims

- Upon receipt of offset from SSA, claim is processed and the survivor annuity is reduced by the offset amount.
- Letter sent to the survivor annuitant informing them of the offset.



Post-Retirement Claims

- When offset is received from SSA at age 62 (or 60 for surviving spouse's):
 - Monthly annuity is offset and payments are adjusted
 - Annuitant is informed of the adjustment to his/her annuity.



The Windfall Elimination Provision

- How It Affects Social Security Retirement or Disability Benefits



The Windfall Elimination Provision

- Social security benefits payable to a retired worker may be reduced if he/she receives a pension based on his/her own employment with a Federal, state or local government where he/she did not pay Social Security taxes.



Government Pension Offset

- How It Affects Social Security Spouses or Widow(ers) Benefits



Government Pension Offset

- Social Security benefits payable to a spouse or widow(er) may be reduced if he/she receives a pension based on his/her own employment with a Federal, state or local government during which he/she did not pay Social Security taxes.



Social Security Disability

Disability Definition

- A medical condition preventing substantial work for at least 12 months, or expected to result in death.
- The determination also considers age, education and work experience.



Social Security Disability - Audit Evaluation Process

- Is the claimant working? How much are the earnings?
- Is the impairment(s) severe?
- Does the impairment(s) meet/equal listings



Social Security Disability - Audit Evaluation Process

- Does the impairment(s) preclude the ability to perform past relevant work?
- Does the impairment preclude the ability to perform other work?



CSRS Offset Conclusion

- We have covered the basic principles of CSRS Offset coverage and retirement provisions.
- We have discussed how CSRS Offset are processed at OPM, and, we have discussed Social Security issues and CSRS Offset.



Contact Information

For more information,
visit us on the web at
www.OPM.gov/benefits

Phil Gardner, 202-606-4399
Email: Phillip.Gardner@opm.gov

