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Office of Human Resources
and Workforce Planning

Benefits Bulletin

January 2003

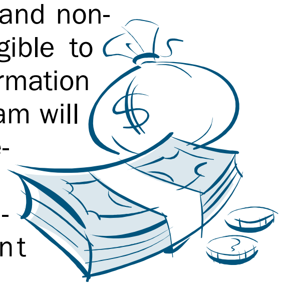
Inside this issue:

Employee Express!

During the months of October, November, and December, we were running two concurrent open seasons—the Thrift Savings Plan (TSP) and Federal Employees Health Benefits (FEHB). With the ability to increase the amounts contributed to the TSP and to change health plans, Employee Express has been a tremendous time saver for our office. By the end of the FEHB open season, approximately 350 combined TSP and FEHB actions were processed. Of those, approximately 292 were completed through Employee Express. This was a savings to both the Benefits Office and Payroll of about 87 hours, not to mention the fact that most carriers received your FEHB changes and were able to issue new identification cards well in advance of the effective dates, saving you time and energy in making appointments with doctors and getting prescriptions filled. Again, thank you for your assistance in using this program.

Flexible Spending Accounts Open Season May 2003

The first Flexible Spending Account (FSA) open season will begin May 2003 and the FSA program is to start in July 2003. After that, the FSA sign up season will be aligned with the FEHB program open seasons. Employees will be able to set up and contribute to a health care FSA to use for out-of-pocket costs, including co-payments and deductibles, and for health care expenses not covered by insurance; such as dental services and eye care. Employees will also be able to set up an account for dependent-care expenses for children and aging parents. All employee contributions to FSAs are made from pre-tax earnings, thereby increasing disposable income; there are no Government contributions to the program. By law, retirees, both Federal and non-Federal, are not eligible to maintain FSAs. Information about the FSA program will be updated, as it becomes available, by the Office of Personnel Management (OPM).



Thrift Savings Plan Catch-Up Bill Signed Into Law

President Bush has signed into law legislation (PL 107-304) allowing Thrift Savings Plan (TSP) participants age 50 and older to make "catch-up" contributions--on top of the regular TSP investments allowed--to the retirement savings program. The allowable amount of the “catch-up” contribution for 2003 is an additional $2,000. This amount will rise by $1,000 a year until reaching $5,000 a year in 2006 and will be adjusted for inflation afterward. The contributions, which will have to be made through payroll withholding, are expected to be available starting with the TSP open season that begins April 15, if not sooner—the timing will depend on what Agency payroll systems can handle. Bush’s signature caps an effort to put Federal employee investors on equal footing with participants of similar private sector plans, which were given authority under a 2001 tax law to allow such contributions effective this year. More information will be made available as we receive direction from the Thrift Savings Plan Board.

Upcoming Fitness Center Activities

We welcome our newest intern, Alysia Ertle. Alysia is a student from Bowling Green State University majoring in Health Promotion. She will be here with us from January 6th until mid May.

to Team NASA!

We were the top team in both money raised (over $6,700) and number of walkers in the 2002 America’s Walk For Diabetes in Cleveland held on October 5, 2002.

Way to go Team!!

Your Social Security Benefits

If you worked for a Federal, state or local government where you did not pay Social Security taxes, the pension you receive from that agency may reduce any Social Security benefits for which you are qualified. There are two laws that may reduce your benefits. The Government Pension Offset affects the Social Security Benefits you receive as a spouse or widower. The Windfall Elimination Provision affects the way your Social Security retirement or disability benefits are figured.

Government Pension Offset
Affects Spouse's or Widow(er)'s Benefits

The Government Pension Offset (GPO) law affects Social Security benefits you receive as a spouse or widow(er). The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be used to offset your Social Security spouse's or widow(er)'s benefits. If you're eligible for a $500 widow(er)'s benefit, you'll receive $100 per month from Social Security ($500 - $400= $100).

Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.

Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husbands or wives.

There are some who would be exempt from the GPO, they include:

- State, local, or military service employee whose government pension is based on a job where he or she was paying Social Security taxes on the last day of employment. (Some government entities were not initially covered by Social Security, but chose to participate in Social Security at a later date.)
- Anyone whose government pension is not based on his or her own earnings.
- Anyone who received or who was eligible to receive a government pension before December 1982 and who meets all the requirements for Social Security spouse's benefits in effect in January 1977.

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Windfall Elimination Provision
Affects Your Social Security Retirement Or Disability Benefits

If you are covered under the Civil Service Retirement System and Social Security taxes are not withheld, the pension you get based on that work may reduce your Social Security benefits.

The "windfall elimination provision"--affects how your retirement or disability benefits are figured if you receive a pension from work not covered by Social Security. The formula used to figure your benefit amount is modified, giving you a lower Social Security benefit. The following explains the formula.

The windfall elimination provision primarily affects people who earned a pension from working for a government agency and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. It also may affect you if you earned a pension in any job where you didn't pay Social Security taxes, such as in a foreign country.

The modified formula applies to you if you reach 62 or become disabled after 1985 and first become eligible after 1985 for a monthly pension based in whole, or in part, on work where you did not pay Social Security taxes. You're considered eligible for a pension if you meet the pension requirements, even if you continue to work.

An important point: the Windfall Elimination Provision affects Social Security benefits when any part of a person's Federal service after 1956 is covered only under Civil Service Retirement System (CSRS) deductions. However, federal service where Social Security taxes are withheld (Federal Employee Retirement System or CSRS Offset) do not reduce Social Security benefit amounts.

The modified formula is used to figure your Social Security benefit beginning with the first month you get both a Social Security benefit and the other pension.

The modified formula prevents a windfall to people who would unfairly benefit from provisions aimed at low-income workers. Social Security benefits replace a percentage of a worker's pre-retirement earnings and the

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Windfall Elimination Provision ***(Continued from page 2)***

benefit computation formula includes factors that make sure lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 60 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term, low-wage workers. They received the advantage of higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall.

Social Security benefits are based on the worker's average monthly earnings adjusted for inflation. SSA separates your average earnings into three amounts and multiplies the amounts using three factors. For example, for a worker who turns 62 in 2002, the first $592 of average monthly earnings is multiplied by 90 percent; the next $2,975 by 32 percent; and the remainder by 15 percent.

The 90-percent factor is reduced in the modified formula and phased in for workers who reached age 62 or became disabled between 1986 and 1989. For those who reach 62 or become disabled in 1990 or later, the 90-percent factor is reduced to 40 percent.

There are exceptions to this rule. For example, the 90 percent factor is not reduced if you have 30 or more years of "substantial" earnings in a job where you paid Social Security taxes. A table that lists the amount of "substantial" earnings for each year is available at: http://www.ssa.gov/pubs/10045.html.

If you have 21 to 29 years of substantial earnings, the 90-percent factor is reduced to between 45 and 85 percent. The second table available on the above site shows the percentage used depending on the number of years of "substantial" earnings. There are some exceptions, the modified formula does not apply to survivors benefits. It also does not apply to you if:

- you are a Federal worker first hired after December 31, 1983;
- you were employed on December 31, 1983 by a nonprofit organization that was exempt from Social Security and it became covered under Social Security on that date;
- your only pension is based on railroad employment;
- your only work where you did not pay Social Security taxes was before 1957; or
- you have 30 or more years of substantial earnings under Social Security.

Workers with relatively low pensions are protected because the reduction in the Social Security benefit under the modified formula cannot be more than one-half of that part of the pension attributable to earnings after 1956 not covered by Social Security.

Additional information is available at www.ssa.gov.

Government Pension Offset ***(Continued from page 2)***

- Anyone who received or was eligible to receive a Federal, state, or local government pension before, July 1, 1983, and was receiving one-half support from her or his spouse.
- Federal employees, including Civil Service Offset employees, who are mandatorily covered under Social Security. (Civil Service Offset employees are Federal employees rehired after December 31, 1983, following a break in service of more than 365 days and who had five years of prior Civil Service Retirement System [CSRS] employment).
- Federal employees who chose to switch from CSRS to the Federal Employees' Retirement System (FERS) on or before December 31, 1987, as well as those employees who were allowed to make a belated switch to FERS through June 30, 1988. Employees who switched outside of these periods, including those who switched during the open season from July 1, 1998 through December 31, 1998, need 5 years under FERS to be exempt from the government pension offset.

Additional information on the Government Pension Offset is available at www.ssa.gov.