

III. ERRONEOUS CSRS COVERAGE EMPLOYEE BELONGS IN SOCIAL SECURITY ONLY: ELECTION BETWEEN CSRS OFFSET OR SOCIAL SECURITY

This section is divided into subsections. The titles to the subsections are also the names of the items that are necessary to include in a decision package. This is both a check list for the agency for what to put in the decision package as well as a table of contents for this document.

| Have you included this document in the decision package? | Document needed for decision package |
|---|---|
| | A. Cover Letter |
| | B. Annuity Estimates and TSP Estimates |
| | C. Comparison Sheets |
| | D. FERCCA Fact Sheets |
| | E. FERCCA Election Form |
| | F. Preparing for Your Counseling Session |

The last subsection is not something you include in the decision package. Section G is for your use. It is a Fact Sheet for you to use to counsel the employee about their FERCCA decision.

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| Do not include this document in the decision package | G. FERCCA Counseling Fact Sheets for Agency Human Resource Specialists |
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A. Cover Letter

What is the Cover Letter?

The cover letter is the first document in the decision package. You will include a cover letter in every decision package regardless of the error type. However, the sample cover letter that follows is just that, a sample. You can change this letter to suit your employee's and your agency's needs. The only paragraph required is the last paragraph providing the default information for FERCCA elections.

You should find this letter meeting your needs except in the employee contact information section. Your agency may have procedures for contacting employees. If that is the case you'll want to follow your agency's procedures.

How do I complete the Cover Letter?

As you read through the sample cover letter you will see more information is needed in order for it to be complete. The numbering on the left is there to make it easier to understand the instructions in this section.

Section 1: This section is self explanatory. One item to note is the date. When you read the last paragraph of the cover letter you will see that the employee's right to a waiver of the six month time limit to make their FERCCA election is based on the date of the cover letter.

Section 2: You will find a sentence that says "Within the next 15 business days your agency retirement counselor will contact you...". You can adjust that number to any number that is appropriate for your employee and your agency. You will also need to provide the name of the agency retirement counselor if it is different from the person who signs the letter. If the person signing the letter is the retirement counselor just change this sentence to read "I will contact you..."

Section 3: Enter the work phone and email you have for the employee. If you do not have this information delete this section and ask the employee to provide the agency with their preferred method of contact in the next paragraph in the cover letter. Provide the contact information of the agency retirement counselor who will be assisting the employee in this section.

Section 4: You must provide your agency's name and your agency's address. The address is very important because this is how the employee will provide you with copies of their signed FERCCA election form. Also, if they need to submit a waiver of the six month time limit to make a FERCCA decision they will do it using this address. You may want to provide the employee with your email and fax number as well, in case the employee wants an additional way to send his election back to you.

Section 5: Include the employee's name on the second page either at the top of the page, at the end, or in both places. Do not forget to include the appropriate enclosures, FERCCA Annuity Estimates, FERCCA Comparison Sheets, FERCCA Fact Sheet, FERCCA Election Form, and Preparing for Your Counseling Session.

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##Insert agency letterhead##

##Date##

1

##name##

##address##

Dear **##name##**:

Previously, we notified you that a review of your official personnel records showed a retirement coverage error. We found you were erroneously placed in the Civil Service Retirement System (CSRS) when you should have been placed in Social Security only. As a result of this error, you are being given an opportunity to choose between CSRS Offset and Social Security only retirement plans as provided for in the Federal Erroneous Retirement Coverage Correction Act (FERCCA) legislation and Office of Personnel Management (OPM) regulations.

- 2 The material in the enclosed election summary package is designed to help you make an informed choice about which option to elect. For example, the package includes a comparison of your retirement benefits calculated under each option as well as a comparison of your Thrift Savings Plan (TSP) benefits under the two options. Also included are the assumptions we used in preparing these estimates.

We ask that you review the material in this package carefully before making a decision. Within the next 15 business days, **##your agency retirement counselor##** will contact you by telephone to confirm that you have received and reviewed the package and answer any questions you may have about your election options. The counselor is prepared to assist you in making a decision but will not advise you on which option to choose.

- 3 The contact information we have on file for you is:

Work Phone:

##Work Phone##

Work email:

##Work email##

If our information is not current, a counselor will not be able to contact you to assist

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you in this process. Please forward your correct contact information to **##email and phone number of counselor who will provide assistance##**.

- 4** Your election is irrevocable once it is received by **##your agency name##**. Once you have received sufficient information to make an informed decision, please complete the applicable forms and return them as soon as possible to:

##your agency's mailing address goes here and/or email and/or fax##

You will have six months from the date of this letter to elect your coverage option. If you fail to make an election before the time limit has expired, your default retirement coverage will be CSRS Offset. We can waive the time limit for making an election if you request such a waiver in writing. We would have to determine that you exercised due diligence, but could not make an election within the time limit because of circumstances beyond your control. These circumstances need to be well documented. In six months if you need to request a waiver please submit it in writing with any supporting documentation to the address provided above.

Sincerely,

5

##Your name and contact information##

Name: **##Employee's name##**

Enclosures:

Retirement System Annuity Estimate
Retirement System Comparison Sheets
FERCCA Fact Sheet
FERCCA Election Form
Preparing for Your Counseling Session

B. Annuity Estimates and Thrift Savings Plan Estimates

Annuity Estimates

Prepare the annuity estimates as you normally would. It is important to include a service history in the estimate for the employee so that they can understand where the FERCCA error occurred. There is no FERCCA actuarial reduction for this error type.

Thrift Savings Plan (TSP) Estimates

You will not have to provide any TSP estimates for this error type. The TSP estimates for CSRS Offset will need to reflect the employee's current balance. The TSP estimate for Social Security only will also only show the employee current balance. Any contributions the employee may have already made to the TSP and their earnings will remain in their account. However, the employee will not be allowed to continue to participate in TSP if he or she chooses Social Security only.

C. Retirement System Comparison Sheets

What are the Retirement System Comparisons Sheets?

The Retirement System Comparison Sheets have been designed so the employee can compare at a glance the pertinent parts of their annuity estimates rather than have them decipher the annuity estimates for themselves. If you do two annuity estimates for an error type, one showing deposits and redeposit paid, and one without the deposits and redeposits paid the employee would have a lot of annuity estimates to try and understand. Employees may have difficulty figuring out their annuity estimates since these are documents they do not normally have to interpret. This is why the Retirement System Comparison Sheets have been designed. You can use these sheets as part of the decision package and attach the annuity estimates so the employee can look at them if they need to.

How do I complete the Retirement System Comparison Sheets?

Use the annuity estimates you prepared and the instructions provided in this section to prepare the Retirement System Comparison Sheets.

On the following pages are two Retirement System Comparison Sheets, one sheet compares the employee's annuity amounts with deposits and/or redeposits not paid, the other one compares the employee's annuity amounts with the deposits and/or redeposits paid.

The chart below provides instructions on how to complete the comparison sheet with deposits and/or redeposits not paid:

| | If employee elects CSRS Offset | If employee elects Social Security Only |
|-----------------------------------|--|--|
| Annuity Commencing Date | Use the first date that the employee is eligible for a retirement benefit. | Use the Social Security amount when the employee turns 62 |
| Age at retirement | Use the age that the employee is first eligible for benefits. | Use the age employee is first eligible for Social Security benefits, usually 62. |
| Actuarial Reduction Amount | N/A | N/A |
| Survivor Benefits | Use figures from annuity estimates | Use figures from annuity estimates |
| Annuity Supplement | N/A | N/A |
| TSP | If employee elects CSRS Offset | If employee elects Social |

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| | the employee's current TSP account balance will not change. | Security coverage, any contributions made to the TSP and their earnings will remain in account. However, the employee will not be allowed to continue to participate. |
| Benefits at age 62 | | |
| Projected annuity at Age 62 | Project the annuity to age 62 and use that gross monthly annuity amount from the annuity estimate. | Project the annuity to age 62 and use that gross monthly annuity amount from the annuity estimate. |
| Offset Reduction usually begins at age 62 | Use figures from annuity estimate | N/A |
| SSA benefit at age 62 | Make sure the figures for the Social Security benefit estimate reflect the Windfall Elimination Provision if it applies. The employee's SSA statement will not reflect the Windfall Elimination Provision. See the agency FERCCA counseling Fact sheet section G for more information. | If the employee is not receiving any retirement benefits under CSRS, CSRS Offset or FERS, their Social Security will not be impacted by the Windfall Elimination provision. However, if the employee receives retirement benefits from CSRS, CSRS Offset or FERS at a later date the Windfall Elimination Provision may apply at that time. See the agency FERCCA counseling Fact sheet section G for more information. |

Retirement System Comparison Sheets Deposits and/or Redeposits paid

The comparison sheet with deposits and/or redeposits paid is very similar to the comparison sheet deposits and/or redeposits not paid except there is no actuarial reduction section and you will now put the total deposit and/or redeposit owed. You can break up the deposits and/or redeposits to show pre and post 10-1-1982 deposits or pre and post 3-1-1991 redeposits if you prefer.

**Retirement System Comparison Sheet
In CSRS belongs in Social Security Only
Choice between CSRS Offset and Social Security
Deposits and/or Redeposits Not Paid**

[Name]

Current Benefits without deposits and/or redeposits paid:

| | If I Elect CSRS Offset | If I Elect Social Security Only |
|--|--|--|
| Annuity Commencing Date | Month xx, xxxx | N/A |
| Age at Retirement | xx | xx |
| Annuity at Retirement with FERCCA Actuarial Reduction for unpaid deposits and/or redeposits | \$x,xxx.00/month | N/A |
| Actuarial Reduction amount | \$xxx.00/month or N/A | N/A |
| Survivor Benefit | \$xxx.00/month or N/A | N/A |
| Annuity Supplement | N/A | N/A |
| TSP | (##Provide Current TSP Balance##) | (##Provide Current TSP Balance##) |

Benefits at Age 62:

| | If I Elect CSRS Offset | If I Elect Social Security Only |
|-----------------------------|-------------------------|---------------------------------|
| Projected Annuity at Age 62 | \$x,xxx.00/month | N/A |
| Offset Reduction | \$xxx.00/month | N/A |
| SSA Benefit | \$x,xxx.00/month or N/A | \$x,xxx.00/month |

**Retirement System Comparison Sheet
In CSRS belongs in Social Security Only
Choice between CSRS Offset and Social Security
Deposits and/or Redeposits Paid**

[Name]

Current Benefits with deposits and/or redeposits paid:

| | If I Elect CSRS Offset | If I Elect Social Security |
|----------------------------------|---|--|
| Annuity Commencing Date | Month xx, xxxx | N/A |
| Deposit and/or Redeposit amounts | | xx |
| Age at Retirement | xx | N/A |
| Annuity at Retirement | \$x,xxx.00/month | N/A |
| Survivor Benefit | \$xxx.00/month or N/A | N/A |
| Annuity Supplement | N/A | N/A |
| TSP | (##Provide Current TSP Balance ##) | (##Provide Current TSP Balance##) |

Benefits at Age 62:

| | If I Elect CSRS Offset | If I Elect Social Security |
|-----------------------------|-------------------------|----------------------------|
| Projected Annuity at Age 62 | \$x,xxx.00/month | N/A |
| Offset Reduction | \$xxx.00/month | N/A |
| SSA Benefit | \$x,xxx.00/month or N/A | \$x,xxx.00/month |

D. FERCCA Fact Sheets

The following fact sheet compares the major points of consideration for someone who is making a decision between CSRS Offset and Social Security.

FERCCA FACT SHEET

| | CSRS OFFSET | SOCIAL SECURITY (FICA) |
|-------------------------|---|---|
| Annuity Benefits | <p>With CSRS Offset coverage, you earn retirement credit while also earning credit under Social Security. It offers you the benefit of an unreduced annuity computed under the CSRS formula until you become eligible for Social Security at which time your CSRS annuity will be reduced, or offset, by the value of the Social Security benefit based on the amount of your service that is creditable as CSRS Offset service. The offset will apply if you are eligible for Social Security even though you decide to postpone receiving Social Security benefits. (If you do not become eligible for Social Security benefits, there is no offset). This does not mean that you lose any monetary benefit.</p> <p>The earliest an employee can retire under CSRS Offset for a regular voluntary retirement is 55.</p> <p>There are two formulas that are used to determine the amount of a CSRS annuity offset. The smallest amount is used as the offset. Here are the two formulas:</p> <p>Formula 1: Social Security benefit \times $\frac{\text{Total Years of Offset Service}}{40}$</p> <p>Formula 2: Social Security monthly benefits with Federal Offset Service --- (minus) _____ Social Security monthly benefit without Federal Offset Service.</p> <p>Each year, the CSRS Offset annuity, and the Social Security payments are adjusted by cost of living increases that match the Consumer Price Index.</p> | <p>Social Security provides a single monthly benefit if you retire, become disabled or die. It is not intended to be the only source of retirement income and thus, as a general rule, pays lower monthly benefits to employees and survivors than CSRS Offset retirement.</p> <p>Usually you can qualify for Social Security benefits if you have at least 10 years of paying Social Security taxes and have therefore acquired the needed 40 credits.</p> <p>Full retirement age is based on your year of birth, for example if you were born in 1960 or later your full retirement age is 67, if you were born in 1937 or earlier your full retirement age is 65. If you were born some where in between 1937 and 1960 then your full retirement varies depending on your year of birth. Everyone can retire at age 62 but their Social Security benefits will be permanently reduced based on the number of months they receive checks before reaching their full retirement age.</p> <p>Each year, Social Security annuities are adjusted by cost of living increases that match the Consumer Price Index (CPI).</p> |

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| <p>Thrift Savings Plan (TSP)</p> | <p>If you elect to retain CSRS Offset coverage, your opportunity to participate in the TSP will not change.</p> | <p>If you elect Social Security coverage, any contributions that you may have already made to the TSP and their earnings will remain in your account. However, you will not be allowed to continue to participate.</p> |
| <p>Social Security</p> | <p>You were erroneously placed under CSRS, therefore regardless of your choice, your CSRS contributions will be used to correct Social Security records.</p> | |
| <p>Credit for civilian or military deposit service</p> | <p>FERCCA offers a variety of options for crediting service for which a deposit or redeposit has been paid, partially paid or remains unpaid. Options for individual cases depend on a number of factors. Your comparison computations will include your options and your counselor will be prepared to discuss them with you.</p> | |

E. FERCCA Election Form

The FERCCA election form must be part of every FERCCA decision package. No other election form should be used for FERCCA elections. All FERCCA elections can be made using form R I 10-125.

Please fill in the “Retirement Plan Name” that the employee can choose from in section 5 of RI 10-125.

F. Preparing for your Counseling Session

For employee in CSRS who should be in Social Security

Before the counselor calls, you should carefully read all the material in the package and check to ensure all of the information is correct.

- Review your name, address, social security number, etc. for accuracy.
- Review the service history to make sure the information is correct.
- Review the information about any civilian or military deposits.
- If any data is incorrect, please inform your human resource specialist

Consider the following to prepare for your FERCCA counseling session:

1. Will I have Federal Employee Health Benefits (FEHB) if I choose Social Security only? If you choose Social Security only you may or may not be eligible for FEHB as an employee and you will not be able to carry FEHB into retirement. If you choose CSRS Offset you will have retirement coverage and will be eligible for FEHB as an employee and potentially as a retiree, if you qualify.

2. When do I plan to retire? Do you plan to acquire Federal retirement coverage in the future?

3. How much can I contribute to the Thrift Savings Plan (TSP)? Your ability to contribute to TSP is a major factor in deciding which retirement plan is best for you.

4. If I have not already made deposits, do I plan to make deposits for military and/or civilian temporary service? Payment of deposits and redeposits may determine if that service can be used in your annuity calculation or whether your annuity computation is reduced to account for the non-payment.

G. FERCCA Counseling Fact Sheets for agency Human Resource Specialists

Counseling someone on a FERCCA decision is very similar to ordinary retirement counseling. There are three areas where FERCCA counseling is very different from the type of retirement counseling you normally do. The areas where there are differences are:

1. FERCCA actuarial reduction on military and civilian deposits and civilian redeposits
2. TSP considerations
3. Making the election or understanding the default election

Otherwise you are comparing the two systems the employee is making a decision between. You need to emphasize the difference between the systems such as the age requirements for retirement, how cost of living adjustments are different between the two systems and other major differences.

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| | CSRS Offset Counseling Points |
|-------------------------------------|---|
| Annuity | <p>Review the comparison sheet or annuity estimates with the employee.</p> <p>Employee's who are in CSRS but belong in Social Security sometimes may have more to consider. Generally what they are considering is a choice during an appointment that could not have had retirement coverage but they may have subsequently received an appointment that has retirement coverage.</p> <p>If they choose CSRS Offset and subsequently receive a covered appointment they will stay in CSRS Offset or if they chose Social Security and subsequently receive a covered appointment they will be CSRS Offset with a six month opportunity to elect FERS.</p> <p>These types of employees may have more to consider because they may have multiple errors.</p> |
| Age and service requirements | <p>The employee needs to understand the retirement age for a voluntary retirement is different under CSRS Offset and Social Security. If the employee is interested in a different type of retirement make sure they understand the eligibility requirements for that retirement i.e. disability, law enforcement et. Eligibility requirements are explained in Chapters 40 through 46 of the CSRS and FERS Handbook for Personnel and Payroll Offices.</p> <p>Also, it's very important for the employee to understand that the CSRS Offset will begin when the employee is entitled to Social Security not when they receive Social Security benefits. Most employees will be eligible for a reduced Social Security at 62 and that is when the CSRS Offset will begin. If the employee decides to wait and receive Social Security benefits until their full retirement age so they can receive an unreduced benefit they will still have their CSRS annuity offset at age 62 when they are eligible for Social Security benefits.</p> |
| Unused Sick Leave Credit | <p>Make sure the employee knows that unused sick leave can be credited under CSRS Offset. Unused sick leave is explained in Chapter 20 of the CSRS and FERS Handbook for Personnel and Payroll Offices.</p> |
| COLAs | <p>The employee needs to understand they will receive a full COLA</p> |

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| | as soon as they retire under CSRS Offset. COLA's are explained in Chapter 2 of the CSRS and FERS Handbook for Personnel and Payroll Offices. |
| Survivor Benefits | The employee should know they can elect a maximum of 55% or any other percentage or dollar amount below 55%. Survivor elections are covered in Chapter 52 of the CSRS and FERS Handbook for Personnel and Payroll Offices. |
| Military Deposit | Follow the military deposit guidelines outlined in Chapter 23 of the CSRS and FERS Handbook for Personnel and Payroll Offices. |
| Deposits and Redeposits | Civilian deposits and redeposits are explained in Chapter 21 of the CSRS and FERS Handbook for Personnel and Payroll Offices. |
| Thrift Savings Plan (TSP) | <p>The employee is in CSRS and if they elect CSRS Offset their TSP balance and their options under TSP will not change.</p> <p>Separated employees: If you are working with a separated employee the employee is allowed to keep their Government Contributions, make up contributions, and earnings on those contributions, in their TSP account but the employee's CSRS Offset annuity will be reduced actuarially when they retire.</p> |
| Social Security Administration (SSA) | <p>Employees who receive Social Security and CSRS Offset annuities are impacted by the Windfall Elimination Provision (WEP). This means that their Social Security benefits will be reduced. If the employee chooses CSRS Offset their Social Security benefits may still be impacted by the WEP, but years of substantial earnings under Social Security reduce the impact of the WEP. If they have at least 30 years of substantial social security earnings the WEP is eliminated. The longer the employee is covered by Social Security as an employee the smaller the reduction from the WEP. The Social Security Administration has a factsheet on the WEP available on their website in their publications section at www.SSA.gov. The publication is called "Windfall Elimination Provision" and the publication number is 05-10045.</p> <p>The Government Pension Offset (GPO) is a Social Security reduction that can affect recipients of Social Security widow or widowers benefits. CSRS retirees are impacted by the GPO but CSRS Offset retirees are not impacted by the GPO. For more information about the GPO see the Social Security publication "Government Pension Offset". The publication number is 05-</p> |

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| | 10007, which is available on the Social Security website, www.SSA.gov . |
| Election | All employees who are in CSRS and should be in Social Security must make a choice between CSRS Offset and Social Security. They must make this choice using the FERCCA election form RI 10-125. Other election forms, such as a FERS election form should not be used. |
| Default | If the employee does not make a FERCCA election within 6 months of your providing them with the FERCCA election package the employee must be placed in CSRS Offset. CSRS Offset is the default election for this error type. |
| Correction Process | BAL 05-103 “Retirement Coverage Error Correction: Correction of Errors that Provide an Election” discusses what actions the agencies must make to correct an error. You will need to use this BAL to answer any questions the employee may have on how his error will be corrected. The correction process should not impact the employee’s decision to make a retirement coverage choice. None of the corrections will negatively impact the employee. |

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| | Social Security Counseling Points |
| Annuity | Review the comparison sheet or annuity estimates with the employee. You can either ask the employee to bring in their annual Social Security statement or you can use the retirement calculator you have available to you to make Social Security estimates. Most retirement calculators require the Social Security earnings to do a Social Security estimate. The Social Security earnings can be obtained from the employee’s Social Security statement. In most cases you will need the employee to provide you with a copy of their Social Security statement in order to provide them with any estimates on their Social Security benefits. |
| Age and service requirements | The employee needs to know CSRS Offset and Social Security have different retirement ages. Most people are eligible for a reduced Social Security benefit at age 62 and a full social security benefit at their full retirement age. The Social Security full retirement age is based on the employee’s date of birth. Check the employee’s annual Social Security statement or the Social Security website (www.ssa.gov) for more information on Social Security benefits. |

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| | |
| COLAs | Each year Social Security Annuities are adjusted for cost of living increases. See the Social Security website for more information. |
| Survivor Benefits | There is survivor benefits under Social Security but the rules are very different from CSRS Offset. A living spouse may be entitled to a spousal benefit under Social Security but if a spouse works and earns their own Social Security they may only receive their own Social Security benefit and never be entitled to a spousal or widow or widower benefit. The employee needs to understand their own Social Security statement as well as their spouses in order to make an informed decision. |
| TSP | If you are currently in CSRS and you elect Social Security coverage, any contributions that you may have already made to the TSP and their earnings will remain in your account. However, you will not be allowed to continue to participate. |
| SSA | Employees who do not receive an annuity under CSRS Offset are not impacted by the Windfall Elimination Provision (WEP). |
| Election | All employees who are in CSRS and should be in Social Security must make a choice between CSRS Offset and Social Security. They must make this choice using the FERCCA election form RI 10-125. Other election forms, such as a FERS election form should not used. |
| Default | If the employee does not make a FERCCA election with in 6 months of your providing them with the FERCCA election package the employee must be placed in their FERRCA default election which is CSRS Offset. |
| Correction Process | BAL 05-103 “Retirement Coverage Error Correction: Correction of Errors that Provide an Election” discusses what actions the agencies must make to correct an error. You will need to use this BAL to answer any questions the employee may have on how his error will be corrected. The correction process should not impact the employee’s decision to make a retirement coverage choice. None of the corrections will negatively impact the employee. |