BENEFACTS

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Federal Employees to Face Hike in FERS Contributions

Due to the recent passage of the Middle Class Tax Relief and Job Creation Act of 2012 (H.R. 3630), which became Public Law 112-96, new Federal employees hired after December 31, 2012, as well as current employees not covered by FERS or performing work creditable towards FERS and who have less than five years of creditable civilian service by that date. FERS, which is often referred to as the "new system", is the retirement system for Federal employees that became effective January 1, 1987 and it provides benefits from three different sources: a *Basic Benefit Plan, Social Security*, and the Thrift Savings Plan (TSP). FERS is a defined benefit plan that will provide a lifetime annuity to eligible employees and their survivors based on years of creditable service and high-3 average salary to employees who are vested in the system by having at least five years of creditable civilian service. Eligible employees contribute a part of their salary to this system in addition to the contributions that the Federal agency they are working for contributes to the system.

President Obama signed this bill on February 23, 2012 to extend the payroll tax holiday to December 31, 2012. This will enable Federal and private workers covered by social security to continue to pay reduced social security benefits through December 31, 2012.

Federal employees who are affected by this new law will see a 2.3% increase in their employee contributions to the FERS system which essentially places more of the responsibility of funding FERS pension on the employee. Currently employees are paying 0.8 percent of their salary toward FERS and now employees who are affected by the new law will pay 3.1 percent of their salary towards FERS. Congressional employees as well as employees who are covered under the Foreign Service Pension System (FSPS) are also affected by this new law. This new law is one of several congressional proposals to make the federal pension a more employee funded system.

Even though the law may not affect all FERS employees, this will definitely be a good time for employees to start looking ahead towards retirement. The employees who will be affected by this new law will have to allocate more money towards their FERS contributions than in the past so there will definitely have to be some budgeting on the part of the employee. When major changes like this occur there are sure to be many questions, as employees may be uncertain about what to expect in the future. Employees are encouraged to contact their personnel or benefits office for more information regarding retirement.

Changes due to the end of Contingency in Iraq

Due to contingency operations in Iraq ending on December 31, 2011, so has the termination of the special Federal Employees Group Life Insurance (FEGLI) Election opportunities. The election opportunities for those deployed to Iraq and subject to the Duncan Hunter National Defense Authorization Act were in effect since October 14, 2008 per BAL 08-204.

The Duncan National Defense Authorization Act had given election opportunities for FEGLI to those employees that were deployed in support of contingency operations as defined by section 101(a)(13) of title 10 to Iraq.

Therefore, with the ending of this contingency operation, the FEGLI Program election opportunities provided under section 1103 of the Duncan Hunter National Defense Authorization Act for Fiscal Year 2009, no longer applies to employees who receive a notice of deployment to Iraq and/or make an election on or after January 1, 2012. Please refer to BAL 12-201.

Do you have comments, questions or suggestions? Please contact the Benefits and Entitlements Branch at benefits@cpms.osd.mil or you may call us at DSN 426-6301, or 703-696-6301 and press "1" for Benefits.

Updates on BAL's/Policy/Regulation

The coming of each New Year can bring many things, from newly realized dieting plans, possibly an updated calendar for your refrigerator and as always, annual changes to Federal employees benefit plans. On Tuesday, January 25, 2012, The Office of Personnel Management (OPM) issued Benefits Administration Letter (BAL) 12-101.

The purpose of the BAL is to provide information on annual changes to benefits. Some of the topics covered are: Cost of Living Adjustments, Increase in Children's Benefits, Interest Rates for Service Credit Payments, Refunds, Voluntary Contributions, Present Value Factors, significant Social Security Figures, and Thrift Savings Plan (TSP) Deferral Limit.

For retirees receiving monthly annuity payments from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), they received a COLA effective December 1, 2011. Since there are two separate retirement systems, there are two separate COLA amounts. The calculated increase is 3.6% for CSRS and 2.6% for FERS annuitants. In order to receive the full COLA, a retiree's' annuity had to begin no later than December 31, 2010. Retirees whose annuities began between January 1, 2011 and November 30, 2011, will receive a prorated COLA. They will receive one-twelfth of the applicable increase for each month they received an annuity.

Another area seeing an increase was in the computation of child (ren) benefits. When the child has a living parent who was married to a Federal employee or retiree, the benefit payable to that child is the lesser of:

$486 per month per child; or
$1,460 per month divided by the number of eligible children (if over 3).

When the child has no living parent who was married to a Federal employee or retiree, the benefit payable to that child is the lesser of:

$584 per month per child; or
$1,752 per month divided by the number of eligible children.

Along with an increase in monthly benefits, there was an increase in the Basic Employee Death Benefit computation for FERS employees that die in service. This benefit is an amount equal to 50 percent of the employee's final annual pay (or high-3 average pay if higher), plus $15,000, adjusted for COLAs under CSRS rules. For deaths that occur on or after December 1, 2011, and before December 1, 2012, the $15,000 plus COLA is now, $30,792.98. The FERS death benefit is payable to a surviving or former spouse.

The interest rate for 2012 service credit payments, refunds, and Voluntary Retirement Contribution will be applied to both CSRS and FERS at 2.25%. The BAL also explains the adjustments to present value factors, revised on October 1, 2011. The new factors can be found in the June 3, 2011 Federal Register, Volume 76, Number 107. CSRS factors can be accessed at (http://www.gpo.gov/fdsys/pkg/FR-2011-06-03/pdf/2011-13708.pdf) and FERS factors can be accessed at (http://www.gpo.gov/fdsys/pkg/FR-2011-06-03/pdf/2011-13707.pdf). OPM uses the present value factors to compute reductions to:

1) Alternative Forms of Annuity;
2) CSRS and FERS benefits with a CSRS component when the retiree elects to credit refunded service that ended before March 1, 1991, without paying the deposit owed for the service.
3) CSRS and FERS benefits when the retiree marries after retiring and elects to provide a survivor annuity benefit;
4) Retiree's' benefits when the retiree elects to credit Nonappropriated Fund Instrumentality (NAF) service for retirement purposes under Public Law 104-106 or Public Law 107-107; and,
5) Retirement benefits for individuals with certain types of retirement coverage errors under the provisions of the Federal Erroneous Retirement Coverage Correction Act.

Continued on p.3, col. 1

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Continued from p.2, col. 2

Along with changes to benefits typically associated with strictly Federal employment, significant social security figures were also adjusted for 2012. The new maximum taxable wage for 2012 will be $110,100. The Bend Point used in computing social security benefits for workers who become eligible for benefits in 2012, and in the formula for computing maximum individual benefits for 2012, will be $767 and $4,624. The social security earnings limitation is also being adjusted to $14,640. This is of particular importance to any FERS annuitant who is receiving a FERS annuity supplement. Those individuals going over the limit will have his or her annuity supplement offset in 2012 by $1.00 for every $2.00 over this amount earned in 2012.

Lastly, the TSP Deferral Limit for tax year 2012 was increased to $17,000. The term "elective deferrals" means the maximum amount that an employee can contribute to his or her thrift savings account(s). Participants that are age 50 or older can also make additional tax-deferred "catch-up" contributions up to $5,500.

If you would like more information on this or any of the 2012 Benefits Administration Letters, please email us at, benefits@cpms.osd.mil. The Office of Personnel Management posts all Benefits Administration Letters at: www.opm.gov/retire/pubs/bals/index.asp

Extended benefits of reduced TCC Continues for DoD Employees

President Obama signed the statutory authority that continues to extend reduced TCC benefits for those employees that were involuntarily separated due to RIF or those that voluntarily separated from a Surplus Position thru February 1, 2017.

The provision limits the former employee's liability payment by requiring the DoD to pay the agency's portion of contributions as well as the administrative costs during the 18 months of TCC. The former employee will incur only the employee contribution portion of the TCC payment.

Remarks for SF 2809 TCC enrollments:

For a DoD TCC Enrollment due to a RIF or Resignation after Receipt of a RIF Notice

Self, DoD-RIF, Involuntary Separation, P.L. 112-81, 5 U.S.C. 8905a (d)(4)(B); Separation date: (enter date); Last day of pay period: (enter date); Agency Code: (enter four digit code); Appropriations code: (enter nine-digit code, see block 36, SF-50, Notification of Personnel Action or contact your budget office.)

For a DoD TCC Enrollment Due to a Separation from a Surplus Position

Self, DoD-RIF, Voluntary Separation from a Surplus Position, P.L. 112-81, 5 U.S.C. 8905a (d)(4)(A)(B); Separation date: (enter date); Last day of pay period: (enter date); Agency Code: (enter four-digit code): Appropriation code: (enter nine-digit code, see block 36, SF-50 Notification of Personnel Action or contact your budget office).

Revised the Standard Form SF2818

The Office of Personnel Management has revised the Standard Form SF2818. This revision should assist in reducing the number of errors identified in the Retirement Errors report from OPM. Previously the form had four signature lines. Frequently a signature line was not signed by the employee, and therefore was reported as an error by OPM. The revised form now has only one employee signature line requirement.

Please review the completed form to ensure that all sections of the SF 2818 are marked appropriately for each type of insurance, and signed by the employee prior to submission of completed retirement packages. Proper completion of the SF 2818 can significantly reduce the processing of the retirement package.

The link to the SF 2818 revised form is http://www.opm.gov/forms/pdf_fill/sf2818.pdf

"What is the Thrift Savings Plan-Service Computation Date (TSP-SCD) used for and what is the earliest date that can be assigned?"

Answer: The TSP-SCD is a data element that is a date, either actual or reconstructed, that reflects all service that counts for TSP vesting, or service requirement and, the earliest acceptable date for TSP-SCD is January 1, 1984.

Ref: Thrift Savings Bulletin, 97-30 of August 19, 1997

Tools You Can Use - Working the death of a family (spouse or child) member

The stress in filing death claims is never easy. The Benefits Specialist puts on another hat of the many they wear and now becomes an advocate for the employee by reviewing all benefits in order to assist the employee during an extremely troubling time in his or her life. The employee has so much on his or her mind during this time of loss and confusion that he or she is truly relying on the Benefits Specialist to look out for him or her by making him or her aware of changes that can be considered to prevent him or her from hitting pitfalls concerning employee benefits. Below are some items to review and to discuss with the employee regarding his or her Federal benefits when he or she has experienced the death of a spouse or a child.

1) Locate the most recent SF 2817 in the OPF, and verify that the FEGLI code reflects the same code on the SF50 for the most recent FEGLI election or change in coverage.

2) Verify the FEGLI Code reflected on the SF 50 matches the FEGLI code entered for deductions from the employee's LES.

3) If the employee had Option C (family coverage), complete the Form FE-6-DEP, and assist the employee in completing his or her portion. Send the completed form with an original death certificate to OFEGLI at the address listed on the FE-6-DEP.

4) Due to the loss of a spouse or child, the employee may need to review and update his or her benefits forms (See list below). Explain the benefits and various forms with the employee in the event that the deceased family member was the only eligible family member remaining covered or listed as a beneficiary.

   a) If an employee has FEHB family coverage and, he or she no longer has a living eligible family member on the plan, the employee will need to change his or her plan election to a FEHB Self Only by completing a SF 2809.

   b) If the employee has Self + 1 Dental and/or Vision Insurance, in which the deceased family member was covered, the employee will need to contact FEDVIP in order to change the plan(s) to a Self-Only policy.

   c) If the employee has FEGLI Option C family coverage, and he or she no longer has an eligible family member living to be covered, the employee will need to update and complete a SF 2817 to drop the Option C family coverage.

   d) To close a Long Term Care Insurance policy on the deceased family member, the employee will need to contact Long Term Care Insurance directly.

   e) Provide the employee with the employee's copy of his or her current beneficiary forms on file so he or she may review them. Provide the employee with the following blank beneficiary forms to enable him or her to update them:

      - SF 1152 Unpaid Compensation
      - SF 2823 FEGLI Beneficiary
      - SF 2808 CSRS Beneficiary – this completed form is not filed in the OPF, the original must be sent to the OPM address on the form
      - SF 3102 FERS Beneficiary
      - TSP 3 TSP Beneficiary – the employee will need to mail the completed form directly to TSP

5) Other information or changes an employee may wish to consider:

   a) The employee may wish to change his or her W-4 Income Tax Withholdings form, if desired.

   b) The employee will need to notify the Social Security Administration directly of the spouse's or child's death. If the death is a spouse, the employee will file for Social Security Death Benefit ($255), and will file for Social Security Survivor Benefit three months prior to his or her 60th Birthday.

Three Interesting Questions

1. How long does a Non Appropriated Fund (NAF) employee have to make a retirement coverage election when he or she transfers to an agency?

   Answer: The employee has 30 days to make a retirement coverage election.

   Reference: Portability of Benefits, Public Law 107-107

2. If an employee or covered family member is enrolled in FEHB HMO, and becomes employed outside the geographic area from which the FEHB carrier accepts enrollments change his or her health plan?

   Answer: Yes, because this event is a Qualifying Life Event (QI).

   Reference: FEHB Handbook, Table of Permissible QLE

3. When is a grandchild eligible for Federal Employees Health Benefits (FEHB)?

   Answer: A grandchild can qualify for FEHB coverage, if s/he meets all the requirements for a foster child.

   Reference: FEHB Program Handbook, Family Members, Grandchildren

Voluntary Early Retirement Authority and Voluntary Separation Incentive Payment (VERA/VSIP) Briefings

In an effort to comply with budget decreases many agencies are faced with the requirement to decrease staff and consolidate positions resulting in offering of VERA/VSIP to eligible staff members. The benefits and entitlements (B&E) team was pleased to provide assistance to National Geospatial-Intelligence Agency (NGA) and Joint Base Andrews Air Force Base during the past few months as they prepared employees considering the VERA/VSIP.

The B&E team assisted these agencies by providing briefings to over 400 individuals on VERA/VSIP, retirement benefits, and aspects of financial fitness. Following the briefings, one-on-one pre-scheduled counseling sessions were held to review individual estimates, answer questions, and discuss various aspects for employees to consider regarding the latest changes that occurred with Federal Employees Group Life Insurance options during retirement, Windfall Elimination Provisions for CSRS individuals, FERS Annuity Supplement, and much more.

The B&E team is comprised of advisors with a wide range of expertise in the areas of Federal employee benefits. The B&E team provides technical advice, guidance, and training to Human Resources Specialists throughout the Department of Defense (DoD) and recently expanded to non-DoD agencies in the areas of benefits and entitlements. Contact the B&E Team at benefits@cpms.osd.mil for assistance or to request training at your location.

What's Going On In Your Neighborhood?

To register for Upcoming Courses Offered at our Arlington, VA Location, visit our FAS Training page

http://www.cpms.osd.mil/forms/fas/trainings/trainings.aspx

and

choose your preferred course

Welcome to Denise Andriola

Denise Andriola joined the DCPAS, B&E team in November 2011. Prior to coming to B&E, Denise worked as a Retirement and Benefits Counselor for the Department of Interior's U.S. Geological Survey, the Department of Veterans Affairs, and the Department of Homeland Security's Emergency Operations Center at Mount Weather. Denise was first hired as a Federal Employee by FEMA in support of disaster hiring after Hurricane Katrina. She has a number of years of Human Resources and Benefits experience in the private sector.

TSP Returns

End of March 2012		
FUND	CLOSE	YTD
G	**13.8727**	**0.39%**
F	**15.4004**	**0.32%**
C	**17.4921**	**12.63%**
S	**23.4924**	**14.45%**
I	**19.5714**	**10.91%**
L 2050	**10.6852**	**11.08%**
L 2040	**19.3733**	**9.85%**
L 2030	**18.8250**	**8.58%**
L 2020	**18.1910**	**6.93%**
L Income	**15.4127**	**2.72%**

In the next edition of the BENEFACTS newsletter!

- **Roth TSP**
- **Tricare and FEHB**
- **Military Deposits**