



BENEFACTS

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A Few Things About Roth TSP

Roth TSP is the new investment option available to eligible employees. With this option employees eligible for TSP can have after-tax contributions deducted from their paycheck and placed into their Roth TSP account. After-tax contributions deposited in the Roth TSP account can be withdrawn tax-free. The earnings associated with the after-tax contributions can be tax-free as well, if qualified.

Now that Roth TSP is here, it is a good time to take a closer look at some of its key features.

Tax-Free Distributions (Withdrawals)

The key feature of Roth TSP is the ability to make eligible withdrawals tax-free. However, contributing after-tax pay into a Roth TSP does not automatically make the after-tax deposits and their associated earnings tax-free. Earnings made from a Roth TSP account are only tax-free if they have met the 5-year rule and are a part of a “qualified distribution”.

Qualified Distributions and The 5-year rule

Roth TSP contributions originate from after-tax pay. Therefore a participant will not owe taxes on those contributions when he/she receives a payment (distribution). The tax treatment of earnings depends on whether the payment is a “qualified distribution,” which means that the entire payment is distributed tax-free.

The earnings in a Roth TSP balance become qualified, and are therefore paid tax-free, when the following two conditions have been met:

- 1) 5 years have passed since January 1 of the calendar year in which the first Roth contribution was been made (this is referred to as the 5-year rule),

AND

- 2)The participant is age 59½ or has a permanent disability or in the case of death.

Note: For a beneficiary participant, Roth TSP earnings become qualified when 5 years has passed since January 1 of the calendar year in which the deceased TSP participant first made a Roth contribution to the account.

Roth Initiation Date

The Roth Initiation date is the date the 5-year rule waiting period (non-exclusion period) begins. The 5-year clock begins on January 1 of the year the first Roth contribution was made to a Roth TSP account. For example, if the first contribution was made July 1, 2012, then January 1, 2012 would be the Roth Initiation Date.

When Roth 401(k) balances are transferred into to the Roth TSP, the start date travels with them. However, the Roth Initiation Date will be determined using the date most favorable to the participant. If a participant has a civilian account and a uniformed services account, the Roth Initiation Date for both accounts will be the same.

Transfers In, Transfers Out

The Treatment of...	Traditional TSP	Roth TSP
Transfers In	<i>Transfers</i> allowed from eligible employer plans and traditional IRAs	<i>Transfers</i> allowed from Roth 401(k)s, Roth 403(b)s, and Roth 457(b)s
Transfers Out	<i>Transfers</i> allowed to eligible employer plans, traditional IRAs, and Roth IRAs	<i>Transfers</i> allowed to Roth 401(k)s, Roth 403(b)s, Roth 457(b)s, and Roth IRAs

The most important thing to remember is that once money has been designated as pre-tax or after-tax, it keeps that designation. This is true for monies already in a TSP account. Once it has been designated as Traditional (pre-tax) or Roth (after-tax) then it cannot be changed.

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*Do you have
comments,
questions or
suggestions?*

Please contact the

Benefits and

Entitlements

Branch at

benefits@cpms.osd

[.mil](mailto:benefits@cpms.osd) or you may

call us at DSN

426-6301, or

703-696-6301 and

press "1" for

Benefits.

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The Pro-Rata Rule

TSP will disburse amounts from a participant's TSP account proportionally (pro-rata) from both traditional and Roth balances. This applies to:

- Loans
- Withdrawals (in-service and post-service)
- Court-ordered payments
- Taxable distributions declared on outstanding loan balances
- Required Minimum Distributions
- Death Benefits

Note: TSP will reject court orders requesting only Roth TSP or Traditional TSP monies only.

Roth TSP is new and provides another option for TSP participants. Though we have looked at a few key features, there is more information that a person would need to know to make an informed decision about utilizing Roth TSP. For more information on Roth TSP visit www.tsp.gov. Participants should contact a professional advisor to determine if Roth TSP fits into their financial plan.

TRICARE Enrollment Verification Process

The number one error that causes delays in the processing of retirement applications is the lack of documentation for the Federal Employees Health Benefits (FEHB) 5 year coverage requirement. The following information is being provided to assist HR Benefit Specialists when documenting Federal employee's FEHB 5 year enrollment. An employee's Official Personnel File does not automatically include a TRICARE enrollment letter or any form of verification. Employees planning to use TRICARE to meet the 5 year requirement to carry FEHB into retirement may contact Defense Manpower Data Center (DMDC) directly by telephone or in writing to request a letter verifying periods of enrollment in TRICARE.

When submitting a request, the employee or HR Benefit Specialist must provide DMDC with pertinent information such as sponsor's name, date of birth, social security number, home address and telephone number. Additionally, the request must indicate that verification for the entire period of enrollment is needed. If the request is not specific, DMDC will generate a standard letter that will verify TRICARE enrollment for the last 18 months prior to the date of the request.

Once received, the request will be processed by DMDC and a copy of the TRICARE eligibility enrollment letter will be mailed to the employee or the agency. A faxed copy of the eligibility letter may also be requested and the employee or agency will receive a response within an hour of receipt. DMDC contact number is 800-538-9552 and the hours of operation are from 5:00 a.m. to 5:00 p.m. (Pacific Time) Monday through Friday.

DMDC mailing address:

DMDC Support Office
Customer Support
400 Gigling Road
Seaside, CA 93955-6771

Apply for the FLTCIP anytime! No need to wait for an open season!

The Long-Term Care Security Act, long-term care insurance became a reality for Federal employees, members of the military, retirees, and their families. The Federal Long Term Care Insurance Program (FLTCIP) provides coverage for long-term care health care needs, such as nursing home care, home health care, assisted living facilities, adult day care, and personal care/homemaker care. It is the only Congressionally authorized long-term care insurance program in existence.

Employees must be eligible for the FEHB Program in order to apply for coverage under the FLTCIP. It does not matter if they are actually enrolled in FEHB - eligibility is the key. Annuitants do not have to be eligible or enrolled in the FEHB Program. You must apply to find out if you are eligible to enroll; there is no need to wait for open season.

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&

Entitlements*Working**to**Serve**You!***Continued from p. 2, col. 2**

Applicants, who are not new/newly eligible employees, must use the Full Underwriting Application. Full underwriting requires applicants to answer more health-related questions. It may also include a review of medical records and an interview with a nurse. There is no need to wait until the next open season to apply for the FLTCIP. Federal family members can apply for FLTCIP coverage anytime using the full underwriting application.

As baby boomers age into their middle 60's and life spans continue to lengthen, the burden of caring for their parents and even their spouses is becoming a much more common occurrence. While some people still may not view long term care insurance coverage as important or needed, the baby boomers may feel differently.

Because premiums are based on age at the time of application, this is a good time to learn more. With the FLTCIP's educational website and knowledgeable program consultants, individuals can easily find the information needed to get started today.

Apply today!

The Online Consultant Tool

<http://tx.info.ltcfeds.com/track.aspx?1142489.1777880.5136239105.5282.285776.1694> H

uses video and interactive features to help individuals learn about long term care and design a FLTCIP plan that suits their needs.

Online webinars are available

<http://tx.info.ltcfeds.com/track.aspx?1142489.1777880.5136239105.5282.295417.1695> H

demonstrate how the FLTCIP can help secure a comfortable retirement and highlight the FLTCIP's comprehensive benefits and features.

For more information about the FLTCIP, please contact Long Term Care Partners at 1(800)582-3337, or visit the website at www.ltcfeds.com.

Military Service Deposits under CSRS and Catch-62

There are certain individuals covered by the Civil Service Retirement System (CSRS) that may be eligible for Social Security income at age 62. If these employees have prior military service; they may experience significant reductions in their Federal annuity if their military deposits are not paid-in-full. If the employee elects not to make the military deposit and is eligible for Social Security benefits at age 62, or at the time of retirement (whichever is later), their CSRS annuity will be recomputed and will not include their military service. This is known as "Catch 62."

Recently, B&E has received several inquiries from retirees that were affected by Catch-62. Confusion regarding making a deposit for military service has caused several retirees to lose credit for past military service in their annuity computation. When counseling CSRS employees on retirement, there are 3 key factors to look for:

1. Was the employee first hired in a covered position before October 1, 1982?
2. Will the employee be eligible for Social Security at age 62 or retirement (if later)?
3. Will military deposit(s) be paid in full prior to final adjudication of retirement?

If a deposit is required, it must be paid to the servicing payroll office before the Office of Personnel Management (OPM) finalizes the retirement application. This chart will help in determining the need to pay a deposit.

In some cases, employees may continue to work after retirement and subsequently become eligible for Social Security benefits. These employees can avoid Catch-62 by paying their military deposit before retirement. Another way is to defer earning the required 40 credits for Social Security benefits until after age 62. By deferring earning Social Security credits until after age 62 the employee may not have to pay the required military service deposit. This information is found in the CSRS & FERS Handbook Chapter 22 Section 22A5.1-3 (G) (3).

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When an employee performs active duty military service that interrupts civilian service, that military service is treated as civilian service for the purposes of retirement eligibility and annuity computation under CSRS and FERS. Reference USERRA P.L 103-353.

As defined under Title 38, United States Code Chapter 43-Section 4318 (2) (A): A person reemployed under this chapter shall be treated as not having incurred a break in service with the employer or employers maintaining the plan by reason of such person's period or periods of service in the uniform services.

Employee's electing not to return to Federal service under USERRA laws forfeit the right

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CSRS Military Service		
First Hired in a Covered Position Before 10/1/1982 and Eligible for Social Security at Age 62	First Hired in a Covered Position Before 10/1/1982 and Not Eligible for Social Security at Age 62	First Hired in a Covered Position on or After 10/1/1982
Service is creditable for meeting retirement eligibility and annuity computation until age 62, or retirement (which is later) without a deposit. Recomputation at age 62 or retirement, whichever is later, to deduct military service.	Service is creditable for meeting retirement eligibility and annuity computation without a deposit.	Must make a deposit to include this service for meeting retirement eligibility and computation of retirement annuity.

DSR Employees Now Eligible for the DoD Civilian Retiree Identification Card

On December 30, 2005, the Under Secretary of Defense for Personnel and Readiness issued a policy authorizing an identification card for retired at Department of Defense (DoD) Civilian employees. This is a trusted credential for civilian retirees which can be used at DoD base installations at the discretion of the base commander. Beginning in December 2008, the DoD Civilian Retiree Identification Cards was issued at Real-Time Automated Personnel Identification System (RAPIDS) locations. This enabled retired DoD civilian employees to receive an identification card that allows them to continue their affiliation with the DoD.

In the past, DoD Civilian Retiree Identification Cards were not being issued to employees who retired on a Discontinued Service Retirement (DSR).

On August 26, 2009, the Deputy Under Secretary of Defense (Personnel and Readiness) issued a memorandum summarizing the (DoD) Retiree Identification Card program. Additional guidance to the program will be issued in June 2012 in order to include employees who are separated on a DSR. DoD human resources offices were provided with instructions on how to modify existing procedures by updating the remarks on the SF-50. The remarks on the SF-50 should read, "This Notification of Personnel Action (SF-50) Serves to Document a Retirement Action Due to Separation under Discontinued Service Retirement Provisions". Previously when an employee separated due to a DSR the SF-50 did not reflect retirement as the type of separation. This would often make it difficult for DSR retirees to obtain an identification card because the type of separation on their SF-50 was coded with something other than retirement. With these new procedures, employees who separate due to a DSR should not experience any issues obtaining his/her DoD Civilian Retiree Identification Card.

Obtaining a DoD Civilian Retiree Identification Card

The civilian retiree ID is issued through a (RAPIDS) site. Once you receive the Standard Form 50 (SF-50), Notification of Personnel Action which documents your retirement from a DoD agency, you may contact the local RAPIDS site to set up an appointment.

Please note that DSR employees should follow the same instructions as voluntary retirement employees when obtaining a DoD Civilian Retiree Identification Card.

At the time of appointment, the RAPIDS site will verify your retirement using the Defense Enrollment Eligibility Reporting System (DEERS) and the following documentation provided by the retiree:

- A Federal or state issued picture ID;
- A SF-50 documenting retirement from a DoD agency; and
- Another form of ID approved from the Department of Homeland Security, U.S. Citizenship and Immigration I-9 document.

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to have this time included in any core time and will be treated as a normal military POST-56 service deposit.

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For information on RAPIDS facility locations, the DMDC website has a site locator at www.dmdc.osd.mil/rsll/. The site locator has the ability to search by city, state, zip code, name and country. You will need to contact the local RAPIDS site to set up the appointment.

Retirees who are not listed in DEERS or require additional assistance should contact the Benefits & Entitlements Branch. The retiree will need to provide the information below in order to receive assistance.

- First Name, Last Name, Middle Initial
- Date of inquiry
- Contact Number
- Email address
- Date of Retirement (DOR)
- Agency
- RAPIDS Site and telephone
- The reason why you were unable to obtain a DoD Retiree ID.

3 Interesting Questions Asked

Q1: If an employee resigns their civilian position to perform military service, will they be covered under the USERRA rules?

A1: Yes, if someone resigns for the purpose of performing military service, their job is protected.

Reference: Title C.F.R. 20 § 1002.152

Q2: I am over the maximum entry age limit of 37, and I just recently turned age 40. What does it take to be given an age waiver for a DoD Firefighter position?

A2: According to current Federal law, all agencies must comply with the maximum entry age of 37 when hiring or rehiring employees. This requirement ensures that Firefighters (FFs) are permitted sufficient

time to meet the retirement eligibility requirements (20 years of service) before they are subject to mandatory retirement at age 57. To receive full retirement benefits under Special Retirement coverage, employees must have been in an approved position with 20 years of FF service. Therefore, employees beginning their careers after the age of 37 are unable to complete the required 20 years of service before reaching their mandatory retirement age.

If an individual has prior approved FF service, the servicing organization may request a maximum entry age waiver, provided the individual meets all qualifications and is selected for employment. However, employment is contingent upon approval of the waiver. Once selected, all employees performing FF duties or other duties involving arduous physical exertion are subject to periodic medical examinations.

References: Title C.F.R. 339, and Department of Defense Instructions (DoDI), 1400.25, Volume 336 page 5.

Q3: An agency is in the process of terminating an employee. They are terminating her because she is not a U.S. citizen. Is she eligible for TCC?

A3: Assuming the position she was hired for stated she had to be a U.S. Citizen; as a result, she is being terminated because she was not in compliance. Unfortunately, she will not be entitled to TCC.

Reference: FEHB Handbook (Eligibility for Health Benefits).

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*



**Advanced Benefits Workshop
April 10-13, 2012
Arlington, VA**

Benefits & Entitlements (B&E) Branch wants to continue sustaining our success with our customers. We believe that our customers are the foundation of our success and we take seriously our role of making sure that we continue to provide you the very best advisory service when responding to your retirement and benefit issues.

The BENEFACTS newsletter is a tool intended to bring you up to date information so you can stay informed, and be knowledgeable about what is going on in the neighborhood of the Benefits World. B&E would like to engage our readers to share your thoughts, ideas and experiences related to Benefits and Retirement issues you are challenged with in day to day operations. We also want to provide a platform for Human Resources Specialist to connect with each other by sharing your ideas and experiences; as we believe this can be "lessons learned" to those in the HR (Benefits) neighborhood, who reads the ideas you share. We value the collective knowledge and experience among all of you. We value all your contributions and want to hear all that you have to share with us in the aspect of your HR neighborhoods. We want to hear from you!

TSP Returns

End of May 2012		
FUND	CLOSE	YTD
G	13.9131	0.68%
F	15.7142	2.36%
C	16.3428	5.23%
S	21.7121	5.78%
I	17.0157	(3.57%)
L 2050	9.8758	2.67%
L 2040	18.0960	2.61%
L 2030	17.7474	2.37%
L 2020	17.3601	2.04%
L Income	15.2019	1.31%



**In the next edition
of the
BENEFACTS newsletter!**

- **USERRA & TSP 1% Automatic Contribution**
- **Retirement Errors**