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## Planning for Tax Year 2020

Traditionally, December is an excellent time to review your benefits. Open Season, which runs through the second week of December, allows federal employees to not only review their existing benefits, but review benefit elections for the New Year. January is also a good time for reviewing federal employee benefits and your financial situation, to include taxes. We offer some tips for lowering your 2020 tax bill and preparing for 2021. These are just a few tips to help you start 2021 in good financial shape.

### Review your withholding.

If you were surprised by a large tax bill in April (or in September, if you elected to delay), you still have time to take steps to avoid another April surprise. The IRS offers a free online calculator (<https://www.irs.gov/individuals/tax-withholding-estimator>) to help you estimate the withholding to achieve the outcome (refund, breaking even, or a targeted payment) you desire.

### Max out your retirement savings.

There is still time to squeeze a little more money from each paycheck toward your TSP or an Individual Retirement Account (IRA). The limit for 2021 is \$19,500 for the TSP (with \$6,500 in catch-up contributions if

you are 50 or older), and \$6,000 toward an IRA (with \$1,000 catch-up contributions if you are 50 or older). Remember that most Americans do not save enough for retirement; don't be one of them! Start saving now.

### Max out charitable contributions (and get a head start on spring cleaning) if you itemize.

If you itemize your deductions, donating clothes, kitchenware, and/or furniture you no longer need (or use) can increase your taxable deductions while helping a worthy cause. Remember that you will need a receipt from the charity if you are claiming a contribution of \$250 or

more, and for donations in excess of \$5,000 (such as a car or antiques), you will need to provide a written appraisal for the item(s) value. Also, keep in mind that the Coronavirus Aid, Relief, and Economic Security (CARES) Act (which was enacted into law during COVID-19) permits taxpayers to deduct cash deductions of up to 100% of their Adjusted Gross Income (AGI) (the usual cut-off is 60% of AGI).

(To continue to page 3)

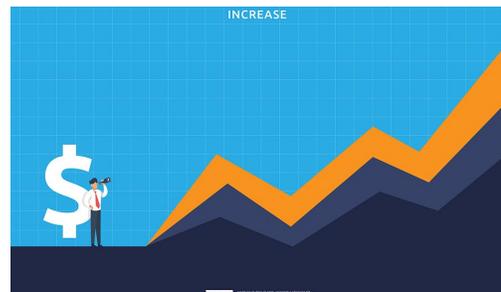


## Special Salary Rate Authority

In accordance with section 5305 of title 5, United States Code, Special Pay Authority, the Office of Personnel Management (OPM) may establish higher rates of basic pay – also called special salary rates – for a group or category of General Schedule (GS) positions in one or more geographic areas to address existing or likely significant handicaps in recruiting or retaining well-qualified employees. Special salary rates are not meant as a pay matching system, but rather, are considered a management flexibility for resolving staffing hardships. OPM may establish special salary rates to address those staffing difficulties caused by:

- Significantly higher non-federal pay rates than those payable by the federal government within the area, location, or occupational group involved
- The remoteness of the area or location involved
- The undesirability of the working conditions or nature of the work involved
- Any other circumstances OPM considers appropriate

The Special Pay Branch of the Wage & Salary Division is the lead Department of Defense (DoD) agency for Federal Wage System (blue-collar) and GS (white-collar) special salary rates. DoD also has an OPM delegated authority to approve and issue special salary rates for title 38 medical positions, such as doctors and dentists, within the DoD Components. For additional information, please contact the Special Pay Branch at [dodhra.mc-alex.dcpas.mbx.wage@mail.mil](mailto:dodhra.mc-alex.dcpas.mbx.wage@mail.mil).



## 2021 COST OF LIVING ADJUSTMENTS

Legislation enacted in 1973 provides the Cost-of-Living Adjustments (COLA) to Social Security benefits. With COLAs, the retirement benefits (like Social Security) can keep up with the inflation. In other words, COLAs help retirees to bridge the gap between the benefits they receive and the rising cost of living. The latest COLA increase is 1.3 percent for Social Security benefits and Supplemental Security Income (SSI) payments. Retired federal employees and entitled surviving family members of deceased federal employees receive the COLA as of December 1, 2020, which will be reflected in their benefit payable on January 2, 2021. For more information visit [SSA.gov](https://ssa.gov).

Under CSRS and FERS, the COLA will be 1.3 percent as well for those who have received benefits for at least one year (FERS annuities are not increased by COLA for those under age 62, except for disability retirees, survivor-annuitants or those under

mandatory retirement systems). For more information on the 2021 COLA increase, please visit the [OPM website](https://ssa.gov).

<COLA – Frequently Asked Questions>

- 1. Will my retirement (annuity) benefits increase as the cost of living goes up?**  
Yes. OPM makes the cost-of-living adjustments each year to the amount that annuitants receive every year.
- 2. Who is eligible to receive the cost-of-living adjustments?**

Most retirees are eligible for COLA starting at the age of 62 if they are under one of these federal retirement programs:

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# Planning for Tax Year 2020

The CARES Act also includes a one-time \$300 deduction for cash only (no contributions of household or clothing are eligible) contributions to charity, however, this deduction is based on your tax return (not your person), so the maximum for a married couple filing jointly is still \$300.

*“Max out your retirement savings”*

*“Create an emergency savings”*

*“Review your tax withholdings”*

*“Help your children start saving for retirement”*

## **Create an emergency savings fund.**

Beyond the necessity of girding for a potential shutdown every year, having an emergency savings fund can be vital for federal employees. Most people begin with saving \$100, and then gradually increase the amount until they have three to six months' worth of savings to cover all expenses (such as rent, a mortgage, a car note, groceries, unexpected veterinary or medical bills, and so on). It is easy to maintain an account even if you only save \$10 per pay period. This is still \$10, compounded over time, that is the difference between being unable to pay for a necessity, and funding unexpected emergencies.

## **Required Minimum Distributions (RMD).**

While the CARES Act waived RMDs for 2020, remember that RMDs are still required for 2021 and plan accordingly if you are 72 years of age (or older) in 2021.

**Stimulus checks.** Under the CARES Act, most Americans received a stimulus check for \$1,200. The stimulus check was not an inde-

pendent payment from the government; instead, it is an advance payment for a special 2020 tax credit known as the “recovery rebate credit”. When you file your 2020 return, you will have to reconcile the stimulus check you received against the recovery rebate credit you are allowed to receive. (The good news is that the stimulus check is not taxable)

## **Help your children start saving for retirement.**

Beginning in 2020, fellowships, stipends, or similar payments to graduate and post-graduate students is treated as compensation for the purpose of making IRA contributions. This will help qualifying students begin saving for retirement sooner. (Note: work-study funds paid to undergraduate students do not qualify as compensation for the purpose of making IRA contributions)



## 2021 COLA (Continued)

- Federal Employees Retirement System (FERS)
  - FERS Special Retirement (such as Firefighters)
  - Civil Service Retirement System (CSRS)
  - Organization and Disability Retirement System (ORDS)
- Certain retirees with disability and other special provisions or survivors may have different COLA entitlement rules.
3. **What is the amount of the cost-of-living adjustment?**  
For the year 2021, annuitants will receive a 1.3 percent increase. The rate varies each year.
  4. **When is the COLA paid?**  
If the COLA is payable, OPM will make the change in December of each year. You'll receive the adjusted payment in January which is the following month.
  5. **Are children and survivors receiving monthly benefits eligible for COLA?**  
Yes, children (up to age 22 if attending school full-time) and survivors are eligible for the cost of living increase.

### 6. I retired last year, will I get a COLA?

Yes, but you will receive a prorated amount. You will also receive a letter explaining the increase. FERS annuitants under age 62 are not eligible for COLA increases unless certain conditions are met.

### 7. Where can I get some assistance if COLA is not enough to cover my living expenses?

Federal government benefit programs can help. Individuals with a low income cover basic expenses such as like food and housing.

Learn more at <https://www.usa.gov/benefits>.

For more information on the 2021 COLA increase, please visit the [OPM website](#).



## Things to Know About COVID-19 Vaccine Program

- ◆ COVID-19 vaccination will help protect you from getting COVID-19. Two doses are needed. A second shot will be needed after 3-4 weeks after your first shot.
- ◆ There are limited supplies of COVID-19 vaccines but will be widely available soon within the weeks or months.
- ◆ You may have some side effects after getting a vaccine and it is normal. The side effects may be flu like symptoms and usually go away in a few days.
- ◆ Vaccine doses purchased with US tax money so it will be given to American people at no cost.
- ◆ It is important to continue using all the available tools to help stop pandemic.

For more information — <https://www.cdc.gov/coronavirus/2019-ncov/vaccines/8-things.html>.



# Nonappropriated Fund (NAF) Health Benefits Program: Beneficial Plan Provisions For You In 2021

Members of the Nonappropriated Fund (NAF) Health Benefits Program (HBP) have access to various resources and programs to help in living a healthier lifestyle. Individuals are highly encouraged to go to [www.nafhealthplans.com](http://www.nafhealthplans.com) where they can learn additional information on their medical, dental, and prescription drug coverage needs. Make 2021 the year you focus on your health!



## Medical Changes

Three new changes to the 2021 NAF medical plan include:

- (1) Eliminating the \$10 General Medicine Teladoc copay so as to encourage member use;
- (2) Increasing copays on the Choice POSII plan for in-network PCP/specialist office visits from \$30/\$45 to \$40/\$60; and
- (3) Making Maintenance Choice (MC) pharmacy prescriptions mandatory. Presently, members can opt out of MC. After 2 30-day refills of the maintenance medications on the MC list, members would be required to either fill a 90-days at a CVS retail location or through mail order with no exceptions.

## Medical and Dental Plan Premiums

Beginning January 1, 2021, overall medical premiums will increase 4%. For CONUS active employees and pre-65 retirees, it will increase 10.24%; for

OCONUS actives/retirees and CONUS post-65 retirees, premiums will decrease 11.6%. The differences in rates is because medical care in the US is more expensive than it is overseas. Also, the past 2 years the NAF HBP has been moving towards a “true pricing” concept of allocating premiums to the true cost of members’ care. Actives and pre-65 retiree costs are higher than the premiums that cover them; while overseas actives/retirees and post-65 retirees pay more in premiums than actual costs. True Pricing is the effort to right size the plan. There will be no cost increases to both the NAF dental plan and the stand-alone dental plan (the stand-alone dental is a self-funded plan).

## High Deductible Health Plan (HDHP)

A new second health plan, a High Deductible Health Plan (HDHP) with a Health Savings Account (HSA) option for eligible DoD NAF employee and retirees, was implemented January 1, 2020. This new plan option allows plan members to use the same provider network of doctors and hospitals; has the same negotiated prices for services; and utilize the same pharmacy network. 2021 premiums for this lower cost plan option will be 23.08% lower than 2020 premiums for the Choice POS II or Traditional Choice plans in CONUS for actives and pre-65 retirees and 30% lower for OCONUS actives and post-65 retirees.

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## NAF Health Benefits Program: Beneficial Plan Provisions For You In 2021 (Continued)

As the name dictates, HDHP members will have higher deductibles. A HDHP with HSA allows plan members to contribute pre-tax money deducted from the paycheck or post-tax which are tax deductible. Members can make option changes only during Open Enrollment (currently closed), or if they have a qualified family status change, such as adding or removing family members.

### **Health Savings Account (HSA)**

HSAs, which are interest-bearing savings accounts, are available to CONUS active employee and pre-65 retirees. For those establishing or already have an HSA account, NAF employers will contribute \$500 for an employee-only and \$1,000 for a family. Individuals can also contribute up to \$3,600 for single and \$7,200 for a family. Benefits include individuals earning tax-free interest from the savings account or investment earning as well as making tax-free distributions when they are used for qualified healthcare expenses. If an employee switches plans or decides to leave NAF employment, either thru taking another job or retirement, these monies belong to the employee. Employees can invest \$1,000 or greater in choosing between 25 investment funds. For those 65 and older, they can use HSA monies for non-eligible expenses without a 20% tax penalty.

### **Health Reimbursement Account (HRA)**

HRAs are offered to everyone OCONUS enrolled in the HDHP. HRAs are also offered to post-65 retirees that are enrolled in the HDHP. Post-65 retirees are not eligible for an HSA as they are Medicare primary. Once enrolled in the HDHP and having established an HRA, NAF employers will contribute \$500 for an employee-only and \$1,000 for a family.

### **Interactive Online Tool (Alex)**

Alex is an interactive on-line benefits counseling tool that will assist plan participants in making enrollment decisions. It is easy to use as it will walk an individual through medical and dental

plan options and FSAs to match benefits to an individual's needs or preferences.



### **Group health coaching and support — at no cost to the member**

With healthy lifestyle coaching, the member will be able to work with a wellness coach to address their health goals such as losing weight, quitting smoking, eating better, managing stress, and more! This program offers weekly interactive, group coaching sessions over a 6-week period, as well as one-on-one support. Healthy lifestyle coaching is available for anyone enrolled in the NAF HBP with Aetna and is available in the US only.

### **Health Incentive Credit Program**

To encourage healthy lifestyle actions, individuals can earn health incentives of up to \$300 and families \$600 by participating and completing the following health actions:

- o Online health assessment - \$75
- o Biometric/metabolic syndrome screening - \$150
- o 3 Calls to work on a goal with a disease management nurse - \$75 (CONUS Only)
- o Online journey - \$75 each (up to 4 Journeys each for employee/retiree and covered spouse)
- o Preventive exam for children under age 18 - \$50

These earned credits will be applied to your medical deductible and/or coinsurance as claims are processed. If enrolled in the HDHP and have the HSA/HRA, these health incentives will be added to your HSA or HRA account. You can learn more about the program by going to [nafhealth-plans.com](http://nafhealth-plans.com)>Wellness>Health Incentives Program.

# Retiring in 2021? Best Dates to Consider

Choosing a retirement date is a personal decision. Only employees can decide for themselves the *best* day to retire. When looking at the calendar, the *best* date involves many variables including the end of the leave period, the employee's total annual leave on the books, and their retirement system.

Civil Service Retirement System (CSRS) employees have a few extra days, and can retire no later than the third day of any month to have the annuity payment begin the next day of that same month. See the pay period calendar and *best* retirement dates for 2021. If you have additional questions, contact your HR office.

Retiring on the last day of a leave period is important to consider since annual and sick leave accrues when 80 hours of work are completed for a pay period. If an employee retires in the middle of a pay period, they will not receive any partial leave credit nor receive salary for the entire pay period. Retiring at the end of the year can also bring the most benefit of having additional annual leave hours on record. If an employee accrued 240 hours of annual leave from the previous year and did not take any leave throughout the year, they would be paid for 448 hours of unused annual leave. Any annual leave balance at the time of retirement will be paid in a lump sum in accordance with 5 CFR 550.1203. Annual lump sum payout = the total hours x hourly salary.

Federal Employees Retirement System (FERS) employees should retire no later than the last day of a month in order for the annuity payment to begin immediately the following month.

## 2021 Retirement Calendar Dates to Consider

PAY PERIOD CALENDAR 2021																																
Month	Pay Period	S	M	T	W	T	F	S	Month	Pay Period	S	M	T	W	T	F	S															
JAN	26						1	2	JUL	13					1	2	3															
	01	3	4	5	6	7	8	9		14	4	5	6	7	8	9	10	11	12	13	14	15	16	17								
	02	17	18	19	20	21	22	23		15	18	19	20	21	22	23	24	25	26	27	28	29	30	31								
FEB	03								AUG	16	1	2	3	4	5	6	7	8	9	10	11	12	13	14								
	04	14	15	16	17	18	19	20		17	15	16	17	18	19	20	21	22	23	24	25	26	27	28								
	05	7	8	9	10	11	12	13		18	29	30	31																			
MAR	06	14	15	16	17	18	19	20	SEP	19	5	6	7	8	9	10	11	12	13	14	15	16	17	18								
	07	4	5	6	7	8	9	10		20								1	2	3	4	5	6	7	8	9						
	08	11	12	13	14	15	16	17		21	10	11	12	13	14	15	16	17	18	19	20	21	22	23								
APR	09	18	19	20	21	22	23	24	OCT	22	24	25	26	27	28	29	30	31														
	10	2	3	4	5	6	7	8		23								1	2	3	4	5	6	7	8	9	10	11				
	11	9	10	11	12	13	14	15		24	21	22	23	24	25	26	27	28	29	30	12	13	14	15	16	17	18	19	20			
MAY	12	16	17	18	19	20	21	22	NOV	25	21	22	23	24	25	26	27	28	29	30												
	13	23	24	25	26	27	28	29		26	28	29	30																			
	14	30	31							27	26	27	28	29	30	31																
JUN	15	1	2	3	4	5	6	7	DEC	28	5	6	7	8	9	10	11	12	13	14	15	16	17	18								
	16	6	7	8	9	10	11	12		29	19	20	21	22	23	24	25	26	27	28	29	30	31									
	17	13	14	15	16	17	18	19		30	26	27	28	29	30	31																



*“When you retire, do you want to serve or be served?”*

CSRS Only	FERS (CSRS as well)
January 2	January 30
July 3	February 27
December 3	July 31
*December 31* End of leave year and end of pay period!	

# Old Age, Survivors, and Disability Insurance (OASDI) Tax Deferral Repayment

A Presidential Memorandum was issued on August 8, 2020, along with guidance from the Internal Revenue Service to temporarily defer OASDI tax withholdings to provide relief during the COVID-19 pandemic. The deferral was effective through the end of the 2020 calendar year.

Effective January 1, 2021, the deferred amount of OASDI tax will be collected from wages between January 1 and December 31, 2021. The amount will be collected in 24 installments between pay periods ending January 16 and December 4, 2021.

Beginning in January 2021, your myPay LES Remarks section will show the 2020 deferred OASDI collection amount as well as your remaining balance to be collected.

Civilian employees who are subject to pay into Social Security and separated or retired in

calendar year 2020 or before the OASDI tax can be collected in 2021, are still responsible for the tax repayment. The unpaid balance will be collected from your final pay. If there are insufficient funds to collect the full amount, you may receive a debt letter with instructions for repayment.

Civilian employee 2020 W-2s will be issued in January along with a W-2c (Corrected Wages and Tax Statement) that includes the collection of deferred Social Security taxes in 2021. Instructions and questions regarding the W-2c and the filing of taxes due to the tax deferral can be found at: <https://www.irs.gov/forms-pubs/form-w-2-reporting-of-employee-social-security-tax-deferred-under-notice-2020-65>.

## The Credentialing Corner



### What's New in Credentialing?

DCPAS, Benefits, Wage & NAF Policy Line of Business is proud to present the DoD Injury Compensation Program Administrator (ICPA) Credentialing Program. The ICPA Credentialing Program focuses on interpreting and applying statutes, regulations, and policies governing Injury Compensation. As an ICPA, you can complete exam levels 1 & 2 and earn your credentials as a DoD Injury Compensation Technical Advisor (DoD ICTA). If you serve as an IC Program Manager, or aspire to become a Program Manager, you can complete exam levels 1 through 3 and become credentialed as a DoD Senior IC Program Manager (DoD S-ICPM).

### Eligibility Requirements

- ◆ Must be in the 0201 or 0203 Occupational Series or assigned to a position requiring Federal Employees' Compensation Act (FECA) administration/management duties
- ◆ ICPA Level I Course Certificate of Completion

The Injury Compensation Credentialing Program will be joining the Employee Benefits Advisor (EBA) Credentialing Program, offering remote testing for all eligible Level I participants in January 2021.

### Employee Benefits Advisor Credentialing Program

The EBA Credentialing Program is in full swing. Did you know that if you passed the post test for the Basic, Intermediate, or Advance Courses, you are eligible to sit for the Level one, two, or three credentialing exam (respectively)? You can take the exam virtually with a proctor or at the approved testing centers at Fort Riley, KS or San Antonio, TX. If you are ready to be credentialed, sign up at <https://credentialingexamrequest.as.me/> or contact [dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil](mailto:dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil) to reserve your seat at a testing center today!

For more information on both credentialing programs please contact us at:

[dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil](mailto:dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil).

Be Recognized. Get Credentialed.



Benefits, Wage, and  
NAF Policy Line of  
Business



**BENEFITS • WAGE • NAF Policy**  
Our Service Sustains Your Service

4800 Mark Center Drive  
Alexandria, VA 22350

Phone: (703) 882-5197  
Email:

[dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil](mailto:dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil)



**BE**  
Knowledgeable

**BE**  
Informed

**BE**  
Reliable



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Line of Business, DCPAS on Twitter**  
**@Lob#3**  
**#DCPASExcellence**  
<https://twitter.com/LOB3Colleagues>

## 2021 Federal Benefits Virtual Trainings

The Benefits and Work Life Program Division holds Virtual Basic, Intermediate and Advanced trainings on Federal Employee benefits.

For more information, please contact:  
[dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil](mailto:dodhra.mc-alex.dcpas.mbx.benefits-contacts@mail.mil)



BASIC	INTERMEDIATE	ADVANCED
8 Mar—12 Mar	22 Feb—26 Feb	Available in Sep
19 Apr—23 Apr	22 Mar—26 Mar	
10 May—14 May	17 May—21 May	

**\*\* To register DCPAS Virtual Benefits Trainings,**  
<https://www.apps.cpms.osd.mil/cpmstraining/app/>