

# Personnel Employee Bulletin

April 2, 2008

## ***Federal Employee Benefits – Changes for 2008***

### **Retirement**

**Basic Benefits:** CSRS survivor annuity benefits and CSRS retirement annuity benefits were increased by 2.3 percent on January 1, 2008. FERS basic retirement annuity benefits and FERS survivor annuity benefits were increased by 2 percent.

**Variable Interest Rate:** The rate for service credit payments, refunds and voluntary contributions will be 4.75 percent for 2008.

**Children's Survivor Annuities:** The 2008 rate for a child with one parent surviving will be about \$444 per month. A child with neither parent living will receive about \$532 per month. The benefit of a surviving child of a FERS employee or retiree will be offset by the Social Security children's benefit, if payable.

**Death Benefits:** When a FERS employee dies, a surviving spouse (or former spouse) may be eligible for the basic employee death benefit. This is equal to 50 percent of the employee's final annual pay (or high-three average pay, if higher) plus a \$15,000 payment that is increased annually by CSRS cost of living adjustments. For deaths that occur between **December 1, 2007 and November 30, 2008**, that payment will be \$28,093.

### **Social Security**

**Taxes:** The Social Security employee tax for 2008 will remain at 7.65 percent (6.2 percent for FICA and 1.45 percent for the Medicare Hospital Insurance Tax) for those covered by full Social Security (employees currently under the Federal Employees Retirement System (FERS) and Civil Service Retirement System–Offset). CSRS employees are subject only to the 1.45 percent Medicare tax. The wages subject to the FICA tax will be \$102,000 for 2008. This means that employees who earn more than \$102,000 and who pay the 6.2 percent FICA tax will pay an additional \$279. The Medicare tax applies to all wages.

**Earnings Limit:** The earnings limit for Social Security beneficiaries under the full retirement age (65 to 67 depending on year of birth) and for people receiving the FERS Retirement Supplement will be \$13,560 in 2008. Once earnings exceed this limit, the benefit is reduced by \$1 for every \$2 over the limit. There is no limit on earnings beginning the month an individual reached full retirement age. More information about the earnings test is available at: [www.ssa.gov](http://www.ssa.gov).

**Medicare Part B:** The monthly premium for Part B, covering physician care and outpatient services, will be \$96.40, an increase of \$2.90 or 3.1 percent in 2008. This is the smallest percentage increase in the Part B premium since 2000.

### **Thrift Savings Plan**

**TSP and TSP Catch-up:** The Internal Revenue Service annual limit on what employees can contribute to their thrift account will be \$15,500 for tax year 2008, the same as in 2007. The limit on catch-up contributions for 2008 also remains unchanged at \$5,000.

**Transfers to Roth IRAs:** Beginning in January 2008, separated TSP participants and active participants eligible for age-based in-service withdrawals will have the option to transfer all or part of their TSP withdrawal payments to a Roth IRA as well as to traditional IRAs or other eligible employer plans. Keep in mind that you must meet eligibility criteria and you must pay tax on any amount that you transfer into a Roth IRA for the year of the transfer. For more information, see the Questions and Answers on the TSP Web site or the TSP Tax Notice "Important Tax Information About Payments from your TSP Accounts," available from the TSP Web site or by calling the toll free Thrift line at 1-TSP-YOU-FIRST (1-877-968-3778), TDD: 1-TSP-THRIFT5 (1-877-847-4385), or International callers 404-233-4400 (Not Toll Free). It is strongly urged that you talk with a tax advisor if you are interested in this option.

For additional information, please contact your servicing DLA Human Resources Center, <http://www.hr.dla.mil/cntctus.htm>. The Personnel Employee Bulletin will be published on the first and third Wednesday of each month.