

Personnel Employee Bulletin

April 25, 2008

Benefits Information Related to Retirement

Federal Employees Health Benefits Program (FEHBP) Coverage in Retirement

To be sure you can continue your valuable FEHBP coverage into retirement, it's important to know the program's rules regarding retirees.

The Basics

According to the Office of Personnel Management (OPM), when you retire, you are eligible to continue health benefits coverage if you meet the following requirements:

- You will retire under a [qualifying retirement system](#) for federal employees.
- You will receive a retirement benefit that will begin within the month after you leave, or you are eligible for a reduced "Minimum Retirement Age +10 years service" retirement under the Federal Employees Retirement System (FERS), but you choose to postpone receiving the benefit to avoid some or all of the reduction. (In this case, your health insurance can be reinstated when you begin receiving this annuity.)
- You have been continuously enrolled (or covered as a family member) in any FEHBP plan for the five years of service immediately before the date your annuity starts, or for the full period of service since your first opportunity to enroll, if less than five years.

Note: You are not required to have been the one paying for FEHBP coverage continuously. You simply must have been covered by an FEHBP enrollment. This includes time as a family member under another person's FEHBP enrollment or time under the Uniformed Services Health Benefits Program (also known as TRICARE or CHAMPUS), as long as you were covered under an FEHBP enrollment at the time of your retirement. (You must enroll in FEHBP within 60 days after you lose coverage under the Uniformed Services Health Benefits Program for that time to be considered as part of continuous FEHBP coverage.)

Coverage under Medicare does not count in determining continuous coverage, nor does service as a nonappropriated fund employee.

Employees who leave federal service, then return later and reinstate their FEHBP coverage, do not necessarily need to be re-employed for five years in order to carry the coverage into retirement. Coverage in their prior appointment counts toward having five years of continuous service as long as they re-enroll within 60 days of being rehired.

Deposit Service

There are three types of deposits/re-deposits a Federal civil service employee should be aware of:

Deposit for non-deduction service

Non-deduction service is Federal civilian service that is potentially creditable for retirement, but for which no retirement deductions were withheld from salary (by retirement deductions, we refer to the 7 percent Civil Service Retirement System (CSRS) retirement contribution or the 0.8 percent FERS retirement contribution that is typically withheld from a Federal employee's salary). Non-deduction service includes intermittent service and service earned under temporary or indefinite appointments.

Exception: Non-deduction service performed on or after January 1, 1989, is not creditable under FERS for any purpose and will not be included in your Retirement Service Computation date. If the non-deduction service was performed on or before December 31, 1988, and is being used for FERS credit, then the deposit must be paid for the service to be creditable for any retirement purpose.

Impact of Non-deduction service for which no deposit has been paid:

CSRS Retirement Example for an employee who retires June 30, 2008:

Dates of non-deduction service: January 1, 1980, through December 31, 1980

Amount of Deposit: 7 percent (retirement contribution rate in 1980) X \$10,000 (Salary for the period above) = \$700

Interest on deposit: 3 percent compounded annually starting at the midpoint of the deposit period: \$925.00

- (Interest for non-deduction service performed before October 1, 1982, accrues daily and is charged at the following rates, compounded annually: 4 percent through December 31, 1947; and 3 percent from 1948 through the date the deposit is made or to the commencing date of annuity, whichever is earlier.
- Interest for non-deduction service performed on or after October 1, 1982, accrues annually and is charged at the following rates, compounded annually on December 31 of each year: 3 percent through December 31, 1984, and a variable rate determined annually by the department of the Treasury beginning January 1, 1985)

Total unpaid deposit \$1,601

Retirement reduction: \$13.34 monthly reduction (annual annuity reduced by 10 percent of the total deposit owed, including interest). Total annual reduction is \$160.

Redeposit of refunded CSRS Contributions

A redeposit of refunded CSRS contributions is a repayment of CSRS retirement deductions that have been previously refunded to the employee.

No credit will be allowed in the computation of the annuity unless the total amount owed is paid before your retirement annuity is adjudicated by OPM, unless the refunded service ended before October 1, 1990, or you are eligible to receive the Alternative Form of Annuity.

If you have received a refund that covers a period of service that ended before October 1, 1990, including employment covered by another Federal retirement system, you will not have to pay the redeposit to receive credit for that service when you retire. Instead, full credit for the refunded service will be allowed in computing your annuity, but the annuity will be actuarially reduced based on your age and the amount of redeposit, including interest, you owe at the time you retire. You may elect to pay the redeposit in full and avoid the actuarial reduction.

FERS employees are not permitted to repay refunded FERS deductions.

Post-Military service credit deposit

Military salaries after 1956 were subject to Social Security tax withholding. Pre-1957 military salaries were exempt from Social Security taxes. Generally, pre-57 military service is creditable under CSRS and FERS.

When crediting post-56 military service, for persons first hired under CSRS before 10/1/1982, the following rules apply:

- If a deposit for post-56 military service is made prior to retirement, post-56 military service (if otherwise creditable service) can be credited for civil service annuity purposes regardless of social security entitlement.
- If a deposit for post-56 military service is not made, no credit will be given for post-56 military service in the civilian service annuity computation if and when the annuitant becomes eligible for non-disability benefits from the Social Security Administration at age 62 or date of retirement, whichever is later.
 - If the annuitant is eligible for social security benefits at retirement, no credit is granted for post-56 military service in the annuity.
 - If the annuitant is not entitled to social security benefits at retirement, full credit is granted for post-56 military service in the annuity computation at retirement.
 - If the annuitant later turns 62 and, at that time, becomes eligible for social security benefits, the annuity will be recomputed to eliminate credit for post-56 military service.
 - If the individual retires under CSRS, and later becomes eligible for a non-disability social security benefit at an age later than 62, there is no effect on the annuity. Post-56 military service will be included for purposes of determining eligibility for retirement, "title," regardless of deposit and eligibility for social security benefits.

For persons first hired under CSRS on or after 10/1/1982, the following rules apply:

- If the employee makes deposit for post-56 military service before retirement, post-56 military service can be credited for retirement computation and title regardless of social security entitlement.
- If the employee does not make deposit for post-56 military service before retirement, post-56 military service cannot be credited for retirement computation or title, regardless of receipt or non-receipt of social security benefit.

FERS employees must make deposit for military service to receive credit for eligibility and computation purposes.

For additional information visit our website at:

<http://www.hr.dla.mil/downloads/retirement/MilitaryServiceDepositInformationSheet.pdf>.

For instructions on how to make a military deposit go to

<http://www.hr.dla.mil/downloads/retirement/HowToMakeMilitaryDeposit.pdf>

For information on how to receive a calculation of monies owed or how to make a deposit or redeposit, contact your employee benefits specialist at <http://www.hr.dla.mil/cntctus.htm>.

For additional information, please contact your servicing DLA Human Resources Center,

<http://www.hr.dla.mil/cntctus.htm>.

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