

Retirement Facts 13

CSRS Offset Retirement

The information presented in this publication is a non-technical summary of the relevant laws and regulations. It should not be relied upon as sole source of information. Actual adjudication of individual benefits is done in conformance with the specific provisions of the CSRS laws and regulations.

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Other titles in the Civil Service Retirement System (CSRS) Retirement Facts Series:

- ***Retirement Facts #1*** - The Civil Service Retirement System (RI 83-1)
- ***Retirement Facts #2*** - Military Service Credit Under CSRS (RI 83-2)
- ***Retirement Facts #3*** - Deposits and Redeposits Under CSRS (RI 83-3)
- ***Retirement Facts #4*** - Disability Retirement Under CSRS (RI 83-4)
- ***Retirement Facts #5*** - Survivor Benefits Under CSRS (RI 83-5)
- ***Retirement Facts #6*** - Early Retirement Under CSRS (RI 83-6)
- ***Retirement Facts #7*** - Computing Retirement Benefits Under CSRS (RI 83-7)
- ***Retirement Facts #8*** - Credit for Unused Sick Leave Under CSRS (RI 83-8)
- ***Retirement Facts #9*** - Refunds Under CSRS (RI 83-9)
- ***Retirement Facts #10*** - Voluntary Contributions Under CSRS (RI 83-10)
- ***Retirement Facts #11*** - Information for Separating CSRS Employees Who Are Not Eligible for an Immediate Annuity (RI 83-13)
- ***Retirement Facts #12*** - Information About Reemployment for CSRS Annuitants (RI 83-18)
- ***Retirement Facts #14*** - Law Enforcement and Firefighter CSRS Retirement (RI 83-20)

Titles of Federal Employees Retirement System (FERS) Pamphlets:

- ***FERS Pamphlet*** - FERS (RI 90-1)
- ***FERS Pamphlet*** - Information for Separating FERS Employees Who Are Not Eligible for an Immediate Annuity (RI 90-11)
- ***FERS Pamphlet*** - Information About Reemployment for FERS Annuitants (RI 90-18)

Titles of CSRS and FERS Pamphlets:

- Court-ordered Benefits for Former Spouses Under CSRS, FERS, FEHB* & FEGLI** (RI 84-1)
- Federal Payments That May Be Available to Federal Employees and Their Families When Employees are Injured or Die on the Job (RI 84-2)
- Life Events and Your Retirement and Insurance Benefits (For Employees) (RI 84-3)

Titles of Health and Life Insurance Pamphlets:

- Temporary Continuation of Coverage (TCC) under FEHBP* (RI 79-27)
- FEGLI** Booklet (RI 76-21)

* Federal Employees Health Benefits Program

** Federal Employees' Group Life Insurance

Note: The material in this publication is based on the law in effect at the time it went to publication. However, there were a number of proposals then pending to change the retirement law, including an increase in the rate of employee retirement contributions. Information on any change in law would be provided to employing agencies immediately.

Are You a CSRS Offset Employee?

Prior to January 1, 1984, there was only one major retirement system for Federal employees. Federal employees who were eligible for retirement coverage were covered by the Civil Service Retirement System (CSRS). By law, Federal employees covered by CSRS were excluded from Social Security coverage and taxes.

The Social Security laws were changed in 1983 to require Social Security (FICA) coverage for most new Federal employees hired after December 31, 1983, or employees who were rehired after December 31, 1983, after a break in CSRS coverage of more than 1 year. These employees were placed in an interim retirement plan that provided for full Social Security (or OASDI) deductions from pay and reduced CSRS deductions. This was the precursor of the CSRS Offset plan.

On January 1, 1987, the new Federal Employees Retirement System (FERS) started. Most Federal workers are covered by either CSRS or FERS. However, in the legislation that created FERS, Congress also created the CSRS Offset plan.

Typically, CSRS Offset retirement applies to employees who had a break in service that exceeded 1 year and ended after 1983, and had 5 years of creditable civilian service on January 1, 1987. CSRS Offset retirement coverage also applies to employees hired before January 1, 1984, who acquired CSRS coverage for the first time after that date, and had at least 5 years of creditable service by January 1, 1987.

You should check with your personnel office if you do not know what retirement system covers you, or you have questions about your coverage.

What is Different About Being Under CSRS Offset?

This section summarizes what is different about CSRS Offset benefits. The sections that follow provide a basic explanation of CSRS benefits and more detailed information about CSRS Offset rules. If you want more detailed information about a particular topic, another of the “Retirement Facts” pamphlets listed at the beginning of this pamphlet may answer your questions.

While you are employed under the CSRS Offset provisions, you are covered by both CSRS and Social Security. You are earning retirement credits under the relatively generous CSRS formula. You also have the portability of Social Security coverage. You are adding to any Social Security benefits you have already earned, and if you continue to work after you leave Federal employment, you will continue to add to your Social Security benefit.

When you retire, your CSRS annuity will be computed under the same rules that apply to other CSRS retirees. However, when you become eligible for Social Security benefits, (usually at age 62), your annuity will be reduced, or offset, by the value of the Social Security benefit you earned during your CSRS Offset service. In other words, instead of getting one check from the U.S. Office of Personnel Management (OPM) that reflects all your Federal service, some of the payment will come from the Social Security Administration (SSA) when you become eligible for a Social Security benefit. If you are not eligible for a Social Security benefit, there is no offset in your CSRS annuity.

If you become disabled or die, your disability annuity or your survivor’s benefits will also be reduced in a like manner. If no disability or survivor’s Social Security benefit is payable, there is no offset of CSRS benefits.

The amount you pay for CSRS coverage is reduced, or offset, by Social Security taxes (6.2 percent of pay). Most CSRS employees will pay 7.0 percent of pay for CSRS coverage.

If you earn more than the maximum Social Security wage base (\$62,700 in 1996), the Social Security tax stops when you reach this maximum, and your CSRS deductions increase to the full CSRS rate for the remainder of the calendar year. When the next year begins, the FICA tax resumes and the CSRS deductions drop to the offset amount until you reach the maximum taxable wage base for that year. Note that your taxable wage base for FICA purposes includes wages, such as overtime and awards, which are not counted for CSRS purposes. This means that your FICA deductions may stop before your CSRS deductions revert to the full rate.

When You May Retire

The age and service requirements for retirement as a CSRS Offset employee are the same as those for a regular CSRS employee. You may retire under the CSRS Offset at the following ages, and receive an immediate annuity, if you have at least the amount of Federal service shown:

Type of Retirement	Minimum Age	Minimum Service (Years)
Also See The Special Requirements on The Next Page 		
<i>Optional</i>	62	5
	60	20
	55	30
<i>Special Optional</i>	50	20
<i>Early Optional</i>	Any age*	25
	50*	20
<i>Discontinued Service</i>	Any age*	25
	50*	20
<i>Disability</i>	Any age	5

* Annuity is reduced 2% for each year you are under age 55.

Special Requirements	
	+
None	
None	
None	
<p>You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.</p>	
<p>Your agency must be undergoing a major reorganization, reduction in force, or transfer of function as determined by the Office of Personnel Management.</p>	
<p>Your separation must be involuntary and not a removal for misconduct or delinquency.</p>	
<p>You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified.*</p>	

* You must apply before you separate or within 1 year after you separate. There are certain exceptions for those who are mentally incompetent.

How CSRS Annuities Are Computed

As a CSRS Offset employee you are covered by both Civil Service Retirement (CSRS) and Social Security at the same time. You will receive a full CSRS annuity at retirement that is computed under the CSRS rules, using average salary and years of service. However, as explained in the following section, your CSRS Offset annuity will be reduced when you become eligible to receive Social Security benefits (usually at age 62).

Your basic annuity is computed based on your length of service (which includes unused sick leave if you retire on an immediate annuity) and “high-3” average pay. To determine your length of service for computation, add all your periods of creditable service and the period represented by your unused sick leave; then eliminate from the total any fractional part of a month. Your “high-3” average pay is the highest average basic pay you earned during any 3 consecutive years of service. Your basic annuity cannot be more than 80 percent of your “high-3” average pay, unless the amount over 80 percent is due to crediting your unused sick leave.

Your yearly basic annuity is computed by adding:

- (a) 1½ percent of your “high-3” average pay times service up to 5 years;
- (b) 1¾ percent of your “high-3” pay times years of service over 5 and up to 10; and
- (c) 2 percent of your “high-3” pay times years of service over 10.

A quick way to estimate your annuity is to determine your total length of service and subtract 2. Multiply that result by 2, and use that as a percentage of 90 percent of your final salary. If, for example, you have 34 years of service and your final salary was \$50,000 per year, your annuity would be approximately \$2,400 per month. (Thirty four years of service minus 2 = 32 multiplied by 2 = 64. Ninety percent of \$50,000 is \$45,000. Sixty four percent of \$45,000 equals \$28,800, or \$2,400 per month. This quick formula is not precise, but it allows you to estimate your benefits before the offset is applied.

Your basic annuity will also be reduced if:

- (a) you retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters);
- (b) you didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation if the deposit is not paid);
- (c) you didn't make a redeposit of a refund for a period of service ending before October 1, 1990 (if your refunded service ended after September 30, 1990, you must pay a redeposit of the refund with interest in order to receive credit for the service in the computation of your annuity); or
- (d) you provide for a survivor annuity.

CSRS Offset Annuity Reduction

Your CSRS Offset annuity is reduced by the portion of your total Social Security benefit that is payable based on Federal service performed after 1983 while covered by both the CSRS and Social Security.

Your annuity will not be reduced by any portion of your Social Security benefit that is based on service other than CSRS Offset employment.

When Will the CSRS Offset Annuity Be Reduced?

Normally, OPM will contact SSA when you are close to age 62 (the normal age of Social Security eligibility), to obtain an entitlement determination. If you are eligible to receive Social Security benefits, SSA will provide OPM with information concerning your benefits. Please note that even if you do not apply for Social Security benefits when

first eligible, the reduction in your annuity must still be made if you are eligible for Social Security benefits.

If you retire at age 62 or later and already are entitled to Social Security benefits, the offset in your annuity will be made at retirement. If you never become eligible for Social Security benefits based on your own employment, there is no offset.

How is the Offset Computed?

The Social Security Administration takes the Federal earnings in the period(s) when you are covered by both Social Security and CSRS and computes a Social Security benefit with those earnings included, and then without those earnings included. These two amounts are sent to OPM so that we can determine the CSRS Offset amount.

Your CSRS benefit is computed as explained above. The offset reduction is then subtracted from the annuity rate to become your new gross annuity rate.

The offset reduction is the *lesser* of-

1. the difference between the Social Security monthly benefit amount with and without CSRS Offset service (service after December 31, 1983, covered under the interim CSRS provisions or the CSRS Offset provisions); or
2. the product of the Social Security monthly benefit amount, with Federal earnings, multiplied by a fraction where the numerator is the employee's total CSRS offset service rounded to the nearest whole number of years and the denominator is 40.

$$\text{Social Security benefit} \times \frac{\text{Total Years of Offset Service}}{40}$$

Example

In this example, the employee has 3 years and 8 months of Offset service.

Computation number 1.

Social Security monthly benefit with Federal offset service \$600

Social Security monthly benefit without Federal offset service \$550

Difference..... \$50

Computation number 2.

Social Security amount with Federal earnings = $\$600 \times 4 \text{ years}^* = \2400 divided by 40 = \$60.

*Nearest whole year to 3 years 8 months.

Result: Since the offset is determined by taking the lesser amount of the two computations, the reduction in this case would be based on method number 1, or \$50.

Cost of Living Increases

You will receive the same cost-of-living adjustment (COLA) increases as other CSRS retirees. Your annuity will be increased periodically by COLA's that occur after you retire. Your initial COLA will be prorated based on how long you have been retired when the COLA becomes payable.

Credit for Military Service

Retirement credit for military service is the same as under regular CSRS retirement. As a general rule, military service in the Armed Forces of the United States is creditable for retirement purposes if it was active service terminated under honorable conditions and performed prior to your separation from civilian service. Military service performed on or after January 1, 1957, is normally used to compute your Social Security benefits at age 62.

Individuals first employed with CSRS coverage before October 1, 1982, may either

- (1) make a deposit that is 7 percent of their military basic pay, plus interest if applicable, for post-1956 military service, to avoid a reduction in their CSRS annuity at age 62 when they become eligible for Social Security benefits; or
- (2) not make the deposit and have their annuities reduced at age 62 if they are then eligible for Social Security benefits.

Employees first covered under CSRS on or after October 1, 1982, must make the deposit or their military service cannot be used to determine their eligibility to retire or to calculate their annuity.

Since you are very likely to be entitled to Social Security benefits, you should review your CSRS benefits carefully, with and without post-1956 military service credit, well before retirement, so that if you need to make a deposit of military service you can do so before interest charges increase the amount you need to pay. Most people find it is to their advantage to make the deposit. The deposit must be paid to your agency while you are still employed. Your personnel office can assist you.

Note: Service in the National Guard, except when ordered to active duty in the service in the United States, is generally not creditable. However, you may receive credit for National Guard service, followed by Federal civilian reemployment that occurs after August 1, 1990, when conditions described in Retirement Facts 2 are met. For Offset employees, the deposit for such service may not exceed the amount that would have been deducted from your pay as retirement deductions if you had not performed the military service.

CSRS Offset Disability Retirement

If you retire for disability when you are under age 60, you will receive the greater of:

- (a) the annuity you have earned, based on your service to date, or
- (b) a guaranteed minimum amount.

To figure the guaranteed minimum you must compute:

- (a) 40 percent of your “high-3” average pay, and
- (b) an annuity using your “high-3”, but increasing your service by the time between your retirement and your 60th birthday.

The guaranteed minimum is the lesser of these two amounts.

The guaranteed minimum does not apply if you are over age 60 or receiving military retired pay and/or VA compensation in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

If you retire under the disability provisions and also qualify for a Social Security disability benefit, the law requires that OPM reduce your CSRS benefit by the value of your Offset service in your Social Security disability benefit. The calculation is the same as was described earlier for a regular retirement. Since OPM does not know how much annuity to pay you until it knows whether or not SSA will award benefits, you must provide OPM proof that shows you have filed for Social Security disability benefits, or a statement from SSA that says you are not eligible for Social Security disability benefits.

Social Security often awards disability benefits later than OPM because of differences between the rules for Social Security benefits and CSRS benefits. If this happens to you, it is important that you notify OPM immediately when SSA awards benefits. In addition, if SSA awards retroactive

benefits, you should set aside the amount you are overpaid. OPM must reduce your annuity retroactively to the beginning of your Social Security benefit, and will bill you for any overpayment.

If You Retire Before Age 55

The same rules for retirement before age 55 apply to any CSRS or CSRS Offset employee.

If you voluntarily retire during a major reorganization, reduction in force, or transfer of function, or if you are involuntarily separated (but not for personal cause) and are younger than 55, your basic annuity will be reduced by one-sixth of 1 percent for each full month you are under 55.

If You Die While Employed as a CSRS Offset Employee

If you die after 18 months of creditable civilian service, your widow(er) will get an annuity, provided you were married for a total of 9 months. The 9-month requirement does not apply if your death is accidental or there is a child of the marriage.

Generally, your widow(er) is entitled to 55 percent of the basic annuity earned by your creditable service and average salary. However, if it will produce a higher annuity, your widow(er) will receive 55 percent of the guaranteed minimum benefit described in this pamphlet under the heading "CSRS Offset Disability Retirement".

If your spouse or children are eligible for survivor Social Security benefits based on your service, OPM must reduce the benefit that is paid to your surviving spouse and children. This reduction is computed in the same way as the reduction in a retirement annuity.

Social Security spousal survivor benefits normally begin at age 60. OPM contacts SSA close to the spouse's 60th birthday to ask if the spouse will be eligible for Social Security survivor benefits.

Note: If you have a former spouse from whom you were divorced after May 6, 1985, he or she may receive, by court order, all or part of the annuity your widow(er) would otherwise get.

Your unmarried children will also be entitled to annuities if you die in service. Their annuities will continue until they reach age 18, or age 22 if they remain in school full-time. The annuity of a child who is incapable of self support because of a disability incurred before age 18 will continue indefinitely unless the child becomes capable of self support or marries.

Providing for Your Survivors at Retirement

If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annual annuity will be reduced 2.5 percent of the first \$3,600, plus 10 percent of the annuity over \$3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction. As with death in service, OPM must reduce the survivor annuity if your widow(er) or children are entitled, or would upon proper application be entitled, to Social Security benefits as your widow(er) or children.

Note: If you were divorced after May 6, 1985, your former spouse may receive, by court order, all or part of the survivor annuity that your current spouse would otherwise get.

If You Leave the Service

If you leave Federal employment before you are eligible for an immediate CSRS Offset annuity, you can apply for a refund of your deductions, or leave the money in the retirement fund. If you are covered by CSRS Offset for at least 1 year within the 2 year period immediately preceding your separation on which annuity is based, and you leave your money in the fund, you will be entitled to a deferred annuity at age 62. It will be subject to the offset rules if you are eligible for Social Security benefits.

Making Payments for Previous Service

If retirement deductions were not taken from your pay during certain periods of service, you will need to pay these deductions into the retirement fund to receive full credit for the service. If you had a refund of retirement deductions for prior service, you may repay this money into the retirement fund to receive credit for service in your retirement benefits.

Exception: If you retire (other than on disability) while owing a redeposit of a refund for service that ended before October 1, 1990, you will not be required to pay the redeposit in order to receive credit for that refunded service. Instead, full credit for the refunded service will be allowed in computing your annuity, but your annuity will be actuarially reduced. (See Retirement Facts pamphlets 7 and 9 for more detailed information.)

These are the same rules that apply to regular CSRS employees.

Alternative Form of Annuity

If you have a life-threatening medical condition, you can choose to receive an Alternative Form of Annuity. Under this option, you receive a reduced monthly benefit, plus a lump-sum payment equal to all your unrefunded contributions to the retirement fund. Your election of an Alternative Form of Annuity will not affect the potential survivor annuity payable to your spouse or children. However, you must have your spouse's consent to make this election.

You cannot choose the Alternative Form of Annuity if you are retiring under the disability provisions or if you have a former spouse who is entitled to court-ordered benefits based on your service. These are the same rules that apply to CSRS employees.

Who Can Advise About the Amount of the Offset?

In order for your personnel office to estimate the amount of the offset, you need to request an earnings statement from the Social Security Administration. You can do this by calling 1-800-772-1213. This statement will include your year-by-year earnings for Social Security purposes and an estimated Social Security benefit that includes your CSRS Offset service. Your agency can then use the rules explained in this pamphlet to estimate the offset amount.

OPM will obtain information on your benefits and earnings for any adjustment that is needed if you become eligible for Social Security benefits after your CSRS Offset retirement.

Can I Participate in the Thrift Savings Plan as a CSRS Offset Employee?

If you are a CSRS Offset employee, you can take advantage of the Thrift Savings Plan (TSP) under the CSRS rules to supplement your annuity. You can contribute up to 5 percent of your basic pay each pay period to the TSP. However, you do not receive any Agency Automatic Contribution of 1 percent or any Agency Matching Contributions, as you do with the Federal Employees Retirement System (FERS). Although you do not receive any agency contributions, you do have the benefit of deferring taxes on your contributions and on the earnings in your TSP account.

Will Payment of My CSRS Offset Annuity Affect the Amount of My Social Security Benefits?

Benefits as a Spouse

One difference between you and employees with only CSRS coverage is that if you become entitled to Social Security spousal benefits, those benefits *will not* be subject to the Government Pension Offset. This offset does apply to any spousal benefits of employees who retire under CSRS Offset rules.

Benefits Based on Your Own Earnings

A provision of law known as the Windfall Elimination Provision may affect the amount of your Social Security benefit based on your own employment. The Windfall Elimination Provision applies to people who receive pensions based on work that was *not* subject to Social Security and who have less than 30 years of “substantial earnings” under Social Security. Since you must have had at least some CSRS service (or similar service under another retirement plan for Federal employees) that is not Offset service, you may be subject to this provision.

Under this law, the formula that Social Security uses to compute your benefits is modified, giving you a lower Social Security benefit. The benefit

estimate that you receive from Social Security by calling the 800 number listed earlier in this pamphlet will not be adjusted for this provision.

If you provide your year-by-year earnings history that you get from Social Security to your agency, a retirement counselor should be able to give you an estimate of your Social Security benefit that is adjusted for this provision. If this provision applies to you, your Social Security benefit based on the reduced formula is what is used to compute the CSRS offset amount.

For further information about this provision of law, ask your agency for the fact sheet "A Pension From Work Not Covered By Social Security" (SSA Publication No. 05-10045) or call Social Security's 800 number and ask for a copy.