



Employee Benefits Handout

Civil Service Retirement System Offset



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The Social Security Amendments Act of 1983 mandated that Federal employees first hired after December 31, 1983, be subject to Social Security. Employees rehired after that date who meet certain conditions remain in the Civil Service Retirement System (CSRS), but are also subject to Social Security. This system is referred to as CSRS offset.

You are placed under CSRS Offset if:

- You were rehired in a covered position after a break in covered (CSRS) service of more than 365 days which ended on or after January 1, 1984 and you had at least five years of potentially creditable civilian service as of December 31, 1986. (If you did not have five years as of December 31, 1986, but had a break in service that ended after December 31, 1986, and had at least five years of potentially creditable civilian service as of the last break, and at least one day of CSRS or Foreign Service Retirement and Disability System (FSRDS) covered service or Federal Reserve Board retirement service prior to January 1, 1984, you would also be subject to CSRS-Offset.)

OR

- You were converted to a covered position on or after January 1, 1984 and had at least five years of potentially creditable civilian service as of December 31, 1986.

OR

- On January 1, 1987 you were in CSRS Interim and had at least five years of potentially creditable civilian service as of December 31, 1986.

Covered employees with a break in service of more than three days are given a 6-month opportunity *to elect to transfer to FERS* or to remain under the CSRS Offset plan.

If you are covered by CSRS Offset, you pay into the CSRS and into the Social Security System. Your contribution to CSRS is 0.8% of your basic pay. Under CSRS Offset, you also pay Old Age Survivors and Disability Insurance (OASDI) taxes, also referred to as FICA (Federal Insurance Contributions Act) taxes.

For tax year 2011 the social security portion of FICA has been changed from 6.2% to 4.2% of your covered wages, up to a maximum wage base of \$106,800. If you reach the maximum payment, you do not pay any more social security tax until the next calendar year.

The Wage Base for Social Security is adjusted each year as shown below:

Year	Annual Wage Base	Tax Rate	Maximum Social Security Tax
2017	\$127,200	6.2%	\$7,884.40
2016	\$118,500	6.2%	\$7,347.00
2015	\$118,500	6.2%	\$7,347.00
2014	\$117,000	6.2%	\$7,254.00
2013	\$113,700	6.2%	\$7,049.40
2012	\$110,100	6.2%	\$6,221.00
2011	\$106,800	4.2%	\$4,485.60
2010	\$106,800	6.2%	\$6,621.60
2009	\$106,800	6.2%	\$6,621.60
2008	\$102,000	6.2%	\$6,324.00
2007	\$97,500	6.2%	\$6,045.00

With the exclusion of tax year 2011, your total deduction for CSRS and OASDI is essentially the same amount you would have paid into the CSRS fund, had you been covered as a regular CSRS employee. Employees covered under regular CSRS pay 7.0% of their basic pay. **All Federal employees pay the Medicare tax which is 1.45%.** There is no cap on earnings for the Medicare portion of FICA.

At retirement your benefits are computed in the same manner as a regular CSRS employee. The full CSRS annuity benefits are paid until age 62, when you become eligible for Social Security. At age 62 you are CSRS benefits are recomputed to take into account the years of service you were covered under CSRS Interim/Offset. Your CSRS annuity is then permanently reduced (offset) by that portion of the Social Security retirement benefit that is attributable to the period of time covered by CSRS Interim/Offset. While the law permits CSRS Offset employees to take advantage of CSRS *and* Social Security, it does not allow full advantage of both; hence the reduction or offset to the CSRS annuity, at age 62. However, there is no reduction in your Social Security benefit based on the CSRS Offset service. The Windfall Elimination Provision (WEP) may apply if you have less than 30 years of substantial earnings subject to Social Security withholdings. You may obtain additional WEP information on the Social Security website, www.ssa.gov.)

If you are eligible (even though you may not apply) to receive Social Security retirement benefits at age 62, the offset to your CSRS annuity will automatically occur. This reduction to your CSRS annuity cannot exceed the amount of your full Social Security retirement benefit multiplied by the ratio of the number of years of offset service divided by 40. If you never achieve eligibility for Social Security retirement benefits (you never attain 40 credits of coverage), then there is no offset to your CSRS annuity.

There are advantages and disadvantages to remaining under the CSRS Offset plan. As stated earlier, under the Offset plan you are entitled to full CSRS benefits until age 62; yet, in actuality, you pay very little into the CSRS fund. In almost all cases it is expected that you will earn more in Social Security retirement benefits than the amount deducted from your CSRS annuity. Additionally, you are exempt from the Government Pension Offset (GPO) under Social Security. You may obtain additional information on the GPO from the Social Security website, www.ssa.gov. On the other hand, under the Offset plan, you are NOT eligible for the more flexible retirement eligibility requirements of FERS that is minimum retirement age (MRA) + 10, and you receive no government matching funds or 1.0% automatic contribution toward your Thrift Savings Plan.

*Example of how the offset is determined:
(Employee #1 with many years of CSRS Offset service)*

CSRS monthly annuity before the offset	= \$2,200
Total CSRS Offset service	= 23 years and 3 months
Social Security payments per month	= \$1,100
Social Security per month attributable to Offset service	= \$800

The offset is the *lesser* of Social Security earnings attributable to Offset service, which in this case is \$800, or the *total Social Security benefit multiplied by a fraction equaling the nearest whole number of Interim/Offset years divided by 40*.

In this case 23 years and 3 months is rounded to the nearest whole number of years, which is 23 years divided by 40 = 58%

0.58 x \$1,100 = \$638 compared to \$800 Social Security attributable to CSRS Offset service. Since \$638 is the lesser, this is the amount of the offset.

<i>CSRS monthly annuity before offset:</i>	\$2,200
<i>Offset amount:</i>	- 638
<i>CSRS monthly annuity after offset:</i>	\$1,562
<i>Social Security monthly payment:</i>	+ 1,100
<i>CSRS Offset & Social Security:</i>	\$2,662

*Example of how the offset is determined:
(Employee #2 with few years of CSRS Offset service)*

CSRS monthly annuity before the offset = \$800
Total CSRS Offset service = 3 years and 8 months
 Social Security payments per month = \$350
 Social Security per month attributable to Offset service = \$25

The offset is the *lesser* of Social Security earnings attributable to Offset service, which in this case is \$25, *or the total Social Security benefit multiplied by a fraction equaling the nearest whole number of Interim/Offset years divided by 40*. In this case 3 years and 8 months is rounded to the nearest whole number of years, which is 4 years divided by 40 = 10%.

0.10 x \$350 = \$35 compared to \$25 Social Security attributable to CSRS Offset service. Since \$25 is the lesser, this is the amount of the offset.

<i>CSRS monthly annuity before offset:</i>	\$ 800
<i>Offset amount:</i>	- 25
<i>CSRS monthly annuity after offset:</i>	\$ 775
<i>Social Security monthly payment:</i>	+ 350
<i>CSRS Offset & Social Security:</i>	\$1,125