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# CSRS Offset: The Best of Both Worlds or a Nightmare?

A NARFE Federal Benefits Institute Webinar

**Presented by Tammy Flanagan**

Federal Benefits Expert

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**Why Are You CSRS Offset Instead of CSRS or FERS?**

**Understanding CSRS Offset**

**CSRS Offset Impact on Your Social Security Benefit**

**CSRS Offset Impact on Your CSRS Retirement Benefit**

**CSRS Offset Impact on Social Security Survivor Benefits**

**CSRS Offset Impact on CSRS Survivor Benefits  
To-Do List**

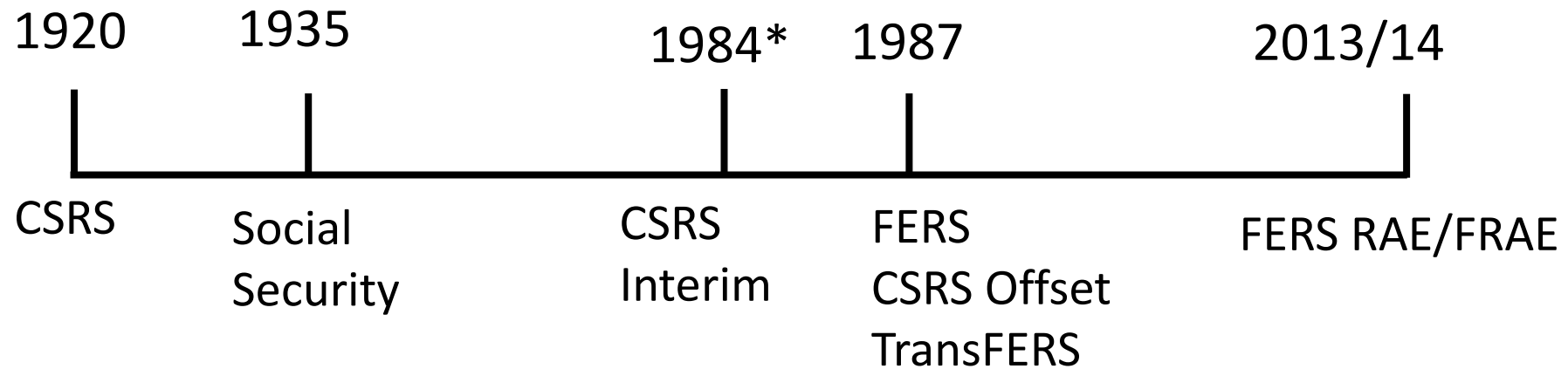


# Why Are You CSRS Offset Instead of CSRS or FERS?

# Why Are You CSRS Offset Instead of CSRS or FERS?



## Federal Retirement System History



\* Exception: DC Government through end of September 1987

# Why Are You CSRS Offset Instead of CSRS or FERS?



Treasury bonds held by the Civil Service Retirement and Disability Fund (CSRDF)

CSRS employees

- Generally hired prior to 1984
- Pay 7% into the **CSRDF** every pay period
- Exempt from Social Security by law
- No TSP agency contributions or matching funds



# Why Are You CSRS Offset Instead of CSRS or FERS?



## Retirement Coverage for Most Federal Employees



### FERS (includes transFERS)

- First hired after 1983
- Or *transferred* to FERS during an open season/break in service
- Pay 0.8%\* into the **CSRDF**
- Covered by 6.2% FICA tax
- Receive agency automatic and matching TSP contributions

\* or more for FERS RAE and FRAE employees hired in 2013 or later



# Why Are You CSRS Offset Instead of CSRS or FERS?



## Retirement Coverage for You



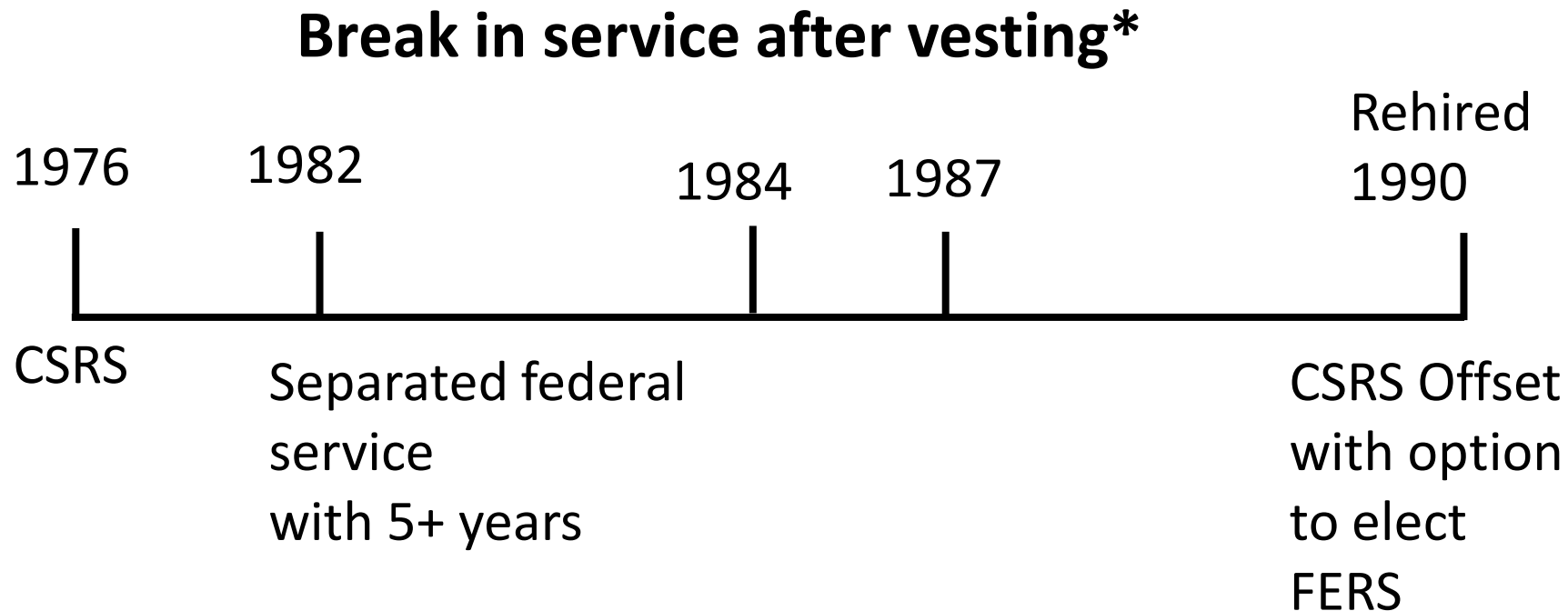
### CSRS Offset

- Generally hired prior to 1984 as “pure” CSRS
- Rehired after 1983 with more than a 1-year break in service
- Pay 7% into the **CSRDF** but is “**Offset**” by the 6.2% FICA tax
- Pay 6.2% Social Security tax on wages up to \$142,800 in 2021
- No TSP agency contributions or matching funds



# Understanding CSRS Offset

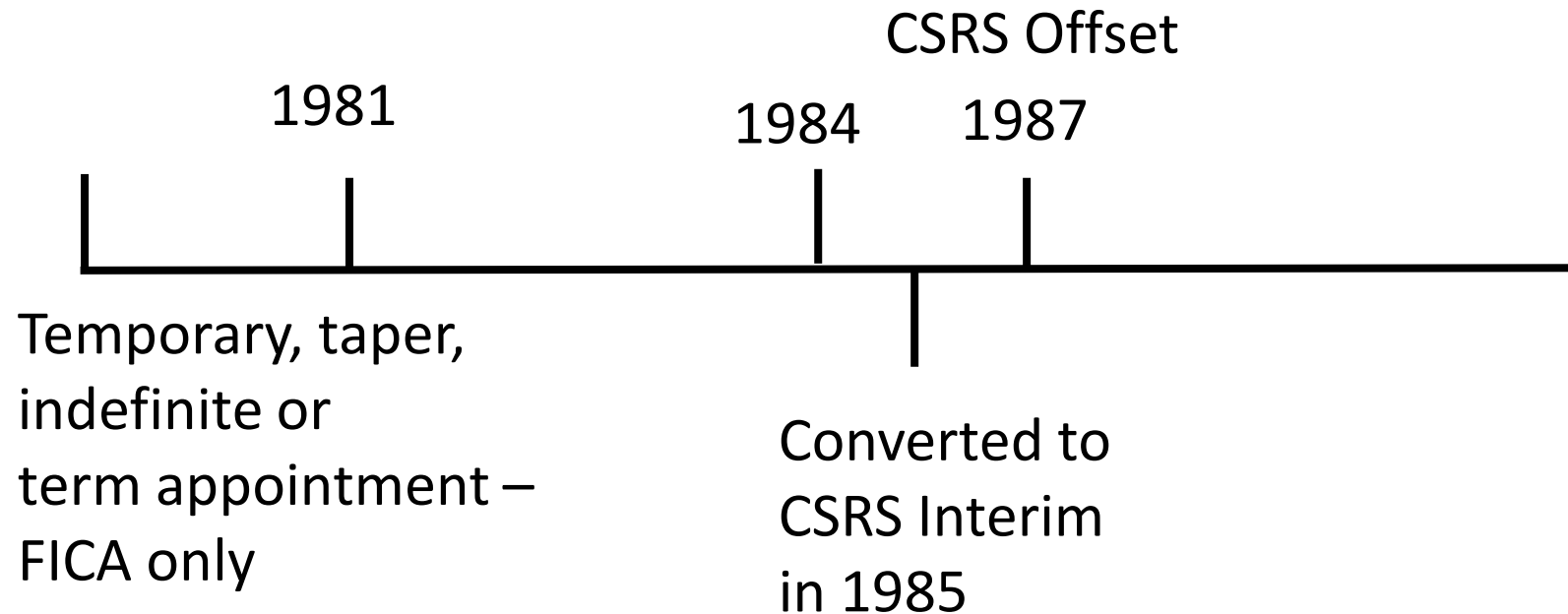
## Common CSRS Offset Examples



\* Break in covered service of more than 365 days on or after 1/1/1984

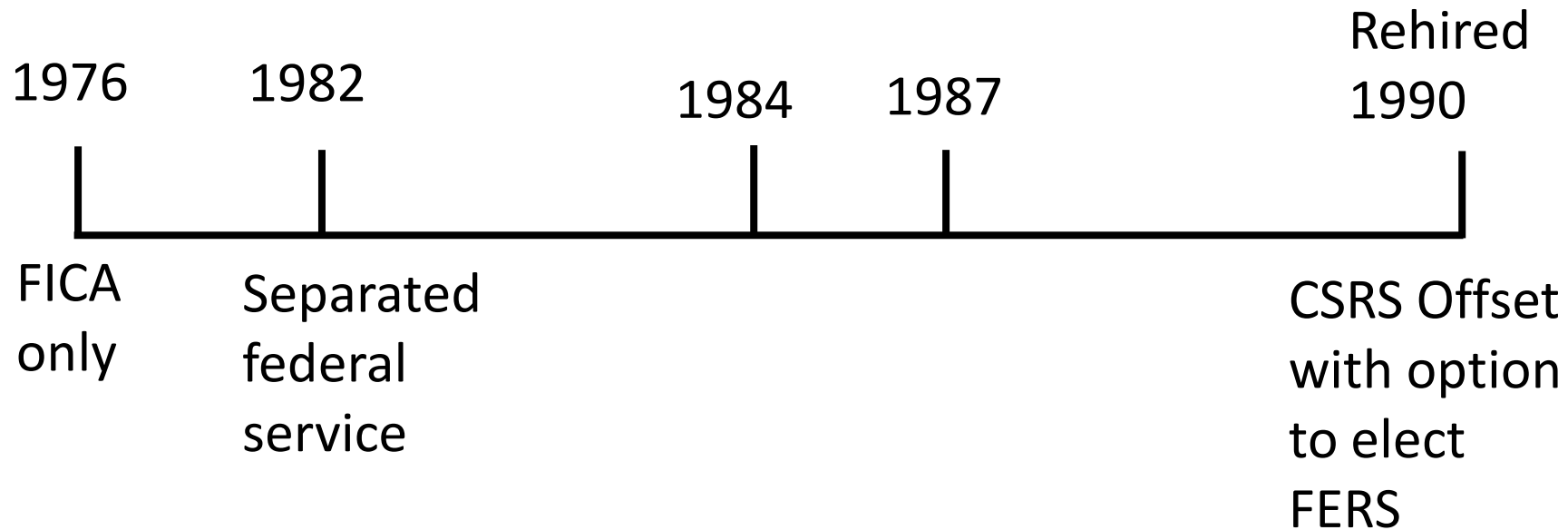
## Common CSRS Offset Examples

**No break in service but first retirement coverage  
between 1984 and 1987**



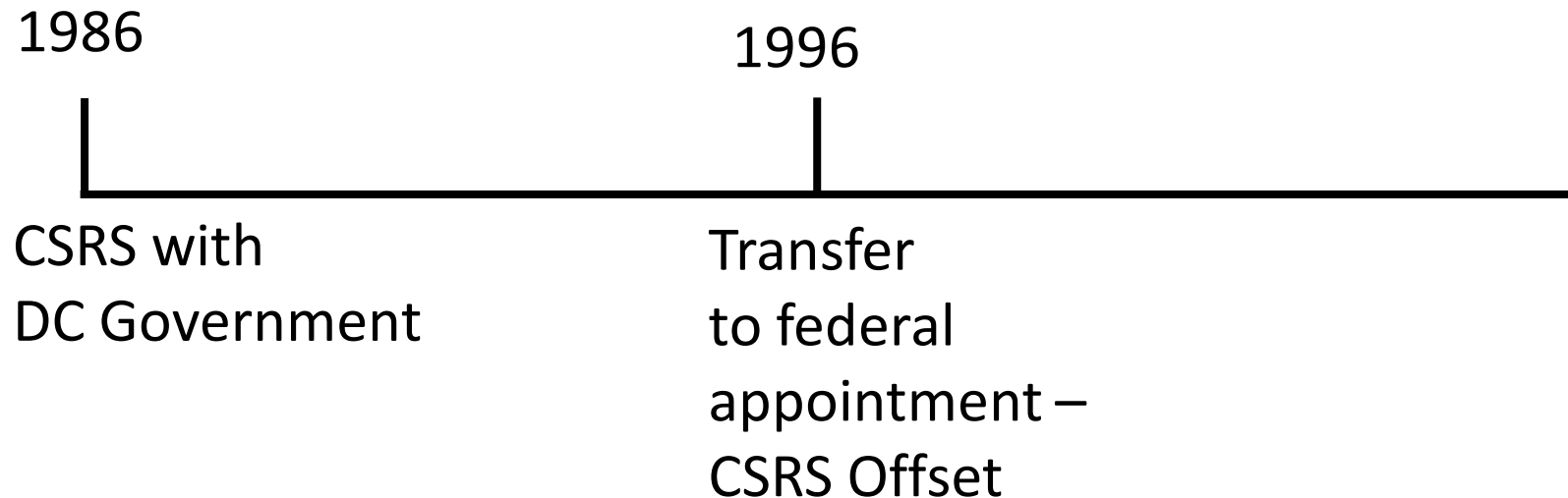
## Common CSRS Offset Examples

### Conner vs OPM



## Common CSRS Offset Examples

### CSRS with DC Government



# CSRS Offset Impact on Your Social Security Benefit

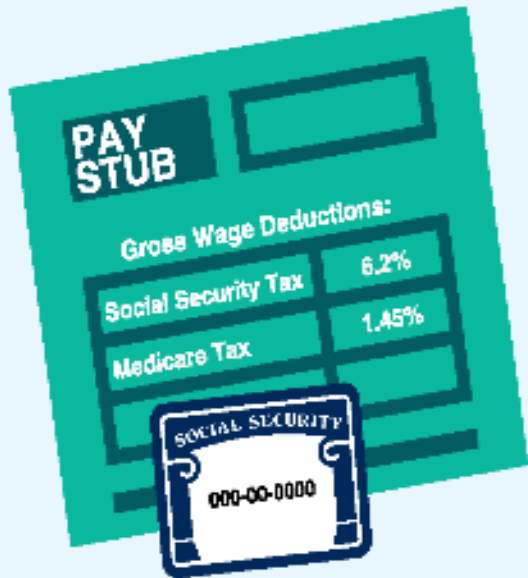
# CSRS Offset Impact on Your Social Security Benefit



## What is FICA?



Securing today  
and tomorrow



FICA is a U.S. federal payroll tax. It stands for the **Federal Insurance Contributions Act** and is deducted from each paycheck.

Your nine-digit number helps Social Security accurately record your covered wages or self-employment. As you work and pay FICA taxes, you earn credits for Social Security benefits.

How much is coming out of my check?

## CSRS Offset may help you qualify for SSA Benefit



# CSRS Offset Impact on Your Social Security Benefit



CSRS is  
**exempt**  
from FICA  
taxes

## CSRS Offset may help you qualify for SSA Benefit

- CSRS Offset is **covered** by FICA taxes
- Pay Social Security taxes, earn “credits”\*
- If you were born in 1929 or later, you need 40 credits

10 years of work usually provides 40 credits

\$5,880 of FICA wages = 4 credits in 2021

\$1,000 of FICA wages = 4 credits in 1978

\* Prior to 1978: \$50 of earnings in each calendar “quarter”





## Social Security retirement calculation – CSRS Offset will increase your SSA benefit

- Step One: Make a list of all SSA wages
- Step Two: Index wages (approximate value in current dollars)
- Step Three: Add up highest 35 years (CSRS years = \$0 earnings)
- Step Four: Divide total by 420 months (Average Indexed Monthly Earnings)

\* Note: Having fewer than 35 years of wages will reduce your average

# CSRS Offset Impact on Your Social Security Benefit



- Step Five:
  - a) Multiply first \$996\* x 90%  
(This first factor for WEP is 40% - 90% depending on number of substantial earning years)
  - b) Multiply amount over \$996\* to \$6,002\* x 32%
  - c) Multiply amount over \$6,002\* x 15%
- Step Six: Add a, b, and c
- Step Seven: Multiply by reduction factor if under full retirement age or apply delayed retirement credits

\* These factors are called [bend points](#) and are for someone born in 1959 (62 in 2021)

# CSRS Offset Impact on Your Social Security Benefit



## CSRS Offset may help you avoid the Government Pension Offset (GPO)

Many CSRS retirees are not able to collect Social Security spousal/widow benefits due to the GPO.

- 2/3 of government pension deducted from SSA spousal/widow's benefit
- May eliminate 100% of the benefit payable
- This can be an unpleasant surprise upon the death of their spouse
- [Government Pension Offset Fact Sheet](#)

Having 60 months of FICA coverage prior to retirement is an exception to the GPO.



# CSRS Offset Impact on Your Social Security Benefit



## CSRS Offset may help you reduce the impact of the Windfall Elimination Provision (WEP)

Year	Substantial earnings	Year	Substantial earnings	Year	Substantial earnings
1937–1954	\$900	1989	\$8,925	2013	\$21,075
1955–1958	\$1,050	1990	\$9,525	2014	\$21,750
1959–1965	\$1,200	1991	\$9,900	2015-2016	\$22,050
1966–1967	\$1,650	1992	\$10,350	2017	\$23,625
1968–1971	\$1,950	1993	\$10,725	2018	\$23,850
1972	\$2,250	1994	\$11,250	2019	\$24,675
1973	\$2,700	1995	\$11,325	2020	\$25,575
1974	\$3,300	1996	\$11,625	2021	\$26,550
1975	\$3,525	1997	\$12,150		
1976	\$3,825	1998	\$12,675		
1977	\$4,125	1999	\$13,425		
1978	\$4,425	2000	\$14,175		
1979	\$4,725	2001	\$14,925		
1980	\$5,100	2002	\$15,750		
1981	\$5,550	2003	\$16,125		
1982	\$6,075	2004	\$16,275		
1983	\$6,675	2005	\$16,725		
1984	\$7,050	2006	\$17,475		
1985	\$7,425	2007	\$18,150		
1986	\$7,875	2008	\$18,975		
1987	\$8,175	2009–2011	\$19,800		
1988	\$8,400	2012	\$20,475		

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

[WEP Online Calculator](#)

**Exception to WEP with more than 20 years of substantial earnings**



# CSRS Offset Impact on Your CSRS Retirement Benefit

# CSRS Offset Impact on Your CSRS Retirement Benefit



## CSRS and CSRS Offset Calculation

### General Formula for CSRS

$$\begin{aligned}
 &\text{High-3 Average Salary} \\
 &\quad \times \\
 &\quad \text{Length of Service} \\
 &\quad \times \\
 &\quad \text{Factor} \\
 &= \\
 &\text{CSRS retirement benefit}
 \end{aligned}$$

**Example: High-3 = \$80,000**

**Length of Service = 30 years**

High-3 Average Salary	X	Length of Service	X	Factor	=	CSRS Retirement
\$80,000	X	5 years	X	1.5%	=	\$6,000
\$80,000	X	5 years	X	1.75%	=	\$7,000
\$80,000	X	20 years (years/months over 10)	X	2.0%	=	\$32,000
<b>Unreduced CSRS Retirement Benefit</b>						<b>\$45,000</b>

# CSRS Offset Impact on Your CSRS Retirement Benefit



## CSRS and CSRS Offset Calculation

### Shortcut Formula for CSRS

$(\text{Length of Service} - 2) \div 2 + .25 =$   
% of high-3 average salary

% x high-3 average salary =

CSRS retirement benefit

**Example: High-3 = \$80,000**

**Length of Service = 30 years**

$(30 - 2) \div 2 + .25 =$   
56.25% of \$80,000

56.25% x \$80,000 =

\$45,000 CSRS retirement benefit



**Under age 62 at retirement – no different  
from “regular” CSRS**

# CSRS Offset Impact on Your CSRS Retirement Benefit



## At age 62 or at retirement (if over 62) – time for the Offset

The Office of Personnel Management computes the Offset as the **lesser** of these two calculations:

1. The Social Security benefit attributable to the Offset service
2. Multiply the following fraction by the Social Security benefit currently entitled or would be entitled upon proper application

$$\frac{\text{Years of Offset Service}}{40}$$

# CSRS Offset Impact on Your CSRS Retirement Benefit



## Example of Offset Calculation

- Age 60 with 30 years of service/last 15 years were CSRS Offset/High-3 average salary: \$80,000
  - Retirement computation:  $56.25\% \times \$80,000 = \$45,000/\text{year}$  or  $\$3,750/\text{month}$
- Calculation of the Offset
  - Social Security benefit attributable to Offset service:  $\$1,114/\text{month}$
  - Social Security benefit payable at age 62:  $\$1,114$

$$\begin{aligned} 15 \text{ years of Offset}/40 &= .375 \\ .375 \times \$1,114 &= \mathbf{\$417.75/\text{month}} \\ \$3,750 - \$417.75 &= \mathbf{\$3,332.25} \end{aligned}$$

## What Could Go Wrong?

- The amount provided to OPM by SSA may be the amount **before** the adjustment for the Windfall Elimination Provision
- The WEP is a modified formula resulting in a reduced SSA benefit
- Exception to WEP: more than 20 years of “substantial SSA wages”
- No WEP: 30 or more years of “substantial SSA wages”
- The amount provided to OPM by SSA may be delayed resulting in delayed retirement processing



# CSRS Offset Impact on Your CSRS Retirement Benefit



## Example of Offset calculation using SSA after WEP

- Calculation of the Offset
  - Social Security benefit attributable to Offset service: ~~\$1,114~~ \$776 after WEP applied
  - Social Security benefit payable at age 62: ~~\$1,114~~ \$776 after WEP applied

15 years of Offset/40 = .375

~~.375 x \$1,114 = \$417.75~~

**.375 x \$776 = \$291**

A difference of **\$126.75/month or \$1,521/year**



# CSRS Offset Impact on Social Security Survivor Benefits

## Social Security Benefits for Widows and Widowers

**How much  
depends on:**

- Was the deceased spouse already receiving benefits?
- The deceased spouse's amount payable at full retirement age (FRA is 65 – 67, based on year of birth).
- Was deceased spouse already at FRA prior to death?
- The age of the surviving spouse.

## Social Security Benefits for Widows and Widowers

**Did you know?  
As the  
surviving  
spouse:**

- If you haven't claimed your earned benefit, you may claim widow's amount only.
- If you file between age 60 and your survivor FRA, you will receive somewhere between 71.5% and 99% of your deceased spouse's basic benefit amount.
- Earnings limit applies if you are under your FRA.

# CSRS Offset Impact on CSRS Survivor Benefits

## Survivor Benefits: CSRS Offset

### General Rule

Survivor annuity payable to the surviving spouse of a **CSRS Offset** annuitant is computed the same as it is for full **CSRS** coverage.

### Amount of CSRS Spousal Survivor Benefit

- Maximum survivor annuity = 55% of the unreduced CSRS annuity (before it is reduced by the cost of the survivor benefit).
- The survivor annuity can be less if the annuitant elected to provide less than the maximum.

## The Offset Rule

- Spouse eligible for Social Security survivor benefits
- Offset normally occurs at the time of death or at age 60, whichever is later.
- The eligibility may be earlier if caring for a young child or if spouse is disabled.



## The Offset Details

A surviving spouse who is not entitled to Social Security survivor benefits is paid **the full CSRS survivor benefit**.

### This could be due to

- Government Pension Offset
  - Reduces spousal benefit by 2/3 of CSRS retirement
- Remarriage before age 60
- Earned Social Security benefit larger than deceased spouse
- No longer caring for dependent child

# CSRS Offset Impact on CSRS Survivor Benefits



## Spousal Survivor Benefit Example

### CSRS Offset Retiree

Benefit		Amount
Unreduced CSRS Benefit		\$5,000
Survivor Benefit Reduction	-	\$478
Offset Amount	-	\$1,125
Reduced CSRS benefit		\$3,397
Social Security Retirement	+	\$1,800
<b>Total Retirement Income</b>	<b>=</b>	<b>\$5,197</b>

Full survivor benefit elected  
55% of \$5,000 = \$2,750



# CSRS Offset Impact on CSRS Survivor Benefits



## Spousal Survivor Benefit Example

### CSRS Offset Retiree

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<b>Total Retirement Income</b>	<b>=</b>	<b>\$5,197</b>

Full survivor benefit elected  
55% of \$5,000 = \$2,750

### Surviving Spouse of CSRS Offset Retiree

Benefit		Amount
Spouse's Social Security		\$1,800
Earned Social Security Benefit	-	\$1,400
<b>Widow's Benefit</b>	<b>=</b>	<b>\$400</b>
CSRS Survivor's Benefit		\$2,750
Offset Based on Widow's Benefit	-	\$250
<b>Reduced Survivor's Benefit</b>	<b>=</b>	<b>\$2,500</b>

Surviving spouse receives:  
\$1,800 from SSA + \$2,500 CSRS Offset = **\$4,300**

# To-Do List

# To-Do List



## Request

- Retirement estimate from your HR showing an estimate of the Offset

## Set Up

- [MySocialSecurity](#) account

## Calculate

- Social Security benefit using the online calculators
  - [GPO Calculator](#)
  - [WEP Calculator](#)
  - [Social Security Online Calculator](#)

## Consider

- Keep a file for your spouse
  - [OPM Retirement Facts 13: CSRS Offset](#)





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# Thank You!

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*Presented by Tammy Flanagan, Federal Benefits Expert*  
*Email [fedbenefits@narfe.org](mailto:fedbenefits@narfe.org)*

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