Government Executive

The Difference Between a Supplement and Social Security

By Tammy Flanagan

May 14, 2015

Those who have spent a long career in government and are covered under the Federal Employees Retirement System are eligible for a benefit known as the FERS Supplement. (I've written about the supplement in the past.) To get the supplement, you have to be younger than age 62 at retirement and eligible for an immediate, unreduced, non-disability FERS basic retirement benefit. You're eligible at your minimum retirement age (between 55 and 57, depending on your year of birth) with at least 30 years of creditable service, or age 60 with at least 20 years of creditable service.

I recently received an email related to the FERS Supplement from Russ Claus, who retired from NASA two years ago. He started as a CSRS employee, but then transferred to FERS for the last 12 years of his federal career. So he was entitled to the FERS supplement until he turned 62 this year. He wrote:

Last week I visited a local Social Security office and talked to a well-informed agent to discuss options for my Social Security filing.... One thing surprised me during the interview: My Social Security payment at 62 was about $3,000 more per year than I expected (a pleasant surprise). When I retired, I received a FERS Supplement of around $760 per month. I thought from my training that this would be equal to my age 62 Social Security payment. But the Social Security estimate of my payment is currently $1,000 per month.

Why was Russ's Social Security benefit so much more than his FERS Supplement? There are four reasons this happens:

Recipients have other Social Security-covered earnings during their careers. In Russ's case, he had Social Security-covered earnings that were unrelated to his federal work. Social Security calculates your benefit on the average of your highest 35 years of Social Security-covered wages, which can include work in the federal government, the military and the private sector. The FERS Supplement, according to the Office of Personnel Management, is computed as if you were 62 and fully insured for a Social Security benefit when the supplement begins.

The calculation of the FERS supplement is complicated, but to give you an idea of how it works, OPM's retirement experts first estimate what your full-career (40 years) Social Security benefit would be (they substitute "deemed" wages if you have less than 40 years under FERS). Then they calculate the amount of your civilian service under FERS and reduce the estimated full-career Social Security benefit accordingly. For example, if your estimated full-career Social Security benefit would be $1,000, and you had worked 30 years under FERS, they would divide 30 by 40 (0.75) and multiply that by the estimated amount ($1,000 x 0.75 = $750).

The supplement, like Social Security retirement benefits, is reduced if you have earned income (wages, salaries, or self-employment income) higher than the exempt amount in the immediately preceding year. The earned income limit for 2015 is $15,720. The supplement is reduced by $1 for every $2 earned over the earnings limit.

Because the methods of computing the FERS supplement are different from the actual Social Security benefit computation, the supplement and the Social Security benefit you will receive will not be the same amount.

The supplement is not subject to a cost-of-living adjustment. FERS COLAs apply only to the retiree's basic annuity.

For most FERS retirees, the COLAs don't begin until after age 62. Some FERS retirees will receive the supplement for many years before they turn 62. Some federal law enforcement officers and firefighters retire at 50, or even earlier. Under the provisions for employees in these special groups, no earnings limit is applied until after they reach the minimum retirement age under FERS. Others who receive the supplement at their minimum retirement age are still quite a few years shy of their 62nd birthday. The supplement is the same amount every month.

Not everyone will claim his or her own Social Security retirement benefit. The supplement is based on your earnings record as a FERS employee. Sometimes, when you claim Social Security retirement benefits, you may qualify for a higher benefit on the work record of your spouse--or a former spouse. This could mean that the supplement would be an entirely different amount from the Social Security benefit that you will receive.

Some people delay taking their Social Security retirement benefit. The amount of your Social Security benefit should be at least as much as your "age 62" Social Security retirement benefit because of the way it is computed, but just because you're entitled to Social Security at 62, you don't have to claim it. Likewise, just because the supplement stops, you don't have to apply for Social Security retirement. For those who apply for Social Security at 62, the benefit is reduced between 20 percent to 30 percent of the amount payable when you reach the full Social Security retirement age (65 and 67, depending on your year of birth).

The FERS Supplement may not be around forever. In recent years, various members of Congress have proposed eliminating it in the interest of budget-cutting. Jessica Klement, legislative director of the National Active and Retired Federal Employees Association, says, "over the last four years, Congress has taken aim at the federal community for cuts time and time again. NARFE and other organizations in the federal community have been very successful in fighting these misguided proposals. However, that means they are all still on the table, including the elimination of the FERS annuity supplement. The most recent House budget is not the last time we'll hear about this proposal being slated for elimination. However, I wouldn't base retirement decisions on what Congress might do."

That's very good advice. There have been many threats to federal benefits over the years, but few have become law. Federal employees should never make retirement decisions on something that could happen in the future, but rather should rely on sound financial planning and mental preparation for entering the next phase of their lives.

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