

What Is the FERS Retiree Annuity Supplement (RAS)?

Readers still have a hard time believing that this is how OPM handles the RAS when your income level causes you to fully or partially phase out. One of my readers wrote to OPM and asked the same question and shared the OPM response letter with me. This is exactly what OPM advised, quoting from the letter:

“This is in response to your recent inquiry regarding the FERS Annuity Supplement.

You will be surveyed next year and asked to report your earnings for this year. When you report your excess earnings, your annuity supplement will be REDUCED \$1 for every \$2 that you exceed the limit (of course, it may be reduced to 0). There is no overpayment because you have earned over the limit this year (or in any given year). There is nothing to pay back and you will not have been overpaid. This adjustment will be effective July 1 of next year and you will see it reflected on your August 1 payment.”

OPM’s Mixed Interpretation of the RAS Earnings Test for Rehired Annuitants

It has come to the attention of both myself and Chris Barfield that OPM is not applying the RAS earnings test as stated in federal law, when it comes to rehired annuitants. Imagine that.....OPM making up their own rules outside of the USC and CFR..... A rehired annuitant is a person that has retired from under FERS and is collecting their FERS annuity, but has accepted employment with a federal agency while collecting the annuity. There is a separate section in the FERSGUIDE on rehired annuitants. A rehired annuitant has their annual salary at the new job lowered by the annual amount of their FERS annuity. There is no “double dipping” allowed in the federal government unless you had a waiver. Some rehired annuitants are able to obtain a Dual Compensation Waiver (DCW). With a DCW, the rehired annuitant does not pay into FERS and will not earn a supplemental annuity, but they also do not have their annual compensation at the new federal job lowered by the amount of their annual FERS annuity.

Under either scenario, with or without a DCW, the wages that are earned by the rehired annuitant are still reported to OPM annually on the RI 92-22 earnings survey. Under federal law, only ONE scenario of rehired annuitant is allowed to not report such earned earnings, and those are rehired air traffic controllers, and that is clearly written on the RI 92-22 form.

Chris Barfield and I have recently learned that OPM has been misapplying the law. OPM does not include the earnings from non-DCW rehired annuitants in the RAS earnings test! OPM states that if the employee does not have a DCW and is paying into FERS as a rehired annuitant, AND the employing agency send OPM the SF-50. As happy as I am for these folks, there is no provision in the law to support OPM’s actions. I am also aware of rehired annuitants holding a DCW and their earnings were not included in the RAS test.

In response to this, Chris Barfield sent an email to OPM. Chris received this email back from OPM (names removed). The email is posted in full below. OPM responses to Chris’ initial questions are in ***BOLD ITALICS***.

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“Ms. ,

I am a retired FERS employee that currently operates a CPA business representing federal employees and annuitants. There seems to be some confusion related to the reduction of the Retiree Annuity Supplement for federal annuitants who are rehired as federal employees.

A recent client forwarded an email from you stating that government earnings do not count towards the supplement earnings test as income, even for reemployed annuitants.

I know of dozens, if not hundreds of rehired annuitants who have had their supplement reduced due to their rehired annuitant earnings over the limit.

1. Can you confirm that these earnings do not count toward the earnings test? ***That is correct if a retired annuitant is hired as a re-employed annuitant, their Federal Government earnings does not count against the earnings test for the FERS Annuity Supplement. However, if the individual is a contractor this does not apply.***

2. If so, what is the procedure for those that have lost their supplement (some of them for years), to reinstate their supplement and receive their back pay? ***They must provide their SF-50 from their agency with the appointment clearly stating re-employed annuitant and contact our Legal Reconsideration office in writing with this request at.***

***OPM - Retirement Services
Legal Reconsideration Branch
1900 E Street, room 2H31
Washington, DC 20415***

Their telephone number is 202-606-0555. They will not take any information for this request over the telephone only in writing.

Two individuals have told me that they must request SF-50's from their new agency to be sent to OPM. Is this true? And if so, is there any particular policy or method OPM would prefer in receiving these SF-50's? ***That is correct the annuitant must have their HR contact OPM HR with their hire information and OPM will code the individual in our system as re-employ. The annuitant is flagged in our tool that we process this workload, and we will not confirm their earnings. Their HR would need to contact OPM HR for an particular policy or method I do not know what else is required however the HR Specialist are aware of this process.***

3. Is there anything else the reemployed annuitants must do? ***see above***

4. I would strongly recommend OPM revise Form RI 92-22 to include reemployed annuitant earnings to the list of excluded income, similar to the Air Traffic Controllers to avoid this confusion in the future. ***Thank you for your input we are currently working on this revision.***

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My advice is to see what you can do – OPM has more money than sense.

If you are a reemployed annuitant, with or without a DCW, and you have dutifully reported your income from your federal job and lost your RAS, write to OPM at the above address and seek repayment of the RAS that was taken from you. If you are a rehired annuitant who is not yet at MRA, make sure your HR department sends over your SF-50 to get on the gravy train.

Your RAS benefit can be *estimated* by dividing the number of whole years (rounded down to the nearest whole year) of your creditable *civilian* (purchased military time does **not** count, unless it is USERRA time, then count it) FERS service by 40, and multiplying that by the benefit the SSA calculates to be payable to you at age 62.

OPM will calculate the RAS with its own complicated method, but this estimate will get you close to OPM's calculated amount. For many annuitants, the amount they receive ends up being around \$12,000-\$14,000+ annually, but you can perform your own estimate using your annual statement from the SSA. For example, if you retire under FERS with 30 years of service, your RAS would be approximately $30/40^{\text{ths}}$ of your computed SSA benefit at age 62, as listed on your SSA statement (assuming your SSA earnings are all federal). The SSA has restarted mailing SSA statements to certain groups based on age. You should also apply for an online account with SSA²⁹ so you can print out a statement to determine your benefit. After I created my SSA account years ago, I discovered that one of my Form W-2s related to my government-paid move was not included in my credited Social Security wages, so you may also be able to quickly correct these types of errors as well.

We do not receive COLAs on the RAS. See Chapter 51³⁰ of the CSRS and FERS Handbook. Look at the bottom of page 16, where it says, "The retiree annuity supplement is not increased by cost-of-living adjustments (COLAs)."

Hopefully, running through a calculation example will be helpful. Let's calculate my estimated RAS using my retirement date of December 13, 2013. I had 21 years and 3 months of creditable service. Since OPM only uses whole years of service in the RAS calculation, I used 21 years. The next step is to divide my years of service by 40, or $21/40 = 52.50\%$. When you are estimating service years, do not include unused sick leave and do not include non-USERRA military deposit time.

The next step is to log onto the SSA website and print out a copy of your benefit statement. My 2013 benefit statement shows my expected benefit at age 62 is \$1,781 a month; 52.50% of \$1,781 is \$935 per month. This is by no means intended to be a *calculation* tool; this is a tool for *estimating* your RAS benefit. Generally, this method will get you within \$100 a month above or below your actual monthly RAS. My actual OPM-awarded RAS is \$940 per month, a difference of only \$5 using this tool. Once computed and awarded by OPM, the dollar amount of the RAS

²⁹ <https://secure.ssa.gov/RIL/SiView.do>

³⁰ <https://www.opm.gov/retirement-services/publications-forms/csrsfers-handbook/c051.pdf>