



AFSA NEWSLETTER

FOR RETIREES AND MEMBERS IN TRANSITION

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Unless Congress Acts

If Congress fails to reach agreement before the end of the year, there will be two major sets of consequences. The tax cuts established by the Economic Growth and Tax Relief Reconciliation Act of 2001 (the Bush tax cuts) will expire and sequestration or automatic across-the-board cuts in discretionary spending will take effect.

If the Bush tax cuts expire, most taxpayers will see increases. First, the 10-percent income tax bracket will be increased and merged with the current 15-percent bracket, the current 25-percent bracket will be replaced by a 28-percent bracket, the 28-percent bracket will be replaced by a 31-percent bracket, and the 33-percent bracket will be replaced by a 39.6-percent bracket.

Second, taxpayers with high investment income will pay an additional 3.8-percent Medicare surtax on certain types of unearned income, including interest, dividends, rents, non-pension annuities, royalties and capital gains.

The surtax will apply to modified adjusted gross income that exceeds certain levels: \$250,000 for married filing jointly, \$200,000 for singles and heads of households, and \$125,000 for married filing separately.

Finally, an additional 0.9-percent Medicare tax will apply to wages and self employment income higher than modified adjusted gross income level.

The Budget Control Act of 2011 tasked Congress to reduce deficits by at least \$1.5 trillion between 2012 and 2021. In the event that a joint committee bill fails to do so by January of next year, the act mandates sequestration or across-the-board cuts in discretionary spending to begin in 2013. Sequestration could result in federal employee layoffs and furloughs in addition to cuts in government services.

Pay Freeze Extension

On Sept. 28 President Obama signed a continuing appropriations resolution ([H.J.Res.117](#)) that will fund the operation of the federal government and extend the federal pay freeze through March 27, 2013.

The resolution preserves programs authorized and funded in Fiscal Year 2012 appropriations, including Overseas Comparability Pay, and represents a 0.612-percent funding increase.

In August, President Barack Obama proposed a 0.5 percent pay raise for federal employees that would take effect when Congress passed a Fiscal Year 2013 budget. It is unclear whether a pay raise will be included in any budget agreement and, if so, whether it will be made retroactive to January 2013. For now, employees will continue to receive within-in grade raises, performance-based raises and raises for promotions.

STOCK Act

On Sept. 28, President Obama signed legislation to delay until Dec. 8 implementation of the online posting requirements of the STOCK Act.

The legislation also calls for a study by the National Academy of Public Administration about how the STOCK Act online posting requirements would affect senior federal employees.

AFSA, along with a coalition of organizations representing federal employees, opposes the provision that would require more than 28,000 senior federal employees to post their financial information online.

AFSA maintains that online posting of personal financial information would increase the risk of identity theft and increase the risk for Foreign Service personnel serving overseas of being targeted by hostile intelligence agencies or made targets for abduction or ransom.

AFSA and its coalition partners, along with the American Civil Liberties Union, are also pursuing a legal challenge to the STOCK Act's public posting requirements, on the basis that they violate federal employees' right to privacy.

For more information about the STOCK Act, go to www.afsa.org/STOCKact.aspx.

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America Counts on Us Update

As described in recent newsletters, AFSA is one of more than two dozen federal and postal unions participating in a joint grassroots campaign in a number of key states during this election season.

The nonpartisan campaign aims to raise the visibility of federal services and the federal workers who provide them in meetings with select members of Congress and candidates; create a presence at town hall meetings and candidate forums in key electoral districts; and generate media coverage that introduces more Americans to the face of our federal and postal workers and retirees.

During the past month AFSA has sent out event notices for events in Virginia, Ohio, and Montana, encouraging our members to participate in these events. Currently, there are more events being scheduled for all target states and districts.

The coalition is also working on a two-day *Days of Action* campaign, designed to educate candidates in the target states and districts about the important role active and retired federal employees play. Day One will be a drop-off of educational materials about the federal workforce and Day Two will be a member call-in to candidates. Members will be encouraged to share personal stories to help educate the candidates.

We will be sending out more information about events and the *Days of Action* campaign.

Federal Health Benefits: Open Season

Open Season

Open season for the Federal Employees Health Benefits Program, the Federal Employees Dental and Vision Insurance Program and the Federal Flexible Spending Account Program will run from Monday, Nov. 12 through Monday, Dec. 10.

During this time, employees and retirees can enroll in, change or cancel existing health, dental and vision coverage. Employees may also enroll in a flexible spending account. Please note that employees must re-enroll in a flexible spending account program each year in order to continue participating.

Premiums

The average premium for the 8.2 million enrollees covered by the Federal Employees Health Benefits Program will increase by 3.4 percent in 2013. The average premium increase for the Federal Employees Dental and Vision Insurance Program will be less than 1 percent. The average annual increase for FEHB premiums has steadily declined since 2009 when the average premium increase was 7.0 percent. The increase last year was 3.8 percent.

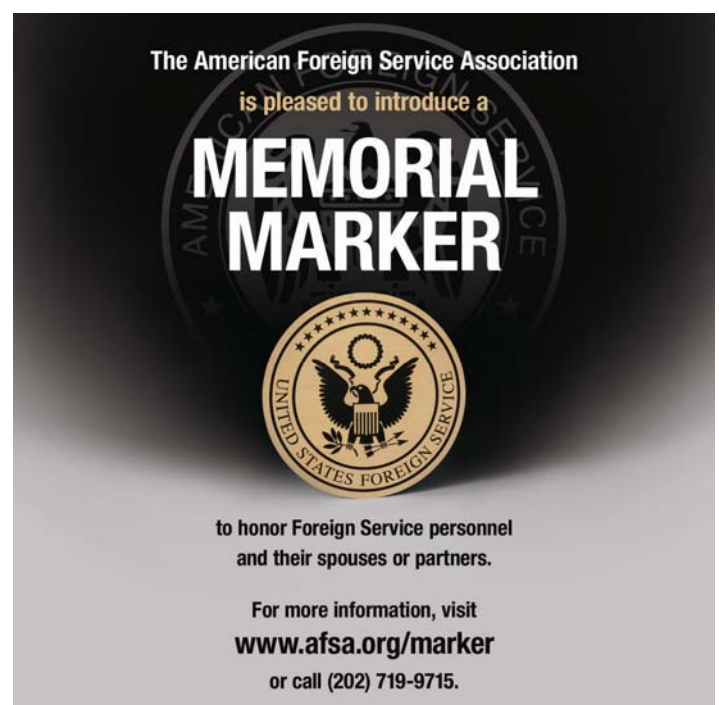
On average, FEHB Program enrollees with self-only coverage will pay \$2.75 more per bi-weekly pay period, and enrollees with family coverage will pay \$6.39 more. Premiums for health maintenance organizations will increase an average of 5.3 percent, while fee-for-service plans will see an average increase of 3.0 percent.

Plan Changes

With the exception of the flexible spending account program, there is little change in the services provided by the health plans. The maximum annual election for a Health Care Flexible Spending Account and the Limited Expense Health Care Flexible Spending Account will drop from \$5,000 to \$2,500. The maximum annual election of \$5,000 the Dependent Care Flexible Spending Account will remain \$5,000.

OPM Resources

The Office of Personnel Management Web site for health insurance premiums is <http://www.opm.gov/insure/health/rates/index.asp>. For rates for national fee-for-service plans, please visit <http://www.opm.gov/insure/health/rates/nonpostalffs2013.pdf>. Benefit plan packages will be available in late October.



The American Foreign Service Association
is pleased to introduce a
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For more information, visit
www.afsa.org/marker
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Federal Health Benefits: Open Season



AFSA is pleased to introduce a new membership benefit for active-duty members.

As is the case with retiree members, active-duty members will now have online access on the AFSA Web site to the *Consumer Checkbook's Guide to Health Plans for Federal Employees and Annuitants* during open season.

Unlike other comparison calculators, the *Guide* offers a tool that uses actuarial methods to estimate out-of-pocket costs. The tool takes into account expenses one can forecast (for example, pregnancy or maintenance drugs), as well as possible expenses for diseases and injuries one cannot anticipate — a key reason for insurance.

Second, it will provide a pilot all-plan doctor directory that will permit customers in the Washington, D. C. area to see which plan networks include their doctors at any given time.

Oral Histories Online

The Association for Diplomatic Studies and Training, one of AFSA's sister organizations, has begun sharing excerpts from its extensive diplomatic oral history collection on its Web site at www.adst.org. The full texts of all 1700 in the growing collection are available on the Web site of the Library of Congress at <http://memory.loc.gov/ammem/collections/diplomacy/index.html>

Walton Francis to Speak at AFSA

Walton Francis, principal author of the annual *Consumer Checkbooks' Guide to Health Plans for Federal Employees and Annuitants* will be the third speaker in our Federal Benefits Speakers Series.

Mr. Francis will speak about considerations in comparing federal health plans for federal employees and annuitants on Monday, Nov. 19, at 2 p.m. at AFSA (2101 E. St. N.W.)

Francis pioneered the systematic comparison of health insurance plans from a consumer perspective. In addition to the *Guide*, he has published numerous articles and testified before Congress on the performance of the Federal Employees Health Benefits and Medicare programs.

2013 Directory of Retired Members

ARE YOU IN HERE?

Keep AFSA up-to-date with your contact information in the 2013 Retirement Directory.



PLEASE SEND CHANGE OF ADDRESS, NAME AND TELEPHONE TO AFSA IN ONE OF THESE EASY WAYS:

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Washington DC 20037

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(202) 338-4045 ext. 525
ONLINE
www.afsa.org/ExistingMembers/Default.aspx

DEADLINE: November 1, 2012

The Future of Medicare

On Sept. 10 AFSA hosted the second session in its Speaker Series on Federal Benefits. Dr. Judy Feder, a nationally-recognized leader in health policy, addressed a topic of current interest and controversy, "The Future of Medicare."

Dr. Feder provided a comprehensive explanation of how Medicare works and then compared and contrasted how the Affordable Care Act and Republican proposals to turn Medicare into a defined contribution plan would affect the program and its beneficiaries.

She began by stating that Medicare is effective at containing health costs for beneficiaries. Because Medicare is such an enormous purchaser of health services, she explained, it has the power to set rates for health providers — rates that are generally 20 to 30 percent lower than costs for private health plans. Moreover, she added, because of the huge size of its risk pool, Medicare assures affordable health coverage for senior and disabled beneficiaries. These beneficiaries would have difficulty obtaining coverage if the risk pool were to be divided up and insurance companies could cherry pick healthier and younger beneficiaries.

Dr. Feder went on to explain, however, that Medicare now consumes 13 percent of the federal budget and its costs will continue to escalate. This increase will not be due to an increase in health costs, but to the expected enrollment of a million and a half baby boomers in Medicare each year.

Turning to the Affordable Care Act, she stated that the ACA will reduce excessive health costs by \$716 billion. Current savings have reduced growth per person to an historic low (now roughly at the growth of the economy) and have extended the life of the Medicare Trust Fund by eight years, to 2024. Moreover, she continued, the ACA's Independent Payment Advisory Board is empowered to make ongoing

rate reduction recommendations for payments: it cannot make recommendations to cut or reduce health services. Continued coordination and experimentation, she predicted, will continue to improve quality of services and lower costs.

Dr. Feder then addressed proposals to change Medicare from a defined benefit plan, which pays all covered services for its beneficiaries, to a defined contribution plan, which provides beneficiaries with a voucher or specified amount of money to shop for private health plans.

She stressed that beneficiaries in a defined contribution system would have little bargaining power. Moreover, since the risk pool risk would be divided up, it would be difficult for people to acquire affordable health coverage. As a result, the burden of increased health costs would be shifted from Medicare to individuals.

As a related matter, she stressed that the proposal by Rep. Paul Ryan, R-WI, does not provide a mechanism for containing health costs. In fact, it projects a growth rate that would exceed that of the economy.

After her talk, Dr. Feder very generously answered questions from the audience about Medicare, as well as about related issues of long-term care and the Federal Employees Health Benefit Plan.

The views Dr. Feder expressed were her own and do not necessarily represent those of AFSA.

Foreign Service Retirees Investment Club
The Foreign Service Retirees Investment Club has openings for new members. The Club meets once a month and seeks to educate members about how to analyze stocks and to invest. If interested, contact Louise Crane at (301) 942-2692 or diplo65@verizon.net, or Dick Thompson at (301) 229-6442 or risath@aol.com.

Senior Living Foundation: Planning for Change

The Senior Living Foundation, which held a seminar on Sept. 20 titled “Planning for Change”, addressed five important topics for retirees

The first topic, “The Affordable Care Act and The FEHB Program”, was presented by Daniel Green, deputy director of healthcare and insurance for the Office of Personnel Management.

He noted that ACA improvements to healthcare have already been incorporated into FEHB. FEHB has no lifetime limits, no prescreening, and has mandatory essential benefits, and established preventive care. Overall, he hoped that the ACA would bring about better health and better care, at lower costs.

The next speaker, Dr. Charles H. Rosenfarb, deputy medical director, U.S. Department of State, spoke about healthy living through preventive care. He stressed getting patients involved in their own health care and suggested they keep a health diary. He broke down preventive care into four seasons: fall, winter, spring, and summer. Each corresponded to different actions a patient should take to help prevent diseases and stay healthy. For more information about preventative care Dr. Rosenfarb suggested visiting www.healthinaging.com.

There is exciting new research on medications for conditions affecting seniors according to Dr. Robert S. Epstein, president, EF Associates, LLC. So far this year 35 new drugs have hit the market this year, the most ever, and they are treating serious diseases once thought to be incurable. These advances are setting the stage for new discoveries over the next five to 15 years. Dr. Epstein’s final words to the attendees were, “never believe there is no hope.”

Jeffrey Mounts, managing director global compensation, U.S. Department of State Global Financial Services, spoke about the upcoming changes to the State retirement systems. He noted that the Depart-

ment of State successfully implemented the new payment system for both the old and new retirement plans. He urged attendees to keep and make copies of every form they receive from the department about their annuities for their own personal records. Retirees with questions about their annuities can contact customer support at payhelp@state.gov, (877) 865-0760 or (800) 521-2553. When contacting customer support, please give your full name and last 4 digits of your Social Security number for identity verification.

The last topic; “Wills and Trusts”, was presented by Jonathan Kinney, a partner in Bean, Kinney and Korman, P.C. Kinney spoke about the importance of estate planning, planning that covers more than just wills and trusts. Estate planning will help you protect your assets for future generations and can distribute your assets at the time of death. He said estate plans should be reviewed after any major life event (inheritance, out-of-state move, career change, birth of a child), following changes in tax law, or every five years.

The Senior Living Foundation is an organization that assists retired members of the Foreign Service and their spouses who have become physically and/or mentally unable to cope with factors of life that they face during their later years. It is a terrific organization and AFSA has always offered support.

Please visit the SLF Web site: www.SLFoundation.org for more information about this and other events.

Correction

The online address for SSA Form 3288 (Consent for Release of Information) referred to in the article “Take Note: SSA Authorization” is www.ssa.gov/online/ssa-3288.pdf.

2013 COLA

With one month left to report in the fiscal year, the cost-of-living adjustment for 2013 will probably be around 1.4 percent.

The government publishes the annual cost-of-living adjustment in late October. The COLA reflects the percentage increase in the average Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the third quarter of the current year over the average for the third quarter of the last year in which a COLA became effective. The CPI-W rose 1.7 percent between August 2011 and August 2012, largely because of increases in gasoline prices. (The cost-of-living adjustment for 2012 was [3.6 percent](#) -- the first increase since 2008.)

If the 2013 COLA is just 1.4 percent, federal retirees in both the old and new retirement systems will receive the full 1.4 amount.

According to the formula, if the full COLA increase is 3 percent or higher, as it was for 2012, retirees in the Foreign Service Pension System will receive 1 percent less than the full increase. If the COLA falls between 2 and 3 percent, then FSPS retirees will receive a 2-percent increase. If the increase is less than 2 percent, as it likely will be in 2013, FSPS retirees will receive the same as retirees in the Foreign Service Retirement and Disability System.

The 2013 increase will take effect on Dec. 1 and will be reflected in retirees' first annuity payments in January 2013.

The salaries of federal employees are not affected by the COLA announcement.

For Your Spouse

The time following the death of an annuitant is a difficult one. One way to make this time easier is to talk to your spouse about this eventuality in advance and to create a file for him or her (and your executor) that contains all the documents pertinent to your Foreign Service survivor benefits. At a minimum, this file should contain copies of the Foreign Service Death Benefits Claim Information sheet, Survivor Benefits Election Form (JF 37), Election of Less than Maximum Survivor Benefits (DS 5008) and Designation of FEGLI Beneficiary (SF 2823).

If you don't have these documents, ask the department (HRSC@state.gov or 1 (866) 300-7419) to send you copies.



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AFSA Scholarships

CFC Scholarship Fund #11759

The 2012 Combined Federal Campaign kicks off in October. Your AFSA Scholarship Fund gift will help to fund college scholarships for children of Foreign Service employees. Last year we assisted 99 Foreign Service children with awards ranging from \$1,000-\$4,000 with aid totaling over \$220,000. College expenses only continue to increase and applications for assistance do too. Please consider making a gift to CFC #11759 to help your fellow colleagues meet their children's higher education expenses. We are listed in the CFC as "Foreign Service Youth Scholarships - AFSA." Thank you for making a gift through automatic deductions every time you are paid. Visit www.afsa.org/cfc.aspx for more information.

AFSA Scholarship Foundation

Every year the AFSA Scholarship Fund makes an appeal for annual donations to the AFSA membership and this year is no different. The Fund provides undergraduate college scholarships to Foreign Service children.

We sent you an appeal in mid-September with a reply card and postage-paid, return envelope that you can use. No gift is too small and even a \$10 or \$25 donation helps the program. You can also donate securely with a credit card online via PayPal at <http://www.afsa.org/donate>. Just click on the "donate" button under the "AFSA Scholarship Fund" section on that page. For more information go to www.afsa.org/scholar.