



AFSA NEWSLETTER

FOR RETIREES AND MEMBERS IN TRANSITION

American Foreign Service Association, 2101 E Street NW, Washington DC 20037
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Federal Benefits: AFSA Takes Action



Governor Tim Kaine



Retiree V.P. Meg Gilroy

On Aug. 1 former Virginia Governor Tim Kaine spoke at an *America Counts on Us* forum sponsored by the Federal and Postal Union Coalition. The Coalition, composed of more than two dozen unions, including AFSA, represents nearly five million federal employees and retirees.

Matt Sumrak, our associate retiree coordinator and one of AFSA's representatives on the coalition, served on the national steering committee that planned the event.

The standing-room only event held at the Fairlington Community Center in Arlington gave Gov. Kaine the opportunity to speak for almost an hour about the importance of federal employees and the threats they face because of the debt reduction process and possible sequestration. He then responded to questions.

Gov. Kaine said that with more than 300,000 federal employees, Virginia "has a more significant federal population than virtually any other state", so if you

become a senator, it's part of your job description." He condemned efforts to make "employees an all-purpose punching bag" and promised that, if elected, he would be a "champion and advocate for [federal employees] with fellow senators."

Gov. Kaine said that sequestration, which may go into effect on Jan. 2, 2013, could result in furloughs and mass layoffs of federal employees. A debt reduction compromise that includes a mix of revenue increases and spending cuts is necessary to avoid sequestration and job losses, he maintained.

A number of AFSA members attended the event, including Retiree Vice President Meg Gilroy. In response to her question, Gov. Kaine said he would seek committee assignments on the Health, Education, Labor and Pensions panel, the Appropriations Committee and the Foreign Relations Committee if elected.

The Coalition is planning more *American Counts on Us* town hall meetings in Ohio, Hawaii, Nevada, and New Mexico in the fall, and hopes to be able to schedule a forum in which former Senator George Allen will speak about issues affecting federal employees and retirees.

AFSA will keep you informed about upcoming events. We encourage you to attend these events to learn more about the candidates in key congressional races and to express your concern about federal benefits.

Legislative Update

The White House and congressional leaders from both parties have agreed to a six-month continuing resolution that would be prorated at the 2013 level of the Budget Control Act. This agreement, if enacted in September, would ensure that the government would not be shutdown before the November election despite the absence of a new budget.

This does not mean that federal benefits do not remain at risk. There are a number of stand-alone benefit bills that could be acted upon in a rump session after the election. Moreover, if Congress cannot reach an agreement about debt reduction, then sequestration, or the cancellation of budget resources for discretionary spending, could go into effect in early January. Sequestration would not apply to mandatory programs, such as Medicare, Social Security and federal and military retirement systems.

Consumer Checkbook Preview

AFSA will be providing online access to the *Checkbook's Guide to Health Plans for Federal Employees and Annuitants* for its retiree members again this year. Two features of the *Guide* will be of special interest to enrollees. First, unlike other comparison calculators, it offers a tool that uses actuarial methods to estimate out-of-pocket costs, taking into account expenses one can know about in advance (for example, for a pregnancy or maintenance drug) and possible expenses for diseases and injuries you *can't 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.

The ACA and Taxes

On Jan. 1, 2013, two tax provisions contained in the Affordable Care Act will go into effect to help finance healthcare reform.

The first of these is a 3.8-percent Medicare surtax on investment income for married couples with an adjusted gross income of more than \$250,000 and singles with an AGI of more than \$200,000. The surtax will also apply to trusts and estates. Net investment income will include interest, dividends, royalties, annuities and rents, among other categories of income. It will not include trade or business income, distributions from IRAs or qualified retirement plans, income from tax exempt municipal bonds or tax deferred non-qualified annuities.

The ACA also provides for the imposition of an additional 0.9 – percent surtax for Medicare A (hospital insurance) on individuals with an AGI in excess of \$200,000 or a married couple with an AGI in excess of \$250,000. The tax will increase from 1.45 percent to 2.35 percent for these categories of taxpayers .



Considering a move to Independent or Assisted Living?

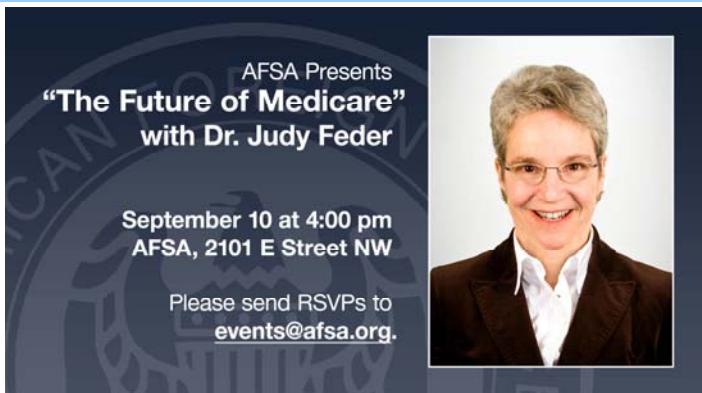
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The Future of Medicare



AFSA is pleased to present the second installment of its Speaker Series on Federal Benefits. On Monday, Sept. 10 at 4 p.m. Dr. Judy Feder, a nationally-recognized leader in health policy, will speak about "The Future of Medicare".

A widely published scholar, Dr. Feder's health policy research began at the Brookings Institution, continued at the Urban Institute and, since 1984, has flourished at Georgetown University, where she is a professor of public policy. From 1999 to 2008 she also served as dean of the Georgetown Public Policy Institute.

Judy has also been active in promoting effective health reform in various governmental capacities and as a member of professional associations, such as the Institute of Medicine, the National Academy of Public Administration, and the Kaiser Commission on Medicaid and the Uninsured.

Join us for this very presentation. Since space is limited, RSVP to events@afsa.org.

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SLF: Planning for Change

The Senior Living Foundation of the American Foreign Service will host its *5th Planning for Change Seminar* on Sept. 20 at the Courtyard by Marriot at 1600 Rhode Island Avenue, NW in Washington, D.C.

The program will be devoted to five topics presented by experts:

- The Affordable Care Act and the Federal Employees Health Benefits Program;
- The Four Seasons of Prevention;
- Prescription Medication for Seniors;
- Upcoming Changes to State Retirement Systems; and
- Wills and trusts

RSVP by Sept. 7 online at www.SLFoundation.org, by e-mail at info@SLFoundation.org, or by telephone at (202) 887-8170.

Newsletter Redesign

AFSA is about to form a redesign committee for the *AFSA Newsletter*, much like the committee that recently completed the redesign of the *Foreign Service Journal*. Our purpose is to make the *Newsletter* more informative and accessible for readers, as well as more pleasing to the eye. We expect to use some of the design concepts that have been adopted for the new *Journal*. In addition, with the aid of new Associate Coordinator Matt Sumrak, we expect to make the publication a monthly one.

We invite your suggestions and concerns about content and layout. Please send your comments to Bonnie Brown at brown@afsa.org or (202) 944-5509 or Matt Sumrak at Sumrak@afsa.org or (202) 719-9718.

Be sure to send any changes in your address, telephone number or e-mail address for inclusion in the *2013 Directory of Retired Members* to AFSA at (202) 338-4045 ext. 525 or to pomes@afsa.org by September 30.

Absentee Voting Information for U.S. Citizens Abroad

U.S. citizens abroad may now request ballots electronically by e-mail, fax or internet download. To register with local election officials in your state and receive your ballot, go to FVAP.gov to fill out a new Federal Post Card Application. If you request electronic delivery and include your email address or fax number, you'll receive your blank ballot 45 days before the election. Most states now have voter registration verification websites, and many permit you to track the progress of your voted ballot.

You must request an absentee ballot every year in which you wish to vote. Submit a new FPCA every time you intend to vote, move or change your address, email or name.

To complete and address the form, go to either the Federal Voting Assistance program Web site, www.FVAP.gov or the Overseas Vote Foundation Web site www.overseasvotefoundation.org. You can also pick up an FPCA and a copy of your state's requirements from any U.S. embassy or consulate, or from overseas U.S. citizen civic or political groups. Consult the online FVAP Voting Assistance Guide for your state's current instructions. If you need help completing or submitting the form, contact the voting assistance officer at the closest U.S. embassy or consulate.

Once your local election officials confirm your eligibility and add your name to an absentee ballot list, they will send your blank ballot to you electronically or mail it to the address you provided on your FPCA 45 days before the November election. (The time for sending out ballots for other elections may be shorter.)

Return your completed ballot to your local election officials before your state's ballot receipt deadline. You can

return your ballot by local mail, U.S. Embassy pouch/APO/FPO, fax, E-mail, Internet or by courier service.

If your ballot fails to reach you 30 days before the election, use the emergency Federal Write-in Absentee Ballot to vote. Contact the Voting Assistance Officer at the nearest U.S. embassy or consulate for help, or visit FVAP.gov to complete the emergency FFWAB, using the online wizard. Write in the candidates of your choice, and send the ballot to your local election officials. If your regular absentee ballot arrives later, fill it out and send it back. Your FWAB will be counted only if your regular ballot doesn't reach your local election officials by your state's deadline. Following this procedure will not invalidate your vote or result in two votes being cast.

Almost all U.S. citizens 18 years or older who reside outside the United States are eligible to vote absentee for candidates for federal offices in primary and general elections. Some states also allow overseas citizens to vote for candidates for state and local offices, as well as for state and local referendums. For state information, visit the Federal Voting Assistance Program's Voting Assistance Guide or the Overseas Vote Foundation Web site. Check the FVAP Web site for a directory of state voter registration verification Web sites. Or direct your questions about eligibility to your local election officials.

Your state of legal residence is generally the one where you resided immediately before leaving the United States, even if you no longer own or rent property there or intend to return there in the future. Twenty-one states and the District of Columbia specifically allow U.S. citizens who have never resided in the United States to register where a parent would be eligible to vote.

U.S. citizens abroad may now request absentee ballots electronically by e-mail, fax or Internet download.

Single Individuals Need to Consider Future Social Security Options

Edward A. Zumdorfer, Certified Financial Planner

A previous column discussed future Social Security filing options for married individuals. This column discusses future Social Security filing options for single individuals.

Given the number of federal employees who intend to retire over the next few years and who are eligible for Social Security retirement benefits, the decision of when (what age) to start receiving their Social Security retirement benefits is an important one. For those employees who are single -- never married -- the decision when to start receiving benefits is perhaps more important due to fewer options available compared to options for married, divorced or widowed employees.

The rules for taking Social Security retirement benefits are explained in detail on the Social Security Website at <http://www.socialsecurity.gov>, which also offers calculators and tables. Retirement benefits can be received as early as age 62. A table illustrating how much in benefits are paid as a function of age is presented below.

Year of Birth	Full Retirement Age	Benefits as a percentage of PIA*, beginning at age						
		62	63	64	65	66	67	70
1937	65 years	80.0	86.7	93.3	100	106.5	113	132.5
1938	65 years, 2 months	79.2	85.5	92.2	98.9	105.4	111.9	131.4
1939	65 years, 4 months	78.3	84.4	91.1	97.8	104.7	111.7	132.7
1940	65 years, 6 months	77.5	83.3	90	96.7	103.5	110.5	131.5
1941	65 years, 8 months	76.7	82.2	88.9	95.6	102.5	110	132.5
1942	65 years, 10 months	75.8	81.1	87.8	94.4	101.2	108.7	131.2
1943 - 1954	66 years	75.0	80	86.7	93.3	100	108	132
1955	66 years, 2 months	74.2	79.1	85.5	92.2	98.9	106.7	130.7
1956	66 years, 4 months	73.3	78.3	84.4	91.1	97.8	105.3	129.3
1957	66 years, 6 months	72.5	77.5	83.3	90	96.7	104	128
1958	66 years, 8 months	71.7	76.7	82.2	88.9	95.6	102.7	126.7
1959	66 years, 10 months	70.8	75.8	81.1	87.8	94.4	101.3	125.3
1960 or later	67	70.0	75	80	86.7	93.3	100	124

Note: Persons born on January 1 of any year should refer to the previous year of birth.*PIA is Primary Insurance Amount; the amount of one's monthly Social Security retirement benefit at Full Retirement Age.

Singles and Social Security

Taking benefits before full retirement age (FRA)

A fully insured individual -- an individual with at least 40 credits of Social Security -- can begin collecting Social Security benefits at age 62. However, by collecting at age 62, the individual's benefits will be permanently reduced. This is because benefits were started before the individual's FRA. As seen from the table, FRA is age 65 for individuals born before 1938, 66 for those individuals born between 1943 and 1954. For those individuals born between 1955 and 1960 FRA creeps up in intervals until it reaches age 67 for those born in 1960 and later. The reduction for taking benefits early can be significant. As can be seen from the table, if one's FRA is age 66 and starts receiving Social Security benefits at age 62, the reduction is 25 percent. If one's FRA is age 67, then taking Social Security retirement benefits starting at age 62 results in a reduction of 30 percent. The reduction is permanent and not restored once the individual becomes FRA. The closer to one's FRA when one starts to receive benefits, the less reduction. For some individuals, generally those who are not working and in poor health, taking benefits early makes sense. Although benefits are reduced the individual will be ahead in real dollars until age 78. In other words, if the individual dies before age 78, the decision to take benefits early was the right decision.

Taking benefits before FRA and working

Those individuals who take their benefits before FRA and who have "earned income" -- earnings from wages or salary, or net self employment income, may not want to start receiving benefits early. The "earnings test" works as follows: For every \$2 an individual earns above a certain threshold, \$14,640 during 2012, the individual will lose \$1 in benefits. For example, if an individual earned \$34,640 during 2012, the individual would lose $(\$34,640 - \$14,640)/2$ or \$10,000 in benefits.

Taking benefits early and later returning to work

What happens if an individual begins taking Social Security benefits before reaching their FRA and subsequently returns to work before reaching their FRA? While their benefits will most likely be cut -- perhaps eliminated -- as a result of the "earnings test", most individuals do not realize that the benefits reduction or elimination is not a permanent reduction or elimination. Benefits will be recalculated when the individual reaches FRA. In particular, any month in which an individual's benefit is reduced by \$1 will be removed from the early retirement reduction calculation. For example, suppose an individual whose FRA is age 66 starts taking benefits at age 62, and then works and in two years loses all of his or her Social Security retirement benefit received as a result of exceeding the earnings limit of the "earnings test." At age 64, the individual decides to suspend taking benefits and continues to work. At age 66 the individual's benefits will be recalculated as though the individual had begun taking benefits at age 64 (with a 13.3 percent reduction, rather than a 25 percent reduction, as can be seen from the table).

A strategy for those individuals younger than FRA and who expect their earned income will always exceed the "earnings threshold" is to file for benefits at age 62 but each year submit an earnings estimate to the Social Security Administration that "zeros out" their annual benefit. When the individual reaches FRA, his or her benefit will not be reduced. In the meantime, the individual will have had peace of mind knowing that if the

Singles and Social Security

individual stopped working the individual could begin taking benefits immediately without the typical wait of getting benefits of several months

Delaying the start of benefits

If an individual can afford to delay taking Social Security retirement benefits until after FRA, it may make sense to do so. This is because benefits will increase because of “delayed retirement credits” (DRC) of 8 percent for each full year of benefits are delayed, up until age 70. As can be seen from the table, someone born between 1943 and 1954 who delays his or her benefit until age 70 will have a benefit worth 132 percent of the benefit he or she would have had if benefits were received starting at age 66, a result of DRC. If one's tax bracket is relatively high, this also makes sense since Social Security income is taxable. The downside to delaying benefits is that an individual has to live a sufficient number of years in order to recoup the money the individual would have received had he or she started benefits at FRA. For someone born between 1943 and 1954 and starts benefits at age 70, the individual would have to live to age 82 years and 6 months.

Changing one's mind.

Those individuals who have been receiving benefits for less than a year are allowed to withdraw their Social Security applications, repay all the benefits, and reapply at a future date. In so doing, any initial reduction to benefits will be forgiven. But an individual may only do this one time, and repayment of benefits may only be done within the first year of receiving benefits. According to the latest statistics, most retirees miss out on the increased monthly income resulting from delaying the start of their Social Security retirement benefits. The most popular age to begin collecting benefits is age 62. The reason for starting benefits that early is attributed to the fact that many of today's early retirees need the money in order to pay their bills.

The “wild card” in delaying the start of Social Security retirement benefits is one's health. Those retirees who are single and have life-shortening illnesses may be better off collecting Social Security benefits early. The determination of how a particular illness affects the equation is, however, beyond the scope of this column. But a good rule of thumb is: If an individual is healthy enough to work at age 62, then the individual should probably wait as long as he or she can to collect Social Security retirement benefits.

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About the Author

Edward A. Zurndorfer is a Certified Financial Planner, Chartered Financial Consultant, Chartered Life Underwriter, Registered Health Underwriter, Registered Employee Benefits Consultant and Enrolled Agent in Silver Spring, MD -- and the owner of EZ Accounting and Financial Services, an accounting, tax preparation and financial planning firm also located in Silver Spring, MD. Zurndorfer is also an instructor at federal employee retirement seminars throughout the country and writes numerous columns and books on federal employee benefits.

Looking for a Job?

To make your job search easier, we now list job opportunities at afsa.org/retiree_services.aspx under six categories. They are:

- State Department Jobs
- Non Profit and Academic Jobs
- WAE Jobs
- EFM (Eligible Family Member) Jobs
- USAID-Related Jobs
- Miscellaneous Jobs

Take Note: SSA Authorization

The Social Security Administration will not release information to you about another person, including your spouse or parents, even though you have general power of attorney for that person.

Rather, the person who wishes you to have that authorization must complete Form SSA-3288 Consent for Release of Information. You can find SSA Form 3288 at www.ssa.gov/online/sa-3288.pdf. The form

authorizes release of information about Social Security, Supplemental Security Income, and Medicare benefits, as well as medical and other records.

This form should be kept with copies of any durable power of attorney that you have executed.

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