



***Retirement and Insurance Service
Benefits Administration Letter***

Number: 02-318

Date: October 16, 2002

Subject: Additional Reporting Requirements for Offset Employees who Participate in HB-PC

Last February, we issued Benefits Administration Letter (BAL) 02-304. BAL 02-304 provides guidance to agency payroll offices (APOs) on how to withhold deductions for CSRS-offset ("offset") employees, who participate in Health Benefits Premium Conversion (HB-PC). The process described in BAL 02-304 requires APOs to apply the "reduced" CSRS withholding rate to the amount of basic pay less the pre-tax FEHB deduction and the "full" CSRS rate to the amount of basic pay equal to the pre-tax FEHB deduction. We have recently been made aware of an additional related requirement also effective in January 2003.

For all separating employees, APOs now report the total CSRS deductions for the calendar year in column 6 – "Calendar Year Salary Deductions" -- on the Individual Retirement Record (SF 2806). For offset employees who participate in HB-PC, this reporting does not provide the information we need to report earnings to the Social Security Administration or to compute all annuities properly.

Thus, for offset employees who participate in HB-PC, APOs must provide separately on the SF 2806 the amounts of CSRS deductions taken at the reduced and at the full withholding rates. The information we need is illustrated on the attachment to this letter. The information need not be initially automated and may be handwritten or typed. APOs must take care to ensure, however, that the breakout in the column 8 – "Remarks" -- adds to the total calendar year deductions in column 6. In light of the impending implementation of Flexible Spending Accounts, which will similarly affect offset deductions, we believe it would be to both OPM's and the APOs' advantage to modify their systems to provide for the automated creation of this information at the earliest practicable time.

If you have any questions regarding this information, we would prefer that you email us at finance@opm.gov, so that we have a record of our communication. You may also phone us on (202) 606-0606.

A handwritten signature in black ink, appearing to read "Robert A. Yuran".

Robert A. Yuran, Chief
Financial Policy Staff

*Civil Service
Retirement
System*

*Federal Employees'
Group Life
Insurance Program*

*Federal Employees
Health Benefits
Program*

*Federal Employees
Retirement
System*

*Long Term
Care Insurance
Program*

REPORTING ON SF 2806

The following is a depiction of the “Fiscal Record” section of an SF 2806, illustrating the information that must be reported for offset employees who participate in HB-PC:

FISCAL RECORD			
YEAR	CALENDAR YEAR SALARY DEDUCTIONS	ACCUMULATIVE TOTAL SALARY DEDUCTIONS	REMARKS
(5)	(6)	(7)	(8)
2001	563.68	563.68	520.00@0.8/43.68@7.0
2002	717.86	1,281.54	500.37@0.8/217.49@7.0
2003	1,073.54	2,355.08	454.16@0.8/619.38@7.0