

There are Real Concerns on Your Social Security and Medicare Benefits

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Social Security and Medicare are under pressure as the aging of the population has increased the number of people who rely on them--or will rely on them soon. Both programs face substantial financing problems that have put in question whether they will be able to continue delivering the benefits that they have promised. Both could be in for substantial changes in the time ahead.

Federal employees and retirees have a large stake in the outcome, even though they have separate retirement and health insurance programs in addition to Social Security and Medicare.

Social Security coverage is one of the three "legs" of the Federal Employees Retirement System, along with a civil service benefit significantly lower than the Civil Service Retirement System benefit and the Thrift Savings Plan. Social Security also is a main element of the hybrid CSRS-Offset retirement system. Even employees under "pure" CSRS may stand to get benefits from Social Security, either through spousal coverage or through their own earnings before, after, and in some cases during, a CSRS career.

Social Security functions in a very different way than does the civil service retirement program, with many traps lying in wait for the unwary.

Meanwhile, mid-term projections regarding the program's finances are dire, and the long-term projections are even worse, leaving the system in need of financial shoring up just at the point when the demand on it will increase.

Reforming Social Security raises fundamental issues regarding how benefits are structured, including required contribution rates and the ages at which benefits can begin, as well as how benefits are adjusted for inflation and taxed. The political debate over these issues likely will be long and bruising, but hard

choices cannot be put off indefinitely; the program already is paying out more in benefits than it is taking in through payroll taxes.

Similarly, all federal employees pay into Medicare as part of their basic payroll withholding and for that they will become eligible for Medicare benefits, usually at age 65. In most cases, Medicare takes over as the primary payer of health insurance benefits, with the Federal Employees Health Benefits program--if they keep FEHB coverage in retirement, as most do--playing a supplemental role. This essentially transfers people from a program they have come to know well over the years into one that is foreign to them. Medicare covers different conditions, with different cost sharing arrangements, than FEHB plans, and presents enrollees with a range of different options that must be sorted through.

Medicare meanwhile faces a similar financial situation as does Social Security—even more pressing, some argue--and the same demographic bulge demanding benefits. Proposed changes range from essentially nipping at the edges to a thorough overhaul, if only for those enrolling after a future date.

With **Social Security and Medicare** playing so important a role in their financial futures, federal employees and retirees must understand just what types of benefits they are accumulating, what level of benefits they might stand to receive, what provisions might reduce their benefits, how those benefits interact with their other benefits, and what may change--in sum, how to best position themselves now and in the future.

*"Both **Social Security and Medicare** face substantial financing problems that jeopardize whether they will be able to continue delivering the benefits that they have promised. These are real concerns for federal employees and retirees."*

Don Mace, Publisher FEDweek

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