
Federal Employees' Retirement System Act of 1986

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In June, President Reagan signed the Federal Employees' Retirement System Act of 1986 (Public Law 99-335), which establishes the Federal Employees' Retirement System (FERS) for employees hired after December 31, 1983. The program, which goes into effect on January 1, 1987, features a defined benefit retirement plan to augment mandatory coverage under social security. It also permits FERS participants to contribute up to 10 percent of their earnings, on a tax-deferred basis, to a thrift savings plan, with partial matching by the Government. This article describes the provisions of the new system, including survivor annuities and disability benefits. It also explains how employees covered under the Civil Service Retirement System may freeze their earned benefits under that program and transfer to FERS during the period July-December 1987.

On June 6, 1986, President Reagan signed the Federal Employees' Retirement System Act of 1986 (Public Law 99-335). The legislation establishes the Federal Employees' Retirement System (FERS) for employees hired after December 31, 1983, and for whom, generally, coverage is mandatory under social security. The new system, coordinated with social security, provides employees with a defined benefit plan and a thrift savings plan. This article describes the new retirement plan, which will become effective January 1, 1987, and the thrift plan, which will become effective on April 1, 1987.

Background

The Civil Service Retirement System (CSRS), the plan that currently covers most Federal employees, is one of the oldest retirement programs in this country, dating back to 1920. When the social security system was established in 1935 to provide economic security for the elderly, Federal employees were excluded from it because they were already covered under other Federal retirement plans.

The 1950 Amendments to the Social Security Act extended social security coverage to Federal civilian employees not under a Federal retirement system. Most of these employees were part-time or temporary workers.

Over the years, numerous studies were conducted on the feasibility of covering Federal employees under the social security program. The report of the 1979 Advisory Council on Social Security stated that income security goals

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could be achieved fully and equitably only if all employment were covered by social security. In 1980, a detailed study was conducted on the desirability and feasibility of extending social security coverage to employees of Federal, State, and local governments and private, nonprofit organizations. The report described and evaluated alternative policies based on a variety of specific criteria.¹

In 1983, all Federal civilian employees were brought under the Medicare program by the Tax Equity and Fiscal Responsibility Act (TEFRA) of 1982. Such employees and the Federal Government, as their employer, were required to pay the hospital insurance portion of the social security tax. The employee contribution rate for hospital insurance coverage under Medicare is currently 1.45 percent of wages up to the taxable maximum—\$42,000 in 1986.

The 1983 Amendments to the Social Security Act, which substantially reflect the recommendations of the National Commission on Social Security Reform, represented a bipartisan effort to deal with financing problems in the social security program.² One provision extended coverage

¹The Desirability and Feasibility of Social Security Coverage for Employees of Federal, State, and Local Governments and Private Nonprofit Organizations: Report of the Universal Social Security Coverage Study Group, March 1980, Department of Health, Education, and Welfare, Joseph W. Bartlett, Chairman. Pages 2-4 of the report provide a historical summary of studies made by various Advisory Councils, retirement committees, and commissions. For a short version of the study, see "Report of the Universal Social Security Coverage Study Group: Executive Summary," *Social Security Bulletin*, June 1980, pages 15-20.

²For a discussion of the 1983 amendments, see John A. Svahn and Mary Ross, "Social Security Amendments of 1983: Legislative History and Summary of Provisions," *Social Security Bulletin*, July 1983, pages 3-60.

under social security to all Federal employees of the executive, legislative, and judicial branches hired on or after January 1, 1984, including those with previous periods of Federal service, provided that the break in service had exceeded 365 days. The new legislation covered current employees of the legislative branch who were not participating in the CSRS on December 31, 1983. Also, Members of the Congress, the President, the Vice-President, Federal judges, and most executive level political appointees were covered by social security, effective on January 1, 1984.

The Federal Employees' Retirement Contribution Temporary Adjustment Act of 1983 continued the coverage of newly hired employees under CSRS while a new plan was being developed. The purpose of this legislation was to reduce the financial burden on employees of making both the full social security and CSRS contributions.³ The Act also provided for coordination of employee entitled benefits from CSRS and social security during the interim period, either by requiring additional employee deposit or by reducing the CSRS contribution by the amount of social security benefit attributable to interim service. Contributions by newly hired employees during the interim period amounted to 1.3 percent of basic pay for CSRS plus the regular social security tax—7.15 percent of the first \$42,000 of basic pay in 1986.

After passage of the 1983 amendments, the Congress began consideration of a supplemental retirement system for newly hired Federal employees that would provide a benefit structure coordinated with social security and involve overall contributions comparable to those for employees under the CSRS.

The Federal Employees' Retirement System (FERS) provides for combined contributions by employees for social security and the Federal pension that are generally equal to those paid by members of CSRS. The combined rate for FERS members will be 8.45 percent. In 1987, the social security contribution will be 7.15 percent and FERS will take 1.3 percent. In subsequent years, as previously enacted social security increases go into effect, the proportions will shift so that, in 1988–89, 7.51 percent will go for social security and 0.94 percent will go for FERS. In 1990 and later years, social security will claim 7.65 percent and 0.8 percent will go for FERS. Under CSRS, combined contributions for 1987 and later years will also be 8.45 percent—1.45 percent for hospital insurance coverage under Medicare and 7 percent for CSRS. Federal employees whose annual earnings are no more than the social security contributions and benefits base (\$42,000 in 1986) will pay the same amount for retirement, survivor, disability, and Medicare protection, regardless of whether they are covered under CSRS or FERS.

The new retirement system consists of three tiers of

³Provisions of this Act would have ended on December 31, 1985, but were extended to April 30, 1986, by Public Law 99-190. Then, the Federal Employees' Retirement System Act of 1986 extended the provisions to January 1, 1987, and provided for refunds of excess contributions.

benefits—social security benefits, a supplemental annuity plan (with survivor and disability benefits), and a tax-deferred investment or thrift savings plan. In comparison, the CSRS serves as the equivalent of a private pension plan as well as a substitute for social security. Generally, employees hired after December 31, 1983, are automatically covered under FERS. In addition, employees under CSRS may transfer to the new system during the second half of calendar year 1987.

Benefits

Three types of benefits are provided under the Federal Employees' Retirement System Act of 1986: Retirement annuities, survivor annuities, and disability benefits. This section contains a description of these annuities or benefits, which take the place of CSRS for employees hired after 1983. They may be described as a second tier of benefits that supplement social security, the latter being the first tier in the FERS benefit package.

Retirement Annuities

Vesting of retirement benefits is earned after 5 years of civilian service under FERS, provided that the employee's contributions have not been refunded. As discussed below, contributions that are withdrawn from FERS may never be redeposited. Under the CSRS, vesting also is earned after 5 years, including periods for which contributions were withdrawn and later redeposited.

The legislation allows for four types of retirement benefits: Unreduced, reduced, involuntary, and deferred vested annuities. **Unreduced retirement** may be selected at age 62 with 5 years of service, at age 60 with 20 years of service, or at the "minimum retirement age" (explained below) with 30 years of service. In general, the years of service required for retirement under FERS are the same as the requirements under CSRS.

An employee who retires after reaching the minimum retirement age with 30 years of service, or at age 60 with 20 years of service, will receive an annuity and an annuity supplement. The supplement equals the estimated reduced social security benefit payable at age 62 on the basis of creditable earnings in Federal service. The annuity supplement is subject to an earnings test similar to the one applicable under the social security program for retirees under age 65. The annuity supplement ends at age 62 when the annuitant is eligible for social security benefits.

The following tabulation shows how minimum retirement age under FERS is determined. This age will gradually increase from 55 to 57 on the basis of the worker's year of birth.⁴ However, the minimum retirement age un-

⁴This provision is analogous to the gradual rise in the age for receipt of unreduced social security benefits from age 65 to age 67 under the 1983 amendments. For more information on the social security age change, see "Increasing the Social Security Retirement Age: Older Workers in Physically Demanding Occupations or Ill Health," *Social Security Bulletin*, October 1986, pages 5–23.

Unreduced benefits with 30 years of service

Minimum retirement age	Year of birth
Age 55	Before 1948
Age 55 and 2 months	1948
Age 55 and 4 months	1949
Age 55 and 6 months	1950
Age 55 and 8 months	1951
Age 55 and 10 months	1952
Age 56	1953-64
Age 56 and 2 months	1965
Age 56 and 4 months	1966
Age 56 and 6 months	1967
Age 56 and 8 months	1968
Age 56 and 10 months	1969
Age 57	1970 and after

der CSRS will remain at 55 with 30 years of service.

Under FERS, Federal employees are eligible for **reduced retirement** benefits when they reach minimum retirement age and have completed 10-29 years of service. The benefit is reduced by 5 percent for each year that the age at retirement is below 62. When reduced retirement benefits are elected, no annuity supplement is paid. However, if the employee has attained age 60, with 20 years of service, there is no reduction.

An employee who is separated from Federal service involuntarily, except by removal for cause on charges of misconduct or delinquency, may retire at age 50 with a minimum of 20 years of service, or at any age with 25 years of service. Those who are **involuntarily separated** will draw an unreduced annuity from the time of separation and an annuity supplement from minimum retirement age to age 62.⁵

A fourth type of benefit is the **unreduced deferred vested annuity**. Under this arrangement, a previously separated civilian employee with 5 or more years of service at separation may elect to receive an unreduced annuity at age 62. The same arrangement is provided at ages 55-57 for employees who separate with 30 or more years of service. However, if a previously separated employee has 10-29 years of service, a reduced benefit (5 percent for each year under age 62) is available at the minimum retirement age.

The salary base for calculating retirement benefits is average pay, based on the 3 highest consecutive (not necessarily calendar) years of Federal service. The unreduced retirement annuity is 1 percent of the high-3 salary, multiplied by the number of years of service, for a person claiming benefits before age 62 or at or after age 62 with less than 20 years of service. If an employee retires at age 62 or older with 20 or more years of service, the retirement annuity will be 1.1 percent of the high-3 salary, multiplied by the number of years of service.

The legislation provides for the development of alternative forms of annuities, by the Office of Personnel Man-

agement, under FERS. One alternative required by the statute would permit an employee, at the time of retirement, to withdraw his contributions and receive an annuity for life. The present value of the benefits provided (including the amount withdrawn) are to be actuarially equivalent to the sum of the annuity and the annuity supplement which would otherwise be provided. (The legislation also provided for a similar alternative for employees retiring under CSRS.)

Under FERS, all employees have the option of withdrawing their contributions, plus interest, when separating from Federal service. By doing so, however, they forfeit all future benefits based on those contributions.

Retired annuitants aged 62 or older, disability annuitants, and widows and widowers at any age, will receive a cost-of-living adjustment based on the Consumer Price Index (CPI) minus one percentage point, if the CPI increase exceeds 3 percent. If the CPI increase does not exceed 3 percent, the cost-of-living increase will be the lesser of the actual increase or 2 percent.⁶ Cost-of-living adjustments are not generally provided to retirees under age 62.⁷

Spouses and children of retired annuitants over age 62 and of disabled annuitants, who are also eligible for social security disability insurance, are entitled to auxiliary benefits under the social security program.

Survivor Benefits

The FERS program provides for three types of surviving spouse situations: The death of an employee (not an annuitant); the death of a former employee (not an annuitant); and the death of an annuitant.

Death of a current employee. A surviving spouse of an employee (not an annuitant) who had at least 18 months of civilian service before death will receive a lump-sum benefit of \$15,000, regardless of the pay level of the deceased worker (with increases in the future based on increases in the CPI), plus half the employee's final annual rate of basic pay⁸ or half the average high-3 years of pay, whichever is greater.

If the current employee had 10 years or more of service at the time of death and was not yet an annuitant, the spouse will receive in addition to the lump sum an annuity equal to 50 percent of the employee's accrued unreduced retirement annuity. The annuity begins at the death of the employee and ends at the death of the surviving spouse or remarriage before age 55. These benefits are payable in addition to social security, the proceeds of Federal group life insurance, and thrift plan death benefits.

Death of a former employee. The widow of a former employee (not an annuitant) with a right to a deferred an-

⁵The present system (CSRS) calls for a 2-percent reduction in the benefit amount for each year that the involuntarily separated annuitant is under age 55, but there is no reduction for involuntary retirement under FERS. Under FERS, however, an annuity supplement is not payable until the minimum retirement age is reached.

⁶Under CSRS, all annuitants generally receive an annual cost-of-living adjustment equal to 100 percent of increase in the CPI.

⁷Cost-of-living adjustments for special groups of employees are explained in the "Other Provisions" section of this article.

⁸The annual basic rate of pay is defined as the last annual rate of pay, excluding bonuses and overtime pay.

nuity may elect to receive either a 50-percent annuity or the employee's accrued contributions plus interest. The annuity begins on the day the former employee would have reached age 62 or, if the widow so elects, in a reduced amount at the death of the former employee. This survivor does not receive the lump-sum benefit payable in the example above.

Death of an annuitant. The surviving spouse of an annuitant receives 50 percent of the employee's unreduced annuity plus, if not eligible for social security benefits, a supplement payable to age 60. To provide the annuity for a surviving spouse, the annuity of a married Federal retiree is reduced automatically by 10 percent, unless both spouses sign a waiver of this requirement (in which case, no survivor annuity would be payable). However, the full amount of the annuity generally is restored to a retiree upon either the death of the spouse or the dissolution of the marriage.⁹ No lump-sum benefit is payable to the surviving spouse of an annuitant.

The Civil Service Retirement Spouse Equity Act of 1984 (Public Law 98-615) contained several significant provisions for spouses and former spouses. FERS generally incorporates the provisions of this Act. Among other things, the Act authorized an employee annuitant to elect a survivor annuity for a former spouse. The Office of Personnel Management is required to comply with qualified court decrees or orders that provide survivor annuities for former spouses. The written consent of the employee's current spouse must be obtained before the employee may elect an annuity without providing full survivor benefits for that spouse. Employees are required to notify current and former spouses when applying for a refund of retirement contributions.

Under FERS, the deduction from an employee's annuity to provide an annuity for a current and former spouse(s) is limited to 10 percent. The total maximum amount payable to current and former spouses is 50 percent of the employee's annuity. If there is more than one current or former spouse, the 50-percent annuity will be divided between or among them, subject to elections and court orders.

A surviving child of an annuitant or of a Federal employee who dies after at least 18 months of service is entitled to an annuity, offset by social security children's benefits, with the annuity varying by the number of surviving children. The FERS formula was designed so that surviving children will receive at least as much in total benefits as they would under CSRS. The rule in computing each child's annuity is to calculate what would be payable to all of the children under CSRS, then subtract the amount for which the children are eligible under social security, and then divide by the number of children. The annuity will be recalculated to take account of cost-of-living adjustments payable under the CSRS (which are based on increases in the CPI). The annuity is payable to an unmarried child until he or she reaches age 18, or to age 22 if a student. It is

payable at any age to a disabled child if the disability started before the child reached age 18.

Disability Benefits

A disability annuity may be paid to an employee with at least 18 months of civilian service, provided that the employee meets the definition of disability: That he or she is unable, because of disease or injury, to render useful and efficient service in his or her current position. Furthermore, an applicant for a disability annuity must not refuse any reasonable offer of reassignment to a vacancy in the same agency for which the applicant is qualified, if the position is at the same grade level and is within the applicant's commuting area. The definition of disability under FERS is the same as the definition under CSRS.

Disability annuitants under FERS may also be eligible for social security disability benefits, if they also meet the latter program's medical criteria for disability and its special insured-status requirements.

During the first year of their disability, FERS members receive the same proportion of their former earnings whether or not they are simultaneously entitled to a social security disability benefit. In the first year, the FERS disability annuitant receives any social security disability benefit to which he or she is entitled plus a FERS disability annuity equal to 60 percent of average pay (high-3 years). From this annuity the amount of the social security disability insurance benefit payable to the employee is deducted. Therefore, the FERS disability annuitant generally will receive 60 percent of average pay during the first year.

In subsequent years, and up to age 62, FERS disability annuitants receive varying proportions of their previous earnings, depending on whether or not they are entitled to a social security disability benefit. If the FERS annuitant is also entitled to a social security benefit, he or she will receive the social security disability benefit plus the FERS disability annuity reduced by 60 percent of the social security benefit. Thus, in effect, the FERS annuitant receives 40 percent of his or her social security benefit plus 40 percent of average pay.¹⁰ If the FERS annuitant is not also entitled to social security disability benefits, he or she receives only the FERS disability annuity equal to 40 percent of average annual pay (high-3 years). This proportion is generally the same as under the CSRS. The report of the House-Senate Conference Committee indicates that total income for the totally disabled after the first year flowing from both the FERS disability benefit and the social security disability benefit will range from approximately 58 percent of high-3 earnings for low-income employees to 46 percent for employees with higher income.¹¹ The cost-

¹⁰Social security benefits payable to the spouse and children of the disabled worker are not offset against the FERS disability benefit.

¹¹U.S. Congress, *Federal Employees' Retirement System Act of 1986: Report of the Conference Committee* (House Report No. 99-606), May 16, 1986, page 141.

⁹See the section on the Spouse Equity Act.

of-living adjustments during disability are computed in the same manner as for retirement annuitants at age 62.

To avoid giving more generous benefits to disability annuitants than to employees who worked until retirement, the FERS disability annuity is recomputed at age 62. In general, the disability annuitant who is entitled to a social security disability benefit receives the lesser of the disability annuity (including an offset for social security) or the recomputed retirement annuity. For the retirement annuity, computation credit is added for the number of years of disability, and the high-3 salary is adjusted upward at the rate of the CPI increase minus one percentage point from the year of disability to age 62. The recomputed retirement annuity is then determined in the same manner as an unreduced retirement annuity. (For example, for regular civilian employees, the annuity is 1 percent of the high-3 salary multiplied by the number of years of service before age 62.)

A different computation is applied for a 62-year-old disability annuitant without previous entitlement to a social security disability insurance benefit. That person receives the lesser of the recomputed retirement annuity (described above) or the FERS disability annuity reduced by an amount reflecting the offset that would have been applied prior to age 62 if that person had in fact qualified for a disability benefit under social security.

Thrift Savings Plan

The third tier of the Federal retirement system is a tax-deferred investment plan. The Federal Government will automatically contribute 1 percent of annual salary into a thrift savings account for each FERS member. Persons employed as of January 1, 1987, who were newly hired on or after January 1, 1984, will receive credit toward the thrift plan of 1 percent of salary earned during the period 1984-86. Beginning in 1987, FERS members may contribute up to 10 percent of their salary to the plan. The employer will match these contributions dollar for dollar up to the first 3 percent of salary and 50 cents per dollar for the next 2 percent. The maximum employer contribution is 5 percent of salary for any employee covered under FERS.

The funds will be managed by a Federal Retirement Thrift Investment Board consisting of five members appointed by the President. The Board will establish policies for the investment and management of the Thrift Savings Fund and review the performance of the investments made for the Fund. An Executive Director will be appointed by the Board to oversee the management of the Thrift Savings Fund.

Contributions will be made into an investment program to be administered by the Thrift Board. New employees must wait until the second open season after the beginning of their employment to contribute, a period ranging from 6 to 12 months. Vesting rights, with respect to both employee and employer contributions, are full and immediate under the thrift savings plan, except for the first (auto-

matic) contribution of 1 percent. The latter vests after 3 years of service for career employees and after 2 years for political appointees.

Employees who remain under the CSRS may contribute up to 5 percent of their salaries, without employer-matching, into the tax-deferred thrift savings plan. These employees may invest only in Government securities.

Under the new system, all CSRS and FERS employees will have an opportunity to contribute to this plan (and FERS employees will be able to reallocate their investments to it) during an open season that will be offered every 6 months.

Employees covered by FERS will be able to choose from among three kinds of investments—Government securities, a fixed-income fund (composed of instruments issued by insurance companies, banks, or similar institutions that yield a fixed rate of return over a set period of time), and a stock index fund. The latter two funds will not become available until 1988. The Thrift Investment Board will define the common stock index, to be patterned after a commonly recognized index comprised of common stock whose aggregate market value reasonably represents the United States equity markets. In 1987, employees must place 100 percent of their investment into Government securities. The law provides for a gradual phaseout of investments that must be made in Government securities, as follows:

Calendar year	Percentage required in Government securities	
	Employee	Employer
1987.....	100	100
1988.....	80	100
1989.....	60	100
1990.....	40	100
1991.....	20	100
1992.....	0	100
1993.....	0	80
1994.....	0	60
1995.....	0	40
1996.....	0	20
1997.....	0	0

Several payout options are available, depending on the participant's retirement status. Four options are available to the employee who is entitled to either a retirement annuity, disability benefits, or workers' compensation benefits: (1) cash withdrawal, (2) an annuity for life or for a fixed term, (3) deferment of the annuity, or (4) transfer into an Individual Retirement Account (IRA) or a qualified pension plan. If an employee is entitled to a deferred retirement annuity, any of these options may be selected, except that withdrawal may not be made until the employee begins to receive the deferred retirement annuity. If the employee has not been vested in the basic plan, the thrift savings account must be transferred into an IRA or a qualified pension plan.

Active employees may not withdraw funds from the thrift savings account. However, a loan may be authorized for certain purposes: Purchase of a primary residence, edu-

cational expenses, medical expenses, or financial hardship. The loan program will become available on January 1, 1988, and loans will be limited to the amount of the employee's contributions and earnings thereon.

Other Provisions

Credited Service

Under FERS, retiring employees will not receive any credit toward length of service for unused sick leave, as is provided under the CSRS. To receive credit for post-1956 military service, an employee must deposit 3 percent of military base pay for the period of service, plus interest if the deposit is made more than 2 years after January 1, 1987 or date of hiring, whichever is later. For part-time employment, the pay rate will be converted to the full-time rate and the years of service will be calculated on a prorated basis in the benefit formula.

Treatment of Special Groups

Firefighters, law enforcement officers, and air traffic controllers may retire with unreduced benefits at age 50 after 20 years of service, or at any age after 25 years of service. Their benefits will be 1.7 percent of average pay (based on the high-3 years) multiplied by the number of years of service up to 20 years, and 1.0 percent multiplied by the number of years of service exceeding 20 years. An annuity supplement will be paid to age 62, which equals the estimated amount of the social security benefit payable at age 62, on the basis of covered earnings in Federal service. The earnings test on the supplement does not begin until the annuitant reaches minimum retirement age. The cost-of-living adjustment will begin at retirement, rather than age 62, and will be computed in the same manner as for other employees. Employees in these special groups contribute an additional 0.5 percent of annual salary to the retirement system.

Members of Congress and Congressional staff will receive a benefit of 1.7 percent of average pay multiplied by the years of service up to 20 years, and 1.0 percent multiplied by the number of years of service over 20. They contribute an additional 0.5 percent of annual salary. Members of Congress may receive unreduced benefits after 25 years of service, regardless of age, or at the age of 50 with 20 years of service,¹² in addition to a supplement payable at the minimum retirement age and up to age 62.

Foreign Service and the CIA

Both the Foreign Service Pension System and the CIA retirement systems have extended social security coverage to their employees. These changes are similar to those in

¹²The rule for congressional staff is the same as for regular employees, this is, unreduced benefits at age 55-57 with 30 years of service.

FERS, with benefits for special-class employees, such as law enforcement officers.

Transfers From CSRS to FERS

Employees covered under CSRS may join FERS during the 6-month period from July 1, 1987, to December 31, 1987. If they do so, their employment will also be covered under social security.

The Office of Personnel Management will publish instructions for implementing transfer from CSRS to FERS. The legislative provisions regarding transfers include the following:

(1) Service performed in both CSRS and FERS will count toward eligibility for retirement, disability, and survivor's benefits.

(2) Credit under CSRS will cease at the time of transfer to FERS, but increases in average salary will apply to benefit computations under both plans after the transfer. If an employee transfers from CSRS to FERS, the high-3 salary at retirement will be used in the CSRS benefit formula, rather than the high-3 salary that was in effect at the time of transfer from CSRS to FERS. The retirement annuity will be calculated in two parts—under the rules of CSRS and FERS, respectively. However, disability and survivor annuities will be calculated under the FERS provisions.

(3) CSRS disability and survivor coverage will terminate, but the employee will receive credit for service completed before the transfer toward the 18 months necessary for disability and survivor benefits under FERS.

(4) Cost-of-living adjustments for the part of the retirement annuity earned before transfer will be under the CSRS formula and the part earned after the transfer will be under the FERS formula.

(5) Unused sick leave is credited for retirement benefits under CSRS, based on the amount accumulated at the date of transfer or the date of retirement, whichever is lower.

(6) The annuity supplement for retirees who retire before age 62 is computed on service after the date of transfer to FERS.

Breaks in Service

Pre-1984 employees with a break in service of 1 year or less will not be covered under social security if they are reemployed, and they will continue to be covered under the CSRS program. However, pre-1984 employees with a break in service of more than 1 year will be covered under social security. Retirement system coverage for members of the latter group will depend on the length of their previous coverage under CSRS. If they have 5 or more years of service under CSRS, they will retain coverage under that program (and be subject to a social security offset regarding benefits and contributions), and have the option of switching from CSRS to the FERS program. Employees with less than 5 years of service under CSRS will be covered automatically under the FERS program.