

# Retirement Planning

## Catch-62 Revisited

By Tammy Flanagan [National Institute of Transition Planning](#), September 5, 2008

If you've been reading this column for a while, you might remember that about a year ago, I wrote about my friend Jerry Westfall. I thought it was worth updating his cautionary tale.

Westfall turned 71 earlier this year. From June 18, 1956, to July 1, 1976, he served in the Air Force. He also served another 18 years as a civilian employee with the Navy. Westfall retired in 1993 with 38 years of government service, exercising his right to waive his military retirement benefit and combine his two careers into one retirement under the Civil Service Retirement System.

Unfortunately, that has meant that for the past nine years, he has been receiving his CSRS retirement benefit without getting credit for his 20 years of military service. He figures that has cost him \$132,000 in benefits.

Westfall is in this predicament because a series of miscommunications resulted in his not understanding the ramifications of paying a deposit into his retirement account to enable him to receive credit for his military service. That meant that after he qualified for Social Security at age 62, his CSRS benefit no longer included credit for military service.

The waiver of his military retirement was permanent, and it ended up costing him 55 percent of his retirement benefit. He was a tragic victim of what's known as a Catch-62.

Westfall is not alone. With a quick Internet search, I found at least 20 other military retirees who had similar experiences. I requested figures from the Office of Personnel Management on exactly how many people are in this situation, but was told they don't keep such statistics. But I meet people in retirement seminars every week who have not figured out why they should pay the military deposit.

### Source of Confusion

In addition to last year's column, I've written several others related to the issue of service credit deposits:

- [Service Interruption](#) (March 16, 2007)
- [Mixing Civilian and Military Retirement](#) (June 30, 2006)
- [Military Service Payback](#) (Feb. 24, 2006)

Under the newer Federal Employees Retirement System, the rules are clear: If you pay the deposit, you get credit for your military service. If you don't, you get no credit -- period.

But under CSRS, military service is creditable without a deposit -- until the retiree qualifies for Social Security. To make matters worse, many veterans are told one or more of the following:

- Not paying the deposit will affect your Social Security benefits, not your CSRS retirement.
- If you have only two or three years of military service, the deposit isn't that important.
- The slight reduction to your CSRS benefit will be made up by applying for Social Security.
- If you don't apply for Social Security, you won't be affected.

All those statements are wrong, and I've heard variations of them from agencies across the federal government.

### Compare the Estimates

You might wonder what Westfall has done to address his predicament. Here's a rundown:

- In 1999, he filed an appeal of the reduction in his benefits with the Merit Systems Protection Board. He lost. The judge noted that Westfall admitted that he did not make the deposit on time even though he was given an opportunity to do so.
- Later that year, he filed a petition for a review of the judge's initial decision. No new evidence was presented, so his request was denied.
- Westfall hired an attorney and once again filed a petition in March 2000 to request reconsideration. On Dec. 12, 2000, that request was denied.

Now Westfall has been told that his only other recourse is the U.S. Supreme Court. But he doesn't have enough money to file any more appeals.

Westfall says he was never shown what the dollar amount of his retirement would be after he turned 62 if he did not make a service credit deposit. By providing him retirement estimates with and without his military service included, his retirement counselor could have made it clear that the deposit was a major consideration. Instead, Westfall thought his Social Security benefit would make up the difference.

The sad part is that Westfall made the decision to pay a deposit to cover a period of civilian service for which he had previously received a refund. He never was counseled that the military deposit was much more important to his retirement. Neglecting the civilian redeposit would have had only a minor impact.

I've been trying to help people understand the Catch-62 since I worked at the FBI in the 1980s. You'd think that after more than 20 years this issue wouldn't keep coming up. But just when I think it has been addressed, I meet someone who doesn't have a clue about the situation. But I haven't given up.

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