OWCP and Social Security, Part 2

Wage-loss compensation, schedule awards and SSDI

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Last month's column explained the interaction between regular age-related Social Security benefits—what the Social Security Administration (SSA) refers to as "retirement benefits"—and Federal Employees' Compensation Act (FECA) benefits. This month's column explains the interaction between Social Security Disability Insurance (SSDI) and FECA benefits.

In recent years it has become more common to find disabled letter carriers on SSDI. This is due in part to the fact that in order to apply for Office of Personnel Management (OPM) disability retirement benefits, applicants also must apply for SSDI. It should be understood that there is no obligation to be approved for SSDI to be accepted for OPM disability retirement. One must simply apply for SSDI. In fact, it is not uncommon for OPM to approve disability retirement and for SSA to deny SSDI because SSA's requirements for SSDI are much more restrictive than OPM's requirements for disability retirement.[1]

If approved, the monthly SSDI benefit is based on the applicant's average lifetime earnings. Social Security benefits are typically computed using "average indexed monthly earnings," or AIME. This average summarizes up to 35 years of a worker's indexed earnings. SSA applies a formula to this average to compute the primary insurance amount (PIA). The PIA is the basis for the benefits that are paid to an individual.[2] Once an individual on SSDI reaches full Social Security retirement age, their benefit is converted to the regular Social Security retirement benefit.

SSDI and OWCP

While injured workers on the Office of Workers' Compensation Programs (OWCP) rolls have to elect between OPM retirement benefits (including OPM disability retirement) and wage-loss compensation, injured workers on the OWCP rolls who are also on SSDI are entitled to both wage-loss compensation and schedule awards. SSA, however, may reduce the SSDI amount through offsets based on both wage-loss compensation and schedule awards. And it is not unusual for such offsets to consume most of the SSDI payments. Note that while OPM and the Department of Labor make a distinction between "workers' compensation" (which for them is wage-loss compensation) and schedule awards, SSA lumps wage-loss compensation, schedule awards and disfigurement payments into the "workers' compensation" category.

If the injured worker receives workers' compensation (including schedule awards) or other public disability benefits, and SSDI benefits, the total amount of these benefits cannot exceed 80 percent of what SSA has determined was their average current earnings (ACE) before they had a disability.

Note that the ACE is different than the PIA, which is based on the worker's lifetime cumulative earnings and work history. The applicant's ACE is an amount that is determined by averaging either their highest consecutive five years of earnings or averaging the highest year of earnings within the five years prior to their disability. Which formula it uses depends on the individual's specific circumstances.[3]

If the total amount of these benefits exceeds 80 percent of their ACE, the excess amount is deducted from their Social Security benefit. For letter carriers receiving wage-loss compensation or schedule awards, the offset deduction often will consume most of the SSDI benefit. These offsets can also result in large overpayments involving tens of thousands of dollars. This can happen either because SSA took months or even years to address the concurrent receipt of SSDI and FECA benefits, or because SSA awarded retroactive SSDI payments that overlap the receipt of FECA benefits.

While OWCP applies the offsets and processes overpayments involving wage-loss compensation and Social Security retirement benefits, SSA applies the offsets and processes overpayments in cases involving FECA benefits and SSDI. If an injured employee is on OWCP wage-loss compensation or is receiving a schedule award or disfigurement payments and is either currently receiving or will be receiving SSA benefits, they should send a letter advising SSA of this fact, along with copies of their OWCP benefit statements. The sooner SSA applies the offset, the lower the eventual

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1 For a detailed overview of the SSDI program, including the threshold requirements, disability criteria and application process, go to ssa.gov/disability.

2 An explanation of the PIA calculations can be found at ssa.gov/oact/cola/piaformula.html.

3 For an outline of how SSA calculates ACE, see secure.ssa.gov/apps10/poms.nsf/lnx/0452150010.

OWCP and Social Security (continued)

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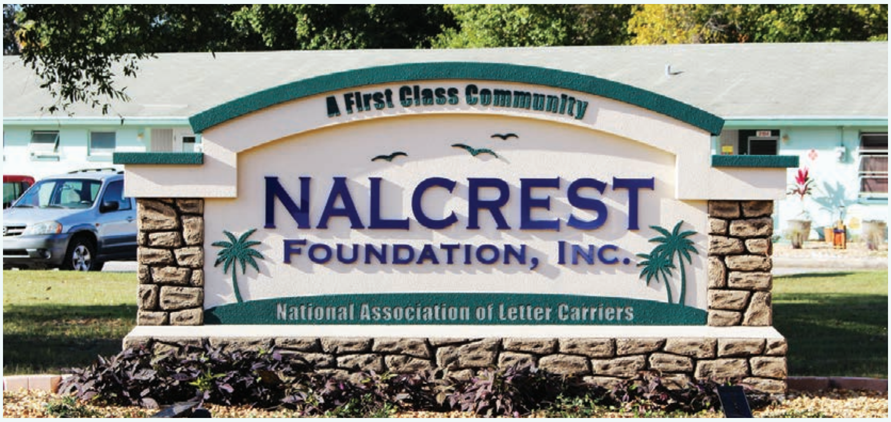
overpayment will be.

While most injured letter carriers who are both on wage-loss compensation and receiving SSDI will see their SSDI reduced and offset, in many cases their monthly income will be higher even with the offset than it would be if they were on wage-loss compensation alone. That said, if the offset has yet to be applied, they should set aside funds to cover the eventual overpayment.

On the other hand, it is strongly recommended that letter carriers who are on SSDI or anticipate being on SSDI postpone applying for a schedule or disfigurement award until they are no longer on SSDI, since the resulting offsets in most cases would consume most of the benefit of the award.

Nalcrest Update



From the Trustees

At the recent Florida State Association convention in Orlando, I was introduced by President Brian Renfroe as the newly appointed member of the Nalcrest Standing Committee. I will serve on the committee with Fred Rolando and Tony Diaz. As members of the committee, the three of us also serve as Nalcrest trustees, along with NALC Executive Council members Paul Barner, Nicole Rhine, Mack Julion and Dan Toth. The Executive Council also elected Tony Diaz as Nalcrest president, Nicole Rhine as Nalcrest secretary, and Paul, Mack, Dan, Fred and me as Nalcrest vice presidents.

As I was introduced, I found myself thinking about Matty Rose and what size shoes he wore, because I could never fill those with all the years he spent at Nalcrest. As I looked out into the audience, I saw Don Southern with his wife and remembered how many years he spent at Nalcrest as a committee member/trustee. I am humbly honored to have this opportunity to serve. Matty Rose retired as Nalcrest Committee member/trustee/president, which opened this position on the committee.

My name is Starr Hunter. I recently retired as a letter carrier after serving 41 years. I am a member of West Palm Beach, FL Branch 1690. I served as recording secretary, treasurer and shop steward, and wore many hats, leading MDA events and coordinating the food drive. I live about 90 miles from Nalcrest, and have been visiting Nalcrest for over 30 years. I owned a timeshare down the street, and always enjoyed visiting the community.

Nalcrest is over 60 years old, and while we constantly deal with upkeep, renovations, maintenance, bookkeeping, remodeling, repairs, agendas and decisions, Nalcrest continues to be a clean, safe and well-maintained property. We have a great property manager, Lisa Senecal, who has been at Nalcrest for years. She and the other Nalcrest employees are fully committed to their positions. The oversight by the Nalcrest trustees is essential to ensure that former NALC President William C. Doherty's vision of a well-maintained, safe and affordable community for retired letter carriers is maintained.

All the roofs damaged last year from the hurricane have been replaced/repaired, and all the buildings are in the process of being newly painted. It's not too late for branches to financially assist with the painting by "adopting a building." Several plaques have been placed on completed buildings recognizing the donations by the branches.

Come see the Nalcrest property just east of Lake Wales. There is a waiting list of 376 to become a yearly resident at Nalcrest. Get on the list if you want to become a part of the family. So, fellow brothers and sisters, be a guest, but become a resident!

Be blessed; be a blessing—

Starr Hunter

Apply to live at Nalcrest

For an application to live at Nalcrest, visit nalc.org/nalcrest, call 863-696-1121 or fax 863-696-3333.