

Federal Update 2004-28

November 9, 2004

TO: NCTR Members
FROM: Cindie Moore, Washington Counsel
RE: Phased Retirement, "Section 419" Notice for Employers of Non-Social Security Covered Employees, and Social Security Reform

Hi, everyone. Here are some quick tidbits for your reading pleasure.

Phased Retirement – Put on Your Green Eye Shades and Polish your Bifocals

The Treasury Department reports that it will release proposed regulations on phased retirement "very, very, very soon." Phased retirement allows an individual to transition from work to retirement by means of a position of reduced hours, lower compensation, or reduced physical or mental stress before full retirement. The concept is related to, though separate from, the "return to work" provisions that are common in state statutes. Under return to work, an individual retires then returns to work in a part- or full-time capacity while continuing to draw his/her pension.

As I discussed at the Convention, we have been expecting this proposal for some time. As soon as it is available, I will review it and circulate it to you for your comment.

Social Security "Section 419" Notice – Inquiring Minds Want to Know

Many of you have asked when the Social Security Administration (SSA) will issue the form and instructions for "Section 419" notice. SSA says soon, but no specifics yet. As soon as I hear any inkling, I'll let you know. I also hope to have information about where employers and retirement systems can get copies of forms and instructions.

By way of background, state and local government employers who hire individuals for non-Social Security covered positions on or after January 1, 2005, must provide them with the "Section 419" notice. The notice explains the possible reduction of their future Social Security benefit because they are taking a non-Social Security covered position. The reductions occur by operation of the Government Pension Offset (GPO) and Windfall Elimination Provision (WEP). The individuals must sign the notice. The employer must then send the notice to the retirement system that covers the individuals. Section 419 is the location of the new requirement in the Social Security Protection Act, signed into law on March 2, 2004.

Social Security Reform – Coming Attractions

President Bush has made Social Security reform a top priority for his second term. Stay tuned for more information.