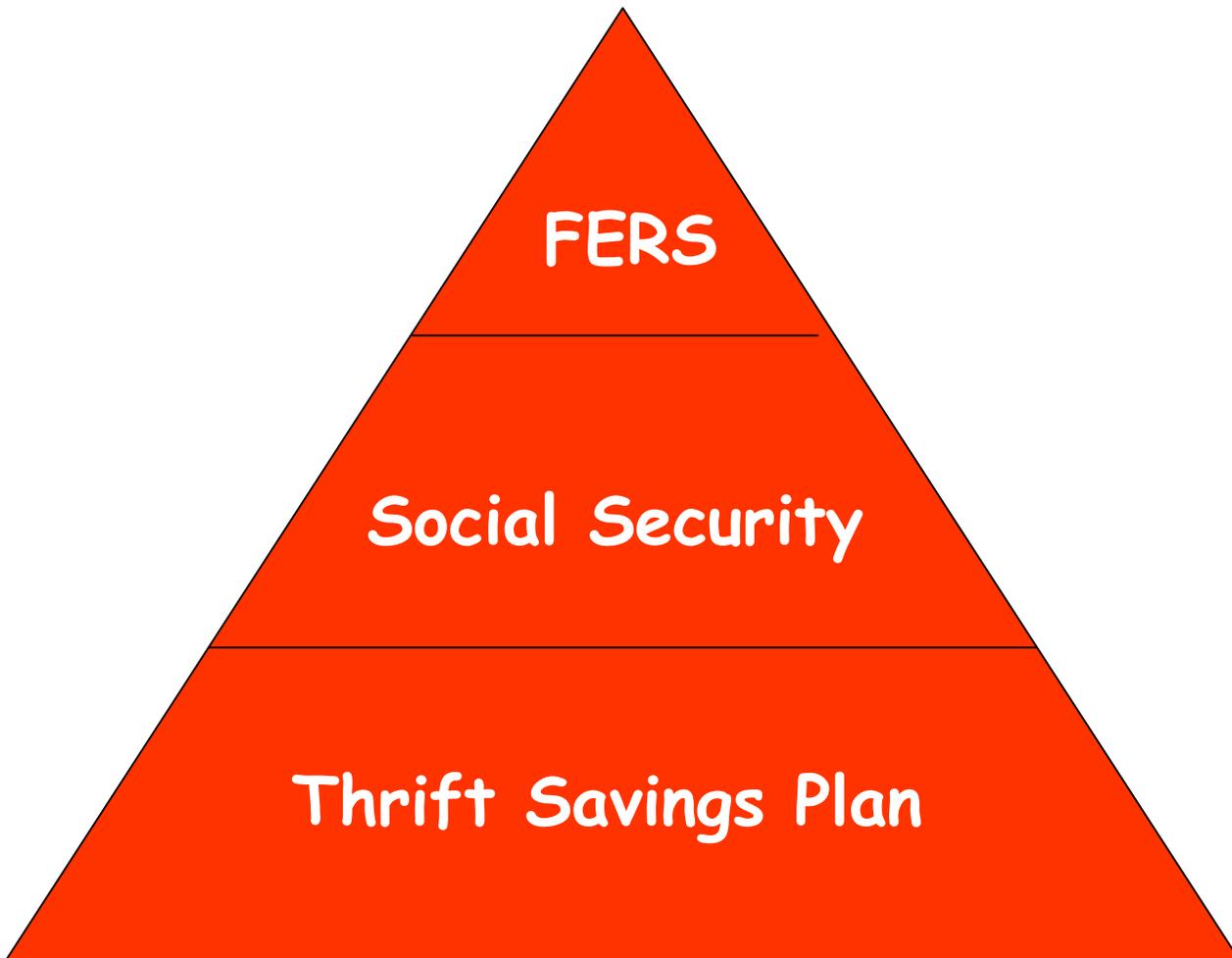


# FERS Mid-Career/ Pre-Retirement Seminar Handbook



## Federal Employees Retirement System

**First Edition/June 2002**

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## INTRODUCTION

This handbook on the Federal Employees Retirement System was created for Federal Aviation Administration (FAA) employees and will provide information on your retirement system and benefits to help you make informed decisions regarding retirement. The contents are current as of the date created, however, will be updated periodically to reflect changes in legislation, regulations, policy, and procedures. Our objective is to help you realize the significance of thinking through and planning for this important stage of your life...retirement.

### **Federal Employees Retirement System (FERS)**

FERS was established by Public Law 99-335, effective January 1, 1987. The Social Security Amendments Act of 1983 mandated all employees first hired after December 31, 1983, be covered by Social Security, therefore, automatically covered by FERS on January 1, 1987. If you had prior Federal service and were rehired during the period January 1, 1984 and December 31, 1986, you were placed in the Civil Service Retirement System (CSRS) Interim (pending establishment of the new retirement system – FERS). On January 1, 1987, employees covered by CSRS Interim who had less than 5 years of potentially creditable civilian service were automatically placed in FERS. Employees with 5 or more years of service on January 1, 1987 were considered vested under CSRS, therefore, covered by CSRS Offset.

Employees who transferred to FERS during an open season or, upon being rehired (and vested under CSRS) elected FERS during the 6-month opportunity period, may have two annuity components. The service creditable under CSRS will be computed under CSRS formulas and rules. Creditable service performed under FERS, plus any CSRS Interim/Offset service will be used in computing the FERS component.

Many of the features of FERS are “portable” so employees who leave Federal employment may still qualify for the benefits. FERS is a three-part plan consisting of a basic FERS annuity, Social Security, and the Thrift Savings Plan (TSP). Currently, you contribute .8% of your base pay into the basic FERS annuity fund (1.3% for Air Traffic Controllers and Federal Air Marshals). You also pay 6.2% for Old Age, Survivors and Disability Insurance (OASDI) and 1.45% for Medicare Tax. As a FERS employee, you may contribute up to 13% of your basic pay into the Thrift Savings Plan (TSP), on a tax-deferred basis. The Government contributes 1% of pay and matches a portion of your contributions. The Government matches 3% of your basic pay dollar for dollar and 50 cents on the dollar for the next 2% you contribute to the plan.

As an employee, if eligible you may enroll in the Federal Employees Health Benefits (FEHB) Program and the Federal Employees’ Group Life Insurance (FEGLI) Program. Coverage under these programs may continue into retirement. However, there are requirements that must be met and decisions that should be considered... Will I move when I retire? How much life insurance do I really need? All of these questions and many more are critical to you in your career and retirement.

Certain life events such as marriage, birth or acquisition of a child and divorce may mean that you need to reexamine your benefit needs. If you have a change in marital or family status, move to another region within FAA, or called to perform active military service, contact your servicing Human Resource Management Division (HRMD). There are time limits on your opportunity to make changes in your benefits when you experience a life event.

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## **FERS Retirement Considerations**

- **Determine when you are eligible to retire.**
- **Determine the factors that affect your annuity computation.**
- **Decide whether to make a deposit/redeposit for civilian service or to make a military deposit for active duty performed on/after January 1, 1957. Determine the effect on your annuity if you chose not to make the payment. How do you make the deposit?**
- **Decide about survivor benefits. What are the benefits to your spouse? What are your options? How much will your annuity be reduced to provide the benefit? What are the consequences of not electing survivor benefits?**
- **Make decisions regarding health and life insurance. When can you make changes to your insurance? Can you make changes after retirement? How much life insurance do you really need? What are the eligibility requirements to continue these benefits? Costs? How does Medicare fit in?**
- **Be aware of the most advantageous time to begin the retirement application process? How do you apply for retirement? How much will your annuity be and when will you receive the first check?**
- **Determine your eligibility for Social Security benefits. How do you apply? How is the benefit computed? Does your Federal annuity affect your Social Security benefit?**
- **If enrolled in TSP, decide when and how to receive your TSP monies. How do you withdraw the money in your TSP account? What are your options? What are the tax consequences?**

## **...Mid-Career Considerations**

- **Should I sign up for TSP? How much should I contribute to TSP? What are the different Funds I can invest in?**
- **What will happen to my TSP account should I decide to resign from the Federal government and work in private industry?**
- **I already have a 401(k) plan setup from my job in private industry...can I transfer that money into the TSP?**
- **I received a refund of prior CSRS monies (approximately 3 years service)...how will this affect my FERS annuity? Will I still receive credit for the prior CSRS service?**
- **What benefits are payable to my family if my death occurs while still employed by the Federal government? Will my family be entitled to continued health insurance coverage?**
- **If I resign from Federal government, will I be entitled to any type of retirement benefit? Can I continue my FEHB and FEGLI coverage?**
- **What is premium conversion and how does this affect my health insurance decisions?**
- **What if I become disabled and cannot work...am I eligible for any benefits?**

**NOTIFICATION OF PERSONNEL  
ACTION, SF-50**

## **Do You have a CSRS Component??**

A CSRS component exists when a FERS employee has at least 5 years of creditable civilian service subject to CSRS or Social Security only (FICA) before becoming subject to FERS. CSRS Interim and Offset service is not included in determining whether someone has a CSRS component. If it has been determined that you have a CSRS component, your annuity will be computed using two separate rules/formulas. The following describes what is included in both components.

### **CSRS Component**

1. Service during which only CSRS deductions were withheld.
2. Military service performed prior to FERS.
3. Service covered only by Social Security and performed prior to FERS.
4. Unused sick leave.

### **FERS Component**

1. Service covered by Social Security & performed after FERS coverage. (Applies only to pre 1-1-89 service & deposit is required.)
2. Service during which only FERS deductions withheld.
3. CSRS Interim/Offset
4. Military service performed after FERS.

If you do not have a CSRS component – all of your service (civilian and military) is creditable applying the FERS rules.

Throughout this book, we have pointed out the unique rules when a CSRS component exists.

***Look for this throughout the book...only for those who have a CSRS component:***





# RETIREMENT ELIGIBILITY

You must have at least 5 years of creditable civilian service to meet the minimum service requirement for retirement. Exception: The service requirement for disability retirement is 18 months. You must also be covered by FERS on the day of separation.

Type of Retirement	Age	Service
Optional	MRA	30
	60	20
	62	5
	MRA	10*
Early Optional - Voluntary	50	20
	Any	25
Air Traffic Controllers** Law Enforcement Officers**	50	20
	Any	25
Discontinued Service - Involuntary	50	20
	Any	25
Disability	Any	18 mos.
Deferred	62	5
	60	20
	MRA	10***
	MRA	30
Mandatory:		
Law Enforcement Officers	57	20
Air Traffic Controllers	56	20

Do you have a CSRS component?

Do you have a CSRS component?

If yes to either, your CSRS annuity will be reduced by 2% for each year under age 55.

\* Reduction of 5/12 of 1% for each month (5% per year) you are under age 62.  
 \*\* Air Traffic Controllers and Law Enforcement Officers, who reach mandatory retirement age (age 55 for ATCs and age 57 for LEOs) and have not yet completed the required 20 years of service under the special provisions, must be separated on the last day of the month in which he/she completes the required 20 years of service.  
 \*\*\* Annuity is reduced 5% per year you are under age 62. MRA + 10 deferred means you completed at least 10 years of service when you separated, but had not reached your minimum retirement age (MRA). When you reach your MRA, you can apply for deferred annuity.

## MINIMUM RETIREMENT AGE

Under FERS, you may retire with as little as 10 years of service when you reach your minimum retirement age (MRA). The MRA varies according to your year of birth as indicated in the following schedule:

<i>If you were born in.....</i>	<i>Your MRA Is.....</i>
Before 1948.....	55 years
1948.....	55 years, 2 months
1949.....	55 years, 4 months
1950.....	55 years, 6 months
1951.....	55 years, 8 months
1952.....	55 years, 10 months
1953-1964.....	56 years
1965.....	56 years, 2 months
1966.....	56 years, 4 months
1967.....	56 years, 6 months
1968.....	56 years, 8 months
1969.....	56 years, 10 months
After 1969.....	57 years

## CREDITABLE CIVILIAN SERVICE

- Normally, full credit is allowed for all time elapsing between the date of appointment and the date of separation.
- National Guard Technician and Nurse Cadet Service.
- Leave Without Pay (LWOP) of 6 months or less in a calendar year is fully creditable.
- All time while receiving Workers' Compensation benefits is fully creditable as long as you are eventually restored to Federal employment.
- Part-time work schedule receives full-time credit for both eligibility and computation purposes, if performed prior to April 7, 1986. Part-time performed on or after April 7, 1986 is fully creditable for eligibility purposes, however, the annuity will be prorated.
- Intermittent (sometimes referred to as when actually employed -- WAE) work schedule receives credit for the days actually worked.
- Breaks in service of up to 3 days causes no loss of time.
- Deposit (non-deduction) service is fully creditable if performed prior to January 1, 1989 and a deposit has been made. No credit if performed on or after January 1, 1989 (and no option of paying a deposit).
- CSRS Interim and Offset service is fully creditable as FERS service (FERS component).
- Some employees covered by FERS have a CSRS component. A CSRS component applies when an employee has at least 5 years of creditable CSRS civilian service and elected to transfer to FERS. CSRS component service is calculated using the CSRS rules.
- Refunded FERS service is NOT creditable.



# What is Deposit/Redeposit Service?

**Deposit Service (non-deduction service):** Deposit service is the period of service during which retirement contributions were not withheld from your salary (for example, temporary service).

**Cost of the deposit** is 1.3% of basic pay earned during the non-deduction service plus interest. A deposit can only be made for non-deduction service performed prior to January 1, 1989. If you have non-deduction service that is used in the CSRS portion of your annuity, the amount owed would normally be 7% (7.25% - 1999; 7.4% - 2000), plus interest.



CSRS component non-deduction service:

- If the service was prior to October 1, 1982, your annual annuity (CSRS component) will be reduced by 10% of the total deposit owed.
- If the service was on or after October 1, 1982, the time counts towards meeting eligibility to retire, however, is not used in the annuity computation (CSRS component).

**Redeposit Service (refunded service):** Redeposit service is service in which you received a refund of your retirement contributions. Refunded FERS service is not creditable and you have no redeposit option. Crediting of refunded CSRS service depends on whether you were automatically covered by FERS or you elected FERS and have a CSRS component.

Automatically covered by FERS:

- Refund of CSRS contributions and filed/received refund before being subject to FERS
- Must pay the deposit to receive any credit for the prior service
- Deposit made under FERS rules (1.3%, plus interest)



Elected FERS and have a CSRS component:

- If the refunded service ended before October 1, 1990 and your non-disability annuity commences after December 1, 1990, and you do not make a redeposit, your annuity (CSRS component) will be actuarially reduced. The amount of the redeposit is the refund paid to you plus interest.
- If the refunded service ended on or after October 1, 1990, you must pay the redeposit to receive credit for the service in the annuity computation (CSRS component).

## Interest Charged

**CSRS deposit and redeposit service** is subject to interest based on when the service was performed (for deposit service) or when you made application for the refund.

- Rate of 4% through December 31, 1947
- Rate of 3% from January 1, 1948 through December 31, 1984
- A variable interest rate thereafter, compounded annually.



**FERS deposit service** from January 1, 1983 to December 31, 1984 is charged at a rate of 3% and a variable interest rate thereafter.

<b>Variable Interest Rates</b>						
1985	--	13.0%		1995	--	7.0%
1986	--	11.125%		1996	--	6.875%
1987	--	9.0%		1997	--	6.875%
1988	--	8.375%		1998	--	6.750%
1989	--	9.125%		1999	--	5.750%
1990	--	8.750%		2000	--	5.875%
1991	--	8.625%		2001	--	6.375%
1993	--	7.125%		2002	--	5.5%
1994	--	6.25%		2003	--	5.0%



Note: Variable rates do not apply to deposit service prior to October 1, 1982, or to refunds received prior to October 1, 1982. The 3% rate continues if the service will be credited in the CSRS component.

## How to Compute the Actuarial Reduction for Unpaid CSRS Redeposits



Do you have  
a CSRS  
component?

Actuarial, or reduction, factors are assigned based on your age at the time of retirement. The amount of the redeposit due, including interest, is divided by the actuarial factor. The remainder is rounded up and equals the monthly reduction in the annuity.

$$\frac{\text{Redeposit Owed}}{\text{Actuarial Factor}} = \text{Monthly Reduction}$$

Example: An employee retires in 2003, age 56, who owes \$8,500 redeposit. The employee would have a monthly reduction of \$41.14 (rounded to \$41).

$$\frac{\$8,500}{206.6} = \$41.14 \text{ or } \$41$$

<b>Actuarial Factors CSRS</b>			
<u>AGE AT RETIREMENT</u>	<u>REDUCTION FACTOR</u>	<u>AGE AT RETIREMENT</u>	<u>REDUCTION FACTOR</u>
40	280.4	66	157.7
41	276.4	67	153.0
42	272.7	68	148.1
43	268.8	69	143.2
44	264.1	70	138.3
45	259.0	71	133.4
46	254.0	72	128.6
47	249.3	73	123.5
48	244.8	74	118.4
49	239.3	75	113.1
50	233.8	76	107.9
51	229.5	77	102.6
52	225.4	78	97.9
53	221.0	79	93.4
54	216.2	80	88.5
55	211.4	81	83.4
56	206.6	82	78.4
57	201.9	83	73.8
58	197.2	84	69.4
59	192.5	85	64.6
60	187.9	86	61.3
61	183.1	87	57.1
62	177.9	88	54.6
63	172.9	89	51.9
64	167.8	90	48.7
65	162.7		

## **Procedures to Make a Civilian Service Deposit/ Redeposit**



Do you have  
a CSRS  
component?

1. Contact your servicing personnel office or visit OPM's website to obtain a SF 3108, Application to Make Service Credit Payment for Civilian Service. The SF 3108 is used even when you are making a deposit/redeposit for CSRS service creditable in a CSRS component.
2. Complete the front of the SF 3108 and return the application to your personnel office.
3. Your personnel office will complete the back of the SF 3108 and certify the application. The Agency Checklist for a FERS Service Credit Application and the completed SF 3108 will be forwarded to the Office of Personnel Management (OPM), Retirement Operations Center, Boyers, PA 16017.
4. OPM will send you a statement reflecting the total amount owed. Payments are made directly to OPM. You may submit payments in a single lump sum or installments no smaller than \$50. OPM will also give you the option of debiting your checking or savings account monthly.
5. When you make a full or partial payment, OPM will send you a receipt showing the new balance due (including updated interest or payment in full, as appropriate).

Notes: Payments to OPM cannot be paid through payroll deduction. Interest is applied to the unpaid balance on January 1 of each year. OPM will accept payment in full after separation, however, must be paid prior to final adjudication of the retirement application. It is very important to retain all payment receipts.

**APPLICATION TO MAKE SERVICE**  
**CREDIT PAYMENT FOR CIVILIAN**  
**SERVICE**

# CREDITABLE MILITARY SERVICE

All honorable active duty military service is potentially creditable. No deposit is required for military service performed prior to January 1, 1957. Receipt of military retired pay usually bars the crediting of active duty military service unless the retired pay is:

1) based on combat-connected disability retirement in the line of duty during a period of war or 2) based on age and service in the reserves (under Chapter 67, Title 10, U.S.C.). Military retired pay may be waived and combined with civilian service at retirement.

## FERS Employees **without** a CSRS Component:

You must make a deposit equal to 3% (3.25% - 1999; 3.50% - 2000) of your base pay (not allowances), plus interest earned during the post-1956 military service in order to receive credit. Interest begins to accrue the earlier of January 1, 1989 or 2 years from the date you were first subject to FERS. If you performed active duty military service that interrupts your civilian service, interest begins to accrue 2 years from the date you return to your civilian position. The military deposit is the lesser of the above formula or the amount you would have paid into the retirement system had you not been in a leave without pay status during the military service (.8% - prior to 1999 & 2001 to present; 1.05% - 1999; 1.30% - 2000). No interest is charged if you make the deposit, paid in full, before the first interest accrual date.



Do you have  
a CSRS  
component?

## FERS Employees **with** a CSRS Component:

You continue to be covered under the CSRS military deposit rules for service performed before the transfer to FERS. If you were first employed under CSRS prior to October 1, 1982, and you have not made a deposit of 7% of your base military pay for post-1956 military service, your annuity will be recomputed at age 62 **IF** you are **ELIGIBLE** for Social Security. If you will **NOT** be eligible for Social Security at age 62 or retirement (whichever is later), do **NOT** make the military deposit. In making the decision of whether to pay the military deposit, keep in mind, work after retirement may cause you to be eligible for Social Security at age 62.

CSRS employees first employed in a position covered by the retirement system on or after October 1, 1982, must make a deposit of 7% (7.25% - 1999; 7.4% - 2000) of military basic pay in order to receive credit for the post-1956 military service. No interest is charged if your deposit is made before your first interest accrual date (normally, before your third anniversary of employment) or was made prior to September 30, 1986. Contact your servicing personnel office if your military service interrupted a period of civilian service.

Deposits for post-1956 military service must be made to the FAA prior to retirement. Deposits can be paid in a lump sum or installment payments (\$50 or more) or payroll deductions (\$25 or more).

## Examples – Post-1956 Military Deposit

**EXAMPLE 1: FERS** employee with 30 years of service, no CSRS component, retires at his/her MRA. High-3 = \$60,000. Of the 30 years of service, 15 years is creditable civilian service and 15 years active duty military service. Five (5) years of military service was performed prior to January 1, 1956.

Annuity Computation including Deposit equaling 3% military base pay, plus interest:

$$30 \text{ years} = 0.3000^* \times \$60,000 = \$18,000$$

Annuity Computation if Deposit is Not Paid:

$$20 \text{ years} = 0.2000^* \times \$60,000 = \$12,000$$

\*FERS 1% Accrual Factor

**EXAMPLE 2: FERS** Air Traffic Controller with 30 years of service, age 50, High-3 = \$60,000. ATC has 20 years of covered ATC “good time” and 10 years of active duty military service performed on/after January 1, 1957.

Annuity Computation including Deposit equaling 3% military base pay, plus interest:

$$\begin{aligned} 20 \text{ years “good time”} &= 0.3400^* \times \$60,000 = \$20,400; \text{ PLUS} \\ 10 \text{ years} &= 0.1000^{**} \times \$60,000 = \$6,000 \\ \text{Total Annuity} &= \$26,400 \end{aligned}$$

Annuity Computation if Deposit is Not Paid:

$$20 \text{ years} = 0.3400 \times \$60,000 = \$20,400$$

\*FERS 1.7% Factor Chart for...ATCs

\*\*FERS 1% Accrual Factor



**EXAMPLE 3: FERS employee with a CSRS component...active duty military service creditable in the CSRS component.** Creditable CSRS service equals 9 years (5 years civilian service and 4 years active duty military service performed prior to January 1, 1956). First covered by CSRS prior to October 1, 1982. FERS employee retires at his/her MRA with a total of 30 years creditable service, High-3 = \$60,000.

Annuity Computation including Deposit equaling 7% military base pay, plus interest:

$$\begin{aligned} 9 \text{ years} &= 0.1450^* \times \$60,000 = \$8,700 \\ 21 \text{ years} &= 0.2100^{**} \times \$60,000 = \$12,600 \\ \text{Total Combined Annuity} &= \$21,300 \end{aligned}$$

If at age 62, eligible for Social Security, recomputation will be:

$$\begin{aligned} 5 \text{ years} &= 0.0750^* \times \$60,000 = \$4,500 \\ 21 \text{ years} &= 0.2100^{**} \times \$60,000 = \$12,600 \\ \text{Total Combined Annuity} &= \$17,100 \end{aligned}$$

\*CSRS General Formula Computation Chart

\*\*FERS 1% Accrual Factor

## DECIDING WHETHER TO WAIVE MILITARY RETIRED PAY

With few exceptions, receipt of military retired pay means your military service cannot be credited for eligibility or annuity computation purposes unless you waive the military retired pay, effective the first day of your annuity.

### YOUR CHOICES CONCERNING WAIVING MILITARY RETIRED PAY

Type of Military Retired Pay	Your Choices:	Effect on Your Annuity
<p>Awarded on account of service-connected disability which was:</p> <p>1) Incurred in combat with an enemy of the United States</p> <p>or</p> <p>2) Caused by an instrumentality of war and incurred in line of duty during a period of war.</p>	<p>→ → →</p>	<p>The years of military service will be used in computing FERS annuity if a deposit is paid.</p> <p>Waiver of military retired pay is not required.</p>
<p>Awarded under provisions of sections 12731 through 12739 of Chapter 67, Title 10, U.S.C., which grants retired pay to members of reserve components who meet age and service requirements.</p>	<p>→ → →</p>	<p>Waiver of military retired pay is not required.</p>
<p>All other military retired pay.</p>	<p>Combining military service with FERS annuity and waiving military retired pay</p>	<p>All creditable military service will be used in computing FERS annuity if a deposit is paid.</p>
	<p>Not waiving military retired pay.</p>	<p>Military service used to compute your military retired pay will not count towards eligibility for, or computation of your FERS annuity.</p>

## ESTIMATED EARNINGS DURING MILITARY SERVICE

INSTRUCTIONS: Use a separate RI 20-97 for each branch of service. Attach DD214 or equivalent and any available records of pay or promotions. If you do not have a DD214 or equivalent, obtain a SF 180 from your personnel office and have your service verified before forwarding this form to the pay center. The pay center cannot provide estimated earnings unless verification of service is attached.

To:

Employee name (Last, First, Middle)	
Other names used	
Social Security Number	Date of birth
All military service numbers	
Branch of Service	

The uniformed services must provide estimated basic pay by Federal employees for military service after December 31, 1956, for the purpose of making a deposit to the Civil Service Retirement and Disability Fund for retirement credit. Please provide the estimated basic pay earned by the above named employee.

Signature of requester		Relationship to employee <input type="checkbox"/> Employee is requester <input type="checkbox"/> Other (Specify) <input type="checkbox"/> Survivor		Date		
Active military service after December 31, 1956 (Dates indicated below must be based on DD 214 or equivalent certification) <b>TO BE COMPLETED BY AUTHORIZED OFFICIAL</b>				Estimated Earnings (Base Pay) (Do not provide estimated earnings for any period of service prior to January 1, 1957.)		
From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	From (Mo,Dy,Yr)	To (Mo,Dy,Yr)	Rate of Basic Pay	Earnings	Type of Discharge
1. If period of service began before and ended after December 31, 1956, enter date service actually began. (Mo,Dy,Yr)			2. Lost time <input type="checkbox"/> None      Number of Days _____  <input type="checkbox"/> Inclusive dates –			
			From(Mo, Dy,Yr)	To(Mo,Dy, Yr)	From(Mo, Dy,Yr)	To(Mo,Dy, Yr)
Signature of authorized official furnishing estimate				Date(Mo,D y,Yr)	Telephone number (Including Area Code)	
Typed name of authorized official				Title of authorized official		

Requester's name and address (Return completed form to:)

RI 20-97

## **Instructions for Completing Form RI 20-97 “Estimated Earnings During Military Service”**

1. Enter in the space provided, the name and address of the military finance center for your branch of service (*see next page*), and fill in other information requested. (If you have service in more than one branch of the military, you must request earnings for each period from the appropriate branch.)
  
2. List each period of active, honorable military service performed after 1956 for which a deposit may be made. **DO NOT LIST** periods of active duty for training performed while on leave from a Federal civilian position.
  
3. Attach DD 214, or equivalent verification for each period of service listed. If you do not have a DD 214, or equivalent, obtain a SF 180 from your personnel office to request verification of your service before forwarding the request for estimated earnings to the military finance center. **THE FINANCE CENTER CANNOT PROVIDE ESTIMATED EARNINGS UNLESS VERIFICATION OF THE SERVICE IS ATTACHED.**
  
4. Attach any available records of military pay and promotions during the periods of service which you listed.
  
5. Enter your own address in the box at the bottom of the form. The military finance center will enter the estimated earnings and return the form to you.

## **Addresses for Verification of Military Service Estimated Earnings**

Military earnings must be requested by completing OPM Form RI 20-97, "Estimated Earnings During Military Service." You must also attach all copies of the DD 214, or equivalent, to the RI 20-97. If you do not have a

DD 214, or equivalent, you may request verification of military service by completing the SF 180 and forwarding the form to the appropriate military component. Military deposits must be paid in full to FAA before retirement. Mail or fax the RI 20-97 to the appropriate address/FAX number shown below:

### **Army**

DFAS-IN  
Attn: DFAS-TJMA  
8899 East 56<sup>th</sup> Street  
Indianapolis, IN 46249-0875  
Phone : 1-888-729-2769, (317) 510-2800  
FAX : (317) 510-5575

### **Air Force**

DFAS-PMJYB-DE  
6760 E. Irvington Place  
Denver, CO 80279-3000  
Phone: (303) 676-7408  
FAX: (303) 676-6218

### **Navy**

DFAS-Cleveland Center  
ATTN: PMMACB  
1240 E. 9<sup>th</sup> Street  
Cleveland, OH 44199-2055  
Phone: (216) 522-6545  
FAX : (216) 522-6924

### **Marines**

DFAS-KC  
Code- PMCRAF  
1500 E. 95<sup>th</sup> Street  
Kansas City, MO 64197-0001  
Phone: (816) 926-7652  
FAX: (816) 926-3129

### **Coast Guard**

Coast Guard Commanding Officer (SES)  
Coast Guard Human Resource Services Information Center  
444 S.E. Quincy Street  
Topeka, KS 66683-3591  
Phone: (785) 339-3552  
FAX: (785) 339-3784

### **National Oceanic And Atmospheric Administration**

National Oceanic and Atmospheric Adm.  
Department of Commerce  
Commissioned Personnel Office  
11400 Rockville Pike, Room 105  
Rockville, MD 20852

### **Public Health Service**

Public Health Service  
Division of Commissioned Personnel Compensation Branch  
Parklawn Building Room 4-50 5600 Fisher's Lane  
Rockville, MD 20857  
Phone: (301) 443-0064  
FAX: (301) 594-2711



## ANNUITY COMPUTATION

The amount of your annuity is determined primarily by your:

- ⇒ Length of service, and
- ⇒ Your High-3 Average Salary

Do you have a CSRS component?

### DETERMINING YOUR LENGTH OF SERVICE

To determine your total length of service, for annuity computation purposes, add together:

- 1) creditable civilian service, 2) creditable military service, and 3) unused sick leave for those who have a CSRS component (lesser of the balance at the date of transfer to FERS or retirement).

#### EXAMPLE:

Civilian Service	28 years	1 month	
3 days			
Military Service	4 years	2 months	6 days
<u>Unused Sick Leave</u>	<u>0 years</u>	<u>6 months</u>	<u>18 days</u>
Total Service	32 years	9 months	
27 days			

Your annuity will be computed using 32 years and 9 months. The 27 days will be dropped (30 days equals 1 month).

### FERS GENERAL FORMULA

$$1\% \times \text{High-3} \times \text{Years of Service}$$

At least age 62 with 20 years of service:  $1.1\% \times \text{High-3} \times \text{Years of Service}$

### AIR TRAFFIC CONTROLLERS & LAW ENFORCEMENT OFFICERS

$$1.7\% \times \text{High-3} \times \text{first 20 years special coverage}$$

$$1\% \times \text{High-3} \times \text{years of service over 20}$$

Do you have a CSRS component?

### FERS ANNUITY WITH A CSRS COMPONENT

$$1.5\% \times \text{High-3} \times \text{first 5 Years of Service creditable under CSRS}$$

$$1.75\% \times \text{High-3} \times \text{next 5 Years of service creditable under CSRS}$$

$$2\% \times \text{High-3} \times \# \text{ of years of service over 10 creditable under CSRS}$$

### PLUS

$$1\% \times \text{High-3} \times \text{Years of service creditable under FERS.}$$

(After computing these separately, add together to calculate your total annuity.)

Non-deduction service and active duty military service prior to an election of FERS is creditable under the CSRS formula for those who have a CSRS component. Unused sick leave (lesser of the balance on the date you transferred to FERS transfer or retirement) is converted to years, months, and days and included in the CSRS component. CSRS Interim and Offset service is creditable under the FERS formula.

## Age Reduction – MRA + 10/Early Retirement

For employees who retire when or after reaching the MRA **with at least 10 years of service, but less than 30**, the annuity will be calculated according to the same formula for an immediate unreduced annuity. However, the amount of the annual rate will be reduced by 5/12 of 1% for each month (5% per year) you are under age 62.

**EXAMPLE:** Employee retires at MRA 55 years and 6 months, 20 years of service and a high-3 average salary of \$50,000.

$$1\% \quad \times \quad \$50,000 \times \quad 20 \text{ years} \quad = \quad \$10,000$$

Employees age at retirement (55 years and 6 months) = .679167

$$\$10,000 \times \quad .679167 = \quad \$6,791$$

Annual Reduced Annuity = \$6,791

\*FERS 5% Age Reduction Chart



There is no reduction for employees who are involuntarily separated from the service under discontinued service retirement, or who voluntarily retire during a period when an agency is undergoing a major reorganization, a major RIF or transfer of function (early out).

However, if you transferred to FERS and have a CSRS component, the CSRS rules for age reduction apply to the CSRS portion of the annuity. The reduction is 1/6 of 1% for each full month you are under age 55 (2% for each full year).

# Disability Retirement

You may file for disability retirement benefits if you are unable to: 1) perform useful and efficient service in your current position or any other occupation for which you qualify; and 2) you have not declined any reasonable employment offer within the commuting area. Applying for FERS disability retirement also means you must file for Social Security disability benefits. See your servicing HRMD in you need assistance on filing for disability retirement...ask them about FEDMER!

## Annuity Computation

### **First Year**

60% of your high-3 average salary minus 100% of your Social Security disability benefits.

### **Second Year**

40% of your high-3 average salary minus 60% of your Social Security disability benefits.

### **Age 62**

Your benefits are recomputed using the general formula crediting all of your Federal service and time spent on OPM's disability rolls. Your high-3 average salary will be increased by any applicable COLAs.

**EXAMPLE:** Employee age 50, with 15 years service, high-3 average salary = \$40,000.

First year :	60%	x	\$40,000=	\$24,000	- Social Security benefit
Second year :	40%	x	\$40,000=	\$16,000	- Social Security benefit

Recomputation at age 62:

	12 years (time on disability)
	15 years (actual service)
	27 years total service

Assume COLAs for 12-year period, compounded annually, increases high-3 average salary to \$50,000.

1.1%	x	\$50,000=	550	x	27 years	=	\$14,850	PLUS Social Security
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This example assumes that the employee was not eligible for Social Security disability benefits.

# High-3 Average Salary Computation

Retirement Date November 30, 2002

<u>Time Salary</u>						<u>Rate of Pay</u>
<u>Rate in Effect</u>						
<u>Yr.</u>	<u>Time Factor</u>	<u>Mo.</u>	<u>Day</u>	<u>Earnings</u>		
<del>2000</del> 1999	99 /	<del>01</del> 12	13	14	15	
				01		
				<b>1</b>	<b>14</b>	
	\$43,804			0.122222*		\$ 5,353.81
<del>2001</del> 2000	00 /	<del>01</del> 01	12	12	13 43	
					15	
				<b>11</b>	<b>28</b>	
	\$45,377			0.994444*		\$ 45,124.89
2002 2001		<del>06</del> 01		29	30	
				13		
				<b>5</b>	<b>17</b>	
	\$47,238			1.463889*		\$ 69,151.19
2002 2002		<del>11</del> 06		30	31	
				30		
				<b>5</b>	<b>1</b>	
	\$50,516			0.419444*		\$ 21,188.63

Equals 3 years  
2.999\*\*

\$140,818.52

\*360 Day Factor Chart

\*\*Total time rounded up equals 3 years.

Computation: \$140,818.52 divided by 3 years = \$46,939.51

High-3 average salary for the period December 1, 1999 through November 30, 2002.

(Your high-3 is calculated based on 3 consecutive years and may come from any period throughout your career. Your basic pay AND locality pay are used in the computation of the high-3 average salary. Availability pay received by Federal Air Marshals after September 11, 2001 is included in the basic pay for retirement purposes.)

## How Federal Annuities Are Taxed

You will not be taxed on that part of the annuity that represents your own retirement contributions; the rest is taxable. The Simplified General Rule applied to annuities commencing on or before December 31, 1997. A provision added to the Taxpayer Relief Act of 1997 created a new table for computing the tax-free amount if a survivor annuity is elected. The table is based on the combined ages of the annuitant and the person for whom the survivor annuity has been provided. This provision is effective with annuity start dates beginning after December 31, 1997. Retirees whose annuity started prior to December 31, 1997, continue to use the one-person table.

When you retire, you will receive a booklet from OPM called "Your Federal Retirement Benefits". In this booklet you will be provided with the amount of your total retirement contributions and the amount of retirement benefits you may claim as tax-free each month. The following tables should be used based on your individual case:

### Annuity Without a Survivor Benefit

<u>Age at Retirement</u>	<u># of Lifetime Payments</u>
55 and under	360
56 to 60	310
61 to 65	260
66 to 70	210
71 and over	160

### Annuity With a Survivor Benefit

<u>Combined Age of Annuitant</u>	<u>Number of Payments</u>
Not more than 110	410
111 to 120	360
121 to 130	310
131 to 140	260
141 and over	210

For disability annuitants, the annuity is fully taxed until you meet optional retirement requirements.

$$\frac{\text{Total Retirement Contributions}}{\text{Number of Lifetime Payments}} = \text{Monthly Tax Free Amount}$$

$$\text{Monthly Tax Free Amount} \times 12 = \text{Yearly Tax Free Amount}$$

It is not mandatory for you to have tax withheld from your monthly annuity. However, you must file an estimated return to the Internal Revenue Service (IRS) if less than 90% of the Federal income tax due during a year is withheld from your income. You will be liable for the full amount of the taxes when they are due, and may incur an additional interest penalty if sufficient taxes were neither withheld from your income or paid to the IRS in advance as estimated payments.

For more information on how Federal annuities are taxed, call 1-800-TAX-FORM and request IRS Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits, or you can obtain a copy from the IRS website at [www.irs.gov](http://www.irs.gov).

The following address [http://apps.opm.gov/tax\\_calc/withhold\\_calc/index.cfm](http://apps.opm.gov/tax_calc/withhold_calc/index.cfm) is a link to OPM's Tax calculator for annuitants to figure their monthly federal withholdings.

At the time OPM processes your retirement application, they will send you instructions on how to start, change, or stop your Federal income tax withholding using their toll-free automated telephone system. Federal income tax is withheld from your initial payment and will continue as though you are married claiming three withholding allowances – the rate required by law if you do not file an election to change the deduction.

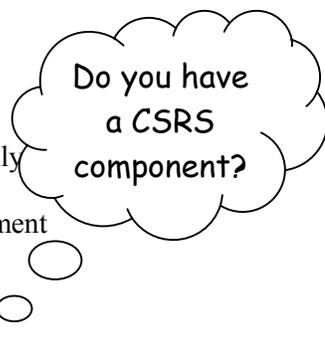
### **State Income Tax Withholdings**

If you wish to have State tax withholdings from your annuity, you may contact OPM directly if your State participates in the withholding program administered by OPM. OPM is unable to make State tax withholdings for non-participating states. The following States participate with OPM:

Arkansas	Arizona	California	Colorado
Connecticut	Delaware	District of Columbia	Georgia
Idaho	Indiana	Iowa	Louisiana
Maine	Maryland	Michigan	Minnesota
Mississippi	Missouri	Montana	Nebraska
New Jersey	New Mexico	North Carolina	North Dakota
Ohio	Oklahoma	Oregon	Rhode Island
South Carolina	Utah	Vermont	Virginia
West Virginia	Wisconsin		

You must specify the monthly amount of State tax you want withheld. Deduction amounts must be in whole dollars. The minimum monthly amount OPM is able to withhold is \$5. Your State tax deductions will be reflected on notices of annuity adjustments mailed when payments change and will be included in your yearly statement (Form 1099R) used for income tax filing purposes.

## Cost of Living Adjustments



Cost of Living Adjustments (COLAs) increase the amount of your monthly annuity. If you have a CSRS component, your annuity will be increased under the rules governing COLAs for retirees of the Civil Service Retirement System. The FERS component will be increased under a different set of rules. The rules governing each component are outlined below.

### CSRS COLA Rules (Apply only to a CSRS Component)

- Effective Date of Increase – December 1 of each year; payment of COLAs in January.
- Amount of COLA – Normally equals the percentage change in the Consumer Price Index (CPI) during the past year.

Initial COLA – Effective December 1 after annuity begins. Prorated, based on the number of months you were entitled to an annuity prior to effective date of increase (December 1). For example, if you retire July 1, you will receive 5/12ths of the COLA.

### FERS COLA Rules (only paid at age 62 or older)

- Effective Date of Increase – December 1 of each year.
- Amount of COLA – Tied to the increase in the CPI during the year preceding the COLA under the following schedule:

<u>Change in CPI</u>	<u>% of COLA</u>
0%	None
2% or less	Same % as CPI Increase
2% to 3%	2%
3% or more	Change in CPI minus 1%

- Initial FERS COLA – Applies to retirees who are age 62 as of December 1. By law, a retiree's first COLA must be prorated. For example, a retiree will get 1/12 of the applicable COLA for each month he/she was on the annuity rolls before December 1 (not to exceed 12 months). To get the full COLA, a retiree's annuity must have commenced no later than December 31. The COLA applies to the basic FERS annuity only, not the FERS annuity supplement.

### Exceptions:

- ATCs and LEOs will receive a COLA before age 62. The initial COLA is effective December 1 after the annuity begins.
- Disability annuitants will receive a COLA regardless of age. However, COLAs are not payable on FERS disability annuities during the retiree's first year if the annuity rate is based on 60%.

## FERS Transfer with a CSRS Component

If you transferred to FERS from CSRS coverage, after completing 5 or more years of CSRS creditable civilian service, you have a CSRS annuity component. Your annuity will be computed in three steps: 1) CSRS formula used for the CSRS component service, 2) FERS formula used for the FERS service, and 3) add the two amounts together to determine the total annuity benefit.

Air traffic controllers who have “good time” service performed before transferring to FERS may receive 1.7% up to 20 years of FERS “good time” service. For example, if you transferred to FERS after completing 13 years of air traffic controller service, you can still accrue up to 20 years under FERS at the 1.7 percent rate. The CSRS regular formula will apply to the years of service before you transferred to FERS.

The following examples illustrate the annuity computation using the CSRS formula for the years covered by CSRS and the FERS formula for the years spent under FERS.

**EXAMPLE 1:** CSRS service = 20 years. FERS service = 10 years, High-3 average salary = \$50,000

$$\begin{array}{l} \text{CSRS Computation: } 20 \text{ years} = 0.3625^* \times 50,000 = \$18,125 \\ \text{FERS Computation: } 10 \text{ years} = 0.1000^{**} \times 50,000 = \$ 5,000 \\ \\ \text{Total Combined Annuity} = \$23,125 \end{array}$$

**EXAMPLE 2:** ATC’s CSRS service = 20 years, FERS service = 10 years, High-3 average salary = \$50,000

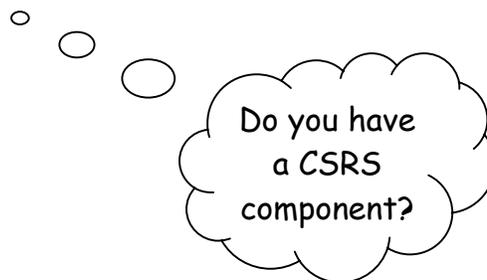
$$\begin{array}{l} \text{CSRS Computation: } 20 \text{ years} = 0.3625^* \times 50,000 = \$18,125 \\ \text{FERS Computation: } 10 \text{ years} = 0.1700^{***} \times 50,000 = \$ 8,500 \\ \\ \text{Total Combined Annuity} = \$26,625 \end{array}$$

\*CSRS General Formula Computation Chart

\*\*FERS 1% Accrual Factor

\*\*\*FERS 1.7% Factor Chart for...ATCs

Survivor benefits will be determined entirely under FERS rules (50%, 25% or None), even though the retiree’s benefit will be a combined CSRS/FERS annuity.



# FERS Special Retirement Supplement

Social Security is a significant part of the FERS benefits. However, Social Security retirement benefits are not payable before age 62. A Special Retirement Supplement, in addition to the basic benefit will be paid by the Office of Personnel Management (OPM) until you reach age 62.

The special retirement supplement is payable to you if you retire on an immediate annuity (not deferred):

- 1) MRA with 30 years of service; or
- 2) At age 60 with 20 years; or
- 3) Under the special provisions for Air Traffic Controllers/Law Enforcement Officers

You must have at least one calendar year (January 1 to December 31) of FERS service to be eligible for the special retirement supplement.

The supplement is a two-part calculation. The first part is calculated by estimating the amount of Social Security benefit you would earn if you had been employed for a full career (40 years) under Social Security at age 62 (applying the age reduction). The second part of the computation then approximates the amount of that full career benefit that was earned while working under FERS.

**EXAMPLE:** Employee with 30 years of service, 20 years of FERS service.

1) Estimated full career social security benefit = \$12,000 (obtained from Social Security statement)

$\$12,000 \times 0.7000$  (Social Security early retirement reduction factor based on date of birth 1960 & later) = \$8,400

2)  $\$8,400 \times .05$  (20 years of FERS service divided by 40) = \$420 monthly FERS Special Retirement Supplement

Special Retirement Supplement is subject to the Social Security earnings test. This means that if you retire under FERS before age 62 and work after retirement, you may lose part or all of the Special Retirement Supplement depending on the amount of your earnings after retirement. In 2002, the Social Security earnings limitation is \$11,280 if you are under age 65. Earnings over that amount will result in a reduction of \$1 for every \$2 earned above the limitation. The reduction does not apply to employees who retire under the special provisions for Air Traffic Controllers and Law Enforcement Officers until they attain their MRA.

NOTE: New law effective April 7, 2000, allows for unlimited earnings for retirees over the age of 65.

**Estimate --  
Your FERS Special Retirement Supplement**

1. Enter total years of FERS civilian service  
(rounded to nearest whole number) \_\_\_\_\_
  
2. Determine multiplier (divide line 1 by 40)\_\_\_\_\_
  
3. Enter estimated Social Security benefit  
(from "Your Social Security Statement")\_\_\_\_\_
  
4. Calculate the portion of the estimated Social  
Security benefit attributable to FERS service by  
multiplying line 3 by the percentage in line 2\_\_\_\_\_

The amount in line 4 will be a close estimate of the amount of the FERS Special Retirement Supplement.



**COMPUTATION OF ANUITY UNDER**  
**THE GENERAL FORMULA**  
**CHAPTER 50**

## SURVIVOR ELECTIONS/BENEFITS

Upon your death, your eligible survivor will receive 50% (maximum benefits) of your annual annuity. Your annuity will be reduced by 10% to cover this benefit. You may also elect a reduced survivor annuity, with spousal consent, equal to 25% of your annual annuity. The cost to provide this benefit is 5% annuity reduction.

### **EXAMPLE 1: Maximum Survivor Benefits**

Assume your basic annuity is: \$6,000  
10% x \$6,000 = \$600.00  
Total Reduction for Survival Benefit \$ 600  
Your Annuity after Reduction \$5,400

Survivor's Annuity: 50% x \$6,000 = \$3,000

### **EXAMPLE 2: Less than the Maximum Survivor Benefit**

Assume your basic annuity is \$6,000  
5% of \$6,000 = \$300.00  
Total Reduction for Survivor Benefit \$ 300  
Your Annuity after Reduction \$5,700

Survivor's Annuity: 25% x \$6,000 = \$1,500

If you elect no survivor annuity or less than the full survivor annuity (25% option) you may increase the amount within 18 months after retirement. The additional reduction in annuity plus interest will be retroactive to the retirement date.

The spouse's survivor annuity is payable for life unless the spouse remarries before age 55 (exception – survivor annuity continues if marriage lasted at least 30 years).

### **Termination of Marriage After Retirement**

If your marriage terminates after retirement (death or divorce), your full annuity will be restored effective when the marriage terminated, unless there is a court order providing former survivor benefits.

### **Marriage After Retirement**

If you marry or remarry after retirement you may elect a survivor annuity within 2 years of that marriage. Your new spouse will be eligible for the survivor benefit if you are married for 9 months prior to your death or if a child is born of that marriage. A retroactive reduction, plus interest, will be required to make this election.

## Survivor Annuity for Former Spouses

You may elect a survivor annuity for a former spouse or a former spouse may be entitled to benefits as a result of a court order. In order for the court awarded benefits to be payable, the following requirements must **all** be met:

- ⇒ Decree or order was issued by a court in the U.S. or its territories;
- ⇒ Former spouse must not have remarried before age 55 (exception – marriage lasted at least 30 years);
- ⇒ Your marriage must have lasted at least 9 months; and
- ⇒ You must have had 18 months of retirement covered service.

If there is a court awarded benefit for a former spouse and you have a current spouse, priority will be given to the former spouse. A former spouse loses entitlement to a survivor annuity upon remarriage before age 55 (exception – marriage lasted at least 30 years) or at death.

## Survivor Benefits - Children

The law provides for a survivor annuity to be paid to eligible children of a deceased employee or annuitant. No reduction in your annuity will be made for this benefit.

To qualify, children must be unmarried and be:

- Under age 18 or
- Between ages 18 and 22 if a full time student, or
- Disabled and became disabled prior to age 18.

The amount of the survivor annuity changes every year. The 2003 cost is shown below.

When the child has a living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:
{ \$384 } per month per child; or { 1,152 } per month divided by the number of eligible children (4 or more children).
When the child has no living parent who was married to the employee or retiree, the benefit payable to that child is the lesser of:
{ \$461 } per month per child; or { 1,383 } per month divided by the number of eligible children (4 or more children).

The children's survivor annuity will be offset by the amount payable from Social Security. Frequently, the survivor annuity from OPM will be eliminated because the Social Security benefit is usually higher.

Survivor benefits for children end when one of the following events occurs: 1) marriage, 2) become age 18 (22 if full time student), 3) cease to be a full time student, 4) disabled child recovers from disability.

## **Lump Sum Death Benefits**

Lump sum benefits are paid in accordance with your designated beneficiary forms. There are four possible forms that may affect you: TSP-3 for the Thrift Savings Plan; SF 3102 for the FERS Retirement System; SF 2823 for Federal Employees' Group Life Insurance; and SF 1152 for Unpaid Compensation. If there are no designations on file, benefits will be paid in the order of precedence according to Federal statute. Lump sum benefits are not payable when there is an eligible survivor annuitant: spouse, former spouse, or children.

### **Order of Precedence Established under Federal Statute:**

1. Designated Beneficiary
2. Widow or widower
3. Child/Children in equal shares, with share of any deceased child distributed among that child's descendants
4. Parents in equal shares, or entire amount to the only surviving parent
5. Executor/Administrator of your estate
6. Next of kin as determined under the laws of the State in which the deceased lived

Note 1: This statutorily defined order is not superseded by the deceased employee's will.

Note 2: This order of precedence does not include stepchildren.

## Annuity with Insurable Interest

This option is available at retirement to both married and unmarried employees who are in good health. Survivor named must have insurable interest in your life (current spouse, blood or adoptive relative closer than first cousins, former spouse, fiancé/fiancée, or common-law marriage).

With this election, your annuity is reduced based on the difference in age between you and the person named. The reductions are as follows:

<b>Age of Person Named in Relationship</b>	<b>Reduction in Annuity of Retiring Employee</b>
Older, same age or less than 5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

**EXAMPLE:**

Your Basic Annuity	=	\$60,000
Insurable interest is 8 years younger than you.		
Computation of reduction –		
(15% x \$60,000 = \$9,000)	-	<u>\$ 9,000</u>
Annuity after Reduction	=	\$51,000

CSRS Survivor's Annuity = 55% of reduced annuity = \$28,050

## Survivor Benefits – Death in Service

If you have at least 18 months of civilian service, the surviving spouse will receive:

- 1) Lump sum of \$15,000, indexed to CPI (2002 = \$24,354.74) plus
- 2) Lump sum of the higher of 50% of a full-time employee's final salary, using the basic pay as of date of death or 50% of high-3 average salary, plus
- 3) Any Social Security benefits payable.

In addition, if you have more than 10 years of service and died while subject to FERS deductions, the surviving spouse will receive an annuity equal to 50% of the employee's earned basic annuity as of date of death.

For ATCs, the survivor annuity is 50% of the annuity computed under the special formula for air traffic controllers if, at the date of death you were:

- ✓ age 50 or older and had at least 20 years of air traffic controller service;
- OR
- ✓ you were any age with at least 25 years of air traffic controller service.

A spouse survivor annuity under the FERS or CSRS is for life unless the spouse remarries before age 55 (exception, if the marriage lasted at least 30 years, survivor is entitled to the annuity for life).

### Former Employee Survivor Benefit

The eligible surviving spouse of a former employee is entitled to an annuity if the former employee was eligible for a deferred annuity and had at least 10 years of service. In this case, the surviving spouse is entitled to 50% of the employee's annuity (minus any age reduction). The eligible surviving spouse has a choice of either the monthly annuity or a lump sum credit of the unexpended balance.



## FEDERAL EMPLOYEES HEALTH BENEFITS (FEHB) PROGRAM

The FEHB Program is paid for through employee and employer contributions and is intended to assist you and your eligible family members with expenses of illness and accident. It is a voluntary program that is available to all newly eligible employees (60 days to enroll). If you do not enroll during this initial 60-day opportunity, you must wait until the annual open season period or life event. Events permitting enrollment changes are listed in the Table of Permissible Events found on the SF 2809. To give you an example, the following is an excerpt from the table:

**Table of Permissible Changes in Enrollment (SF 2809/-1)**

Code	Events That Permit Enrollment or Change	Changes Permitted			Time Limits
		From Not Enrolled to Enrolled	From Self Only to Self and Family*	From One Plan or Option to Another	
<b>1 Employee</b>					
1A	Initial opportunity to enroll	Yes	N/A	N/A	Within 60 days after becoming eligible
1B	Open Season	Yes	Yes	Yes	As announced by OPM
1C	Change in family status; for example, marriage, birth or death of family member, adoption, legal separation, or divorce.	Yes	Yes	Yes	From 31 days before through 60 days after event.
<b>2 Annuitant</b>					
2A	Open Season	No	Yes	Yes	As announced by OPM

**Premium Conversion** – If you are enrolled in FEHB, you can take advantage of premium conversion. Premium conversion became available to Federal employees October 2000 and is a pre-tax arrangement. This means part of your salary that pays for your health insurance premium will become non-taxable. You save on Federal income tax and FICA taxes (Social Security and Medicare taxes). Your payroll office will automatically enroll you in premium conversion, however, you may waive premium conversion during the annual FEHB open season or qualifying life event. What is a qualifying life event? As set by Department of Treasury regulations they are: 1) addition of a dependent, 2) birth or adoption of a child, 3) changes in entitlement to Medicare or Medicaid for you, your spouse, or dependent, 4) change in work site, 5)

change in employment status (or that of your spouse) from full-time to part-time or reverse, 6) death of your spouse or dependent, 7) divorce or annulment, 8) loss of a dependent, 9) marriage, 10) significant change in the health coverage of you or your spouse related to your spouse's employment, 11) start or end of an unpaid leave of absence by you or your spouse, or 12) start or end of your spouse's employment.

The disadvantages in participating in premium conversion are 1) flexibility and 2) Social Security. If you participate in premium conversion, you cannot cancel or change to self only coverage at any time; you must wait for the annual open season or qualifying life event. If you pay Social Security taxes on your salary, then premium conversion may result in somewhat lower Social Security benefits; this mainly applies to employees covered by the Federal Employees Retirement System (FERS).

**Requirements for Continuing Enrollment into Retirement --** You may continue health benefits coverage into retirement, with no reduction in benefits, if you:

Retire on an immediate annuity, **AND**

Are enrolled (or covered as a family member) under the FEHB program for:

1. the 5 years of service immediately preceding retirement, **OR**
2. all service since first opportunity to enroll.

Coverage (including coverage as a family member) under the Uniformed Service Health Benefits Program, which includes TRICARE/CHAMPUS can be included to meet the 5 year requirement. However, you must be enrolled in the FEHB and coverage must be effective prior to retirement.

Annuitants pay the same premium as employees, and get the same benefits as employees, except under most circumstances are not permitted to enroll or re-enroll for coverage after retirement. The premium will be deducted from the monthly annuity check, if sufficient to cover the cost, otherwise direct payments may be made to OPM. **If you have family coverage, you MUST elect a survivor annuity (minimum – 25% election) in order for your spouse/children to continue health benefits after your death.**

If you do not meet the eligibility requirements to continue FEHB coverage into retirement (or you separate before becoming eligible for retirement), your benefits will terminate upon separation (coverage will continue for 31 days). You can convert to a nongroup health benefits contract or elect Temporary Continuation of Coverage (TCC).

**Temporary Continuation of Coverage (TCC) --**

TCC is a feature of the FEHB Program. You and members of your family who lose their FEHB coverage because of a “qualifying event” may be eligible for TCC. The effective date of the TCC enrollment is the 32<sup>nd</sup> day after the event. Full premium is required (that is, both the employee and Government share of the premium) plus a 2 percent administrative fee. Administration of the TCC premium payments is maintained by the National Finance Center (NFC) in New Orleans, Louisiana. When TCC expires, you will be given the opportunity for a 31-day temporary extension of coverage and conversion to a private policy. TCC enrollment is not automatic; it's an elected benefit based on a qualifying event. Contact your servicing HRMD because of restricted time limits to enroll.

**Employees (separating)** -- Separating employees, or those ineligible to continue FEHB into retirement, can continue TCC for up to 18 months after the date of separation. TCC is not available to employees who are involuntarily separated due to gross misconduct.

**Children (age 22)** -- The qualifying events for children are as follows: marriage, reaching age 22, loss of status as stepchild, foster child, or recognized natural child, and in the case of children whose coverage has continued beyond age 22 because of their disability, recovering from the disability or becoming self-supporting. Children who lose coverage under their parents FEHB plan based on one of the above qualifying events can continue TCC for up to 36 months.

**Former Spouses** -- The qualifying events are divorce and annulment of the marriage. Former spouses can continue TCC for up to 36 months. Certain former spouses may be eligible based on the spouse equity provisions. For further information, contact your servicing HRMD.

## MEDICARE

Medicare is our country's health insurance program for people age 65 or older, certain people with disabilities who are under 65, and people of any age who have permanent kidney failure. Part A has been paid for through Federal Insurance Contributions Act (FICA) taxes on wages while you are employed; 1.45% tax deduction from your earnings; therefore there is no premium.

Medicare consists of two parts. **Hospital Insurance**, "Part A"; **Medical Insurance**, "Part B".

Part A includes:

- Hospitalization
- Post Hospital Skilled Nursing Facility Care
- Home Health Care
- HOSPICE Care
- Blood

Part A does not cover 100% of these expenses. A graduated payment by number of days the care is required is applied. You would be responsible for the remainder. FEHB will cover some of the expenses, but you should ensure that you understand what is and isn't paid by Medicare and/or FEHB, by checking with local Medicare representatives and consulting your FEHB plan brochure or carrier representative.

Part B provides the following coverage:

- Doctor's Services
- Ambulance Services
- Outpatient Hospital Treatment
- X-rays

You are automatically eligible to enroll in Part B when you are eligible for Part A. However, Part B has a monthly premium (2003 rate is \$58.70 per month per person), which changes each January. If you fail to enroll in Part B at your first opportunity, there is a 10% penalty applied for each year following the year in which you become eligible. However, if you are a Federal employee covered by FEHB and continue to work past Medicare eligibility you will not be affected by the 10% increase.

## How to Enroll –

You have from 3 months before your 65<sup>th</sup> birthday through the end of the 3<sup>rd</sup> month following the month in which you reach 65 to sign up for Medicare Part B. If you do not enroll during this 7-month period there is a general enrollment period from January 1 through March 31 each year (penalty applies unless still employed). Coverage begins the following July.

## Medicare & FEHB Primary Payer Chart

<b>When Either You or Your Covered Spouse are Age 65 or over, Have Medicare and FEHB, and You are:</b>	<b>The Primary Payer is:</b>
An active employee with Federal government (including when you or a family member are eligible for Medicare solely because of a disability)	FEHB
An annuitant	Medicare
A reemployed annuitant with Federal government	FEHB, if position not excluded from FEHB (ask your servicing HRMD for more information)
Enrolled in Part B only, regardless of your employment status	Medicare, for Part B services
A former Federal employee receiving Workers' Compensation and the Office of Workers' Compensation has determined that you are unable to return to duty	Medicare, except for claims related to the Workers' Compensation injury or illness

<b>When You or a Covered Family Member have FEHB and:</b>	<b>The Primary Payer is:</b>
Are eligible for Medicare based on disability	Medicare, if you are an annuitant. FEHB, if you are an active employee.

## **FEDERAL EMPLOYEES' GROUP LIFE INSURANCE (FEGLI)**

Eligible employees may enroll in the FEGLI Program within the initial 31 day window... participation is voluntary. You are automatically covered for Basic Life unless you waive coverage. FEGLI is a group life insurance plan that provides term life insurance with no cash value or loan value. Premiums for FEGLI are deducted from your salary. The Government pays one-third of the cost of Basic Life, however, any Optional coverage you elect is fully paid by you based on your age. The amount of insurance you need should be based on your personal and family situation, savings and investment portfolio, and long and short-term plans (see the following worksheet for an estimate of how much life insurance you need). You may cancel or decrease your options at any time, however, keep in mind the FEGLI Program does not offer an annual open season like FEHB.

### **BASIC LIFE**

- Equal to your actual rate of annual basic pay rounded up to the next \$1,000, plus \$2,000, or \$10,000, whichever is greater.
- Extra benefit... Double life insurance benefits until age 36, decreasing at 10% per year until age 45, at which time the extra coverage will end.
- Accidental Death and Dismemberment (AD&D) coverage payable up to the Basic Life; not the Extra Benefit.

### **PLUS**

#### **OPTION A – STANDARD**

- Coverage equal to \$10,000.
- AD&D coverage payable up to \$10,000.

#### **OPTION B – ADDITIONAL**

- You may elect coverage equal to one, two, three, four, or five times your actual rate of annual basic pay (basic pay is rounded up to the next \$1,000).

#### **OPTION C – FAMILY**

- Spouse -- \$5,000 life insurance coverage. You may elect one to five multiples of coverage.
- Each eligible dependent child -- \$2,500 life insurance coverage. You may elect one to five multiples of coverage.

# **LIFE INSURANCE WORKSHEET**

## How much life insurance do you need?

Deciding how much life insurance you need is a personal decision and only you can decide. However, OPM has created a worksheet which will help you in making your decision. Fill in the blanks to estimate your family needs.

1. Five times your annual income =	\$ _____ (1)
2. Annual expenses above and beyond daily living costs for you and your dependents = (e.g., tuition, care for a disabled child or parent)	+ _____ (2)
3. Emergency funds = (3 to 6 months of living expenses)	+ _____ (3)
4. Estimated amount for your funeral expenses = (U.S. average is \$5,000 to \$10,000)	+ _____ (4)
5. Total the estimate of your family's needs = (add lines 1 through 4)	+ _____ (5)
6. Your total liquid assets = (e.g., savings accounts, CDs, money market funds, existing life insurance)	- _____ (6)
7. Subtract line 6 from line 5 and enter the difference here:	= _____ (7)

The net result (line 7) is an estimate of the shortfall your family will have upon your death. Remember, this is an estimate. For a complete analysis of your needs, consult a financial planner. You should reevaluate your life insurance needs every few years.

## Requirements for Continuing Enrollment into Retirement

You are eligible to continue life insurance (not accidental death and dismemberment) into retirement if you:

- ◇ Retire on an immediate annuity,
- ◇ Are insured on the date of retirement, **AND**
- ◇ Have been covered for the 5 years of service immediately preceding retirement, or since your first opportunity to enroll.

### Post Retirement Coverage & Cost for Basic Insurance --

The reduction in post-retirement Basic life insurance coverage after age 65 depends upon an election you make at the time of retirement. Premiums are based on your Basic Life insurance value at retirement, not based on the reduced annuity amount. The election is made on the SF 2818, "Continuation of Life Insurance Coverage". You may elect:

**75% reduction** - At age 65, insurance reduces 2% per month until the amount reduces to 25% of the Basic coverage at the time of retirement. You will continue to pay for your basic coverage, until age 65. The monthly premium will be \$0.3358 per \$1,000 of coverage. Premiums cease after age 65.

**50% reduction** - Insurance will reduce 1% per month until the amount reduces to 50% of the Basic coverage at the time of retirement. The monthly premium before age 65 is \$0.9258 (\$0.59 per month per \$1,000 of insurance, plus \$0.3358 per \$1,000). The monthly premium after age 65 is \$0.59 of coverage.

**No reduction** – Remains at full value – does not reduce. The monthly premium before age 65 is \$2.3758 per \$1,000 (\$2.04 per month per \$1,000 of insurance, plus \$0.3358 per \$1,000). The monthly premium after age 65 is \$2.04 per \$1,000 of coverage.

For those employees who continue to work after reaching age 65, the insurance coverage and premiums remain the same as other active employees...based on your age.

**EXAMPLE:** Employee retiring with an annual salary of \$31,500; Basic Life Insurance rate will be \$34,000.

75% Reduction Election:	Rate Prior to Age 65:	\$ 11.42 per month
	Rate After Age 65:	\$ 0
	Amount of Insurance:	\$ 8,500
50% Reduction Election:	Rate Prior to Age 65:	\$ 31.48 per month
	Rate After Age 65:	\$ 20.06 per month
	Amount of Insurance:	\$17,000
No Reduction:	Rate Prior to Age 65:	\$ 80.78 per month
	Rate After Age 65:	\$ 69.36 per month
	Amount of Insurance:	\$34,000

**Option A coverage after retirement** – Cost continues up to age 65 at the same employee rate. There is no cost after age 65 and the amount of optional insurance begins to reduce 2% per month until the insurance reduces to \$2,500.

**Option B & C coverage after retirement** -- Retiring employees who have more than one multiple must elect either full reduction or no reduction for all multiples.

- 1) Full Reduction: Cost continues up to age 65 at the same rate as active employees. There is no cost after age 65 and the amount begins to reduce 2% per month until the amount has been reduced 100%. Insurance stops at 12:00 noon on the day before the 50<sup>th</sup> reduction; after that no benefits are payable upon the retiree's death. The annuitant may not change to No Reduction more than 30 days after he/she receives the first annuity check. An individual who does not make an election will automatically get Full Reduction.
- 2) No Reduction: Annuitant will continue to pay at the same rate as active employees. Coverage will not reduce when annuitant reaches age 65 and premiums will continue to be withheld from the annuity after age 65. The annuitant may change to Full Reduction at any time.

## Example -- FEGLI Elections at Retirement

Employee retiring at age 55 with an annual salary of \$31,500. Coverage at retirement – Basic, Option A – Standard, Option B 3x pay, Option C 1 multiple.

### Basic – Value = \$34,000

#### Options:

75% Reduction Election:	Rate Prior to Age 65:	\$ 11.42 per month
	Rate After Age 65:	\$ 0
	Amount of Insurance:	\$ 8,500
50% Reduction Election:	Rate Prior to Age 65:	\$ 31.48 per month
	Rate After Age 65:	\$ 20.06 per month
	Amount of Insurance:	\$17,000
No Reduction:	Rate Prior to Age 65:	\$ 80.78 per month
	Rate After Age 65:	\$ 69.36 per month
	Amount of Insurance:	\$34,000

### Option A – Value = \$10,000

Rate Prior to Age 60:	\$5.85 per month
Rate Increases (Age 60):	\$13.00 per month
Age 65 – no premium – value reduces to	\$2,500

### Option B 3 x Pay – Value = \$96,000

Rate Prior to Age 60:	\$64.52 per month
Rate Increases (Age 60):	\$145.63 per month

#### Options:

Age 65 – No Reduction – Value	\$96,000 (\$64.52)
Age 65 – Full Reduction – Value	– zero – no premium

### Option C 1 Multiple – Value = \$5,000 spouse & \$2,500 each eligible child

Rate Prior to Age 60:	\$3.14 per month
Rate Increases (Age 60):	\$5.63 per month

#### Options:

Age 65 – No Reduction – Value same	(\$6.50 per month)
Age 70 Rate Increases -	\$7.37 per month
Age 65 – Full Reduction – Value	– zero – no premium

# **COMPUTATION OF LIFE INSURANCE COVERAGE**

## **Assignment of FEGLI Coverage**

An assignment of FEGLI coverage is an irrevocable transfer of ownership of your coverage to one or more individual(s), corporation(s), or trustee for one of the following reasons:

- 1) To comply with a court order (for example, divorce decree)
- 2) For inheritance tax purposes
- 3) To obtain cash before death (called Viatical settlement – an exchange of life insurance for terminally ill patients who are diagnosed with a life expectancy of 24 months or less)
- 4) To pay off debts.

The assignment does not apply to Option C Family coverage. If you assign your coverage, you cannot cancel or reduce FEGLI coverage and your designation of beneficiary on file is void. The assignee(s) own your coverage therefore, may cancel or reduce coverage at any time and may designate a beneficiary. You continue to be the insured.

The viatical settlement agreement is only available as stated above to terminally ill employees. The insurance involved is 100% of Basic, Option A Standard, and Option B Additional. You will receive 60 to 85% of the face value. You will continue to pay the FEGLI premium and cannot cancel coverage.

## **FEGLI Living Benefit**

The FEGLI Living Benefit is available to terminally ill employees who have a life expectancy of 9 months or less. You can receive 100% of Basic or less than the full Basic in multiples of \$1,000. The percentage of your face value will be approximately 94% from the FEGLI program. Premium payments for Basic coverage end if a Living Benefit is elected.

*For more information on either of these programs, contact your servicing HRMD.*



## THRIFT SAVINGS PLAN WITHDRAWAL OPTIONS

As a CSRS employee, you are fully vested in your contributions. Upon separation from Federal employment, you have several withdrawal options.

- ◇ Leave your money in TSP.
- ◇ Transfer TSP account money to an IRA or other eligible retirement plan.
- ◇ Receive TSP account balance in a lump sum payment.
- ◇ Receive TSP account balance in equal monthly installments.
- ◇ Purchase a Life annuity through TSP (must have \$3,500 in account).

After you leave Federal service, the IRS requires that you begin to receive payments from your account by April 1 of the year following the year you reach age 70 ½. Your minimum distribution will be calculated based on your account balance and life expectancy.

### **What are my TSP annuity options?**

- Single life annuity, level or increasing payments
- Joint life with spouse, level or increasing payments
- Joint life with other, level payments

***Single Life Annuity*** – An annuity that provides monthly payments only to you as long as you live.

***Joint Life Annuity*** – An annuity that provides monthly payments to you while you and the person you name as your joint annuitant are alive. When either of you dies, monthly payments are made to the survivor for his/her lifetime. The amount of the payment to the survivor depends on whether you choose a 50% or 100% survivor annuity.

**50% survivor annuity** – The monthly payment to the survivor, whether the survivor is you or your joint annuitant, is half (50%) of the annuity payment made while both you and your joint annuitant were alive.

**100% survivor annuity** – The monthly payment to the survivor is the same amount as the annuity payment made while both you and your joint annuitant were alive. However, the monthly payment while you are both alive is generally less than if you select the 50% survivor annuity.

### **Level and Increasing Payment Annuities –**

**Level Payments** -- The amount of the monthly payment remains the same from year to year. Also, the survivor annuity (50% or 100%) remains the same as long as the survivor is alive.

**Increasing Payments** -- The monthly payment can change each year on the anniversary of the first annuity payment. The change is based on the change in the consumer price index

(CPI). When annuity payments start, they are smaller than they would be if you had selected level payments, but usually there is an annual increase in monthly payments. Increases cannot exceed 3% per year, but monthly payments cannot decrease, even if the CPI decreases.

**Increasing payments cannot be combined with a joint life annuity when the joint annuitant is someone other than your spouse.**

#### **Two Additional Annuity Features –**

If you choose one of the following features, certain minimum amounts will be paid to the beneficiary that you name if you (and your joint annuitant, if applicable) die before the minimum amounts have been paid out. If you choose one of these features, your monthly payments will be less than they would have been if you had not chosen one.

**Cash Refund** -- If you (and your joint annuitant, if applicable) die before an amount equal to the balance used to purchase your annuity has been paid out, the difference between the balance used to purchase your annuity and the sum of the monthly payments already made will be paid to your beneficiary in a lump sum.

**Ten-Year Certain** -- If you die before receiving annuity payments for a 10-year period, payments will continue to your beneficiary for the rest of the 10-year period. If you live beyond the 10-year period, you continue to receive payments, but with no further provision for payments to a beneficiary upon your death. **This feature cannot be combined with a joint life annuity.**

#### **Factors that Affect Amount of Annuity –**

- a. Your selected annuity option
- b. Your age when your annuity is purchased (and the age of your joint annuitant)
- c. The balance of your TSP account used to purchase your annuity
- d. Market interest rate levels when your annuity is purchased

***Caution: Ensure you understand your options before you make a decision...you cannot change your election or terminate your annuity after it is purchased.***

## How will my TSP be Taxed?

TSP payments made directly to you are taxable income for Federal income tax purposes and are subject to withholding in the year in which payment is made. TSP does not withhold state, city, county, or other local income tax. For withholding purposes, there are three types of payments:

1) **eligible rollover distributions**; 2) **periodic payments**; and 3) **non-periodic payments**.

Withholding differs for each type of payment.

TYPE OF PAYMENT	PAYMENT INCLUDES	TAX TREATMENT	NOTES
ELIGIBLE ROLLOVER DISTRIBUTION	<ul style="list-style-type: none"> <li>▪ One single payment</li> <li>▪ Automatic cashouts</li> <li>▪ Equal monthly payments lasting less than 10 years and not computed by TSP according to IRS life expectancy tables</li> <li>▪ Single payment after a series of monthly payments</li> <li>▪ Late contributions paid to your account after a complete withdrawal</li> <li>▪ Death benefits paid to a spouse</li> <li>▪ Payments to a spouse/former spouse under a court order or alimony order</li> </ul>	<p>Payments are subject to a mandatory 20% withholding, which cannot be waived.</p> <p>No withholding on payment of less than \$200 to a spouse or former spouse.</p>	<p>There is no withholding on eligible rollover distributions that are less than \$200 within one tax year.</p> <p><u>Early Withdrawal Penalty</u>: If you separate/retire before the year in which you become age 55, early withdrawal penalty tax of 10% on all amounts received before age 59 ½. Does not apply to:</p> <ul style="list-style-type: none"> <li>▪ Annuity payments</li> <li>▪ Death benefit payments</li> <li>▪ Payments made in compliance with court orders</li> <li>▪ Payments made to disability retirees</li> <li>▪ Equal payments computed by TSP according to IRS life expectancy tables*</li> </ul>

TYPE OF PAYMENT	PAYMENT INCLUDES	TAX TREATMENT	NOTES
PERIODIC PAYMENTS	<ul style="list-style-type: none"> <li>▪ Monthly payments expected to be paid out over 10 years</li> <li>▪ Equal payments computed by TSP according to IRS life expectancy tables</li> <li>▪ Payments from an annuity purchased by TSP</li> </ul>	<p>Withholding is based on the assumption you are married claiming three exemptions. You may submit Form W-4P to:</p> <ul style="list-style-type: none"> <li>▪ Elect no Federal income tax withholding</li> <li>▪ Have Federal income tax based on different allowances and marital status</li> <li>▪ Have an additional amount withheld</li> </ul>	<p>Send W-4P, Withholding Certificate for Pension or Annuity Payments, to:</p> <p>National Finance Center TSP Service Office P.O. Box 61500 New Orleans, LA 70161-1500</p> <p>See note regarding early withdrawal penalty.</p>
NON-PERIODIC PAYMENTS	<ul style="list-style-type: none"> <li>▪ Minimum distribution payments (required at age 70 ½)</li> <li>▪ Death benefits paid to someone other than the spouse</li> <li>▪ Child support payments or court-ordered payments to someone other than the spouse/former spouse</li> </ul>	<p>Federal income tax withholding is 10% on these payments. You may submit W-4P to elect:</p> <ul style="list-style-type: none"> <li>▪ No Federal income tax withholding</li> <li>▪ An additional withholding over and above the 10% automatic withholding</li> </ul>	<p>To elect no income tax, or additional withholding, send W-4P to address above.</p> <p>Amounts paid as a minimum distribution on/after age 70 1/2 may not be transferred or rolled over to another IRA or qualified pension plan.</p>

\*If you change from such payments to a final single payment, either before you become age 59 ½ or within five years of the date of the first payment, whichever is later, you will be liable for the penalty tax on ALL payments received before age 59 ½.

# HOW IS TSP CHANGING



# SOCIAL SECURITY BENEFITS

## Qualifying for Social Security

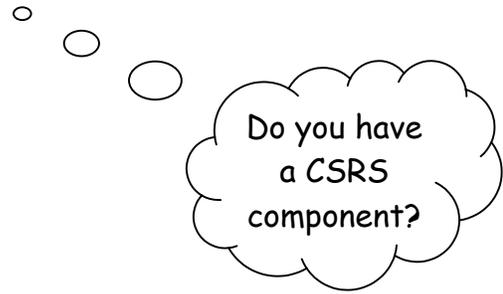
To qualify for benefits, you must have at least 40 credits of Social Security coverage (10 years). Before 1978, a quarter of coverage was any calendar quarter in which you were paid at least \$50 in wages for work covered by Social Security. Beginning in 1978, for each specific dollar amount you earned, you were credited with a credit of coverage. For example, in 2003, for every \$890 in earnings, you receive one credit of coverage. The maximum number of credits for one year is four. The maximum taxable wage base for 2003 is \$87,000. FERS employees who meet the maximum taxable wage base each year will stop paying into Social Security and will see an increase in pay until the following year when Social Security deductions will resume.

## Benefit Formula

The amount of your benefit is based on and influenced by several factors including such things as your age, type of benefit you are applying for, your earnings history, and your former employment history. Your Social Security benefit is computed using a five step formula.

- Step 1** – Social Security earnings since 1951 are listed.
- Step 2** – Earnings are adjusted for changes in average wages. This is called indexing.
- Step 3** – Highest 35 years of earnings are selected. Non-covered service, such as CSRS, is reflected as zero earnings and are included in the high-35.
- Step 4** – The earnings for these years are totaled and divided by 420 (number of months in 35 years) to get the Average Indexed Monthly Earnings (AIME).
- Step 5** – A three level formula is applied to the AIME resulting in the Primary Insurance Amount (PIA) – monthly benefit payable:
  - Multiply the first \$606 of the AIME by 90%
  - Multiply the next \$3,653 of the AIME by 32%
  - Multiply any remaining amount by 15%.

You will receive “Your Social Security Statement” from the Social Security Administration each year three months before your birthday. “Your Social Security Statement” may also be ordered from the Social Security website at [www.ssa.gov](http://www.ssa.gov), you can call 1-800-772-1213, or you can stop by your local Social Security office and ask for a Form SSA-7004. This statement will reflect all of your career earnings and provide you with your estimated benefits. The statement will not reflect an accurate estimated benefit if you have a CSRS component because it does not account for the Windfall Elimination Provision (WEP).



Do you have  
a CSRS  
component?



Do you have  
a CSRS  
component?

**EXAMPLE 3: FERS employee with a CSRS component...active duty military service creditable in the CSRS component.** Creditable CSRS service equals 9 years (5 years civilian service and 4 years active duty military service performed on or after January 1, 1957). First covered by CSRS prior to October 1, 1982. FERS employee retires at his/her MRA with a total of 30 years creditable service, High-3 = \$60,000.

Annuity Computation including Deposit equaling 7% military base pay, plus interest:

$$\begin{aligned} 9 \text{ years} &= 0.1450^* \times \$60,000 = \$8,700 \\ 21 \text{ years} &= 0.2100^{**} \times \$60,000 = \$12,600 \\ \text{Total Combined Annuity} &= \$21,300 \end{aligned}$$

If at age 62, eligible for Social Security, recomputation will be:

$$\begin{aligned} 5 \text{ years} &= 0.0750^* \times \$60,000 = \$4,500 \\ 21 \text{ years} &= 0.2100^{**} \times \$60,000 = \$12,600 \\ \text{Total Combined Annuity} &= \$17,100 \end{aligned}$$

\*CSRS General Formula Computation Chart

\*\*FERS 1% Accrual Factor

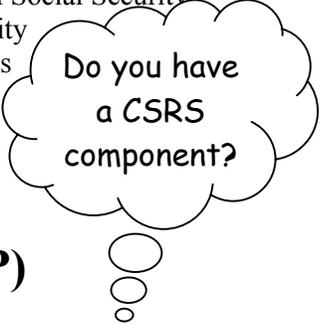
## Social Security Retirement Age (Adjustment for Early or Late Retirement)

A fully insured worker (40 credits) may begin receiving benefits the month after he/she reaches age 62 (or on the first day of the month if he/she reaches age 62 on the first of the month). If benefits are received before the Normal Retirement Age, the benefit is permanently reduced. The Primary Insurance Amount is reduced by 5/9 of 1% (1/180) for each of the first 36 months under the Normal Retirement Age and by 5/12 of 1% (1/240) for each month in excess of 36.

Year of Birth	Normal Retirement Age (YR/MO)	Age 62	Age 63	Age 64	Age 65	Age 66	Age 67	Age 68	Age 69	Age 70
1924	65/0	.800	.867	.933	1.000	1.030	1.060	1.090	1.120	1.150
1925-26	65/0	.800	.867	.933	1.000	1.035	1.070	1.105	1.140	1.175
1927-28	65/0	.800	.867	.933	1.000	1.040	1.080	1.120	1.160	1.200
1929-30	65/0	.800	.867	.933	1.000	1.045	1.090	1.135	1.180	1.225
1931-32	65/0	.800	.867	.933	1.000	1.050	1.100	1.150	1.200	1.250
1933-34	65/0	.800	.867	.933	1.000	1.055	1.110	1.165	1.220	1.275
1935-36	65/0	.800	.867	.933	1.000	1.060	1.120	1.180	1.240	1.300
1937	65/0	.800	.867	.933	1.000	1.065	1.130	1.195	1.260	1.325
1938	65/2	.792	.856	.922	.989	1.054	1.119	1.184	1.249	1.314
1939	65/4	.783	.844	.911	.978	1.047	1.117	1.187	1.257	1.327
1940	65/6	.775	.833	.900	.967	1.035	1.105	1.175	1.245	1.315
1941	65/8	.767	.822	.889	.956	1.025	1.100	1.175	1.250	1.325
1942	65/10	.758	.811	.878	.944	1.012	1.087	1.162	1.237	1.312
1943-54	66/0	.750	.800	.867	.933	1.000	1.080	1.160	1.240	1.320
1955	66/2	.742	.792	.856	.922	.989	1.067	1.147	1.227	1.307
1956	66/4	.733	.783	.844	.911	.978	1.053	1.133	1.213	1.293
1957	66/6	.725	.775	.833	.900	.967	1.040	1.120	1.200	1.280
1958	66/8	.717	.767	.822	.889	.956	1.027	1.107	1.187	1.267
1959	66/10	.708	.758	.811	.878	.944	1.013	1.093	1.173	1.253
1960 & later	67/0	.700	.750	.800	.867	.933	1.000	1.080	1.160	1.240
<b>Example</b>	Born 1943									
	w/\$500 PIA	\$375	\$400	\$433	\$466	\$500	\$540	\$580	\$620	\$660
	w/\$692 PIA	\$519	\$554	\$600	\$646	\$692	\$747	\$803	\$858	\$913

## When Should You Apply?

You can begin receiving reduced benefits as early as age 62 if you have at least 40 credits. You can choose to begin receiving full benefits at age 65 (or, in some cases, later, i.e., workers born in 1938 must be age 65 and 2 months). The full retirement age will gradually increase to age 67 over the next several years. Social Security suggests that you apply approximately 3 months before you want your benefits to start. You apply for benefits through your local Social Security office. When you meet with Social Security, you should have your Social Security card, birth certificate, marriage certificate, and last two W-2s. If these documents are not available, Social Security can assist or advise you on how to obtain the missing documents.



Do you have  
a CSRS  
component?

## Windfall Elimination Provision (WEP)

The Windfall Elimination Provision (WEP) goes into effect when a Federal retiree has enough Social Security credits to be eligible for retirement or disability benefits and is also receiving a pension from a job where there were no Social Security taxes paid (CSRS component). A modified formula may be used to figure the Social Security benefit amount. This modified formula will give you a lower Social Security benefit, but it will not affect the pension from the Federal government (CSRS). This reduction is known as the “windfall elimination provision”.

Before the law was changed in 1983, benefits for persons who spent time in jobs not covered by Social Security were computed as if they were long-term, low-wage workers. They received the advantage of the higher percentage benefits in addition to their other pension. The modified formula eliminates this windfall. Social Security benefits replace a percentage of a worker’s pre-retirement earnings. The formula used to compute benefits includes factors that ensure lower-paid workers get a higher return than highly paid workers.

You may receive both your full annuity and full Social Security benefits. However, the first level of the Social Security Formula (90%) which is used to calculate your Primary Insurance Amount (PIA) may be reduced.

The 90% factor used in computing your Social Security benefit is reduced in the modified formula. For those who reach 62, or become disabled in 1990 or later, the 90% factor may be reduced to 40%. There are exceptions to this rule. For example, the 90% factor is not reduced if you have 30 or more years of “substantial” earnings in a job where you paid Social Security taxes.

The following table lists the amount of earnings considered “substantial” for each year.

<b>YEAR</b>	<b>EARNINGS</b>	<b>YEAR</b>	<b>EARNINGS</b>
1937-50	\$900*	1985	\$7,425
1951-54	\$900	1986	\$7,875
1955-58	\$1,050	1987	\$8,175
1959-65	\$1,200	1988	\$8,400
1966-67	\$1,650	1989	\$8,925
1968-71	\$1,950	1990	\$9,525
1972	\$2,250	1991	\$9,900
1973	\$2,700	1992	\$10,350
1974	\$3,300	1993	\$10,725
1975	\$3,525	1994	\$11,250
1976	\$3,825	1995	\$11,325
1977	\$4,125	1996	\$11,625
1978	\$4,425	1997	\$12,150
1979-1980	\$4,725	1998	\$12,675
1981	\$5,500	1999	\$13,425
1982	\$6,075	2000	\$14,175
1983	\$6,675	2001	\$14,925
1984	\$7,050	2003	\$16,125

\* Total credited earnings from 1937-50 are divided by \$900 to get the number of years of coverage (maximum 14 years).

If you were eligible for either Social Security or another pension before January 1, 1986, the Windfall Elimination Provision will not apply. Additionally, regardless of when you become eligible for an annuity, if you have substantial Social Security coverage (30 or more years), this provision will not apply. FERS employees who do not have a CSRS component will not be affected by the WEP. For a year to count as a year of coverage for this purpose, you must have earnings under Social Security that meet or exceed a specific amount.

If you have 21 to 29 years of substantial earnings, the 90% factor is reduced to somewhere between 45% and 85%. The following table shows the percentage used depending on the number of years of “substantial” earnings.

<b>Years of Substantial Earnings</b>	<b>Social Security Factor will be:</b>
30 years or more	90%
29 years	85%
28 years	80%
27 years	75%
26 years	70%
25 years	65%
24 years	60%
23 years	55%
22 years	50%
21 years	45%
20 years or less	40%

## **Do you plan to work after retirement?**

If you receive Social Security retirement or survivor benefits and you are still working, you can earn a substantial amount of money while receiving some benefits. However, your benefits will be reduced if you earn over certain limits.

If you are under age 65, you can earn up to \$11,520 (for 2003) with no reduction in your Social Security benefits. If you earn more than that, \$1 in benefits is withheld for every \$2 you earn over \$11,520.

If you are age 65 or older, the earnings limits no longer apply.

If you work for someone else, only your wages count toward Social Security’s earnings limits. If you are self-employed, only your net earnings from self-employment count. In either case, non-work income such as investment earnings, interest, pensions, annuities, capital gains and other government benefits do not count as earnings.



# **SOCIAL SECURITY STATEMENT**

# REQUEST FOR CIVILIAN RETIREMENT BENEFITS ESTIMATE

Name: \_\_\_\_\_ SSN: \_\_\_\_\_  
 Routing Symbol: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Date of Retirement: \_\_\_\_\_  
 (maximum of 3 dates)

Duty Phone: \_\_\_\_\_ Today's Date: \_\_\_\_\_ Retirement System: \_\_\_\_\_  
 (CSRS, CSRS-Offset, FERS)

Employment Status: Regular employee \_\_\_ Air Traffic Controller \_\_\_ Federal Air Marshal \_\_\_

1. I request a civilian retirement benefits estimate based on the following information:

**(Circle One)**

- |  |                |     |              |
|--|----------------|-----|--------------|
| a. Survivor Benefits for Spouse?                                       | Yes            | No  | N/A          |
| b. Continued Health Insurance (FEHB)?                                  | Yes            | No  | N/A          |
| c. Continued BASIC Life Insurance (FEGLI)?                             | Yes            | No  | N/A          |
| If yes, BASIC Life Insurance at:                                       | 75%            | 50% | No Reduction |
| 1) Continued Option A Standard Life Insurance?                         | Yes            | No  | N/A          |
| 2) Continued Option B Additional Life Insurance?                       |                |     |              |
| If yes, Option B at:   | Full Reduction |     | No Reduction |
| 3) Continued Option C Family Life Insurance?                           |                |     |              |
| If yes, Option C at:   | Full Reduction |     | No Reduction |
| d. Include Active Duty Military Service?                               | Yes            | No  | N/A          |
| If yes, has post-56 military service deposit been made?                | Yes            | No  | N/A          |
| e. If military retiree, combine military & civilian service?           | Yes            | No  | N/A          |
| f. Any refunded civilian service?                                      | Yes            | No  | N/A          |
| If yes, amount of refund and dates of service covered by refund _____  |                |     |              |
| g. Any temporary service, only paying into Social Security?            | Yes            | No  | N/A          |
| If yes, have you paid a deposit?                                       | Yes            | No  | N/A          |
| h. If CSRS or CSRS-Offset, balance of sick leave? _____                |                |     |              |
| i. If FERS transferee, balance of sick leave upon FERS election? _____ |                |     |              |
| Current balance of sick leave? _____                                   |                |     |              |

2. In addition to the estimate, I request information on the following topic(s) checked below:

- a. \_\_\_\_\_ Life insurance coverage/costs after retirement.
- b. \_\_\_\_\_ Post-56 military service deposit.
- c. \_\_\_\_\_ Making deposits/redeposits for nondeduction/refunded service.
- d. \_\_\_\_\_ Thrift Savings Plan.
- e. \_\_\_\_\_ CSRS-Offset recomputation at age 62.
- f. \_\_\_\_\_ Windfall Elimination Provision/Government Pension Offset.
- g. \_\_\_\_\_ Other (Please specify) \_\_\_\_\_

3. When estimate is ready **(circle one)**: Call me      Mail to me

**FEDERAL RETIREMENT BENEFITS**  
**HANDBOOK**

# Information for Retirees

## **Commencement Date of Annuity:**

If you retire voluntarily under the Federal Employees Retirement System (FERS), your annuity will begin the first day of the following month that you retired. For example, assuming your retirement is effective June 30, your annuity will begin to accrue July 1 to July 31, to be paid August 1.

## **Annual Leave:**

You will receive a lump-sum payment for the balance of your annual leave at retirement. Payment is based on the rate of pay you are receiving at separation, however, if the law changes this rate while you are in the leave payment period, you will receive the higher rate. This often occurs when employees separate at the end of the leave year with large leave balances. If the annual pay raise becomes effective during the period of projected annual leave, you will receive the projected annual leave payment under the new rate.

Lump-sum annual leave payments are normally made within two pay periods after separation. These payments are considered income and are subject to federal and state taxes, as well as Medicare withholding. You will also be subject to Social Security withholding. In addition, consider the tax implications of this payment if you are retiring at the end of the year. A large lump-sum annual leave payment added to a full year of salary may result in a tax burden.

Do you have a CSRS component?

## **Leave Accruals:**

Leave is earned only during complete pay periods. Retiring on a day other than the last workday of the pay period will result in no leave accrual for that pay period.

## **Sick Leave Credit:**

Under FERS, unused sick leave is not credited in your annuity computation. However, if you have a CSRS component, you will receive credit for unused sick leave in the CSRS calculation. The amount used is the lesser of 1) sick leave at the time of retirement or 2) sick leave balance when you elected FERS.

## **Federal Employees' Group Life Insurance (FEGLI):**

*Basic Insurance:* FEGLI coverage can be transferred into retirement if you have had coverage since the first opportunity to enroll or for five continuous years immediately preceding the date of your retirement. You must continue your Basic insurance in order to keep any of the Optional coverage. You have three choices for Basic FEGLI as a retiree:

- (1) 75% Reduction: Cost before age 65 = \$.3250 per \$1,000 of Basic Insurance Amount (BIA); after age 65 = \$0. The amount of your insurance reduces 2% per month after age 65 to a minimum 25% of your BIA.
- (2) 50% Reduction: Cost before age 65 = \$.9250 per \$1,000 of BIA; after age 65 = \$.60 per \$1,000. The amount of your insurance reduces 1% per month after age 65 to a minimum of 50% of your BIA.
- (3) No Reduction: Cost before age 65 = \$2.1550 per \$1,000 of BIA; after age 65 = \$1.83 per \$1,000. The amount of your insurance will equal 100% of your BIA and is retained after age 65.

*Optional Insurance:* You will pay the full cost to continue any of the following Optional FEGLI.

- (A) Standard Option A: Effective at the end of the month after the month that you become age 65, this option will reduce by 2% of the pre-retirement amount per month until it reaches 25% of the pre-retirement amount. After age 65, no premiums are withheld.
- (B) Additional Option B: You may elect either full reduction or no reduction. If you elect full reduction, until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce 2% per month until coverage is reduced to zero. If you elect no reduction, you will continue to pay premiums at the same rate as active employees and you will retain the full amount of your Option B Additional Insurance.
- (C) Family Option C: You may elect either full reduction or no reduction. If you elect full reduction, until you reach age 65, premiums (based on age) will be withheld from your annuity at the same rate as active employees. After age 65, there is no cost, but the insurance value begins to reduce 2% per month until coverage is reduced to zero. If you elect no reduction, you will continue to pay premiums at the same rate as active employees and you will retain the full amount of your Option C Family insurance.

#### **Federal Employees Health Benefits (FEHB):**

Health insurance continues if you have been covered since first eligible or for five continuous years immediately prior to the date of your retirement. The cost will remain the same as if you were a current employee. You will still be entitled to the same privileges as a current employee in making changes during open season and other changes that occur. OPM will notify you of the open season periods. If you are not in receipt of cash benefits from Social Security, at age 65 you must register for Medicare by contacting your local Social Security office. During retirement, Medicare becomes the primary payer at age 65 and FEHB is secondary. Even though Medicare becomes primary, it may be to your benefit to keep your FEHB coverage. Your spouse is eligible to continue FEHB coverage after your death only if you have self and family coverage and you elect to provide a survivor annuity at the time of retirement.

#### **Thrift Savings Plan (TSP):**

If you are enrolled in TSP when you retire, you will be given information about the options available. Your options include withdrawing all of your money in a lump sum; elect equal payments; elect an annuity; roll the money over into an IRA; or leaving the money in your TSP account. Upon your retirement, forms will be given to you, on which you should indicate your decisions. If you decide to leave your money in the account, you can no longer make contributions, but your account will continue to draw interest. However, you will need to begin receiving payments by a certain date, which is April 1 of the year following the year in which you turn age 70 1/2. At that time, you must begin receiving payments from your TSP account. Ensure that the TSP Service Office always has your current address. You will still receive your Participant Statement, which will provide account information and fund performance. There are other changes coming to the TSP program, such as the mixed withdrawal options, which will be available when the new computer system is in place. Read the TSP Highlights for up-to-date information.

#### **Processing Your Retirement Application:**

Upon completion of your retirement application, your servicing HRMD will review your application, verify your service record, and forward the package to the Federal Aviation Administration Payroll Office in Oklahoma City, Oklahoma. This office will update your payroll and retirement history records and forward the package for processing to the Office of Personnel

Management (OPM). Generally, the package should be forwarded to OPM within 30 days of your retirement date.

The OPM Retirement Operations Center, located in Boyers, PA will review the application package and create a retirement file. If your entitlement to an annuity is clearly evident, OPM will authorize recurring interim annuity payments to provide you with income while your claim is adjudicated. CSRS interim payments are generally authorized within 8 to 10 days of receipt by OPM. You should receive your first interim payment approximately 6 to 8 weeks after OPM receives the retirement package. During this interim pay period, no deductions will be taken for health or life insurance. The interim payment schedule will continue until all records have been verified by OPM. At that time, you will receive a full annuity check including any back pay lost during the interim pay cycle minus FEHB, FEGLI, and other appropriate deductions.

You will be assigned a Civil Service Annuity (CSA) number by OPM. You must use this number when corresponding with or calling OPM. You will also receive a booklet entitled "Your Federal Retirement Benefits." This booklet will provide you with an explanation of your retirement benefits and elections such as direct deposit account information, election of survivor benefits, election of life insurance, and other important information.

**Permanent Address:**

Many people move after retirement. When completing the retirement application, use your permanent retirement address. The address listed on your retirement application is the only one that OPM will use to contact you, to include your interim annuity payments.

**Direct Deposit:**

When your records are transferred to OPM, current allotments and direct deposits will stop. It is strongly encouraged to receive your annuity payments through electronic funds transfer. You can make an election of direct deposit on your retirement application. If you choose not to receive your checks through direct deposit, you may request in writing, to have your payments mailed to you in the form of a check.

**Tax Withholding:**

OPM has agreements with the following states to allow the withholding of state income taxes from annuity payments. OPM will send you additional information on making arrangements to have state taxes withheld.

Arkansas	Arizona	California	Colorado	Connecticut
Delaware	D.C.	Georgia	Idaho	Indiana
Iowa	Louisiana	Maine	Maryland	Michigan
Minnesota	Mississippi	Missouri	Montana	Nebraska
New Jersey	New Mexico	North Carolina	North Dakota	Ohio
Oklahoma	Oregon	Rhode Island	South Carolina	Utah
Vermont	Virginia	West Virginia	Wisconsin	

Federal income tax will be withheld unless you elect not to have withholding apply. OPM will provide you a W-4P-A form to make your election after they receive your retirement package. OPM will also send you instructions on how to start, change, or stop your Federal income tax withholding using their toll-free automated telephone system. If you choose not to complete and

return this form to OPM, your deductions will be withheld as though you are married with three withholding allowances.

Information about the taxation of your annuity is explained in IRS Publication 721, which may be obtained free by calling 1-800-TAX-FORM or using the web at [www.irs.gov/form\\_pubs.html](http://www.irs.gov/form_pubs/pubs.html).

**Contacting OPM:**

Once you receive your CSA claim number, you may contact OPM from 7:30 am to 5:30 pm, Monday through Friday, to report a change of address, non-receipt of payment, FEHB changes, verification of income requests, or changes in electronic fund transfer accounts. Customers who live within local calling distance of Washington, DC must call (202) 606-0500; all others may call the Retirement Information Office (RIO) at 1-888-767-6738. Callers using TDD should call 1-800-878-5707. Correspondence should be sent to: U.S. Office of Personnel Management, Retirement Operations Center, Post Office Box 45, Boyers, PA 16017-0045. You can also email OPM at [retire@opm.gov](mailto:retire@opm.gov).

To use the automated phone system features, you will need your CSA number and your Personal Identification Number (PIN). After OPM processes your retirement, they will send you a PIN. You can also obtain a PIN by calling a Customer Service Specialist, who will arrange to have one mailed to you.

# INFORMATION/RESOURCES

## EMPLOYEE EXPRESS

--(800) 827-6289  
--(478) 757-3030 (Help Desk)  
--[www.employeexpress.gov](http://www.employeexpress.gov) (Internet Address)

## OFFICE OF PERSONNEL MANAGEMENT (OPM)

--(202) 606-0500 (Washington, D.C.)  
--(888) 767-6738 (Free 800 #)  
--(724) 794-2005 (Boyers, PA)  
--(800) 409-6528 (Annuitant Express; Need CSA# to access)  
-- [www.opm.gov](http://www.opm.gov) and [www.opm.gov/forms](http://www.opm.gov/forms) (Internet Addresses)  
--[www.seniors.gov/fedcalc.html](http://www.seniors.gov/fedcalc.html) (Retirement Estimates)

## SOCIAL SECURITY ADMINISTRATION (SSA)

--(800) 772-1213  
--[www.ssa.gov](http://www.ssa.gov) (Internet Address)

## INTERNAL REVENUE SERVICE (IRS)

--(800) 829-4477 (24-Hour Recorded Tax Help)  
--(800) 829-1040 (Other Federal Tax Questions)  
--(800) 829-3679 (Forms)  
--[www.irs.gov](http://www.irs.gov) and [www.irs.gov/forms](http://www.irs.gov/forms) (Internet Address)

## THRIFT SAVINGS PLAN (TSP)

--(504) 255-6000  
--(504) 255-8777 (24-Hour Automated Voice Response System)  
--(504) 255-5113 (Tex Telephone for Hearing-Impaired Participants)

## WHAT'S NEW

--<http://lifelinks.faa.gov>

--[www.finance.gsa.gov/csrs](http://www.finance.gsa.gov/csrs)

--[www.ltcfeds.com](http://www.ltcfeds.com)

(800) 582-3337 – Long Term Care Partners (8:00AM to 8:00PM eastern time)

**APPLICATION FOR IMMEDIATE  
RETIREMENT**