FEDERAL RETIREMENT GUIDE

PROVIDED BY
THE NATIONAL POSTAL MAIL HANDLERS UNION
LOCAL 304 ADMINISTRATION

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The Civil Service Retirement System (CSRS) was created in 1920 and was the only retirement plan for most Federal civilian employees until 1984. CSRS is a defined benefit retirement plan that provides retirement, disability, and survivor benefits.

When You May Retire

You may retire under the Civil Service Retirement System (CSRS) at the following ages, and receive an immediate annuity, if you have at least the amount of Federal service shown:

Type of Retirement	Minimum Age	Minimum Service (Year)	Special Requirements
Optional	62	5	None
	60	20	None
	55	30	None
Special Optional	50	20	**Special Optional** - You must retire under special provisions for air traffic controllers or law enforcement and firefighter personnel. Air traffic controllers can also retire at any age with 25 years of service as an air traffic controller.
Early Optional	Any Age *50*	25 20	**Early Optional** - Your agency must be undergoing a major reorganization, reduction-in-force, or transfer of function as determined by the Office of Personnel Management.
Discontinued Service	Any Age *50*	25 20	**Discontinued Service** - Your separation must be involuntary and not a removal for misconduct or delinquency.
Disability	Any Age	5	**Disability** - You must be disabled for useful and efficient service in your current position and any other vacant position at the same grade or pay level within your commuting area and current agency for which you are qualified.**

* Annuity is reduced if under age 55.
** Application must be prior to retirement, or within 1 year of separation, except in cases of mental incompetence.

How Annuities Are Computed

Your basic annuity is computed based on your length of service (which includes unused sick leave if you retire on an immediate annuity) and “high-3” average pay. To determine your length of service for computation, add all your periods of creditable service, and the period represented by your unused sick leave, then eliminate from the total any fractional part of a month. Your “high-3” average pay is the highest average basic pay you earned during any 3 consecutive years of service. Generally, your basic annuity cannot be more than 80 percent of your “high-3” average pay, unless the amount over 80 percent is due to crediting your unused sick leave.

Your yearly basic annuity is computed by adding: (a) 1 1/2 percent of your “high-3” average pay times service up to 5 years; (b) 1 3/4 percent of your “high-3” pay times years of service over 5 and up to 10; and (c) 2 percent of your “high-3” pay times years of service over 10.

Your basic annuity will be reduced if: (a) you retire before age 55 (unless you retire for disability or under the special provisions for law enforcement officers, air traffic controllers, and firefighters); (b) you didn't make a deposit for service performed prior to October 1, 1982, during which no deductions were taken from your pay (non-deduction service after that date is not used in the computation of benefits if the deposit is not paid); (c) you didn't make a redeposit of a refund for a period of service that ended before October 1, 1990; or (d) you provide for a survivor annuitant.

This chart shows you how your unused sick leave is credited towards your creditable service.

No of Days	1 Day & Up	1 Mo. & Up	2 Mo. & Up	3 Mo. & Up	4 Mo. & Up	5 Mo. & Up	6 Mo. & Up	7 Mo. & Up	8 Mo. & Up	9 Mo. & Up	10 Mo. & Up	11 Mo. & Up
0	0	174	348	f522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	701	875	1049	1223	1397	1571	1745	1919
2	12	186	359	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1930
4	23	197	371	545	719	893	1067	1241	1415	1588	1762	1936
5	29	203	377	551	725	899	1072	1246	1420	1594	1768	1942
6	35	209	383	557	730	904	1078	1252	1426	1600	1774	1948
7	41	214	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1959
9	52	226	400	574	748	922	1096	1270	1444	1617	1791	1965
10	58	232	406	580	754	928	1101	1275	1449	1623	1797	1971
11	64	238	412	586	759	933	1107	1281	1455	1629	1803	1977
12	70	243	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1988
14	81	255	429	603	777	951	1125	1299	1472	1646	1820	1994
15	87	261	435	609	783	957	1130	1304	1478	1652	1826	2000
16	93	267	441	615	788	962	1136	1310	1484	1658	1832	2006
17	99	272	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2017
19	110	284	458	632	806	980	1154	1328	1501	1675	1849	2023
20	116	290	464	638	812	986	1159	1333	1507	1681	1855	2029
21	122	296	470	643	817	991	1165	1339	1513	1687	1861	2035
22	128	301	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2046
24	139	313	487	661	835	1009	1183	1357	1530	1704	1878	2052
25	146	319	493	667	841	1015	1188	1362	1536	1710	1884	2058
26	151	325	499	672	846	1020	1194	1368	1542	1716	l890	2064
27	157	330	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1901	2075
29	168	342	516	690	864	1038	1212	1386	1559	1733	1907	2081

Credit for Military Service

Military service is creditable provided it was active service and was terminated under honorable conditions and was performed before separation from a civilian position under the retirement system, Military retirement pay may also be waived in order that it be counted towards your creditable service under CSRS and FERS. Post 1956 military service will not be included in your civil service annuity without payment of a deposit, even if you are not eligible for Social Security benefits .individuals first employed by the federal government under the Civil Service Retirement System before October 1, 1982, will have the option of either: (1) making the seven-percent deposit for post-1956 military service—thereby avoiding a possible reduction in annuity at age 62, or (2)

receiving credit as in the past and having his/her annuity reduced at age 62 if he/she becomes eligible for Social Security. The basic deposit is equal to seven percent of the base pay (not allowances) earned during a period or periods of active military service performed after December 31, 1956.
Interest is charged on the basic deposit at the following market interest rates. No credit for any military service is given to an employee who receives military retired pay unless the retired pay is awarded for: (a) service-connected disability incurred in combat with an enemy of the United States, or (b) service-connected disability caused by an instrumentality of war and incurred in the line of duty during a period of war.

Disability Retirement

If you retire for disability, you may be guaranteed a minimum annuity equal to the smaller of: (a) 40 percent of your "high-3" average pay, or (b) the regular annuity obtained after increasing your service by the time between your retirement and your 60th birthday. This guaranteed minimum applies if you are under age 60 when you retire and your earned annuity based on your actual service is less than this minimum.

Exception: The guaranteed minimum does not apply if you are receiving military retired pay and/or VA compensation in lieu of all or part of the military retired pay. However, if your earned annuity plus your military benefit (or compensation) is less than what it would have been under the guaranteed minimum, the annuity is increased to bring it up to that level.

If You Retire Before Age 55

If you voluntarily retire during a major reorganization, reduction-in-force, or transfer of function, or if you are involuntarily separated and are younger than 55, your basic annuity will be reduced by one-sixth of 1 percent for each full month you are under 55.

There is no age reduction if you retire under the disability provision or under the special provisions for air traffic controllers, law enforcement officers, and firefighters.

If You Die in Service

If you die after 18 months of civilian service your widow(er) will get an annuity, provided you were married for a total of 9 months. The 9-month requirement does not apply if your death is accidental or there is a child of the marriage.

Generally, your widow(er) is entitled to 55 percent of the basic annuity earned by your creditable service and average salary. However, if it will produce a higher annuity, your widow(er) will receive 55 percent of the guaranteed minimum benefit described under "Disability Retirement."

Note: If you have a former spouse from whom you were divorced after May 6, 1985, he or she may receive, by court order all or a part of the annuity that your widow(er) would otherwise get.

Your unmarried children will also be entitled to annuities if you die in service. Their annuities will continue until they reach age 18, or age 22 if they remain in school full-time. The annuity of a child who is incapable of self- support because of a disability incurred before age 18 will continue indefinitely unless the child becomes capable of self -support.

Providing for Your Survivors on Retirement

If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction. Note: If you were divorced after May 6, 1985, your former spouse may receive by court order, all or part of the survivor annuity that your current spouse would otherwise get. You can also elect a survivor annuity for a former spouse (but if you are married, you must get your spouse's consent).

If you are not retiring for disability, and are in reasonably good health, you can provide a survivor annuity for a person who has an "insurable interest" in you such as a relative who is in your care, or a current spouse who would not otherwise get a survivor annuity because of a court-ordered award to a former spouse. To provide this benefit, your annuity would be reduced from 10 to 40 percent depending on the difference in your age and the age of the person named. This reduction would be added to any reduction required to provide a survivor annuity for a spouse or former spouse.

If You Leave the Service

If you leave Federal employment before you are eligible for an "immediate" annuity, you can either have your deductions returned or leave the money in the retirement fund. If you have completed at least 5 years of civilian service and you leave your money in the fund, you will be entitled to a "deferred" annuity at age 62.

Alternative Form of Annuity

Some retirees can choose to receive an Alternative Form of Annuity, if they are eligible due to a life-threatening illness or other critical medical condition. Under this option, you receive a reduced monthly benefit, plus a lump sum payment equal to all your un-refunded contributions to the retirement fund. The amount of reduction in your monthly benefit depends on your age at the time you retire, and the amount of your retirement contributions. Your election of an Alternative Form of Annuity will not affect the potential survivor annuity payable to your spouse or children.
However, you must have your spouse's consent to make this election.

You cannot choose the Alternative Form of Annuity if you are retiring for disability or if you have a former spouse who is entitled to court-ordered benefits based on your service. In addition, you may not elect the Alternative Form of Annuity unless you have a life-threatening medical condition.

Instead of trying to multiply and divide the percentages earned per year towards you CSRS, here is a chart that calculates it for you:

Years of Service	Percent of High 3-Year Average Earnings	Years of Service	Percent of High 3-Year Average Earnings	Years of Service	Percent of High 3-Year Average Earnings	Years of Service	Percent of High 3-Year Average Earnings
5	7.50%	15	26.25%	25	46.25%	35	66.25%
6	9.25%	16	28.25%	26	48.25%	36	68.25%
7	11.00%	17	30.25%	27	50.25%	37	70.25%
8	12.75%	18	32.25%	28	52.25%	38	72.25%
9	14.50%	19	34.25%	29	54.25%	39	74.25%
10	16.25%	20	36.25%	30	56.25%	40	76.25%
11	18.25%	21	38.25%	31	58.25%	41	78.25%
12	20.25%	22	40.25%	32	60.25%	42	80.00%
13	22.25%	23	42.25%	33	62.25%	43	80.00%
14	24.25%	24	44.25%	34	64.25%		

The Federal Employees Retirement System   Chapter 2

The Federal Employees Retirement System, or FERS, became effective January 1, 1987. Almost all new employees hired after December 31, 1983, are automatically covered by FERS. Certain other Federal employees not covered by FERS have the option to transfer into the plan.

FERS is a three-tiered retirement plan including the following components:

1. Social Security Benefits
2. Basic Benefit Plan
3. Thrift Savings Plan

You pay full Social Security taxes and a small contribution to the Basic Benefit Plan. In addition, your agency puts an amount equal to 1% of your basic pay each pay period into your Thrift Savings Plan (TSP) account. You are able to make tax-deferred contributions to the TSP and a portion is matched by the Government.

Social Security

The term "Social Security" means benefit payments provided to workers and their dependents who qualify as beneficiaries under the Old-Age Survivors, and Disability Insurance (OASDI) programs of the Social Security Act. OASDI replaces a portion of earnings lost as a result of retirement, disability, or death. It is designed to provide benefits that replace a greater percentage of earnings for lower-paid workers than for higher-paid workers. This means that Social Security benefits are more important for lower-paid workers than higher-paid workers.

As an employee with FERS coverage, you have Social Security coverage. You also are covered under Social Security's Medicare Hospital Insurance program. This pays a portion of hospital expenses incurred while you are receiving Social Security disability benefits or retirement benefits at age 65 or older.

Social Security programs provide

1. Monthly benefits if you are retired and have reached at least age 62, and monthly benefits during your retirement for your spouse and dependents if they are eligible;
2. Monthly benefits if you become totally disabled for gainful employment and benefits for your spouse and dependents if they are eligible during your disability;
3. Monthly benefits for your eligible survivors; and
4. A lump sum benefit upon your death.

To become eligible for benefits, you and your family must meet different sets of requirements for each type of benefit. An underlying condition of payment of most benefits is that you have paid Social Security taxes for the required period of time.

The amount of monthly benefits you receive is based on three fundamental factors

1. Average earnings upon which you have paid Social Security taxes, which are adjusted over the years for changes in average earnings of the American work force;
2. Family composition (for example, whether you have a spouse or dependent child who may be eligible for benefits); and
3. Consumer Price Index (CPI) changes that occur after you become entitled to benefits.

Benefits are subject to individual and family maximums.

Once benefits begin, their continuation may depend upon your meeting a variety of conditions. For example, if you have earnings that exceed specified amounts while you are under age 70; your Social Security benefits will be reduced or stopped. There are special Social Security rules that may affect the benefits of Federal employees, including FERS participants. If you previously had some service that was covered by CSRS (or another similar retirement system for Federal employees); your Social Security benefits may be affected by the Windfall Elimination Provision. If you transferred to FERS and do not complete 5 years of service under FERS, any spousal benefit you are entitled to under Social Security may be reduced because of the Government Pension Offset.

Special Retirement Supplement (SRS)

FERS employees are covered by a three-part retirement system – an annuity, Social Security, and the Thrift Savings Plan. Because Social Security benefits aren't payable before age 62, the law provides a bridge payment for FERS employees who retire before that age. It's called the special retirement supplement, and it isn't available to CSRS-covered employees, FERS-covered disability retirees or those FERS employees who retire under the MRA+10 provision..

The SRS approximates the Social Security benefit you earned while a FERS employee. Since the money for this benefit comes out of the Civil Service Retirement and Disability Fund, to which you and your agency made contributions, **the SRS computation excludes any other Social Security-covered employment, including military service for which you've made a deposit**.

To get a rough estimate of what your SRS would be, use the following formula:

Take your Social Security benefit estimate available from the Social Security Administration, divide it by 40, and multiply the product by your total years of actual FERS service rounded to the nearest whole number.

For example, if your Social Security benefit at age 62 is estimated to be $6,000 and you have 30 years of service, you'd plug those numbers into the following formula to get your answer:

Social Security benefit at age 62 x 30 ÷ 40 or, in this example,
$6,000 x 30 ÷ 40 = $4,500

The amount of your SRS is set on the day you retire. It isn't increased by cost-of-living adjustments, regardless of how long you receive it, unless you are a special category employee, such as a law enforcement officer or firefighter. Their SRSs are increased by COLAs.

Social Security Taxes

Most of the cost of Social Security is paid for through payroll taxes. Each year you pay a percentage of your salary up to a specified earnings amount called the maximum taxable wage base. The Federal Government, as your employer, pays an equal amount. The percentage you each pay for old age, survivor, and disability insurance coverage is 6.20% of your earnings up to the maximum taxable wage base. The maximum taxable wage base increases automatically each year based on the yearly rise in average earnings of the American work force.

The Social Security tax covers both the Old Age, Survivors, and Disability Insurance (OASDI) and Medicare Hospital Insurance programs. The Medicare portions you and your agency each pay is 1.45% of your total pay. All wages are subject to the deduction for Medicare.

Basic Benefit Plan

If you were automatically covered by FERS, or you elected to transfer from the Civil Service Retirement System (CSRS) to FERS, you will participate in the Basic Benefit plan.

Vesting

To be vested (eligible to receive your retirement benefits from the Basic Benefit plan if you leave Federal service before retiring), you must have at least 5 years of creditable civilian service. Survivor and disability benefits are available after 18 months of civilian service.

Creditable Service

Creditable Service dates have changed – As of Jan. 1 2014 you get all of it. This holds true when you compute your retirement dates in the estimating in EBIS. *Creditable service generally includes*:

- Federal civilian service for which contributions have been made or deposited.
- Military service, subject to a deposit requirement. To receive credit for military service, generally, you must deposit 3% of your military base pay. Interest begins 2 years after you are hired. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay. Also, see the note that follows on credit for National Guard service.
- Leaves of absence for performing military service or while receiving workers' compensation.

Credit is not allowed for civilian service after 1988 when no contributions were withheld.

Note: Service in the National Guard, except when ordered to active duty in the service of the United States, is generally not creditable. However, you may receive credit for National Guard service, followed by Federal civilian reemployment that occurs after August 1, 1990, when all of the following conditions are met:

- The service must interrupt civilian service creditable under the Civil Service Retirement System (or FERS) and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits; and
- It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

The deposit for National Guard service that meets these criteria is limited to the amount that would have been deducted from your pay for retirement if you had remained in the civilian service.

Contributions

Your contribution to the Basic Benefit Plan is the difference between 7% of your basic pay and Social Security's old age, survivor, and disability insurance tax rate, or 0.80%.

Refunds

You may withdraw your basic benefit contributions if you leave Federal employment. However, if you do, you will not be eligible to receive benefits based on service covered by the refund. There is no provision in the law for the redeposit of FERS contributions that have been refunded.

Retirement Options

There are three categories of retirement benefits in the Basic Benefit Plan:

- Immediate, and Postponed
- Early
- Deferred

Eligibility is determined by your age and number of years of creditable service.
In some cases, you must have reached the Minimum Retirement Age (MRA) to receive retirement benefits. The following chart shows the MRA.

Minimum Retirement Age	
If you were born:	Your MRA is:
Before 1948	55
in 1948	55 and 2 months
In 1949	55 and 4 months
In 1950	55 and 6 months
In 1951	55 and 8 months
In 1952	55 and 10 months
In 1953 through 1964	56
In 1965	56 and 2 months
In 1966	56 and 4 months
In 1967	56 and 6 months
In 1968	56 and 8 months
In 1969	56 and 10 months
In 1970 and after	57

Immediate or Postponed

If you meet one of the following sets of age and service requirements, you are entitled to an immediate retirement benefit:

Age	Years of service
62	5
60	20
MRA	30
MRA	10*
*(Reduced benefit unless postponed to lessen or eliminate age reduction)	

Early

The early retirement benefit is available in certain involuntary separation cases and in cases of voluntary separations during a major reorganization or reduction in force. To be eligible, you must meet the following requirements:

Age	Years of service
50	20
Any age	25

Deferred

If you leave Federal service before you meet the age and service requirements for an immediate retirement benefit, you may be eligible for deferred retirement benefits. To be eligible, you must have completed at least 5 years of creditable civilian service. You may receive benefits when you meet one of the following sets of age and service requirements:

Age	**Years of service**
62	5
MRA	30
MRA	10*
*(Reduced benefit unless receipt delayed to lessen or avoid age reduction)	

> *Reduced benefits means if you retire at the minimum retirement age with at least 10 but less than 30 years of service, your benefit will be reduced at the rate of 5/12's of 1% for each month (5% for each year) you are under age 62, unless you have 20 years of service and your annuity begins at age 60 or later. You can avoid part or all of the reduction by postponing the commencing date of your annuity.

Benefit Formula

How your benefit is calculated as follows. Your benefit is based on your "high-3 average pay." This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service.

Generally, your benefit is calculated according to this formula:

1% of your high-3 average pay
times
years of creditable service

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%. To determine your length of service for computation, add all of your periods of creditable service, then eliminate from the total any fractional part of a month (less than 30 days).

Depending on the category of retirement benefits you receive, your benefit may be reduced as described in the "Retirement Options" section. For example, the total could be reduced if you elect to retire at the minimum retirement age before completing 30 years of service.

Special Retirement Supplement

If you meet certain requirements, you will receive a Special Retirement Supplement, which is paid as an annuity until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the Federal government. You may be eligible for a Special Retirement Supplement if you retire:

- After the Minimum Retirement Age (MRA) with 30 years of service;
- At age 60 with 20 years of service; or
- Upon involuntary or early voluntary retirement (age 50 with 20 years of service, or at any age with 25 years of service) after OPM determines that your agency is undergoing a major reorganization, reduction-in-force (RIF) or transfer of function. You will not receive the Special Retirement Supplement until you reach your MRA.

If you transfer to FERS from CSRS, you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your Special Retirement Supplement will be reduced or stopped.

Survivor Benefits

The Basic Benefit Plan provides benefits for survivors of Federal employees and retirees.

Spouse

If you are married, have 18 months of civilian service, and die while you are an active employee, your surviving spouse receives:

A lump sum payment
plus
the higher of
1/2 of your annual pay rate at death
or
1/2 of your high-three average pay.

The lump sum payment increases by cost-of-living adjustments each year.

If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit. These benefits are paid in addition to any Social Security, group life insurance, or savings plan survivor benefits.

To be eligible for benefits, you and your spouse must have been married for at least 9 months, or there must be a child born of the marriage, or your death must be accidental.

A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement. Your annuity is reduced 10% to give your surviving spouse:

An annuity of 50% of your unreduced benefit
plus
a special supplemental annuity payable until age 60,
if your spouse will not be eligible for Social Security survivor benefits until age 60.

You and your spouse may choose instead to have your annuity reduced by 5% to give your spouse an annuity of 25% of your unreduced benefit at your death.

Separate provisions apply to spouses of disabled annuitants.

Former Spouses

A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Children

If you have 18 months of civilian service and die while you are an active employee, or if you have retired, your children may be eligible to receive an annuity. This benefit is payable to each unmarried child:

- up to age 18;
- up to age 22 if a full time student;
- at any age if the child became disabled before age 18.

The amount of the FERS benefit depends on the number of children and if the children are orphaned. The total children's benefit is reduced dollar for dollar by any Social Security children's benefits that may be payable.

Disability Benefits

FERS disability benefits can help you replace part of your income if you are unable to work for a prolonged period.

You are considered disabled under FERS if you are unable to perform useful and efficient service in your position because of disease or injury. However, you will not be considered disabled if you decline your agency's offer of a position which accommodates your disability and is at the same grade or pay level and is within your commuting area. You may also qualify for Social Security disability benefits if you are unable to work in any substantial gainful activity.

Eligibility

To qualify for FERS disability benefits, your disabling condition must be expected to last at least 1 year, and you must have at least 18 months of creditable civilian service.

The Benefits

The first year, the benefits are calculated as follows:

60% of your high-3 average pay
minus
100% of any Social Security disability benefits to which you are entitled.

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be 40% of your high-3 average pay.

If you do qualify for Social Security benefits, your FERS disability benefit will be reduced by 60% of the Social Security benefit to which you are entitled. The resulting total you receive from both FERS and Social Security will be at least 40% of your high-3 plus 40% of your Social Security disability benefits.

If your earned annuity rate (1% x high 3 average salary x years of service) is higher than the above rates after the reduction for Social Security, you will receive the higher benefit. When you reach age 62 your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

If you are a disability retiree under age 60 and your total income from work in a calendar year exceeds 80% of the current pay level of your former job, the disability benefits will be discontinued. You also may be required to provide proof periodically that you have not recovered from your disability.

Cost-of-Living Adjustments (COLAs)

Survivors and disability retirees receive a COLA regardless of their ages. However, disability retirees receiving 60% of their average pay do not receive a COLA during the first year. All other retirees begin to receive COLAs at age 62.

The amount of the annual COLA percentage is based on the increase in the Consumer Price Index (CPI):

Increase in CPI	Annual COLA Percentage
Up To 2%	Same as CPI increase
2% to 3%	2%
3% or more	CPI increase minus 1%

Under current law, there will be no 2016 cost-of-living adjustment (COLA) for Social Security recipients and annuitants in both the Civil Service Retirement System (CSRS) and the Federal Employees Retirement System (FERS).

The Special Retirement Supplement for retirees is not increased by COLA's; the supplement for survivors is increased by COLA's.

Form of Payment

FERS Basic Benefits are a monthly annuity that is paid the first business day of the month after it accrues. For example, the payment for December is made on January 2.

Thrift Savings Plan

The third part of your FERS benefit is the Thrift Savings Plan (TSP). The TSP is a tax-deferred retirement savings and investment plan that offers you the same type of savings and tax benefits that many private corporations offer their employees under 401(k) plans. By participating in the TSP, you have the opportunity to save part of your income for retirement, receive matching agency contributions, and reduce your current taxes.

Your thrift account is the part of your retirement that you control - you decide how much of your pay to put in your thrift account, how to invest it, and, when you retire, you decide how you want your money paid out.

TSP matching contributions apply to the first 5 percent of pay that you contribute each pay period. Your contributions are matched dollar-for-dollar for the first 3 percent of pay you contribute each pay period and 50 cents on the dollar for the next 2 percent of pay. Your agency will not match the contributions that you make above 5 percent of your pay each pay period. However, you will still benefit from before-tax savings and tax-deferred earnings on these contributions.

The fact that your agency adds to your contributions will make your TSP account grow faster. Your Agency Automatic (1%) and Matching Contributions can add up to 5 percent of your basic pay. Here's how it works:

Percent of Basic Pay Contributed to Your Account (FERS Employees Only)			
	Your agency puts in:		
You put in:	Automatic (1%) Contribution	Agency Matching Contribution	And the total contribution is:
0%	1%	0%	1%
1%	1%	1%	3%
2%	1%	2%	5%
3%	1%	3%	7%
4%	1%	3.5%	8.5%
5%	1%	4%	10%
Amounts you contribute above 5% are not matched.			

And don't worry that you won't have the money available if you need it to purchase a home, or for an emergency. The TSP loan program allows you to borrow the money you contributed and the earnings on that money, and pay yourself back with interest.

Be aware, however, that effective July 1, 2004, the TSP made three changes to the loan program: (1) a $50 fee will be deducted from the amount of each new loan; (2) you will no longer be able to have two general purpose loans at the same time, although you will still be able to have one general purpose loan and one residential loan; and (3) when you pay off a TSP loan, you will not be eligible to apply for another loan of the same type for 60 days.

The bottom line is, whether you are covered by CSRS or FERS, participate in the TSP as soon as you are eligible, and make the largest contribution you can. If you are a FERS employee, make sure you try to contribute a minimum of 5% so that you take full advantage of your agency's matching contributions. By making the highest contribution you can to the TSP, you will realize significant tax benefits while saving for retirement. An added bonus is that the money is taken out of your pay before you even receive your paycheck – which means you won't be tempted to spend it instead of saving it for retirement.

You also receive a Special Retirement Supplement until age 62 that approximates the Social Security benefit earned in Federal service. After you reach the Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceeds the Social Security annual exempt amount, your supplement will be reduced or stopped. In addition, you are entitled to an annual Cost-of-Living Adjustment (COLA), regardless of your age.

- If you have less than 5 years under CSRS, you are automatically covered by FERS.

 If you have 5 or more years under CSRS, you are covered by CSRS Offset. Your CSRS contributions are reduced by 100% of your Social Security Old-Age, Survivor Disability Insurance (OASDI) fund taxes. Your CSRS benefit will be offset by any Social Security benefit attributable to your Federal service.

Five-Year Retirement Plan Chapter 3

Health Insurance Benefits after Retirement

You may continue your health insurance coverage after retirement if you meet the following conditions:

1. Your annuity must begin within 30 days or, if you are retiring under the Minimum Retirement Age (MRA) plus 10 provision of the Federal Employees Retirement System (FERS), health and life insurance coverages are suspended until your annuity begins, even if it is postponed.
2. You must be covered for health insurance when you retire.
3. You must have been continuously covered by the Federal Employees Health Benefits Program, TRICARE, or the Civilian Health and Medical Program for Uniformed Services (CHAMPUS): (a) for five years immediately before retiring; or (b) during all of your federal employment since your first opportunity to enroll; or (c) continuously for full periods of service beginning with the enrollment that started December 31, 1964.

Waiving the Requirements for Continuing Health Insurance Coverage

OPM has the authority to waive the five-year participation requirement when it is against equity and good conscience not to allow an individual to participate in the health insurance program as a retiree. However, the law says that a person's failure to meet the five-year requirement must be due to exceptional circumstances. When someone is retiring voluntarily, a waiver may not be appropriate because he or she can continue working until the requirement is met. When circumstances warrant a waiver, OPM will generally notify the individual's employer.

Requirements for Keeping Life Insurance in Retirement

You can keep your basic life insurance in retirement if all of the following conditions are met:

1. You have coverage when you retire;
2. You have not converted coverage to an individual policy;
3. Your annuity must begin within 30 days or, if you are retiring under the Minimum Retirement Age (MRA) plus 10 provision of the Federal Employees Retirement System (FERS), health and life insurance coverages are suspended until your annuity begins, even if it is postponed; and
4. You were insured for life insurance for the five years immediately preceding retirement or the full periods of service when coverage was available.

You can keep your optional life insurance in retirement if all of the following conditions are met:

1. You are eligible to continue your basic coverage; and
2. You were covered by the optional life insurance for the five years immediately preceding retirement or the full periods of service when coverage was available, if less than five years.

The requirements for continuing life insurance cannot be waived because OPM has no authority to grant such waivers. If you are not eligible to continue your life insurance coverage, you will be given the chance to change it to an individual policy.

Social Security

Part of planning for your retirement, of course, is finding out how much you can expect to receive from Social Security. For this piece of the puzzle, you can view your *Social Security Statement* online at http://www.ssa.gov. You will need to create an account and you will get a statement that provides you with information on your future eligibility for Social Security benefits and estimates of these benefits at specified dates. However, be aware that these estimates do not reflect any reduction for the Government Pension Offset or the Windfall Elimination Provision (see below).

Windfall Elimination Provision

If you receive a federal pension and are also eligible for Social Security benefits based on your own employment record, a different formula may be used to compute your Social Security benefit. This formula will result in a lower benefit. The Windfall Elimination Provision affects workers who reach age 62 or become disabled after 1985 and are first eligible after 1985 for a federal pension.

The Windfall Elimination Provision does not apply if:

- You were eligible to retire before January 1, 1986; or
- You were first employed by the government after December 31, 1983; or
- You have 30 or more years of substantial earnings under Social Security.

Using the Social Security Administration's website will provide you a Personal Earnings and Benefits Statement (PEBES) that will list your earnings from employment covered by Social Security and provide a Social Security benefit estimate assuming retirement at alternative ages - 62, 65, and 70. You should then contact your local Social Security office to determine the effect of the Windfall Elimination Provision and the Government Pension Offset (discussed below) on your Social Security benefits. For a more detailed explanation, see the "Windfall Elimination Provision" section in the Social Security chapter of this handbook.

Minimum Retirement Age (MRA) Plus 10 Annuity under FERS

A Minimum Retirement Age (MRA) plus ten annuity under the Federal Employees Retirement System is a provision that allows you to retire with benefits beginning immediately if you have ten years of service and have reached the Minimum Retirement Age (at least 55). However, the annuity is reduced for each month you are under age 62. The reduction equals five percent per year (or 5/12 of one percent per month). To avoid the reduction, you can postpone payment. You can later apply for the benefit by writing to OPM or filing an "Application for Deferred or Postponed Retirement," Form RI 92-19. You should submit the form two months before you want the benefit to begin.

The effects of postponing the Minimum Retirement Age (MRA) plus 10 annuity are the following:

1. The benefit is not reduced if it begins after your 60th birthday and you have at least 20 years of service or you reach the Minimum Retirement Age and have 30 years of service. Delay of the benefit can be used to avoid all or part of the reduction for retirement before age 62 that would otherwise have been applied.
2. Your life insurance enrollment will stop until the annuity begins. Once the annuity begins, the life insurance coverage you had when you stopped working will resume if you are eligible.

3. Your health benefits can be temporarily continued under the Temporary Continuation of Coverage for 18 months. You must pay the full cost of coverage, including both the employee and government shares, plus a two percent administrative charge. Your employer will collect the premiums and maintain this coverage.
4. When your payments begin, if you are otherwise eligible to continue coverage, you can again enroll in the Federal Employees Health Benefits (FEHB) program and OPM will pay the government share of the premiums.
5. If you do not file an application before your death, the rights of your surviving family members would be protected because you would be considered a retiree.

Annuity Estimates

At your request, your employer should provide you with any of the following estimates that apply to your circumstances. However, OPM determines the actual amount of the benefit that is payable based on the laws and regulations and on the certified record of your employment.

- If you receive military retired pay, an estimate of your benefit with and without credit for military service.
- If you are considering deposit for military service after 1956, an estimate of your benefit with and without credit for the military service you performed after December 31, 1956.
- If you are considering a deposit under the Civil Service Retirement System for federal employment before October 1, 1982, estimates of the amount of the deposit and the amount of your benefit with and without the reduction for the deposit.

(For any of the above, see the applicable rule under “Deposit for service ending before October 1, 1982 and covered by CSRS” in the Glossary at Appendix B of this handbook.)

* If you are considering a deposit under the Civil Service Retirement System (CSRS) for federal employment after October 1, 1982, estimates of the amount of the deposit and the amount of your benefit with and without credit for the employment period.

(For the situation above, see the applicable rule under “Deposit for service ending after October 1, 1982 and covered by CSRS” in the Glossary at Appendix B of this handbook.)

* If you are considering repaying, under the Civil Service Retirement System (CSRS), a refund of retirement contributions for employment ending before October 1990, an estimate of the amount of the redeposit and your benefit with and without the actuarial reduction taken if the redeposit is not paid.

(For the situation above, see the applicable rule under “Redeposit service ending before October 1990 and covered by CSRS” in the Glossary at Appendix B of this handbook.)

* If you are considering repaying, under the Civil Service Retirement System (CSRS), a refund of retirement contributions for employment ending after October 1990, an estimate of the amount of the redeposit and your benefit with and without credit for the employment period covered by the refund.

(For the situation above, see the applicable rule under “Redeposit service ending after October 1990 and covered by CSRS” in the Glossary at Appendix B of this handbook.)

* If you are considering a deposit under the Federal Employees Retirement System (FERS) for federal employment before 1989, estimates of the amount of the deposit and the amount of your benefit with and without credit for the employment period.

(For the situation above, see the applicable rule under “Deposit for service ending before January 1, 1989 and covered by FERS” in the Glossary at Appendix B of this handbook.)

* If you are considering providing less than the maximum annuity payable after your death to a husband, wife, or ex-spouse, estimates of the amount of the survivor’s annuity and the amount of your annuity with and without the reduction for full survivor’s benefit.
* If you are considering providing a survivor annuity to someone who has a financial interest in your continued life, an estimate of your benefit with and without the reduction for this election.

(For the situations above, review Chapter 7, entitled “Family Benefits,” in this handbook.)

* If you have made voluntary contributions and can elect to purchase additional annuity with those contributions, benefit estimates with and without credit for the voluntary contributions.

(For the situation above, review the section entitled “Voluntary Contributions” above.)

* If you can elect to receive the alternative form of annuity, an estimate of your benefit with and without the lump sum payment of retirement contributions.

(For the situation above, see the applicable rule under “Alternative Form of Annuity” in the Glossary at Appendix B of this handbook.)

* For employees under the Federal Employees Retirement System (FERS) who can elect to receive an annuity supplement, an estimate of the monthly amount payable to age 62.

(For the situation above, your agency should be able to provide you with an estimate.)

Computing CSRS-Offset Benefits

Those covered under the Civil Service Retirement System (CSRS) subject to offset due to Social Security eligibility are covered as “CSRS-Offset” employees. Your benefit will be computed in the same manner as if it were not subject to offset. However, it will be reduced when you become eligible for Social Security benefits. The offset applies when the basic requirements for Social Security are met, generally at age 62, even if you do not apply for those benefits. If you are not eligible for Social Security benefits at age 62, there is no offset unless you become eligible later.

Pay for Unused Annual Leave

You can be paid for any unused annual leave you hold at retirement.

Effect of Workers Compensation on Annuity

When you apply for retirement, you should list your workers compensation on your application. Generally, you cannot receive workers’ compensation and civil service annuity payments at the same time. You must decide which benefit is most advantageous and elect to receive that one. If you decide to receive workers’ compensation benefits, payments from OPM will be suspended. If your workers compensation benefits stops, you can ask OPM to pay your civil service annuity.

You can continue to receive your civil service annuity payments when your workers’ compensation is for a Scheduled Award. If you missed work before retirement for an on-the-job injury or illness and received workers’ compensation, generally, you can receive credit for time in the computation of your civil service annuity.

Waiving Military Retired Pay

If you want to waive your military retired pay to receive credit for military service in the computation of your benefit, you should write the Retired Pay Operations Center at least 60 days before your planned retirement. Send your waiver to:

Maximum Benefit

The basic Civil Service Retirement System (CSRS) annuity cannot exceed 80 percent of your high-3 average salary, excluding your unused sick leave. Generally, you reach the 80 percent limitation when you have 41 years and 11 months of service, not including accumulated sick leave. Fewer years of service may result in a computation that produces the maximum benefit under special computation formulas such as for law enforcement personnel.

Your service beyond the years which provides the maximum benefit will not be used to compute your annuity. Instead, OPM will automatically refund the retirement contributions you made during those years. Interest is paid on this refund payment at the rate of three percent per year, compounded annually. You can use the refund to purchase additional annuity, as if the contributions and interest are voluntary contributions.

However, if you have federal civilian employment periods when you did not contribute to either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), OPM automatically applies excess contributions toward any deposit due for these employment periods.

Eligibility for Medicare Coverage

You should contact the Social Security Administration at least three months before your 65th birthday to apply for benefits. The Social Security Administration will have records pertaining to your eligibility for Medicare coverage. If they do not, and you or your employer needs to get a statement of your earnings for this purpose, you can write to:

General Services
Administration National
Personnel Records Center
Civilian Personnel
Records11 Winnebago
Street
St. Louis, Missouri 63118

You should provide the following information in your request:

- your name, as shown on your payroll records;
- date of birth;
- Social Security Number;
- mailing address;
- years for which earnings are needed;
- name and location of employer for each year;
- reason for request;
- written signature; and
- a statement that all other sources of information have been exhausted.

Completing Your Retirement Application

You should carefully read the information that is part of your retirement application, and complete and submit the forms. You do not need to submit a separate letter of resignation. A completed and signed retirement application is equivalent to a letter of resignation.

If you are eligible for a retirement benefit, you should not resign, intending to submit a retirement application later. The reason for this is because if you die after separating but before filing the application, no life insurance, no survivor benefit, and no survivor health insurance coverage would be available to your survivor(s). You should, however, complete all the other required "exit procedures."

Receiving Retirement Payments by Direct Deposit

If your employer sends OPM your retirement records by magnetic tape, your account information for direct deposit will be sent to OPM automatically. In this case, you don't need to do anything. Otherwise, you should include your request to receive your payments by direct deposit with your retirement package. You can do this by submitting a letter or a Standard Form (SF) 1199A with your application. You must get the SF 1199A, Direct Deposit Sign-Up Form, from your financial institution.

Direct deposit is available to retirees residing in Canada, but generally, it is not available to those whose permanent address for receiving payments is outside the United States. However, retirees living outside the U.S. can arrange to have their payments electronically deposited in a U.S. bank.

Withdrawing Money from the Thrift Savings Plan

It may take up to eight weeks to process a withdrawal from the Thrift Savings Plan (TSP) after all properly completed withdrawal forms and separation data have been received by the TSP Service Office. Further, the TSP Service Office cannot process a withdrawal election until they receive an Employee Data Record from your payroll office indicating that you have separated. And an unpaid TSP loan may delay disbursement of the TSP account balance.

Your employer will provide you with information about your withdrawal options and the option to keep your money in the TSP. If you choose not to withdraw your funds, in the event of your death, the TSP Service Office would pay the funds based on your written designation form on file. If you have not completed a designation form, payment would be made to your survivors as follows:

1. Widow or widower.
2. If none of the above, child or children and descendants of deceased children by representation.
3. If none of the above, retiree's parents or to the surviving parent.
4. If none of the above, the executor or administrator of the retiree's estate.
5. If none of the above, to any other of the retiree's next of kin who is entitled under the laws of the state in which the retiree resided at death.

Submitting the Retirement Application

To qualify for payments from the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), you must submit a retirement application, Standard Form 2801 (CSRS) or 3107 (FERS).

If you have been separated from federal service for more than 30 days, submit your application to OPM. If you are still working, submit it to your employer.

Eligibility for an Annuity

If you meet the requirements for a retirement benefit, you are eligible to receive an annuity based on your length of service and your highest three consecutive years of pay. The information in your application is used to determine if you are applying for a disability option, a regular or early-out option, or a discontinued service annuity. It is also used to check the service listed on your payroll records.

Processing the Retirement Application

Both the personnel and payroll office in your agency and OPM are responsible for processing your annuity claim.

You can help reduce delays in processing by submitting your application in advance and by making sure your Official Personnel Folder (OPF) is complete. If you submit your paperwork early, your personnel and payroll offices will be able to complete their action before your retirement date.

After your personnel agency takes action, your agency payroll office:

1. Authorizes your final paycheck and lump sum payment for unused annual leave.
2. Prepares your "Individual Retirement Record," Standard Form 2806 (CSRS) or 3100 (FERS), which reflects service, salary history, and annual retirement contributions.
3. Forwards all retirement documents to OPM.

When OPM receives your retirement application, it will notify you and will provide a civil service claim identification number (a seven-digit number preceded by "CSA"). You must use that identification number whenever you contact OPM about your annuity.

If you need to contact OPM before you receive your claim number, first contact your former payroll office to find the date your records were transferred to OPM. Your payroll office should provide you with the number and date of the Register of Separations and Transfers. You will also need your Payroll Identification Number.

Interim Payments

As soon as OPM gets all of your retirement records, it provides "interim" payments. These payments are usually made in four days or less, on the first business day of each month. OPM tries to provide you with income until it finishes processing your application. Interim payments can only be authorized if your record clearly shows your eligibility for retirement.

Generally, interim payments average more than 85 percent of your final benefit. However, they may be less if:

- You have received a refund for retirement deductions previously paid.
- You have service (after October 1, 1982) not covered by the retirement system.

- You have service for which you have not paid a deposit.

If your records are complete, you will receive your first interim payment approximately 7 to 14 days after you receive your acknowledgement letter.

If your retirement records are complete upon receipt and an election of a benefit is not required, the processing of your application will be completed in approximately five weeks. An additional three to four weeks may be added if a benefit election is required.

New Retirees Chapter 5

When to Expect Your First Payment

As soon as OPM gets all of your retirement records, it provides you with “interim” payments. These payments are usually made in four days or fewer, on the first business day of each month. OPM tries to provide you with income until it finishes processing your application.

Amount of Interim Payments

Generally, interim payments average more than 85 percent of your final benefit. You may find that the Federal income taxes withheld from your first interim payment will be higher than the Federal tax withholdings from your subsequent interim payments and regular annuity. There will be any necessary tax withholding adjustment when finished with processing your application. Your health and life insurance coverage will continue while you are receiving interim pay. There will be withholdings from your health and life insurance premiums retroactive to the commencing date of your annuity, when finished processing your application.

Withholdings from Interim Payments

OPM only withholds federal income tax. Things like your health and life insurance coverage will continue. OPM will make any necessary withholding for federal taxes and health and life insurance premiums from the benefits it sends when it finishes processing your application. After OPM finishes processing your application, it will send you a personalized statement entitled “Your Federal Retirement Benefits.” It will detail, among other things, how much your monthly payment will be. It will also confirm such things as health and life insurance coverage, and provide you with information you will need to prepare your tax returns.

Paying To Get Credit for Service

Under the Federal Employees Retirement System (FERS), you will be given the opportunity to pay for temporary service prior to January 1, 1989. Under the Civil Service Retirement System (CSRS), if you had service after October 1, 1982 for which no contributions were made, OPM will give you the opportunity to pay the contributions, and will tell you what difference it makes to your monthly benefit. If you had unpaid service prior to October 1, 1982, OPM does not notify you before it finishes processing your application because it generally is not to your advantage to make the payment.

Changing Health Insurance Coverage

After you retire, you will still have the opportunity to change your enrollment from one health insurance plan to another during an annual open season. You cannot change to another plan simply because you retired.

Changing Life Insurance Coverage

You can cancel or decrease your life insurance coverage at any time. You cannot increase your coverage.

Cost Of Living Increase When Retiring Within the Last Year

If you retired in the last year, you will get a cost of living increase, but you will receive only a portion of the first increase payable. OPM will prorate the first increase based on how long you were retired before it is given. At that time, OPM will send you a notice explaining the increase. Federal Employees Retirement System (FERS) cost of living increases are not provided until age 62, except for disability and survivor benefits.

Amount of Retirement Benefit That Is Taxable

To determine the amount of your retirement benefit that is taxable, see the section entitled "Calculate the Tax-Free Amount of Your Retirement Benefit" in Appendix C of this handbook.

Family Benefits — Chapter 6

Survivor Benefits for FERS

The FERS Basic Benefit Plan provides benefits for survivors of federal employees and retirees. If you die while you are an active employee, are married, and have 18 months of civilian service, your surviving spouse receives:

A lump sum payment
plus
the higher of
1/2 of your annual pay rate at death
or
1/2 of your high-three average pay.

The lump sum payment increases through cost-of-living adjustments each year.

If you had 10 years of service, your spouse also receives an annuity equaling 50% of your accrued basic retirement benefit. These benefits are paid in addition to any Social Security, group life insurance, or savings plan survivor benefits.

To be eligible for benefits, you and your spouse must have been married for at least 9 months, or there must be a child born of the marriage, or your death must be accidental.

A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement. Your annuity is reduced 10% to give your surviving spouse:

An annuity of 50% of your unreduced benefit
plus
a special supplemental annuity payable until age 60,

if your spouse will not be eligible
for Social Security survivor benefits until age 60.

You and your spouse may choose instead to have your annuity reduced by 5% to give your spouse an annuity of 25% of your unreduced benefit at your death.

Separate provisions apply to spouses of disabled annuitants. A former spouse may receive survivor benefits as provided in a retiree election or a qualifying court order.

Survivor Benefits for CSRS

If you are married when you retire, your annuity will be reduced to provide a full survivor annuity for your spouse (unless he or she consents to a lesser benefit). To provide for a survivor annuity, your annuity will be reduced by 2.5 percent of the first $3,600, plus 10 percent of the annuity over $3,600. The survivor annuity will be 55 percent of the amount of your annuity before this reduction.

<u>Note:</u> If you were divorced after May 6, 1985, your former spouse may receive by court order, all or part of the survivor annuity that your current spouse would otherwise get. You can also elect a survivor annuity for a former spouse (but if you are married, you must get your spouse's consent).

If you are not retiring for disability, and are in reasonably good health, you can provide a survivor annuity for a person who has an "insurable interest" in you such as a relative who is in your care, or a current spouse who would not otherwise get a survivor annuity because of a court-ordered award to a former spouse. To provide this benefit, your annuity would be reduced from 10 to 40 percent depending on the difference in your age and the age of the person named. This reduction would be added to any reduction required to provide a survivor annuity for a spouse or former spouse.

Eligibility of a Former Spouse for a Survivor Benefit upon Divorce

If you divorced, the survivor benefit you elected at retirement is no longer payable. A monthly survivor benefit would be payable to your former spouse after death if one is provided by court order or your new election. Your marriage must have lasted for at least nine months for OPM to allow a court-ordered benefit.

Spousal Survival Annuity When Court Awards Ex-Spouse Benefits

Under the Civil Service Retirement System (CSRS), the maximum benefit payable after your death to survivors other than children is 55 percent of your annual benefit. Under the Federal Employees Retirement System (FERS), the maximum is 50 percent. Therefore, the benefit payable to your husband or wife equals the difference between the court-ordered benefit for your ex-spouse and the maximum benefit payable. For example, if the court awarded your former spouse a benefit equal to 35 percent of your CSRS annuity, your husband or wife could only receive a benefit equal to 20 percent.

If your former spouse was awarded the maximum survivor benefit, you can elect a survivor benefit for your current spouse on a contingency basis. In this case, your current spouse would be paid the survivor benefit upon your death if your former spouse becomes ineligible for the survivor benefit.

If you do not provide a survivor benefit for your husband or wife, he or she will not receive a monthly benefit payment after your death. Nor will your spouse be able to continue coverage under the Federal Employees Health Benefits (FEHB) program.

Providing a Survivor Benefit for a Former Spouse

You can provide a survivor benefit for a former spouse if you wish. To do so, contact OPM and tell them that you want to provide a survivor benefit for your former husband or wife. They will send you the necessary forms to elect the benefit. If the benefit will be based on a court order and you are receiving a civil service retirement benefit, you should send a court-certified copy of the court order. You should send it to the U.S. Office of Personnel Management, Office of Retirement Programs, Court-Ordered Benefits Branch, Post Office Box 17, Washington, D.C., 20044-0017. If you are still working for the federal government, you should also provide a copy of the order to your personnel office. All court orders involving garnishments should be sent to the address given above.

Monthly survivor payments to your ex-spouse will continue for life generally, unless he or she remarries before age 55. But if he or she was married to you for at least 30 years, benefits can continue even if there is a remarriage before age 55. An apportionment of a monthly retirement annuity ends at your death.

Family Health Insurance Coverage

Your family health insurance enrollment covers yourself, your husband or wife, and your eligible, unmarried children under age 22.

Your former spouse can continue health insurance coverage, but not under your family enrollment. There are two possible ways for your former spouse to remain enrolled. First, all former spouses are eligible for a Temporary Continuation of Coverage enrollment that lasts for 36 months. Second, former spouses eligible for a monthly court-ordered benefit (either a portion of your monthly benefit, or a survivor benefit upon your death) are eligible for federal health insurance.

Former Spouses and Life Insurance Coverage

Former spouses may also receive your life insurance. There are two ways to do it. One is to designate your former spouse as the beneficiary of your life insurance. Another way is to assign some or all of your life insurance to your former spouse. You cannot change or cancel an assignment.

Order of Beneficiaries for Life Insurance

When you die, the Office of Federal Employees' Group Life Insurance (OFEGLI) will pay life insurance benefits in a particular order, set by law:
If you assigned ownership of your life insurance, OFEGLI will pay benefits in the following order of precedence

- First to the designated beneficiary(ies) designated by your assignee(s), if any;

- Second, if there is no such beneficiary, to your assignee(s).

- If you did not assign ownership and there is a valid court order on file, OFEGLI will pay benefits in accordance with that court order.

If you did not assign ownership and there is no valid court order on file, OFEGLI will pay benefits in the following order of precedence:

- First, to the beneficiary(ies) you designated;
- Second, if there is no such beneficiary, to your widow or widower;
- Third, if none of the above, to your child or children, with the share of any deceased child distributed among the descendants of that child (a court will usually have to appoint a guardian to receive payment for a minor child);
- Fourth, if none of the above, to your parents in equal shares or the entire amount to your surviving parent;
- Fifth, if none of the above, to the executor or administrator of your estate;
- Sixth, if none of the above, to your other next of kin as determined under the laws of the state where you lived.

You can download the Standard Form (SF) 2823, Designation of Beneficiary, and instructions from the OPM web site, or contact OPM and ask that the form and the instructions be sent to you.

Benefit Adjustments Chapter 7

Cost Of Living Adjustments

Your benefits will increase as the cost of living rises. Cost-of-living adjustments are effective each December first. The adjustment appears in your January payment on the first business day of the month, which is when your benefit for December is paid. Federal Employees Retirement System (FERS) and FERS Special Cost-Of-Living-Adjustments are not provided until age 62, except for disability, survivor benefits, and other special provision retirements. Also, under FERS, if you have a CSRS component, the component is subject to the CSRS COLA.

Calculating the Cost Of Living Adjustment

The U.S. Department of Labor calculates the change in the Consumer Price Index (CPI) from the third quarter average of the previous year to the third quarter average for the current year. For Civil Service Retirement System (CSRS) or Organization and Disability Retirement System (ORDS) benefits, the increased percentage is applied to your monthly benefit amount before any deductions, and is rounded down to the next whole dollar.

For Federal Employees Retirement System (FERS) or FERS Special benefits, if the increase in the CPI is 2 percent or less, the cost of living adjustment is equal to the CPI increase. If the CPI increase is more than 2 percent but no more than 3 percent, the cost of living adjustment is 2 percent. If the CPI increase is more than 3 percent, the cost of living adjustment is 1 percent less than the CPI increase. The new amount is rounded down to the next whole dollar.

Credit for Military Service After 1956

When you become eligible for Social Security, your military service after 1956 will be used in the computation of your Social Security. Unless you paid a deposit prior to retirement for your military service after 1956, it will no longer count toward your retirement benefit. However, if you did pay the deposit, no adjustment to your retirement benefit is made at age 62.

CSRS Offset Benefits and Social Security

If at age 62 you are eligible for Social Security, OPM will recompute your retirement benefit to “offset” any part of your Social Security benefit that is based on your years of federal service under the offset plan.

FERS Disability Benefit

If you were under 62 when your disability benefit began, and were not eligible for a voluntary immediate benefit, your benefit will be recomputed after you have been retired for 12 months. The recomputed annuity will be 40 percent of your high-3 average salary minus 60 percent of your monthly Social Security benefit, or your earned benefit, whichever is higher. At age 62, your benefit is recomputed as though you had continued working until age 62. (Your average salary is increased by all FERS cost of living adjustments paid while you were disabled.)

Reporting a Death

To report a death of someone who receives benefits from OPM, you can:

- Contact OPM online: https://www.opm.gov/retirement-services/contact-retirement/
- Call us: 1-88USOPMRET — 1 (888)767-6738
- Write to OPM at:
  U.S. Office of Personnel Management
  Retirement Services Program
  Post Office Box 45
  Boyers, PA 1607-0045

If you are reporting the death of someone who receives benefits from OPM, you should provide the full name of the deceased and the date of death, as well as the retirement claim number, if known, and Social Security number. OPM will tell you if there are any further benefits payable and send you the necessary claim forms. In many cases, OPM can start monthly payments to an eligible surviving spouse based on the records on file.

Payments made to a retiree after the date of his or her death are not negotiable. In addition, survivors may not be eligible for the full amount of such payments. Therefore, the Department of the Treasury will reclaim all direct deposit payments made after the date of death from the financial institution to which they were disbursed. The financial institution will debit the account to which the payments were previously credited. The annuitant's account should remain open until reclamation of any payments is completed.

Uncashed checks payable to the deceased must be returned to the U.S. Department of the Treasury. You should void any uncashed checks by noting the annuitant's date of death on them before returning them. Voided checks should be returned to the following address:

U.S. Department of the
Treasury P.O. Box
24720
Oakland, CA 94623-1720

Benefits Payable to a Retiree's Survivors

Monthly survivor benefits may be payable to any of the following:

- Your husband or wife, if you elected to provide a survivor benefit.
- Your ex-spouse, if you elected to provide a former spouse survivor annuity, or if the benefit was required by a court order.
- Your children. Benefits to children are payable until age 18. You do not have to elect the benefit for them.

A lump sum payment, covering the benefits you earned from the first of the month through the date of your death, may also be payable. This payment is generally made to a surviving spouse unless you requested payment to others in a Designation of Beneficiary.

Survivors' Application for Benefits

In many cases, after receiving the report of a retiree's death, OPM can start monthly payments to the surviving husband or wife based on the records it has on file. In every case, OPM will tell your survivors what benefits are payable and provide the necessary forms and help they need to apply for benefits.

Claiming Family Life Insurance Benefits

If you are enrolled for family life insurance, and a covered member of your family dies, you can contact OPM by:

- Calling toll-free 1-888-767-6738; TTY 1-855-887-4957.
- Send an Email to: retire@opm.gov
- Writing to: U.S. Office of Personnel Management – Retirement Services Program, P.O. Box 45, Boyers, Pennsylvania, 16017-0045.

Address and Withholding Changes Chapter 9

Viewing Annuity Payments Statement Online

You can use Services Online (https://www.servicesonline.opm.gov) to view your monthly annuity statement. This statement shows your current annuity payment, including the gross amount, up to 35 possible deductions or additions, and the net amount. Your statement reflects required payment adjustments for cost-of-living adjustments, health benefit premium changes, Federal income tax withholding table changes, and life insurance premium changes. It also reflects changes you made the previous business day, unless the changes were made after the date for updating the monthly payment. Any changes you made after that date will be reflected in the statement for the next month's payment, when the change would be effective.

Signing Up For Direct Deposit

Use OPM's Services Online to sign up for direct deposit, or to change the account or bank where your payment is sent. You will need your claim number and Personal Identification Number (PIN) to use the self-service web site. You will be asked whether your account is a savings or checking account and to provide your account number and the routing number for your financial institution (found next to your account number on the bottom of your check). You should contact your financial institution for assistance in getting the routing number if you are not sure. When you make a change, OPM will send you a confirmation of the change. You can also call OPM at 1-888-767-6738.

OPM keeps a separate mailing address to periodically send you information about your retirement and health and life insurance benefits. You can see the current record of your mailing address on Services Online. You should notify OPM if this address changes. (If you do not receive your payments through direct deposit, OPM uses the same address for mailings and payments.)

You can also use Services Online to report a change in your mailing address when you move. If you changed banks because you moved, you should also use Services Online to give OPM your new account number and the routing number for your financial institution.

If you are enrolled in the health benefits program in a plan that serves a limited geographic area, you will need to change plans if you move out of the service area. You should see OPM's web page at http://www.opm.gov/insure/retirees/index.asp to view the list of plans from which you can choose, and to find out how to get brochures for those plans. Once you have picked your new plan, call OPM at 1-888-767-6738 to change your enrollment, or if you need more help.

Voluntary Withholdings

You can voluntarily withhold federal and state income taxes, U.S. Savings Bonds, checking and savings allotments, or allotments to other participating organizations.

Federal Income Tax

Generally, unless you specify a monthly withholding amount, OPM withholds federal income tax as if you are married and claiming three allowances. You can use OPM's calculator on its web site to figure the amount of your monthly federal income tax withholding based on marital status and exemptions. Then, you can use Services Online to change the federal tax withheld from your annuity payment or specify the dollar amount withheld. You may change the amount withheld whenever you think it is necessary.

If you need more information or assistance in determining whether or not you are having the right amount of federal income tax withheld, see the Internal Revenue Service web site at http://www.irs.gov.

State Income Tax

You must specify the dollar amount of state tax you want withheld from your monthly payments. The withholding must be in whole dollars. The minimum amount OPM can withhold for state income tax is $5. Use Services Online to change the state tax withheld from your annuity payment. If you do not know the monthly amount you want withheld, contact your state tax office for advice.

These bonds increase in value each month and interest is compounded semi-annually. Earnings are exempt from state and local taxes. Federal taxes can be deferred until you redeem the bonds or they stop earning interest.

You can start, change, or, stop Series I bonds in denominations of $50, $75, $100, $500, $1,000, $5,000, and $10,000. You can use Services Online to buy bonds and have the bond premiums withheld from your annuity payment.

You should contact the U.S. Department of the Treasury at 1-800-4US-BOND or visit their web site at http://www.treasury.gov/services/Pages/bonds-securites.aspx for information about bonds, bond interest rates, and redemption.

Allotments to Organizations

You can start, change, or stop an allotment to participating organizations.

Checking and Savings Allotments

Checking and savings allotments are voluntary deductions for allotments sent by direct deposit to a checking or savings account in your name. You may have up to two allotments. The accounts must be maintained at a domestic financial institution. This does not include charities, savings bonds, garnishments or other court orders, union or other organizational dues. You must maintain at least $100 net annuity payment. The allotment must be for a minimum of $50. You can use Services Online or call OPM's toll-free number to establish a checking or savings allotment.

Changing Voluntary Withholdings

Use Services Online to start, change, or stop your federal or state income tax withholdings, buy savings bonds, obtain duplicate tax statements, set up an allotment to an organization, or change your Personal Identification Number (PIN). You can also call OPM's toll-free number 1-888-767-6738 for these and other voluntary withholdings. When using OPM's self-service systems, you need your claim identification number, Personal Identification Number (PIN), and Social Security Number. If you do not have a PIN, call OPM. You need a touchtone telephone to call the automated telephone service. If you do not have a touchtone telephone, you can speak to a Customer Service Specialist.

Generally, in the middle of month, OPM authorizes payments that are due for the first business day of the following month. Therefore, if you want your change to be reflected in your next payment, you should submit your request as early as possible.

Changing Health Benefits Enrollment

There are many reasons for changing your health benefits enrollment. If you are changing your coverage because of one of the reasons listed below, OPM can make the change based on your telephone call. When calling you must have your claim identification number and Social Security Number, as well as the enrollment number and name for your new plan. Reasons for health benefits coverage changes include:

- You are changing to self-only coverage from family coverage.
- You are changing plans because you have moved out of the service area of your Health Maintenance Organization (HMO).
- You turned 65 and are changing to a lower cost plan option because you are eligible for Medicare.
- You are changing your enrollment during the annual Health Benefits Open Season, which usually runs from mid-November to early December.
- You are changing to family coverage because you marry, or have or adopt a child. (This option is not available to survivors.)

You should contact OPM within the period beginning 31 days before up to 60 days after the date of the event. If you need assistance with your health benefits enrollment, call 1-888-767-6738 to change your enrollment or if you need more help.

Changing Life Insurance Premiums

You can reduce your premiums by reducing your coverage. However, if you reduce coverage, you cannot increase it again at a later date. To change your coverage, write to:

U.S. Office of Personnel Management
Retirement
Operations Center
P.O. Box 45,
Boyers, Pennsylvania 16017

Social Security Benefits — Chapter 10

Social Security benefits are an important part of retirement planning for most people. Therefore, this chapter discusses the Social Security program in detail, and then covers special Social Security-related legal provisions that apply to many federal employees, such as CSRS-Offset, the Windfall Elimination Provision, and the Government Pension Offset.

Social Security benefits replace a percentage of your earnings when you retire, become disabled or die. Each year, the Social Security Administration (SSA) will send you a Social Security Statement showing your earnings history and an estimate of the retirement, disability and survivors' benefits you and your family may receive based on those earnings.

When you receive your Statement, check your earnings history carefully. Make sure all of your earnings are accurate. Be sure to report any errors. That is important because your benefits will be based on your lifetime earnings. Your Statement also is useful in helping you plan your financial future.

Retirement Benefits

Choosing when to retire is one of the most important decisions you will make in your lifetime. If you choose to retire when you reach full retirement age, you will receive your full retirement benefits. But if you retire before reaching full retirement age, you will receive reduced benefits for the rest of your life.

If you work past your full retirement age, you will get full retirement benefits no matter how much you earn. If you continue working and decide not to collect your retirement benefits until you reach age 70, you will get higher benefits when you retire. If you choose not to collect retirement benefits before you reach full retirement age, you should be sure to file for Medicare when you reach age 65. If you do not, you may have to pay a higher premium when you file later.

Full Retirement Age

If you were born before 1938, you were eligible for your full Social Security benefit on your 65th birthday. In 2003, the age at which full benefits are payable began to increase gradually. The following chart will guide you in determining your full retirement age:

Year of Birth	Full Retirement Age
1937 or earlier	65
1938	65 and 2 months
1939	65 and 4 months
1940	65 and 6 months
1941	65 and 8 months
1942	65 and 10 months
1943-1954	66
1955	66 and 2 months
1956	66 and 4 months
1957	66 and 6 months
1958	66 and 8 months
1959	66 and 10 months
1960 and later	67

Delayed Retirement

If you choose to work beyond your full retirement age, you have two more options; you can work and get full retirement benefits no matter how much you earn; or you can decide not to collect your retirement benefits until age 70 and then get a higher benefit when you do retire.

Social Security benefits are increased by a certain percentage depending on the year you were born. If, for example, you were born in 1943, your benefits would increase 8 percent for each year, between your full retirement age and age 70, that you do not get retirement benefits.

Early Retirement

You can get Social Security retirement benefits as early as age 62. However, you will receive a reduced benefit if you retire before your full retirement age. For example, if you retire at age 62, your benefit would be about 25 percent lower than what it would be if you waited until you reach full retirement age.

Some people stop working before age 62. But if they do, the years with no earnings will probably mean a lower Social Security benefit when they retire.

If You Work and Get Benefits

You can work while you receive Social Security retirement (or survivors) benefits. When you do, it could mean a higher benefit for you in the future. Higher benefits can be important to you later in life and increase the future benefit amounts your family and your survivors could receive.

While you are working, your earnings will reduce your benefit amount only until you reach your full retirement age. After you reach full retirement age the IRS recalculates your benefit amount to leave out the months when we reduced or withheld benefits due to your excess earnings.

The IRS uses a formula to determine how much your benefit must be reduced:

- If you are under **full retirement age** for the entire year, they deduct $1 from your benefit payments for every $2 you earn above the annual limit. For 2015, that limit is $15,720.
- In the year you reach **full retirement age**, they deduct $1 in benefits for every $3 you earn above a different limit, but **they** only count earnings before the month you reach your full retirement age. If you will reach full retirement age in 2015, the limit on your earnings for the months before full retirement age is $41,880. (If you were born in 1946 or 1947, your full retirement age is 66 years.)
- Starting with the month you reach full retirement age, you can get your benefits with no limit on your earnings.

Note that people who work and receive disability or Supplemental Security Income payments have different earnings rules. They must report all of their earnings to Social Security no matter what they earn.

Retirement Benefits for Widows and Widowers

If you are receiving widow's or widower's benefits, you can switch to your own retirement benefits as early as age 62, assuming your retirement benefit is more than the amount you receive on your deceased spouse's earnings. In many cases, you can begin receiving one benefit at a reduced rate and then switch to the other benefit at the full rate when you reach full retirement age. The rules are complicated and vary depending on your situation, so talk to a Social Security representative about the options available to you.

Benefits If Divorced

If you are divorced, your ex-spouse may qualify for benefits on your earnings. In some situations, he or she may get benefits even if you are not receiving them. To qualify, a divorced spouse must:

- Have been married to you for at least 10 years;
- Have been divorced at least 2 years;
- Be at least 62 years old;
- Be unmarried; and
- Not be eligible for an equal or higher benefit based on his or her own work or someone else's work.

Survivors Benefits

When you die, your family may be eligible for benefits based on your work. Family members who can collect benefits include a widow or widower who is:

- 60 or older; or
- 50 or older and disabled; or
- Any age if he or she is caring for your child who is younger than 16 or disabled and receiving Social Security benefits.

Your children can receive benefits, too, if they are unmarried and:

- Younger than 18 years old; or
- Between 18 and 19 years old, but in an elementary or secondary school as full-time students; or
- Age 18 or older and severely disabled (the disability must have started before age 22).

Additionally, your parents can receive benefits on your earnings if they were dependent on you for at least half of their support.

One-Time Death Payment

If you had enough credits, a one-time payment of $255 also will be made after your death. This benefit may be paid to your spouse or minor children.

If you are divorced, your ex-spouse may be eligible for survivors' benefits on your record when you die. He or she must:

- Be at least age 60 years old (or 50 if disabled) and have been married to you for at least 10 years; or
- Be any age if he or she is caring for a child who is eligible for benefits based on your work; and
- Not be eligible for an equal or higher benefit based on his or her own work; and
- Not be currently married, unless the remarriage occurred after age 60 or after age 50 if disabled.

<u>Note:</u> If your ex-spouse remarries after 60, he or she may be eligible for Social Security benefits based both on your work and the new spouse's work, whichever is higher.

Survivors Benefit Limit

In some cases, Social Security law provides for what is known as a spouse or survivor benefit. If your spouse has earned a Social Security benefit and you have earned little or no benefit, you can receive an additional Social Security benefit based on your spouse's Social Security benefit. If you begin taking this benefit at age 65, it will amount to one-half (50%) of the amount your spouse receives. If you start receiving this benefit at age 62, it will amount to a little over one-third (37.5%) of the amount your spouse receives.

Example: Your spouse receives a monthly check from Social Security in the amount of $1,200. If you begin receiving Social Security benefits as a dependent of your spouse at age 65, you will receive a monthly check from Social Security in the amount of $600. If you begin receiving your spousal benefit at age 62, you will receive a monthly check from Social Security in the amount of $450.

You can apply for benefits on the SSA's website. Go to http://www.ssa.gov and click on "Apply for retirement benefits online." You can also calculate your benefit amount.

Medicare

Medicare is the country's basic health insurance program for people age 65 or older and many people with disabilities.

You should not confuse Medicare and Medicaid. Medicaid is a health care program for people with low income and limited resources. It is usually run by state welfare or social services agencies. Some people qualify for one or the other, while some people qualify for both Medicare and Medicaid.

Medicare has four parts. Medicare provides:

- Hospital insurance (Part A) that helps pay for inpatient hospital care and certain follow-up services; and Medical insurance (Part B) that helps pay for doctors' services, outpatient hospital care and other medical services.
- Medicare Advantage (Part C) plans are available in many areas. People with Medicare Parts A and B can choose to receive all of their health care services through one of these provider organizations under Part C. Prescription drug coverage (Part D) helps pay for medications doctors prescribe for treatment.

If you get Social Security disability benefits for 24 months, you will qualify for hospital insurance.

CSRS Offset Employees

CSRS Offset is the Civil Service Retirement System with Social Security Offset. It is the same as CSRS, except that it is coordinated with Social Security.

CSRS Offset was created in 1987 and generally applies to employees who had a break in Federal service after 1983 that lasted longer than 1 year and had at least 5 years of civilian service as of January 1, 1987. It also applies to employees who were hired into a civilian job before 1984, but did not acquire retirement coverage until after 1984 and had at least 5 years of service as of January 1, 1987.

CSRS Offset employees are covered by both CSRS and Social Security. You earn retirement credit under CSRS, while also earning credits under Social Security. When you retire from the Government, your retirement benefit is computed in the same way that CSRS benefits are computed. However, when you become eligible for Social Security benefits (usually at age 62), your CSRS retirement benefit is reduced, or offset, by the value of the Social Security benefit you earned while working for the Government.

The amount CSRS Offset employees pay for retirement the same amount that CSRS employees pay, however it is reduced, or offset, by Social Security taxes (6.2 % of pay). Agencies contribute a set amount (7% for most employees) to CSRS Offset.
Just like CSRS employees, CSRS Offset employees also are allowed to participate in the Thrift Savings Plan.

Windfall Elimination Provision

If you work for an employer who doesn't withhold Social Security taxes, such as a government agency, the pension you get based on that work may reduce your Social Security benefits.

Your benefit can be reduced in one of two ways. One is the "Government Pension Offset" and applies only if you receive a government pension and are eligible for Social Security benefits as a spouse or widow(er). For more information on this provision, review the Government Pension Offset section below.

The other way - the “windfall elimination provision” - affects how your retirement or disability benefits are calculated if you receive a pension from work where Social Security taxes were not taken out of your pay. A modified formula is used to calculate your benefit amount, resulting in a lower Social Security benefit.

Who Is Affected

The windfall elimination provision primarily affects people who earned a pension from working for a government agency and also worked at other jobs where they paid Social Security taxes long enough to qualify for retirement or disability benefits. It also may affect you if you earned a pension in any job where you didn’t pay Social Security taxes, such as in a foreign country.

An important point: If you are a federal employee, the windfall elimination provision will affect you only if you are getting a Civil Service Retirement System pension. It will begin with the first month you get both a Social Security benefit and the CSRS pension.

This provision affects Social Security benefits when any part of a person’s federal service after 1956 is covered under the CSRS. However, federal service where Social Security taxes are withheld (Federal Employees’ Retirement System or CSRS Offset) will not reduce your Social Security benefit amounts.

Your Social Security will be reduced if:

- You reached 62 after 1985; or
- You became disabled after 1985; or
- You first became eligible for a monthly pension based on work where you did not pay Social Security taxes
  after 1985, even if you are still working.

Why a Different Formula Is Used

Your Social Security benefits are reduced because Social Security benefits were intended to replace only a percentage of a worker’s pre-retirement earnings. The way Social Security benefit amounts are figured, lower-paid workers get a higher return than highly paid workers. For example, lower-paid workers could get a Social Security benefit that equals about 55 percent of their pre-retirement earnings. The average replacement rate for highly paid workers is about 25 percent.

Before 1983, people who worked in jobs not covered by Social Security received benefits that were computed as if they were long-term, low-wage workers. They received the advantage of a higher percentage of benefits in addition to their other pension. Congress passed the windfall elimination provision to eliminate this advantage.

Government Pension Offset

If you receive a government pension, you may not receive any Social Security on your spouse’s record because of the Government Pension Offset. Some or all of your Social Security spouse’s or widow(er)’s benefit may be offset if you receive a pension from a job where you did not pay Social Security taxes.

Calculating the Offset

The offset will reduce the amount of your Social Security spouse's or widow(er)'s benefits by two-thirds of the amount of your government pension. In other words, if you get a monthly civil service pension of $600, two-thirds of that, or $400, must be used to offset your Social Security spouse's or widow(er)'s benefits. If you're eligible for a $500 widow(er)'s benefit, you'll receive $100 per month from Social Security ($500 – $400 = $100).
If you take your annuity in a lump sum, the offset is figured as if you chose to receive regular monthly payments.

The Reason for the Offset

Social Security spouse's benefits provide income to wives and husbands who have little or no Social Security benefits of their own. From the beginning of the Social Security program, spouse's benefits were intended for women and men who were financially dependent on their husbands or wives who worked at jobs covered by Social Security.

Before the offset provisions were enacted, many government employees qualified for a pension from their agency and for a spouse's benefit from Social Security, even though they were not dependent on their husbands or wives.

This example may help clarify why there is an offset:

Bill Smith collects a Social Security benefit of $600 per month. His wife, Mary, is potentially eligible for a wife's benefit of up to 50 percent of Bill's, or $300. However, Mary also worked and paid into Social Security, qualifying for her own retirement benefit of $400. By law, Mary can only receive the higher of the two benefits she is eligible for, not both. She will not receive any wife's benefits because her $400 retirement benefit, in effect, "offsets" her $300 wife's benefit.

Bill's neighbor, Tom, also gets a Social Security benefit of $600 per month. But his wife, Nancy, had a job with the federal government, instead of one where she paid Social Security taxes, and earned a civil service pension of $800 per month. Before the government pension offset provisions were in place, Nancy would have been eligible for both her $800 civil service pension and a $300 wife's benefit on Tom's Social Security record. With the offset provision, Nancy does not qualify for a wife's benefit from Social Security and is treated the same as Mary.

The Effect on Medicare

Even if you do not receive cash benefits on your spouse's record, you can still get Medicare at age 65.

Getting Benefits on Your Own Record

The offset applies only to Social Security benefits as a spouse or widow(er). Remember, though, that your own benefits may be reduced due to another provision of the law, specifically the Windfall Elimination Provision, discussed above.

Type of Expenses FEHB and Medicare Chapter 11

Generally, plans under the FEHB Program help pay for the same kind of expenses as Medicare. FEHB plans also provide coverage for prescription drugs, routine physicals, emergency care outside of the United States and some preventive services that Medicare doesn't cover. Some FEHB plans also provide coverage for dental and vision care.

Medicare covers some orthopedic and prosthetic devices, durable medical equipment, home health care, limited chiropractic services, and medical supplies, which some FEHB plans may not cover or only partially cover (check your plan brochure for details).

Need for Medicare Coverage When Covered By FEHB

Those who have FEHB coverage often want to know whether they also need Medicare coverage. If you can get Part A premium-free, you should take it, even if you are still working. This will help cover some of the costs that your FEHB plan may not cover, such as deductibles, coinsurance, and charges that exceed the plan's allowable charges. There are other advantages to enrolling in Part A, such as being eligible to enroll in a Medicare managed care plan.

Part B Coverage

Enrollment in Medicare Part B is voluntary and you must pay a premium. You can sign up for Part B during the seven-month Initial Enrollment Period, which begins three months before the month you turn 65 and ends three months after the month in which you turn age 65.

If you do not sign up for Medicare Part B during your Initial Enrollment Period, you may sign up during any subsequent General Enrollment Period, which is January through March of each year. Coverage is effective July 1. However, your Medicare premium will be increased by 10% for each 12-month period that you could have had Medicare Part B but did not take it, and you will have to pay a premium that is this percentage amount higher than the base Medicare premium for the rest of the time that you have Medicare Part B.

There is one exception. If you don't sign up for Medicare Part B when you first become eligible because you or your spouse are still working and you are covered by an employer or union sponsored plan based on this employment, you are in a Special Enrollment Period and may sign up for Medicare Part B without an increase in your premium:

- at any time while you are still covered by you or your spouse's employer or union group health plan based upon you or your spouse's current or active employment, and
- during the 8 months following the month that the employer or union group health plan coverage ends, or when the employment ends, whichever is first.

Changing FEHB Enrollment When You Become Eligible For Medicare

If you wish, you may change your FEHB enrollment to any available plan or option at any time beginning on the 30th day before you become eligible for Medicare. You may use this enrollment change opportunity only once. You may also change your enrollment during the annual open season, or because of another event that permits enrollment changes (such as a change in family status).

Once Medicare becomes the primary payer, you may find that a lower cost FEHB plan is adequate for your needs, especially if you are currently enrolled in a plan's high option. Also, some plans waive deductibles, coinsurance, and copayments when Medicare is primary.

Dropping FEHB Coverage to Join a Medicare Managed Care Plan

When you enroll in a Medicare managed care plan, you may not need FEHB coverage because the Medicare managed care plan provides you with many of the same benefits. You should review their benefits carefully before making a decision. You should contact your retirement system to discuss suspension and reenrollment.

Effects of Not Taking Part B As Soon As You Are Eligible

If you do not take Part B coverage as soon as you are eligible, you must wait for the general enrollment period (January 1 - March 31 of each year) to enroll, and Part B coverage will begin the following July 1. Your Part B premiums will go up 10 percent for each 12 months that you could have had Part B but didn't take it.

If you didn't take Part B at age 65 because you were covered under FEHB as an active employee (or you were covered under your spouse's group health insurance plan and he/she was an active employee), you may sign up for Part B (generally without increased premiums) within 8 months from the time you or your spouse stop working or are no longer covered by the group plan. You also can sign up at any time that you are covered by the group plan.

Which Plan Pays First – FEHB or Medicare

Medicare law and regulations determine whether Medicare or FEHB is "primary," or pays benefits first. Medicare automatically transfers claims information to your FEHB plan once your claim is processed, so you generally don't need to file with both. You will receive an Explanation of Benefits (EOB) from your FEHB plan and an EOB or Medicare Summary Notice (MSN) from Medicare. If you have to file with the secondary payer, send along the EOB or MSN you get from the primary payer.

When FEHB Is the Primary Payer

Your FEHB Plan must pay benefits first when you are an active federal employee or reemployed annuitant and either you or your covered spouse has Medicare, unless your reemployment position is excluded from FEHB coverage or you are enrolled in Medicare Part B only.

Your FEHB Plan must also pay benefits first for you or a covered family member during the first 30 months of eligibility or entitlement to Part A benefits because of End Stage Renal Disease (ESRD), regardless of your employment status.

Your FEHB Plan must also pay benefits first when you are under age 65, entitled to Medicare on the basis of disability, and covered under FEHB based on you or your spouse's employment status.

When Medicare Is the Primary Payer

Medicare must pay benefits first when you are an annuitant, and either you or your covered spouse has Medicare. This includes when you or your covered spouse is a Federal judge who retired under title 28, U.S.C., or a Tax Court judge who retired under Section 7447 of title 26, U.S.C.

Medicare must pay benefits first when you are receiving Workers' Compensation and the Office of Workers' Compensation has determined that you're unable to return to duty.

If you continue to work past age 65, your FEHB coverage will be your primary coverage until you retire. If you are retired with FEHB and Medicare coverage, and are also covered under your spouse's insurance policy through work, your spouse's policy is your primary coverage. Medicare will pay secondary benefits, and your FEHB plan will pay third.

Your FEHB premiums will not change when Medicare becomes primary. You will continue to pay the same premiums, unless you change to another plan or option.

Coverage for Out-Of-Pocket Costs

Be aware that your FEHB Fee-For-Service Plan may not always cover all of your out-of-pocket costs not covered by Medicare. A managed fee-for-service plan's payment is typically based on reasonable and customary charges, not on billed charges. In some cases, Medicare's payment and the plan's payment combined will not cover the full cost.

Your out-of-pocket costs for Part B services will depend on whether your doctor accepts Medicare assignment. When your doctor accepts assignment, you can be billed only for the difference between the Medicare-approved amount and the combined payments made by Medicare and your FEHB plan.

When your doctor doesn't accept assignment, you can be billed up to 115 percent of the Medicare-approved amount (the "limiting charge") when your FEHB plan's payment and Medicare's payment don't cover the full cost.

Use of FEHB HMO's Participating Providers When Medicare Is Primary

If you want your FEHB HMO to cover your Medicare deductibles, coinsurance, and other services it covers that are not covered by Medicare, you must use your HMO's participating provider network to receive services and get the required referrals for specialty care.

If you go to your FEHB HMO's providers, you do not have to file a claim with Medicare. If needed, your HMO will file for you and then pay its portion after Medicare has paid. In addition, you do not have to pay Medicare's deductibles and coinsurance when you use your FEHB HMO's doctors. Your HMO will pay the portion not paid by Medicare for covered services.

Appendix A - Online Retirement Calculators

Projecting Your TSP Account Balance

This calculator allows you to estimate the growth of your TSP account.
https://www.tsp.gov/PlanningTools/Calculators/howSavingsGrow.html

Annuity Calculator

This calculator helps you estimate your monthly annuity payments if you have the TSP purchase an annuity for you with your account balance after you leave federal service.
https://www.tsp.gov/PlanningTools/Calculators/retirementCalculator.html

American Savings Education Council Ballpark Estimate http://www.choosetosave.org/ballpark/

Bloomberg.com Retirement Calculator
http://www.bloomberg.com/personal-finance/calculators/retirement/

Money.com Retirement Calculator
http://money.cnn.com/calculator/retirement/retirement-need/

This Appendix does not constitute an endorsement of any of the above companies or calculators. It is merely provided as a reference tool for handbook readers.

Disability Retirement

If you retired for disability, all of your disability annuity payments are fully taxable until you reach the age at which you would have first been eligible to retire based on your age and service. This is called the minimum retirement age. Generally, the combinations of minimum age and service for retirement are:

- age 55 and 30 years of service
- age 60 and 20 years of service
- age 62 and five years of service

As soon as you reach the age shown in the combinations above, for tax purposes, you would treat your annuity payments as shown below, as if you did not retire for disability.

Non-Disability Retirement

If you did not retire for disability and your annuity started after July 1, 1986, part of each payment is taxable and part is a tax-free return of the retirement contributions you made while you worked. Your total retirement contributions are shown on the original statement of your annuity. They are also shown on the form 1099R OPM sends you each January to let you know the amount it paid you in the previous year to use in preparing your tax return. You must refigure the tax-free annuity portion if your retirement contributions are adjusted.

To figure the tax-free portion of your annuity, divide the amount of your retirement contributions by the appropriate factor from the charts below. If your annuity began between July 2, 1986 and November 18, 1996, use chart number one to figure the tax-free portion of your annuity.

Use chart two if your annuity started after November 18, 1996. Also use chart two if your annuity started on or after January 1, 1998 and it is not reduced to provide a benefit after your death for your husband or wife.

Use chart three if your annuity started on or after January 1, 1998 and it is reduced to provide a benefit for your husband or wife after your death. Chart three is based on your age at retirement added to the age of your spouse who will be paid after your death.

Chart One: Retirements before November 19, 1996

Age 55 and under	Divide by 300
Age 56-60	Divide by 260
Age 61-65	Divide by 240
Age 66-70	Divide by 170
Age 71 and over	Divide by 120

Chart Two: Retirements from November 19, 1996 and Unreduced Retirements Starting January 1, 1998

Age 55 and under	Divide by 360
Age 56-60	Divide by 310
Age 61-65	Divide by 260
Age 66-70	Divide by 210

Age 71 and over	Divide by 160

Chart Three: Reduced Retirements Starting January 1, 1998 (Combined Ages)

Ages Total Not More than 110	Divide by 410
Ages Total More than 110	Divide by 360
Ages Total More than 120	Divide by 310
Ages Total More than 130	Divide by 260
More than 140	Divide by 210

Calculating the Tax-Free Portion of Your Monthly Annuity

To figure the tax-free portion of your annuity, divide the amount of your retirement contributions by the appropriate factor. The answer you get is the tax-free part of each monthly payment from OPM. For example, if your retirement contributions were $25,000, your reduced annuity started after January 1, 1998, you were 57 when you retired, and your spouse was 55, the part of you annuity payment that is not taxable is $69.44 ($25,000 divided by 360 = $69.44). You would use chart three and divide by 360 because your combined ages of 57 and 55 equal 112. After you have claimed a tax-free amount equal to your retirement contributions, all of your retirement benefit is subject to tax. If you die before you claim all the tax-free amount, your survivor can claim the same tax-free amount until it equals your retirement contributions. These guidelines are more fully explained in IRS Publication 721, Tax Guide to U.S. Civil Service Retirement Benefits.

How to Start, Change, or Stop Your Monthly Federal Income Tax Withholding

To change your federal or state income tax withholdings or request a duplicate statement for tax filing purposes (1099R), use OPM's Services Online at https://www.servicesonline.opm.gov/.

Appendix B - Additional Resources

Administration on Aging - http://www.aoa.gov/

American Association of Retired Persons – http://www.aarp.org/

HUD's Senior Citizens - http://portal.hud.gov/hudportal/HUD?src=/topics/information_for_senior_citizens

Leading Age *(formerly American Association of Homes and Services for the Aging)* - http://www.leadingage.org/

Medicare – https://www.medicare.gov.

National Active and Retired Federal Employees - http://www.narfe.org/home/

National Council on the Aging - https://www.ncoa.org/

NIH's National Institute on Aging – https://www.nia.nih.gov/

National Senior Citizens Law Center - http://www.nsclc.org/

Retirement Net – Retirement Communities and Homes – http://www.retirenet.com/

Road Scholar: Adventures in Lifelong Learning – http://www.roadscholar.org/

Senior Job Bank – http://www.seniorjobbank.org/

Senior Service America – http://www.seniorserviceamerica.org/

Social Security Administration – https://www.ssa.gov

USA.gov – https://www.usa.gov/

WAEPA - http://www.waepa.org/

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