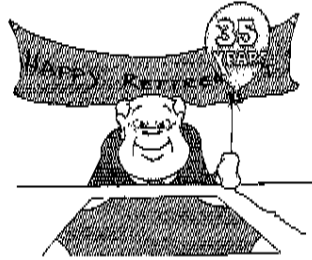


# Retirement Planning



Developed by the U. S. Department of Agriculture  
Animal and Plant Health Inspection Service  
and  
Food Safety and Inspection Service  
Human Resources  
Minneapolis, MN  
September 2007

Whether you are eligible to retire now, or in a few years, or in 30 years, you need to plan for your retirement. The more you know about your benefits package, the better you will be able to make decisions today to prepare for your financial future. Retirement planning requires you to address some important questions, such as: What are your retirement plans, your goals, your dreams? How much will you need to achieve your dreams? How much risk are you willing to take to grow your money? Less than half of workers report that they and/or their spouse have tried to calculate how much money they will need to save by the time they retire to live comfortably. It is important that you, as a Federal employee, plan for the future to make sure that you can retire with confidence.

## Retirement Planning

- Retirement Coverage
- Retirement Eligibility
- Creditable Service
- Annuity Formulas
- Survivor Benefits
- When To Retire
- Continuing Insurance Into Retirement
- Requesting A Calculation
- Retirement Process
- Retirement Resources



Topics we are going to cover in order to assist you in planning for retirement are retirement coverage, retirement eligibility, creditable civilian and military service, annuity formulas, survivor benefits, choosing a retirement date, and eligibility to continue insurance into retirement. We will also cover when and how to request retirement calculations, the retirement process and some resources that you can use.

## Retirement Planning

- The more you know, the better you can plan.
- Medical advances and healthier lifestyles have significantly lengthened life expectancies.
- You'll need more money to support a longer, more active retirement.
- It's never too early to start planning.




The more you know about your retirement benefits, the better you can plan. Recent medical advances and healthier lifestyles have significantly lengthened life expectancies. It is projected that one out of 26 baby boomers will live to be 100 years old. Therefore, you'll need more money to support a longer, more active retirement. Financial planners and investment counselors tell us that the greatest risk to our retirement, which could span 30 years or more, is that we could outlive our financial assets. It's never too early to start planning.

## Retirement Planning

The KEY to a successful retirement  
is planning.

How much retirement income  
will you need?

60%      70%      80%      90%



The illustration shows a hand in a suit jacket holding a pen, positioned as if writing on a document. The desk is cluttered with various items: a calculator, a clock, a pen, a paper with the letter 'R', a book, and a small airplane. The entire scene is rendered in a stippled, black-and-white style.

Most financial planners will tell you to aim for 70% of your pre-retirement income, but, depending on your level of debt and your lifestyle, you may need 90 to 100%.

If you don't make retirement savings a priority when you are young, you may not be able to quit working when you want to – or you may have to significantly lower your standard of living once you do stop working.

## Retirement Planning

What sources of income will you have at retirement?

- CSRS or FERS Basic Annuity
- Social Security?
- Thrift Savings Plan?
- Other pensions or investments?
- Spouse's income or retirement benefits?
- Spouse's Social Security?
- Part-time employment after retirement?

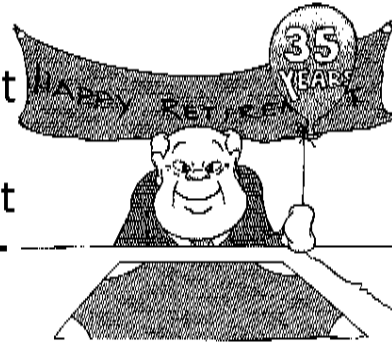


What kind of sources of income will you have at retirement?

Will you be eligible for a Civil Service Retirement System, or C-S-R-S, or Federal Employees Retirement System, or FERS, basic annuity? What about Social Security? Have you contributed to the Thrift Savings Plan? Do you have other pensions or investments? Does your spouse have a separate income or retirement benefit? Will your spouse be eligible for Social Security? Do you plan to work part-time after you retire?

## Retirement Coverage

- Federal Retirement System (**FERS**)
- Civil Service Retirement System- (**CSRS**)
- Civil Service Retirement System- Offset (**CSRS-Offset**)

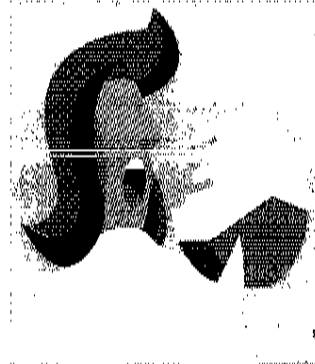


The following is a basic overview of the FERS, CSRS, and CSRS-Offset retirement plans. There are major differences between the plans, so please pay close attention to the information for your retirement plan.

## Retirement Coverage

### **Federal Employees Retirement System (FERS)** has three components:

- Basic Benefit
- Social Security
- Thrift Savings Plan



Most Federal employees hired since 1984 are covered by the Federal Employees Retirement System or FERS, which has three parts.

The **Basic Benefit** is the annuity or pension check paid to you on a monthly basis upon retirement. This pension is paid by the U.S. Office of Personnel Management.

Social Security will provide an earned monthly benefit once you become eligible.

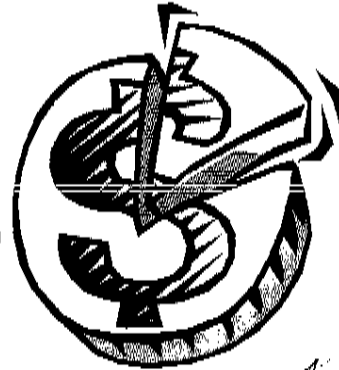
The Thrift Savings Plan's benefit depends on your contributions and investment earnings.

## Retirement Coverage

### **Civil Service Retirement System (CSRS)**

has two components:

- Basic Benefit
- TSP (Optional Participation)



Before FERS was created, most Federal employees were covered by CSRS. The basic benefit is the main component; however, CSRS employees have the option to contribute to the Thrift Savings Plan to supplement their CSRS annuity. CSRS employees do not contribute to social security.

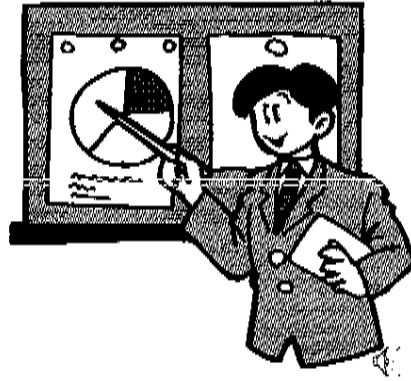


## Retirement Coverage

### **CSRS-Offset**

has three components:

- ◆ Basic Benefit
- ◆ Social Security
- ◆ Thrift Savings Plan  
(Optional Participation)



CSRS-Offset is a unique retirement plan for some employees who meet certain regulations concerning when they were rehired and how much prior Federal service they had. CSRS Offset consists of three components – a Basic benefit, Social Security and the optional Thrift Savings Plan.

<b>Retirement Coverage Employee Contributions</b>	
<b>CSRS</b>	<b>CSRS-Offset &amp; FERS</b>
7.00% (basic)	0.80% (basic)
1.45% (HITS)	7.65% (OASDI & HITS)
-----	-----
<b>8.45% Total</b>	<b>8.45% Total</b>

As you can see from this chart, the total retirement contribution, regardless of retirement plan, is 8.45% of pay. The contribution is just allocated differently between the Basic retirement plan, HITS (Medicare Hospital Insurance Tax) and OASDI (Old Age Survivor and Disability Insurance -Social Security).

## **Retirement Eligibility CSRS/CSRS Offset**

### **Optional/Voluntary Retirement:**

- Age 55 with 30 years of service
- Age 60 with 20 years of service
- ≡ Age 62 with 5 years of service



When you are planning for retirement, it is important to know when you are eligible to retire.

The eligibility requirements are slightly different between CSRS and FERS.

If you are a CSRS or CSRS-Offset covered employee, you can retire at age 55 if you have at least 30 years of service; at age 60 if you have at least 20 years of service or at age 62 with at least 5 years of creditable civilian service.

There are no “magic number” combinations, such as the rule of 80 or rule of 85 that you might hear about in private sector pension plans.

## Retirement Eligibility-FERS Minimum Retirement Age (MRA)

<b>Year of Birth</b>	<b>MRA</b>
<b>Before 1948</b>	<b>55</b>
1948	55 and 2 months
1949	55 and 4 months
1950	55 and 6 months
1951	55 and 8 months
1952	55 and 10 months
<b>1953-1964</b>	<b>56</b>
1965	56 and 2 months
1966	56 and 4 months
1967	56 and 6 months
1968	56 and 8 months
1969	56 and 10 months
<b>1970 and later</b>	<b>57</b>

FERS employees have a gradually increasing minimum retirement age, or MRA, depending on the year of birth.

For example, if you were born in 1953, you would need to be 56 years old to meet the minimum retirement age under FERS.

## Retirement Eligibility-FERS

### Optional/Voluntary Retirement:

- MRA with 30 years of service
- Age 60 with 20 years of service
- Age 62 with 5 years of service
- MRA with 10 years of service:
  - Annuity reduced 5% for each year under age 62.
  - You may reduce or eliminate this reduction by postponing your MRA + 10 benefit.



If you are a FERS covered employee, you can retire at your minimum retirement age with at least 30 years of service; at age 60 if you have at least 20 years of service or at age 62 with at least 5 years of creditable civilian service. You also have an additional opportunity, which is not available to CSRS employees, to retire voluntarily at your minimum retirement age with at least 10 years of service. However, your annuity is reduced by 5% for each year under the age of 62.

## Retirement Eligibility-FERS Postponed Retirement

- Under FERS, if you leave Federal service and you meet eligibility for the MRA + 10 benefit, you may choose to postpone receipt of your monthly benefit to avoid or reduce the reduction.
- Life and health insurance may be reinstated when retirement begins, if you met the requirements for continuing insurance into retirement.



You can reduce or eliminate the 5 per cent per year reduction by postponing the receipt of your monthly benefit.

Life and health insurance may be reinstated when your postponed retirement begins if you were enrolled in the Federal Employee's Health Benefit program and the Federal Employee's Group Life Insurance program for at least five continuous years immediately prior to the date of your separation.

## Retirement Eligibility-CSRS, CSRS-Offset, FERS Deferred Retirement


- If you leave Federal service before you meet eligibility for retirement under CSRS or FERS, you may receive a deferred monthly benefit at age 62 if:
  - You did not take a refund of your retirement contributions when you left Federal service
  - You had at least 5 years of creditable Federal civilian service
- FERS employees with at least 10 years of creditable service, may receive a deferred annuity at their MRA.
- No reinstatement of health or life insurance coverage



If you leave Federal service before you are eligible for a retirement benefit, you may apply for a deferred retirement benefit at age 62 if you did not take a refund of your retirement contributions and you had at least 5 years of creditable civilian service. If you are a FERS employee, you may receive a deferred annuity at your Minimum Retirement Age if you had at least 10 years of service and is subject to a reduction of 5 per cent for each year under age 62.

Under a deferred retirement, you cannot reinstate your health or life insurance coverage.

## Retirement Eligibility – CSRS, CSRS-Offset, FERS Disability Retirement

- Eligibility:
  - Any age
  - Disabled for useful and efficient service
  - Disabling condition expected to last at least one year
  - CSRS: Completed 5 years of Federal civilian service under CSRS
  - FERS: Completed 18 months of Federal civilian service under FERS
- Medical and supervisory documentation required
- OPM determines the merits of the case 

Disability Retirement is appropriate if you develop a condition that is expected to last for at least a year or longer and prevents you from performing useful and efficient service in your present position. There is no age requirement; however, if you are a CSRS employee, you must have completed 5 years of civilian service, or if you are a FERS employee, you must have completed at least 18 months of civilian service.

You are required to document your disabling condition with medical information from your physician and information from your supervisor. If you are a FERS employee, you must also apply for Social Security disability at the same time. The Office of Personnel Management makes the determination to approve or disapprove your application for disability retirement.

This process can take several months once the application is submitted; so you should not wait until you have used up all of your sick and annual leave to apply.



## Retirement Eligibility-CSRS, CSRS-Offset, FERS - Other Retirements

**“Early Out”** – If Agency is undergoing a major reorganization, transfer of function, or Reduction-In-Force, Agency may request early out authority from OPM. OPM provides the specific authorization and specific timeframes.

- **Eligibility:**

- Age 50 with 20 years of service
- Any age with 25 years of service



Your agency may request early out authority from the Office of Personnel Management if it is undergoing a major reorganization, transfer of function or Reduction-In-Force. The Office of Personnel Management provides the specific authority and specific timeframes. In order to be eligible to retire under an “Early Out”, you must be age 50 with at least 20 years of service or at any age if you have at least 25 years of service. If you are covered under CSRS, your annuity will be reduced by 2% for each year under the age of 55. If you have transferred to FERS, your CSRS component is computed under CSRS rules and is subject to the 2% per year reduction.

## Retirement Eligibility-CSRS, CSRS-Offset, FERS - Other Retirements

**Discontinued Service** – Employee is involuntarily separated from Federal service, for declining a directed reassignment, unacceptable performance, or reduction-in-force.

- Eligibility:
  - Age 50 with 20 years of service
  - Any age with 25 years of service

CSRS annuity reduced 2% for each year under age 55



If you are involuntarily separated from Federal service because you declined a directed reassignment, you had unacceptable performance or were affected by a reduction-in-force, you will be eligible for a Discontinued Service retirement if you are age 50 with at least 20 years of service or any age with at least 25 years of service. If you are a CSRS employee, your annuity will be reduced by 2% for each year you are under the age of 55.

If you have transferred to FERS, your CSRS component is computed under CSRS rules and subject to the 2% per year reduction.

## Creditable Service - Civilian

### Definition of a Federal Employee:

#### 3 Tests:

1. Hired by a Federal Official
2. Performed a Federal function
3. Supervised by a Federal Official



What service is creditable for retirement under CSRS or FERS? The definition of a Federal employee is one who was hired by a Federal official. This means being formally appointed in the Federal civilian service, which is documented by a Standard Form 50, Notification of Personnel Action.

You would need to have performed a Federal function under an act of Congress or Executive Order.

You would need to have been supervised by a Federal Official while performing those Federal duties.

If the service does not meet all three tests, then it is not creditable civilian service.

## Creditable Service - Civilian

- **Covered service** (for which CSRS or FERS contributions were made to the retirement fund)
  
- **Deposit or Non deduction Service**  
(temporary service for which contributions were *not* made to the retirement fund)
  
- **Redeposit Service** (for which contributions were refunded to the employee upon leaving Federal service)



There are different types of civilian service that may or may not be creditable for retirement purposes, depending on whether contributions were made to the retirement fund, and whether the employee is covered by CSRS or FERS.

You may have started your Federal service on a temporary appointment, where you were covered by Social Security only. This is called Deposit or Non deduction service because contributions were not made to the CSRS or FERS fund.

You may have applied for a refund of your retirement contributions after leaving Federal service. This is called Redeposit service because in certain situations, you may be eligible to redeposit the refunded contributions, with interest, back into the retirement fund.

## **Creditable Service**

### **CSRS Deposit Service**

Temporary service or non-covered service for which no retirement contributions were made to the CSRS fund.

#### **Service performed before 10-1-82:**

Deposit not required for retirement eligibility and annuity computation purposes; however, annuity reduced by 10% of deposit due.

#### **Service performed on or after 10-1-82:**

Deposit not required for retirement eligibility; however, must be paid for annuity computation purposes.



If you are a CSRS employee and had temporary or non-covered service prior to October 1, 1982, you will receive credit for retirement eligibility and annuity computation purposes; however, your annuity will be permanently reduced by 10 percent of the amount of the deposit.

If your temporary or non-covered service was on or after October 1, 1982, you will receive credit for retirement eligibility purposes; however, you will not receive credit for annuity computation purposes unless you pay the deposit. For example, if you are age 55 with 30 years of service and two years of that service was temporary service after October 1, 1982, you would still be eligible to retire but your annuity will be computed based on 28 years of service instead of 30.

The amount of the deposit is equal to the retirement contributions which would have been withheld, if it had been covered service, plus interest.

## **Creditable Service**

### **CSRS Redeposit Service**

Prior Federal Service for which you received a refund of CSRS contributions.

#### **Refunded service ending before 10-1-90:**

Redeposit not required to receive credit for retirement eligibility and annuity computation purposes; however, annuity is actuarially reduced by amount of unpaid redeposit.

#### **Refunded service ending on or after 10-1-90:**

Redeposit not required for retirement eligibility; however, must be paid for annuity computation purposes.



If you are a CSRS employee and you received a refund for service which ended prior to October 1, 1990, you will receive credit for retirement eligibility and annuity computation purposes; however, your annuity will be actuarially reduced by the amount of the unpaid redeposit. An actuarial reduction is a reduction based on life expectancy tables established by the insurance industry.

If you have received a refund for service which ended on or after October 1, 1990, you will receive credit for retirement eligibility purposes; however, you will not receive credit for the computation of your annuity unless you pay the redeposit.

## **Creditable Service**

### **FERS Non Deduction Service**

Temporary service for which no contributions were made to the retirement fund.

#### **Service performed before 1-1-89:**

Creditable for retirement eligibility or annuity computation purposes if deposit is paid.

#### **Service performed on or after 1-1-89:**

Not creditable, no deposit allowed.



If you are a FERS employee and had temporary or non-covered service before January 1, 1989, you will **NOT** receive credit for retirement eligibility or annuity computation purposes unless you pay the deposit.

If the temporary or non-covered service was on or after January 1, 1989, it is not creditable for any retirement purposes and you cannot pay a deposit to receive credit.

## Creditable Service

### FERS

**Refunded CSRS contributions:**

Must be redeposited to be creditable for retirement eligibility and annuity computation purposes under FERS.

**Refunded FERS contributions:**

May not be redeposited. Refunded FERS service is never creditable for retirement purposes.



If you are a FERS employee who had previous CSRS covered service and you received a refund for that period of time, you must pay back the refund with interest, in order for that CSRS service to be creditable for retirement.

If you received a refund of your FERS covered service, you permanently lose credit for that service for retirement purposes.

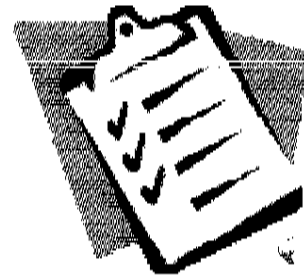
It is important to remember, FERS employees should never take a refund of their FERS contributions if there is a chance they would return to Federal employment in the future, or if they have at least 5 years of creditable FERS service, because they will be eligible for a deferred annuity at age 62.



## Creditable Service

### Service Credit Review

- If you think you have temporary or refunded service, contact your Benefits Specialist for a service credit review.
- Complete the appropriate application form if you want to make the deposit:
  - CSRS/CSRS-Offset use SF-2803.
  - FERS use SF-3108.



You should contact your Benefits Specialist for a service credit review if you think you have temporary or refunded service.

The question of whether or not to make the deposit or redeposit will depend on how it will affect you financially. It may make more sense in some cases to have your annuity reduced rather than pay for this service credit.

If you decide to pay the deposit or redeposit, you will need to complete the appropriate form to do so.

## Creditable Service



### Military Service

To be creditable for retirement:

- Honorable discharge
- Active duty only

Retired military personnel do not receive service unless:

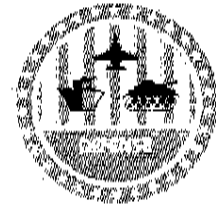
- The retirement is based on:
  - Disability incurred in combat or
  - Age and service in the Reserves
- Or the military retired pay is waived (forfeited)

43

Most active duty military service is generally creditable for retirement unless you are retired from the military.

Retired military service is creditable if it is based on a disability incurred in combat or if it is based on age and service in the Reserves. For most military retirees, it is not beneficial to waive your military retirement pay to receive credit toward your civilian service.

## Creditable Service



### Military Service

#### Post-1956 Military Service Deposits

- CSRS = 7% of military earnings
- FERS = 3% of military earnings
- Paid to Agency before retirement
- No deposit required for military service performed before 1-1-57
- CSRS: No deposit necessary if you will not be eligible for a Social Security benefit

If you have active duty military service after 1956, you may need to pay a deposit to receive retirement credit for this time. Military service after 1956 is creditable for social security benefits. If you are covered under CSRS and will be eligible for a Social Security benefit at age 62, you may wish to pay a deposit of 7% of your military earnings, plus interest, before you retire.

All FERS employees **must** pay a deposit of 3% of their military earnings plus interest to receive credit for their military service.

Reservists called to active duty need to be aware of their rights and benefits and should contact their benefits specialist directly before and after their military duty.

If you have active duty military service and have not paid your deposit, contact your Benefits Specialist to find out how this may impact your retirement benefit.

## Creditable Service

### Service Computation Dates

- **SCD for leave accrual and RIF retention:** Generally includes all prior Federal civilian and creditable active duty military service.
- **SCD for TSP vesting (FERS):** Includes all Federal civilian service, no military service
- **SCD for retirement:** Depends upon retirement plan and deposits/redeposits.



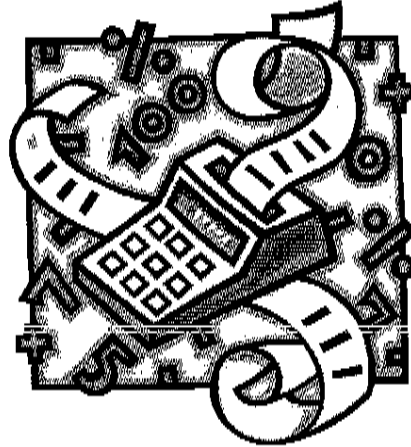
There are three Service Computation Dates (or SCD's) used to determine benefits based on how long you have been in the Federal Service. The Leave and Reduction in Force SCD generally include all creditable civilian and military service, with no regard as to whether deposits are paid. This SCD is used to determine which leave earning category you are in, and to determine seniority in a RIF situation. The leave SCD shows on your SF-50B, Notification of Personnel Action, and on your Statement of Earnings and Leave.

The TSP SCD applies only to FERS employees and includes all Federal civilian service, but no military service. This service computation date is used to determine if a FERS employee meets the 3 years required to be vested in their agency 1% TSP contributions when they leave Federal service. The Retirement SCD is used to determine when you are eligible for a retirement benefit and may be affected by the deposits and redeposits, depending on whether you are covered under CSRS or FERS.

If you are concerned about your service credit, you may request a service credit review at any time by contacting your benefits specialist.

## Annuity Formulas

Let's look at the basic  
benefit formulas for  
CSRS and FERS  
annuities...  
or how much will you  
get when you retire?



When you are planning for retirement, it is important to know how much your CSRS or FERS basic benefit is going to be.

CSRS and FERS are defined benefit plans, which means the amount of your retirement benefit is based on your years and months of creditable service, and your highest three years of salary.

These next slides show how differently the CSRS and FERS annuities are computed.

## Annuity Formulas

The CSRS basic annuity is based on the

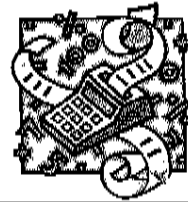
YEARS and MONTHS of CREDITABLE SERVICE  
X  
HIGHEST 3 YEARS of AVERAGE SALARY

Formula:

1.50% X High 3 X First 5 years of service

1.75% X High 3 X Second 5 years of service

2.00% X High 3 X Years over 10



This slide shows the CSRS formula used to compute your annuity.

Your high 3 salary is the largest annual rate of pay resulting from averaging your pay rates in effect over any three consecutive years, with each rate weighted by the length of time it was in effect. For most employees, it is usually the last 3 years of Federal service. Overtime, awards and premium pay are not used to compute the high 3 average.

## Annuity Formulas

CSRS basic annuity formula shortcut:

Length of service, minus 2, times 2

Example:

$$30 \text{ years} - 2 = 28$$

$$28 \times 2 = 56$$



In this example, a CSRS employee with 30 years of service would receive 56% of the high 3 average salary.

An easier way to estimate your CSRS annuity is to use the formula short cut:

Take your years of service, subtract two years, and then multiply that by two. For example, if you have 30 years of service, subtract 2, which leaves you with 28. Multiply 28 by 2 which equals 56. You will receive approximately 56% of your high 3 average salary as your annual annuity.

The maximum CSRS benefit is 80% of the average salary, which is reached when an employee has 41 years and 11 months of creditable service.

This shortcut formula does not apply to disability retirement.

## Annuity Formulas

FERS basic annuity is based on:

YEARS and MONTHS of CREDITABLE SERVICE

X

HIGHEST 3 YEARS of AVERAGE SALARY

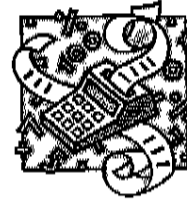
Formula:

1% X YEARS OF SERVICE X HIGH 3

OR

If age 62 with over 20 years of service:

1.1% X YEARS OF SERVICE X HIGH 3



Example: FERS employee with 30 years of service retiring at MRA would receive 30% of high 3 salary, or if retiring at 62, would receive 33%.

This shows the FERS basic annuity formula.

In this example, a FERS employee with 30 years of service would receive 30% of their high 3 salary, or if retiring at age 62, 33%.

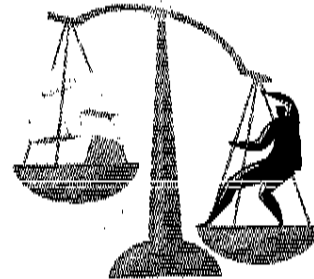
These formulas do not apply to disability retirements.



## Annuity Formulas

### Comparison of Basic Annuity Formulas

- Assume 30 years of creditable service:
- CSRS Annuity = 56% of high 3 average salary
- FERS Annuity = 30% of high 3 average salary



When we compare CSRS annuities and FERS annuities, you can see how a FERS employee needs to find a way to make up the difference in order to have a comfortable retirement. This is why the Thrift Savings Plan is absolutely critical for FERS employees.

If you are covered under FERS, you have an increased responsibility for retirement planning, since a significant—and for many of you—the largest portion of your retirement benefit will come from the Thrift Savings Plan.

## Annuity Formulas FERS Annuity Supplement

- Part of FERS Basic annuity.
- Provides FERS retirees a supplement similar to a Social Security benefit until the actual Social Security is payable at age 62.
- Subject to the Social Security annual earnings limitation.
- Eligible if you retire voluntarily at MRA with 30 years of service, or age 60 with 20 years, or under Early Out or Discontinued Service when MRA is reached.
- Supplement is calculated based on Social Security benefits earned as a Federal employee.
- Supplement ends at age 62.
- Annuity Supplement is not paid to FERS retirees under Disability, MRA + 10, or Deferred Retirement.

If you are a FERS employee and you retire before age 62 on an immediate annuity, you do have one other benefit to help bridge the gap financially until you are eligible for a Social Security benefit. This is referred to as the FERS annuity supplement. You are eligible for this supplement if you retire voluntarily at your Minimum Retirement Age with 30 years of service or age 60 with 20 years of service. You may also be eligible under an Early Out or Discontinued Service retirement at or after your Minimum Retirement Age. If your earnings from wages or self employment exceed the Social Security annual earnings limit, your FERS annuity supplement will be reduced or eliminated. The annuity supplement ends at age 62. There are no Cost Of Living Adjustments (COLAS) on the supplement.

You are not eligible for the supplement if you retire under a disability, MRA plus 10 or a deferred retirement.

## Cost of Living Adjustments COLA - CSRS

- COLA is determined by change in Consumer Price Index (CPI).
- COLA is effective on December 1 of the year in which your annuity begins, payable in the January annuity check.
- First CSRS COLA is prorated based on the number of months in the preceding year you have been retired. For example, if annuity began in July, CSRS annuitant would receive 5/12 of COLA the following December.

The annual Cost of Living Adjustments, or COLAs, is a financial advantage provided to Federal retirees, which is not available to many retirees in the private sector. If you are covered under CSRS, your COLA is determined by the annual change in the Consumer Price Index or CPI. It is effective on December 1 and is payable in the January annuity check. Your first COLA is prorated based on the number of months you have been retired. For example, if your annuity began in July, you would receive 5/12ths of the COLA payable in January because you would have been retired for only 5 months by December 1. CSRS retirees receive COLAs regardless of the age at which they retire.

## Cost of Living Adjustments COLA – FERS

- COLA is determined by change in Consumer Price Index (CPI), and is generally less than the CPI increase.

<u>Increase in CPI</u>	<u>Annual COLA %</u>
▪ Up to 2%	Same as CPI
▪ 2% to 3%	2%
▪ 3% or more	CPI minus 1%

The FERS COLA is often referred to as the “diet COLA” because it is not as generous as the CSRS COLA.

This chart shows how the increase in the Consumer Price Index affects the annual FERS COLA.

If the Consumer Price Index is less than 2 per cent, the FERS COLA will be the same as the Consumer Price Index.

If the Consumer Price Index increases between 2 to 3 per cent, FERS retirees will get 2 per cent. If the Consumer Price Index increases by 3 per cent or more, FERS retirees will receive 1 percent less than that. For example, an increase in the CPI of 2.5% would mean a COLA of 2%.

## FERS COLA

- First FERS COLA is effective on December 1 after you reach age 62 or after the annuity begins, whichever is later. Disability annuitants generally receive COLA the first December following retirement.
- First FERS COLA is prorated based on the number of months in the preceding year you have been retired, payable in the January annuity check.

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Another important difference for FERS employees to be aware of when planning their retirement is that you will not receive a Cost Of Living Adjustment from age 55 (or your minimum retirement age) until the December after age 62.

If you are a FERS transferee, you will receive COLA's on the CSRS component subject to the CSRS rules and COLA's on the FERS portion according to the FERS rules.

## CSRS Credit for Unused Sick Leave

- CSRS employee must meet the service requirements for retirement before the sick leave credit is given – the sick leave cannot be used to establish eligibility for retirement.
- Unused sick leave is converted to a 2087 hour work year chart, and converted to years, months, and days of service.  
Example:



<b>Service Time</b>	<b>30 years</b>	<b>8 months</b>	<b>25 days</b>
<b>Sick Leave</b>	<b>1 year</b>	<b>2 months</b>	<b>10 days</b>
<b>Retirement Credit</b>	<b>31 years</b>	<b>11 months</b>	

If you are a CSRS employee, you will receive credit for unused sick leave as additional service time in computing your retirement annuity. You must meet the service credit requirements for eligibility to retire before the sick leave credit is given.

Based on a 2,087 hour work year chart, your unused sick leave is converted to years, months and days of service.

The additional sick leave service is then added to your actual creditable service. Only full years and months are used to calculate the annuity. Unused days are dropped.

In this example, the CSRS employee had 30 years, 8 months and 25 days of actual service (based on the retirement service computation date and the effective date of the retirement). He or She had 2,493 hours of sick leave which is converted to 1 year, 2 months and 10 days of additional service. Their annuity will be computed on the total credit of 31 years and 11 months. There is an extra 5 days that will be dropped. As a note of caution, 5 days is not equal to 40 hours of sick leave; it is equal to 29 hours of sick leave. So in this example, if the employee used more than 29 hours of sick leave before retiring resulting in a sick leave balance of less than 2,464 hours, they would lose a month of service time.

## Credit for Unused Sick Leave

- FERS – Unused sick leave is not creditable in the retirement annuity.
- FERS TRANSFERREES –  
CSRS employees who transferred to FERS may receive credit for SL at time of retirement, or SL at time of transfer to FERS, whichever is less.

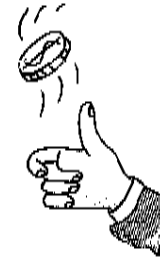


If you are a FERS employee, your unused sick leave is not creditable for retirement purposes.

If you transferred to FERS, you will receive credit for the lesser of your sick leave balance at the time you transferred to FERS or your sick leave balance at the time of retirement.

## Voluntary Contributions to CSRS

- CSRS employees may buy additional annuity by making voluntary contributions to the CSRS fund, after all deposits and redeposits have been paid in full.
- See SF-2804 for information.
- FERS employees may not make voluntary contributions.

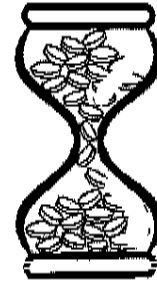


Voluntary contributions are available only to CSRS employees provided they do not owe any deposits or redeposits. It is a way for CSRS employees to increase their annuity when they retire. As a CSRS employee, you can contribute up to 10 per cent of your total lifetime government earnings. Your contributions earn interest until you retire. At that point, you can either purchase additional annuity or close it out and take a refund of just your voluntary contributions with the interest. FERS employees are not eligible to make voluntary contributions.



## Alternative Form of Annuity

- Available only to employees retiring under Voluntary retirement (not disability) who have a life-threatening illness.
- Eligible retirees may elect to receive a lump sum payment of all retirement contributions, and a reduced monthly annuity.
- Survivor annuity is not affected.

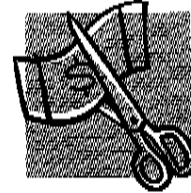


The alternative form of annuity is only available to employees who have a life-threatening illness and who are eligible to retire under a voluntary basis. You can elect to receive a lump sum payment of all your retirement contributions with a reduced monthly annuity. The lump sum payment will not reduce the survivor annuity.

## Basic Annuity Reductions

Annuity may be reduced for:

- Survivor benefits
- Unpaid Deposits or Redeposits
- CSRS early or discontinued service retirement before age 55
- FERS MRA + 10 retirement before age 62
- CSRS Offset



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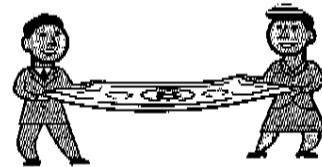
We have reviewed different things you can do to increase your retirement annuity, such as paying deposits or redeposits, saving your sick leave if you are CSRS or making voluntary contributions if you are CSRS.

Some of the things that will **reduce** your annuity are providing a survivor benefit for your spouse, not paying for a deposit or redeposit (including military service), electing to take a CSRS early or discontinued service retirement before age 55, or electing to take a FERS MRA plus 10 retirement before age 62.

If you are in the CSRS offset retirement plan, your annuity will be reduced or offset at age 62 by the amount of the Social Security benefit you earned while covered by CSRS Offset.

## Survivor Benefits

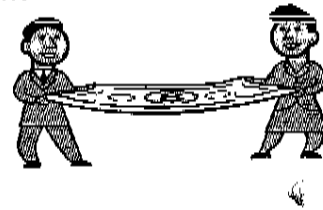
- Retiring employee chooses amount of survivor benefit for spouse.
- CSRS survivor benefits:
  - 55% of base annuity
  - Or 55% of any amount less than the annuity.
  - Cost of survivor annuity is
    - 2.5% of first \$3,600 of annuity, plus 10% of all additional base amount elected.



A survivor benefit provides a monthly payment to your spouse after your death. If you die while still employed, any benefits are paid to your spouse and or children. When you retire, you will need to decide to elect or not elect a survivor benefit for your spouse. The Civil Service Retirement System allows you to choose a maximum (or full) survivor benefit of 55% of your base annuity or a **partial** survivor benefit of 55% of any amount less than your base annuity. The cost of the survivor annuity is 2.5 per cent of the first \$3,600 of the annuity, plus 10 per cent of all additional base amount elected. Your base annuity is the amount you are entitled to before any deductions are made.

## Survivor Benefits

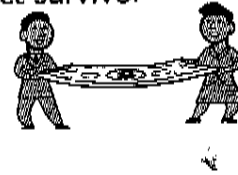
- FERS survivor benefits:
  - 50% of base annuity or
  - 25% of base annuity
  
- Cost of survivor annuity is
  - 10% reduction for 50% survivor benefit
  - 5% reduction for 25% survivor benefit



FERS employees have two choices for electing a survivor benefit. You can elect the maximum (or full) survivor benefit, which is 50 per cent of your base annuity or you can elect a **partial** survivor benefit, which is 25 per cent of your base annuity. The cost for the maximum survivor benefit is a 10 per cent reduction in your annuity. The partial survivor benefit will reduce your annuity by 5 per cent.

## Survivor Benefits

- Retiring employee cannot elect less than full survivor benefits without the consent of spouse.
- Survivor benefits are payable after retiree dies.
- Survivor benefits are payable for life of spouse unless spouse remarries before age 55.
- Change in marital status after retirement:
  - Death or divorce of spouse - may restore annuity to full annuity without reduction.
  - New marriage after retirement – may elect survivor benefits within 2 years of marriage.

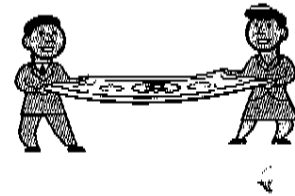


In order to elect less than the maximum survivor benefit, your spouse must sign a consent form and have it notarized. This helps to avoid any surprises after your death which is when the survivor benefits are payable. Your spouse will continue to receive a monthly survivor annuity for the rest of his or her life unless they remarry before age 55.

If you elect a survivor benefit and your spouse dies or you are divorced after you retire, your annuity will be adjusted to what it would be without the reduction for the survivor benefit. Also, if you are single when you retire and get married after your retirement, you may elect a survivor benefit within two years of marriage.

## Survivor Benefits

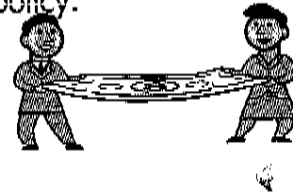
- If you are enrolled in a Federal Employee's Health Benefit (FEHB) family plan at the time of death, coverage continues as long as the survivor annuity is payable.
- You must provide a survivor benefit in order to continue health benefits coverage for your spouse after your death.



When you die, your spouse will be able to continue coverage under the Federal Employee's Health Benefit plan as long as you are enrolled in the family option **and** you have elected to leave your spouse a partial or full survivor annuity. If you are enrolled in the family option but did not elect a survivor benefit for your spouse, or if you die while you are enrolled in a self only coverage, your health insurance dies with you.

## Survivor Benefits

- Why do some retirees choose less than a full survivor benefit?
  - To receive more money in your own retirement check.
  - Spouse has their own retirement benefit (and health insurance).
  - You may have a large life insurance policy.
  - Investments may provide an annuity.



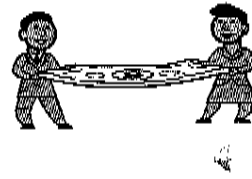
The most obvious reason you may want to elect a partial or no survivor benefit is to receive more money in your own retirement check. Another reason is that your spouse may have their own retirement benefit or perhaps you have a large life insurance policy or other investments, and you are comfortable that your spouse will be financially savvy to use that money wisely in replacing your income.

The government survivor benefits are hard to beat since it provides your spouse with a guaranteed amount each month, and future cost of living adjustments. Also it is paid for with **before** tax dollars. In other words, you are taxed on the reduced annuity and not the gross annuity.

Always remember that you **MUST** provide at least a partial survivor benefit to continue health benefits coverage for your spouse after your death.

## Survivor Benefits

- It is not necessary to elect survivor benefits for children. Children's benefits are payable until age 18, or 22 if a full time student.
- Children's benefits also can be paid to a child who is over age 18 and incapable of self support because of a disabling condition that began before age 18.



You do not need to elect survivor benefits for children. Survivor benefits for children are payable if they are unmarried and under age 18 or age 22, if a full time student. If you have a disabled child who is incapable of self support, their benefit will continue for the rest of their life unless they marry, recover from the disabling condition or become capable of self support.



## When to Retire???

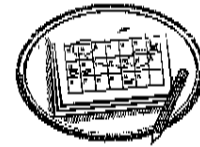
### ➤ End of a Month

- FERS – retirement benefits paid from the first day of the month following your retirement.
- CSRS – same as above except you have the additional flexibility to retire on the first, second or third day of the month and have your annuity commence the next day.



### ➤ End of Pay Period

- You will earn AL and SL for your last pay period.

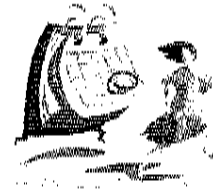


Here are some things to consider when deciding the best time for you to retire. One important item to consider is when your retirement benefits will begin. Retirement benefits for FERS employees begin the first of the month following your retirement. If you retire at the end of the month, your benefits begin the next day. This is also true for CSRS employees, however, CSRS employees have the flexibility to retire on the first, second or third day of the month and have their annuity start the next day. Keeping that in mind, some employees try to retire at the end of a pay period so they will accrue annual and sick leave for their last pay period.

## When To Retire??? (continued)

### ■ End of the Year

- You can maximize your lump sum payment for annual leave (more than the 240 hour limit).
- Lump sum is paid in the next tax year.



### ■ Pay Increase

- Increases amount of life insurance.
- Annual leave lump sum is paid at higher rate.

### ■ Maximize TSP Contributions

Many employees decide to retire at the end of the year (no later than December 31 for FERS or January 3 for CSRS) in order to receive the lump sum payment for annual leave in the next tax year. You can expect to receive your lump sum payment within 30 to 45 days after retirement. Sick leave is NOT paid out in a lump sum

When you are choosing a retirement date, you might want to wait until after a Pay Increase, which could be the January pay increase, a within-grade increase or a promotion. A higher salary will increase the amount of your life insurance coverage and will increase the amount of your lump sum payment for annual leave.

You could also time your retirement in order to maximize your Thrift Savings Plan contributions, up to the IRS elective deferral limit for the year.

## Continuing Federal Employees Health Benefits Into Retirement

- **Requirements**
  - Retire on an immediate annuity.
  - Be continuously covered by the Federal Employees Health Benefits (FEHB) for 5 years preceding retirement or from your first opportunity to enroll.
- **Premiums**
  - You pay the same premium rate as employees.
  - Premiums are deducted from your monthly annuity check.



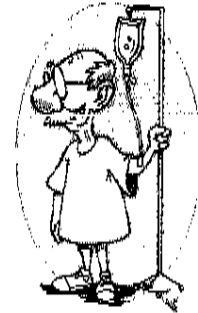
Your health insurance will automatically continue into retirement if you are retiring with entitlement to an immediate annuity **and** you have been enrolled in any Federal Employee Health Benefits plan for the 5 years preceding your retirement or from your first opportunity to enroll. This includes coverage under your spouse's FEHB, or under TRICARE or TRICARE-For-Life, which is used by the uniformed services members and their families.

If you are covered by your spouse's private sector health plan because it is less expensive or has better coverage, will your spouse be eligible to continue it into retirement? Many private sector employers drop their retirees from health coverage, or require their retirees to pay the entire premium. If that is the case, you may want to protect your options by enrolling in an FEHB plan for at least five years before you plan to retire.

As a retiree, you will continue to pay the same FEHB premium rate as an employee. The premiums will be deducted from your monthly annuity check. If your annuity check is insufficient, payments for premiums may be made directly to the Office of Personnel Management.

## Continuing Federal Employees Health Benefits Into Retirement

- Open Season
  - You have the same open seasons as employees.
  - Changes are made through OPM.
  - If you cancel your health insurance, you cannot enroll after retirement.



Also, as a retiree, you will have the same open season opportunities as an employee. Any changes will be made through the Office of Personnel Management instead of your former agency Human Resources office. One thing you may not do after you retire is enroll or re-enroll if you have previously cancelled your coverage.

## Continuing Federal Employees Health Benefits Into Retirement

- Surviving spouse considerations
  - Your spouse may continue coverage, if you are enrolled in a family plan and a survivor annuity is payable at the time of your death.
  
- Medicare
  - Medicare becomes primary at age 65 if you are retired. As an employee, your FEHB is primary and Medicare is secondary at age 65.



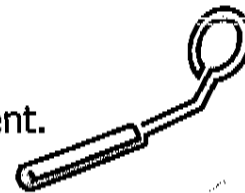
In order for your spouse to continue FEHB coverage after your death, you must be enrolled in a family plan and have elected at least a partial survivor benefit.

At age 65, you will be eligible for Medicare. If you are still employed, your FEHB will be primary and Medicare secondary. If you are age 65 and **retired**, those roles reverse and Medicare becomes primary and your FEHB is secondary.

## Continuing Federal Employees Dental and Vision Insurance Program (FEDVIP) Into Retirement

### ■ Requirements:

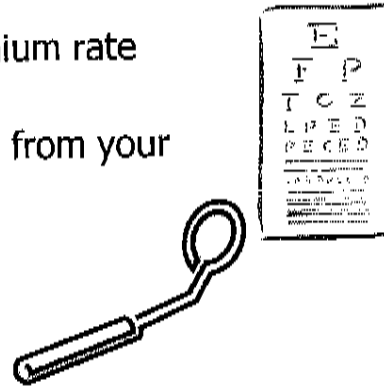
- Retire on an immediate annuity.
- No 5-year rule.
- Can cancel coverage only during Open Season.
- Can re-enroll during Open Season or because of a Qualifying Life Event.



Unlike the Federal Employees Health Benefits and Life Insurance, the Federal Employees Dental and Vision Insurance Plan only requires that your separation entitles you to an immediate annuity. You do not need to be enrolled in FEDVIP for the 5 years just before you retire. You may cancel your coverage during Open Season and re-enroll in another Open Season or when you have a Qualifying Life Event.

## Continuing Federal Employees Dental and Vision Insurance Program (FEDVIP) Into Retirement

- Premiums:
  - You pay the same premium rate as employees.
  - Premiums are deducted from your monthly annuity check.



If you are enrolled in FEDVIP at the time of your retirement, you should contact BENEFEDS to let them know. BENEFEDS will contact the Office of Personnel Management to arrange to have premiums deducted from your annuity check; however, premiums cannot be deducted while you are in “interim” pay status or in other words until your monthly retirement pay has been finalized. FEDVIP premiums are taken from annuity checks on an after-tax basis.

## Continuing Federal Employees Group Life Insurance Into Retirement

### ■ Requirements:

- Retire on an immediate annuity
- Continuous coverage for 5 years preceding retirement, or since your first opportunity to enroll.
- Make choices on SF-2818.



Conversely, your life insurance will automatically continue into retirement if you are retiring with entitlement to an immediate annuity **and** you have been enrolled in the Federal Employees Group Life Insurance for the 5 years preceding your retirement or since your first opportunity to enroll.

At retirement, you elect how to continue your life insurance using Standard Form -2818, Continuation of Life Insurance Coverage. The cost varies depending on the choices made.



## Continuing Federal Employees Group Life Insurance Into Retirement

### ■ **Basic Life:**

- No reduction
- 50% reduction\*
- 75% reduction\*

\*reduction starts at age  
65, or upon retirement,  
if older than age 65



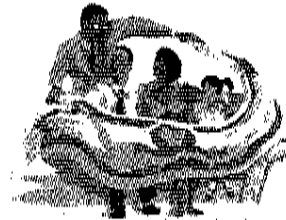
The amount of your Basic Life Insurance is your annual salary at the time of retirement rounded up to the next thousand plus \$2,000.

If you elect the 75 per cent reduction for your Basic Life Insurance, the amount of your coverage reduces by 2 per cent each month, for 38 months, until 25 per cent of the original amount is remaining. The reduction in the amount of your coverage does not begin until age 65 and at that point you no longer pay a premium. If you choose either the 50 per cent reduction or no reduction, you will continue paying premiums for the rest of your life.

## Continuing Federal Employees Group Life Insurance Into Retirement

### ■ **Option A Standard Coverage:**

- **No Choice:** Automatically reduces 75% beginning at age 65, or upon retirement, if older than age 65
- Reduces 2% per month until it reaches a value of \$2,500



Option A – Standard life insurance coverage is \$10,000 . If you are eligible and elect to continue Option A, at age 65, the coverage will reduce by 2 per cent each month until it reduces by 75 per cent. It takes approximately 38 months to reduce to its final value of \$2,500. Beginning at age 65, there is no cost to continue Option A – Standard.

## Continuing Federal Employees Group Life Insurance Into Retirement

### ■ **Option B Additional Coverage:**

- No reduction
- Full reduction\*

\*reduction starts at age 65,  
or upon retirement, if older  
than age 65



Depending on your previous election, Option B – Additional life insurance coverage equals 1 to 5 multiples of your annual basic pay rounded to the next thousand. When you retire, you may elect “No Reduction”, which means you will continue to carry the full amount of your coverage and the premiums will be withheld according to your age group for the remainder of your life. If you elect “Full Reduction”, you will continue full coverage, paying premiums based on your age, until age 65. At age 65, you no longer pay any premiums; however, the amount of your coverage begins to reduce by 2% each month until after 50 months, no coverage remains.

## Continuing Federal Employees Group Life Insurance Into Retirement

### ■ **Option C Family Coverage:**

- No Reduction
- Full Reduction\*

\*Reduction begins at age 65,  
or upon retirement, if older  
than age 65



Option C – Family is coverage on your spouse and any eligible children (generally, those unmarried and under the age of 22).

Each multiple covers your spouse for \$5,000 and eligible children for \$2,500. If you elect “No Reduction” of this coverage, you will continue full coverage for life and will pay premiums, based on your age group, for the rest of your life. If you elect a “Full Reduction”, until age 65, you will continue full coverage, paying premiums based on your age. At age 65 you no longer pay any premiums; but, as in the case of Option B, coverage reduces at the rate of 2% each month until no coverage remains after 50 months.

## Requesting a Retirement Calculation



- NFC's Personal Statement of Benefits, provided annually to employees, provides an overview of your benefits, but is not considered accurate for retirement calculation purposes.
- If you have questions about your creditable service history, contact your HR Benefits Specialist for a service credit review.
- When you are within 3 years of retirement eligibility, contact your HR Benefits Specialist for a more accurate retirement calculation and current retirement information.

Although all permanent employees receive an annual Personal Statement of Benefits from the National Finance Center each Spring, this statement may not always be completely accurate for retirement benefits purposes. It provides a wonderful yearly overview of your benefits, however, it does not show reductions for unpaid service credit deposits or redeposits. When you are nearing retirement, you should seek more specific information from your Human Resources Benefits Specialist. We have a variety of information to provide you, as well as additional resources on websites.

## Retirement Application Forms

You will need to complete the following forms for retirement:

- SF-2801, Application for Immediate Retirement (CSRS)
- OR
- SF-3107, Application for Immediate Retirement (FERS)
- SF-2818, Continuation of Life Insurance Coverage as an Annuitant
- RI 38-128, It's Time to Sign Up for Direct Deposit
- IRS Form W-4P, Withholding Certificate for Pension or Annuity

In order to apply for retirement, you will need to complete the following forms: an Application for Immediate Retirement, a Continuation of Life Insurance Coverage form, a form to indicate your Direct Deposit account, and a Federal tax withholding form.

## Retirement Process



- You determine the effective date of your retirement and submit completed retirement application forms to Human Resources (HR) Benefits, preferably 30 to 60 days before retirement.
- HR completes retirement paperwork, processes action to separate you, and submits retirement case to the National Finance Center (NFC).
- NFC prepares final payroll record and submits retirement case to the Office of Personnel Management (OPM).
- OPM assigns you a Civil Service Annuity (CSA) number and begins interim annuity payments followed by a final review to begin full payments.

When you are eligible and have decided on an effective date, you need to complete the retirement application forms. It is best to submit these forms at least 30 days prior to retirement, to be certain nothing is missing.

After your retirement paperwork and personnel action are processed in Human Resources, your retirement case is forwarded to the National Finance Center for preparation of your personnel and payroll retirement records. Within 30 days, your case will be forwarded to the Office of Personnel Management.

OPM will then issue you a Civil Service Annuity or CSA number, which must be referred to whenever you contact them. Interim payments (worth about 75-80% of the actual annuity) should begin within 2 months of the receipt of your case at OPM. No health or life insurance deductions come out of these interim payments.

After your case is assigned to an OPM case examiner in Washington, DC, all service claimed is verified and the annuity is finalized. OPM will then send you an annuity statement that shows the amount of interim payments received, the amount of the monthly annuity, the deductions that will be taken from the annuity check for health and life insurance premiums, provision of the survivor annuity, health benefits enrollment code and other pertinent information.

You will receive your annuity check on the first business day of each month.

## Retirement Planning

"Most people over age 55 view retirement not as a time to relax and do nothing, but as a time to do all sorts of new things."

1. Are you ready to retire?
2. What will you do with your time when you retire?
3. Will you have enough money to enjoy your retirement?

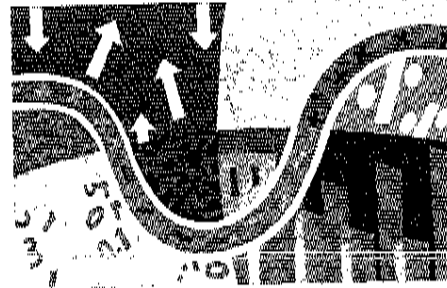
Many people contemplating retirement, don't look at it as a time to sit around and do nothing, but a time to try many new things.

Here are three questions you may wish to ask yourself. #One – Are you ready to retire? #Two – What will you do with your time once you are retired? and #Three – Will you have enough money to enjoy that retirement?



## Retirement Planning

- YOU are responsible for your own retirement and for your own financial success!
- It is YOUR responsibility to gather information, make decisions, and plan for the best outcome!



Years ago, you went to work for the Federal Government and didn't have to pay any attention to or think about your benefits until it was time to retire. There was only one retirement plan, Civil Service Retirement System, and the government took care of it's employees from "cradle to grave".

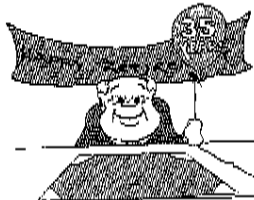
There was no Thrift Savings Plan and the life insurance program had only Basic plus the Option A – standard coverage.

Now, life has become more complex and you must take responsibility for your retirement and financial success.

## Retirement Resources

- Your HR Benefits Specialist
- Web Site:

[www.opm.gov/retire](http://www.opm.gov/retire) (Frequently Asked Questions, Tools, Pamphlets, Publications, Forms and links to many other web sites)



We have reviewed a wide variety of information regarding your retirement. Your Human Resources Benefits Specialist is available to assist you with your retirement planning and questions. Additional information is also available at the web site listed for the Office of Personnel Management.

## Thank you for your attention!

- Contact your servicing Human Resources Benefits Specialist if you have any questions about retirement or your other Federal benefits!



Thank you for listening to this information regarding your retirement.  
Please contact your servicing Human Resources Benefits team if you have any questions about retirement or any of your other Federal benefits!