

Everything You Ever Wanted to Know about Retirement...

To Coordinate with OWCP

presented by

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Retirement Planning

- Introduction
- Goals for session:
 - Provide a basic understanding of the retirement system to determine eligibility.
 - Assist employees who will be on the long term OWCP rolls in making decisions to preserve their rights and those of their survivors in the event they should lose OWCP entitlement in the future.
- Background



Voluntary Retirement

- Age and service requirement
 - CSRS 55/30 - FERS MRA/30 years of service
 - Age 60 with 20 years of service
 - Age 62 with 5 years of service
- Minimum 5 years civilian service



Minimum Retirement Age

If year of birth is... The minimum retirement age is...

Before 1948	55 years
1948	55 years and 2 months
1949	55 years and 4 months
1950	55 years and 6 months
1951	55 years and 8 months
1952	55 years and 10 months
1953 to 1964	56 years
1965	56 years and 2 months
1966	56 years and 4 months
1967	56 years and 6 months
1968	56 years and 8 months
1969	56 years and 10 months
After 1969	57 years

Minimum Retirement

Age+10

- Minimum retirement age (MRA)
- Minimum 5 years civilian service
- 10-year service requirement
- No entitlement to immediate annuity based on age and service



Early Voluntary

- Age and service requirement
 - Age 50 with 20 years of service or
 - Any age with 25 years of service
- Minimum 5 years civilian service
- Serve in position covered and separate by close of early out period



Discontinued Service

- Age and service requirement
 - Age 50 with 20 years of service or
 - Any age with 25 years of service
- Minimum 5 years civilian service
- No declination of a “reasonable job offer”



Deferred Retirement

- Not eligible for immediate annuity within one month of separation
- Minimum 5 years civilian service
- **No** refund of retirement deductions



Air Traffic Controllers

- Age and service requirement
 - Age 50 with 20 years ATC
 - Any age with 25 years ATC
- Mandatory retirement with 20 years of ATC covered service at age 56



Special Provisions LEO/FF

- Age and service requirement
 - Age 50 with 20 years LEO/FF
- FERS - Any age with 25 years of service
- Mandatory retirement with 20 years of special provision retirement coverage
 - Law enforcement officers age 57
 - Fire fighters age 557



National Guard Techs

- Same requirements as regular employees for immediate retirement
- Eligible for special disability retirement if
 - CSRS - Medically disqualified for military duty and 5 years of service
 - FERS - Lose military status due to disability and 18 months of service



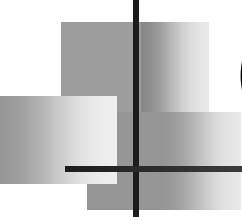
Disability Retirement

- Covered by and disabled while subject to retirement coverage
- CSRS - 5 years civilian service
- FERS - 18 months civilian service



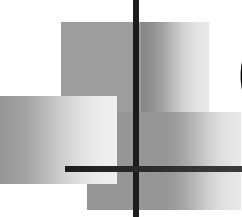
Disability Requirements

- Document disability criteria
- Periodic medical reviews
- Medically recovered
- Restored to earning capacity



CSRS Disability Computation

- Disability annuitant receives higher of general formula or guaranteed minimum of:
 - 40% of high 3 or
 - Amount obtained under general formula projecting to age 60



FERS Disability Computation

- First 12 months - 60% of high-3 minus 100% of social security benefit
- After first 12 months - 40% of high-3 minus 60% of social security benefit
- Re-computed at age 62



Creditable Service

- Civilian service
- Military service
- CSRS - unused sick leave
 - TransFERS – unused sick leave for the CSRS component
 - FERS RN's with VHA



Civilian Service

- CSRS - service performed even if no retirement deductions were withheld
- FERS - service performed as long as retirement deductions are made to retirement system either through payroll or by deposit



Deposit Service CSRS

- Prior to 10/01/82, creditable for length of service & annuity computation. Without deposit, 10% of amount owed + interest will be subtracted from annuity check. Interest is at the rate of 3% compounded annually.
- After 09/30/82, only counts as length of service unless a deposit is made. Interest is charged annually at a variable interest rate.



Deposit Service FERS

- Non-deduction service performed prior 01/01/89 must make deposit to count for any purpose. Interest is charged annually at the rate of 3% through 12/31/1984 and at a variable interest rate beginning 01/01/1985.



Redeposit Service CSRS

- Refunded service prior to 10/01/90, redeposit not required (will be actuarially reduced).
- Refunded 10/01/90 or after, counts for eligibility but redeposit must be made to be used in annuity computation.



Redeposit Service CSRS

- Interest on refunds
 - If refund was based on an application received prior to 10/01/82, interest accrues daily (compounded annually) beginning on date refund was paid and charged at the rate of 3% from 1948 until date redeposit is made or date of retirement.
 - If refund was based on an application received after 09/30/82, interest is charged beginning on the date the refund was paid at a variable rate compounded annually.



Redeposit Service FERS

- Refunded service is not included for length of service **nor** in annuity computation. Only an option if refunded as CSRS.



CSRS Part-time Service

- Prior to 04/07/86, counts as full time.
After 04/06/86, compute using
proration factor of

Actual hrs worked 4/7/86 to date of separation

Total full-time hrs possible from 4/7/86 to date of separation

(Does not include additional credit for unused SL)



FERS Part-time Service

- Reflects difference between full-time and part-time service for entire period of FERS service including military service

Actual hrs worked during all creditable FERS service

Total full-time hrs possible during all creditable FERS service



Intermittent Service

- Actual days in pay status are credited
- Use 260 day work year chart before March 1, 1986; use 2087 chart after
- Days credited should be documented on SF-50, notification of personnel action



Military Service

- Military service counts if
 - Performed prior to separation upon which title to an annuity is based
 - Is not included in the computation of retired military pay and
 - If performed after December 31, 1956, some employees will have to make a deposit to receive/retain credit



Military Service Deposits

- CSRS
 - If employed prior to 10/01/82, post-56 military service counts with no deposit but with possible reduction at age 62
 - If employed after 09/30/82, requires a deposit for eligibility and annuity computation purposes
- FERS
 - Post-56 military service requires a deposit for eligibility and annuity computation purposes



Sick Leave

- CSRS = used to increase service, not for meeting minimum length of service requirement
- FERS = does not apply unless RN with VHA
- TransFERS = sick leave balance on date of transfer or date of retirement, whichever is **less**



High-3 Average Salary

- Largest annual rate resulting from averaging rate of basic pay
- Must be continuous 3 years of service

Example High-3 Average Salary

Retirement date 01/31/2001

02/01/1998 to 05/09/1998	$\$35,088 \times 0.275000 =$	\$ 9,649
05/10/1998 to 01/02/1999	$\$36,521 \times 0.647222 =$	23,637
01/03/1999 to 01/01/2000	$\$37,430 \times 0.997222 =$	37,326
01/02/2000 to 05/06/2000	$\$39,184 \times 0.347222 =$	13,606
05/07/2000 to 01/13/2001	$\$40,336 \times 0.686111 =$	27,675
01/14/2001 to 01/31/2001	$\$41,828 \times 0.047222 =$	1,975

Total salary = \$113,868

High-3 average salary = \$37,876



Commencing Date of Annuity

- CSRS - First day of the month after separation from service (can work up to 3 days in a month and annuity will commence day after separation)
- FERS - First day of the month after separation from service
- Exceptions - Disability retirements and CSRS Discontinued service



CSRS Annuity Formulas

1.50% x high-3 x 1st 5 years/service

1.75% x high-3 x 2nd 5 years/service

2.00% x high-3 x years/mths over 10

Maximum annuity payable cannot exceed
80% of high-3 average salary =
41 years/11 months of service



FERS Annuity Formulas

- General formula-immediate unreduced:
 - Under age 62 =
 - $1\% \times \text{high-3} \times \text{years/months of service}$ plus FERS annuity supplement
 - 62 or older with less than 20 years =
 - $1\% \times \text{high-3} \times \text{years/months of service}$
 - 62 or older with more than 20 years =
 - $1.1\% \times \text{high-3} \times \text{years/months of service}$



Survivor Benefits

- 3 choices at retirement:
 - Self-only annuity
 - Partially reduced annuity
 - Fully reduced annuity
- For current spouse, former spouse, or a combination of the two unless there is a valid court order awarding a survivor benefit to the former spouse

CSRS Survivor Benefit Example

- Your annuity is \$25,000 per annum:

$$\$25,000 \text{ (base)} \times 55\% = \mathbf{\$13,750^*}$$

$$- \underline{3,600} \quad \times \quad 2.5\% = \$ \quad 90$$

$$\$21,400 \quad \times \quad 10\% = \$ \underline{2,140}$$

$$\mathbf{\$ 2,230^{**}}$$

*Amount of survivor benefit

**Cost to provide survivor benefit

FERS Survivor Benefit Example

- Your annuity is \$25,000 per annum:

\$25,000

X 10%

\$ 2,500*

\$12,500**

\$25,000

x 5%

\$ 1,250*

\$ 6,250**

*Cost to provide survivor benefit

**Amount of survivor benefit



Orders of Reductions

- Age
- Deposit service
- Survivor election
- Redeposit service
- Alternative annuity
- CSRS Offset



CSRS Offset

- Annuity computed as if full CSRS until age 62. Non-disability annuity reduced by amount of social security attributable to offset service or divide years of offset service by 40. Smaller result will be reduction in CSRS annuity



Death Benefits

- Survivor benefits payable if employee:
 - Completed 18 months creditable civilian service and died while subject to CSRS/FERS
- To be an eligible spouse:
 - Been married for at least 9 months or
 - Child born of the marriage or
 - Death of employee was accidental AND
 - No court order awarding benefits to a former spouse



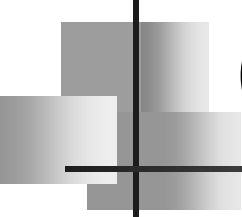
CSRS Death Benefit

- Spouse receives 55% of the higher of:
 - Annuity computed under general formula or
 - Guaranteed minimum which is the lesser of:
 - 40% of deceased employee's high-3 average salary or
 - Regular annuity obtained after increasing deceased employee's length of service to age 60



FERS Death Benefit

- Basic death benefit:
 - \$15,000 increased by all CSRS COLA's beginning December 1, 1987 = \$24,018.48 plus
 - 50% of employee's final annual salary rate (or high-3 average salary if higher)
- Monthly survivor benefit payable if employee had at least 10 years creditable service and died while subject to FERS



Children's Benefits

- Unmarried, dependent child under age 18 unless
- A full time student then under age 22 or
- If disabled, became disabled prior to age 18



Children's Benefits Amount

- Single orphan rate (when child has a living parent who was married to the employee or retiree either at death or at any time prior to date of death):
 - \$ 378 per month per child
 - \$1134 per month divided by eligible children
- Double orphan rate (when child has no living parent who was married to the employee or retiree):
 - \$ 453 per month per child
 - \$1359 per month divided by eligible children



COLA's

- Determined by percent change in base quarter price index from previous year in which COLA is to become effective
- CSRS receive full cola's immediately
- FERS receive reduced COLA after age 62 (unless disability or special provisions)



FERS Annuity Supplement

- To provide a level of income before age 62 similar to Social Security
- Paid by OPM to FERS and TransFERS employees who have at least one calendar year subject to FERS computation rules; under age 62; and retire on an immediate annuity which is not reduced for age



Thrift Savings Plan

- Tax Deferred Saving Plan
 - CSRS employees can contribute up to 7%
 - no matching contributions
 - FERS employees can contribute up to 12%
 - automatic 1% government contribution
 - government match up to 4% more



TSP While Working

- Open Seasons
- Investment Options
- Loan Program
- In-Service Withdrawals
- LWOP
- Leaving Federal Service
 - Payout Options



Miscellaneous Topics...

- Federal Employees' Group Life Insurance
- Federal Employees' Health Insurance
- Medicare



Re-employed Annuitants

- May be re-employed by Federal Government in any appointive or elective position to which you qualify
- Salary is offset by amount of annuity
- Retirement contributions **MUST** be withheld for service time to count



Taxation of Annuities

- Federal taxes are withheld from annuities
- State taxes may be withheld depending on the state where you reside after retirement



In Closing...

- Need more information, feel free to contact me at...

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