

American Postal Workers Union, AFL-CIO



CRS/FERS RETIREMENT SYSTEM HANDBOOK

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Instructor**

Developed by the APWU Retirees Department
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Plan for Retirement

It might seem like retirement is in the distance future, but it's never too early to start planning to enjoy it and in particular able to finance it. Retirement is one of the most important decisions members will make in their life.

- Start planning for retirement as early as possible. At least 5 years before you actually retire. For members, even when you are 45, retirement is still an ideal. It's hard to think that in just 10 more years you won't be working anymore and that you may live another 20 years after that.
- The five-year period before retirement is important for one reason, because you must have health and life insurance coverage for five years immediately before retirement to keep them after retirement or you may be ineligible to continue them into retirement
- You should review your Official Personnel Folder (OPF) to make sure that there is verification of all of your military and civilian service. If any of the records are missing, the Postal Service should help you document the service and obtain any missing records. You will need this information to make decisions to whether to make any necessary payments to receive credit for military or non-contributory service or repay any retirement contribution refunds.

Plan for Retirement (cont.)

If there are no records for periods of federal and/or civilian service you may obtain verification of that service by writing to:

National Archives and Record Administration
Records Center

(Civilian Personnel Records)

111 Winnebago Street

St. Louis, MO. 63J18

- Social Security may affect your benefits after retirement. You should request information on your eligibility for Social Security benefits and estimates of these benefits from the Social Security Office. Submit form SSA-7004-PC (request for earnings and benefits estimate statement). Keep in mind the estimates you received do not reflect any reduction for the Government Pension Offset or the Windfall Elimination Provision.
- Discuss your plans with your spouse. Both you and your spouse need to be aware of all the changes that retirement will bring. Your spouse may not be eligible to retire or your spouse may never retire from being a homemaker.

After 30 years, your spouse may not want you fiddling around the house, in the way, for an extra 10 hours a day. This does not mean a full schedule of volunteer work or projects. It means that you will need an excuse for getting up and getting started in the morning.

Ten Retirement Mistakes

1. Retiring on the spur of the moment because of a difficult assignment or personality clash on the job. The early out of “92” is a good example.
2. Failing to discuss retirement plans with your spouse.
3. Retiring “from” something without having something better to do.
4. Expecting to live comfortably on your annuity without making realistic calculations of how much money it will take to maintain your standard of living.
5. Failing to stay abreast of developments and changes in federal retirement entitlement and trends.
6. Retiring without reviewing all retirement options, and the pros and cons of each.
7. Basing retirement decision on the advice of friends rather than consulting with the experts.
8. Selling your house and moving to an area without being sure of the cultural, social, and economic realities of the move.
9. Believing that your active productive life is over just because you are retiring.
10. Failing to review all your service and entitlement to be sure you get proper credit. Believing that the estimate you receive from the Postal Service is the actual amount of your annuity.

Civil Service Retirement System CSRS

The major Retirement System until 1984. You must have at least five (5) years of civilian service.

Unless you are retiring on account of disability, you must have been employed under the retirement system for at least one year out of the last two years before the separation on which your retirement is based.

Strong annuity
Non-Social Security
Thrift Non-Matching
Voluntary Contributions

Civil Service Retirement System

CSRS/CSRS Offset

The Civil Service Retirement System was modified for employees who are mandatory covered by social security, but who chose to remain in CSRS.

Employees covered by the CSRS Offset plan are those rehired into federal service on or after January 1, 1984, who have a break in covered service exceeding one year, and who meet one of the following terms:

- 1.) Had a break in service after 12/31/86, had at least 5 years of creditable civilian service as of their last break in service, and have at least one day covered by CSRS
- 2.) Had 5 years of creditable civilian service as of 12/31/86 regardless of a break in service after that date.

**CSRS Offset
Basic Annuity
Social Security
Non-Matching Thrift
Voluntary Contributions**

Employee Deductions Civil Service Retirement System (CSRS)

7.00% CSRS

1.45% Medicare Tax

8.45% Total

- Can contribute up to 10% into Thrift Saving Plan (\$ 15, 000. IRS Limit)
- Catch-up contributions up to \$ 5,000.
- Non-Matched
- Tax Deferred
- Invested in a Government G Fund. The interest is tax deferred

Voluntary Contributions

10% Lifetime Earnings CSRS

Form 2804 (Personnel Office)

Deposit in \$25, \$50, \$75, \$100

Employees owing a deposit and/or interest are not eligible.

Employee Deductions Civil Service Retirement System (CSRS Offset)

Employees in the offset plan must pay the social security tax, plus a small contribution to the CSRS Fund. The total cost is the same as a regular CSRS employee.

CSRS offset employee's contribute the difference between the regular CSRS contributions rate (8%) and the old age, survivor, and disability insurance (OASDI) and Medicare tax:

6.2%	Social Security
<u>.8%</u>	Basic retirement
7.00%	Total
<u>1.45%</u>	Medicare tax
8.45%	Total

Federal Employees Retirement System (FERS)

The Federal Employees Retirement System (FERS) was established by Public Law 99-33 5, signed on June 6, 1986 following the enactment of PL 98-2 1, which required that all federal employees hired after December 31, 1983 had to be covered by social security.

In order to be eligible for a vested annuity from the basic annuity plan under FERS, each eligible employee must have at least five years of creditable civilian service and be subject to FERS at time of their retirement.

Basic Annuity
Social Security
Thrift Savings (matched)

Employee Deductions Federal Employee Retirement System (FERS)

Employee Deductions

6.2%	Social Security
<u>.8%</u>	Basic retirement
7.00%	Total
<u>1.45%</u>	Medicare Tax
8.45%	Total

Can contribute up to 15% into Thrift Saving Plan
(\$ 15,000. IRS Limit)*

Catch-up contributions up to \$ 5,000.

Agency matches 5%

First 3% of pay \$1 per \$1

Next 2% of pay .50 per \$1

Contributions tax deferred

Agency automatically contributes 1% of base pay to each employee's account once the employee become eligible to participate.

*(This limit is set by IRS and limits changes each year).

Refunds

The lump-sum credit consists of:

- Retirement contributions deducted from basic pay;
- Deposits and/or re-deposits, including deposits for post-1956 military service and interest payable.

Employees who are separated from employment and receiving benefits from OWCP due to a job related injury or disease may receive a refund of their CSRS or/and FERS retirement contributions.

When a CSRS refund has been properly paid, all annuity rights based on service covered by the refund are void unless the former employee is later reemployed in a position subject to CSRS or FERS deductions.

Payment of a refund of FERS deductions permanently voids any retirement rights based on the period of FERS service that the refund covers. This means that an employee cannot repay the money in the future to reestablish credit for the refunded FERS service.

A refund to an employee with a total of more than 5 years of creditable civilian service is subject to any qualifying court order issued after May 6, 1985, involving the former employee and his or her current or former spouse(s).

“When You Can Retire Under Civil Service Retirement System CSRS/CSRS Offset

Voluntary

Age	Years of Service
55	30
60	20
62	5

Early Out

50	20
Any Age	25

Deferred

62*	5
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Disability

Any Age	5
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* At age 62, annuity, based on annuity earned at the time of separation.

“One Out Of Two” Requirement

An employee must be covered by CSRS for at least 1 year within the 2-year period immediately preceding the separation on which the annuity is based.

The 1-year of service does not have to be continuous. The year of service does, however, have to be service subject to CSRS deductions.

An employee cannot meet the requirements by paying a deposit for non-deduction service.

FERS employees do not need to meet this requirement.

When You Can Retire Under Federal Employee Retirement Systems

FERS

<u>TYPE</u>	<u>AGE</u>	<u>SERVICE</u>
Optional	62	5 yrs.
	60	20 yrs.
Deferred*	MRA	30 yrs.
	MRA	10 yrs.
Disability	Any age	18 mos.
Early Out	Any age	25 yrs.
	50	20 yrs.

*Reduced 5% for each year under age 62.

When You Can Retire Under Federal Employee Retirement Systems

	Minimum Retirement Age	
	MRA	Yrs. of Service
Before 1947	55	30
1948	55- 2mos.	30
1949	55- 4mos.	30
1950	55- 6 mos.	30
1951	55- 8mos.	30
1952	55-10 mos.	30
1953-64	56	30
1965	56- 2mos.	30
1966	56- 4mos.	30
1967	56- 6mos.	30
1968	56- 8mos.	30
1969	56- 10mos.	30

Annuity Computation

CSRS/CSRS Offset

Factors Affecting The Annuity

Length of Service

1. Civilian
Military
Sick leave
2. High -3 Average Pay

Highest rate of basic pay in effect over any three consecutive years of service.

Base salary does not include overtime, Sunday premiums, and night differential, but does include higher level.

The 3-year period used need not start on January 1, or October 1. It may start and end whichever dates give the highest 3 years of basic pay. Because an employee's pay tends to increase the longer he or she works, the high 3 average salary usually occurs during the last 3 years of service. However, any other 3-year period will be used if it produces a higher average salary.

Civil Service Retirement Service (CSRS/CSRS/Offset)

Computation Formula

1.5% X High-3 times First 5 Years (Years 1-5)

1.75% X High-3 times next 5 years (Years 6-10)

2% X High- 3 times; all years and months of service over 10 years including credit for unused sick leave.

Maximum Annuity 80% of High-3

You will reach this percentage after 41 years and 11 months of service, although sick leave can increase your annuity over 80%. The addition of a sick leave percentage factor is the only way you can receive more than 80% computation on your annuity.

55 Years of Age 30 years of service Level 5-0

High-3 \$ 45,000. (Base Salary No overtime, night differential, or Sunday Premiums)

1.5% X \$ 45,000. X 5= \$ 3,375.

1.75% X \$ 45,000. X 5= 3,937

2% X \$45,000. X 20= 18,000

Total \$ 25,312. Annual

\$ 2,109. Monthly

Federal Employee Retirement System Annuity Computation FERS

Factors Affecting the Annuity

1. Length of Service

Civilian

Military Service

2. High -3 Average Pay

Computation Formula

1 % X High 3 X Average Salary X Years of Service.

If the retiree is 62 and older and has 20 or more years of service; 1.1% instead of 1%

Federal Employee Retirement System FERS Computation Formula

1 % X High 3 X Average Salary X Years of Service.

55 years old and 30 years of service level 5-0
High-3 \$ 45,000

1% X \$ 45,000 X 30 = \$ 13,500 Annual
\$ 1,125 Monthly

*An annuity supplement, where applicable.

If the retiree is 62 and older and has 20 or more years of service
1.1% instead of 1%

1.1% X \$ 45,000 X 30 = \$ 14,850 Annual
\$ 1,237 Monthly

Estimate Annuity after Deductions CSRS (cont.)

Based Retiring Effective 03/01/2006

Age 55 30 Years of Service
\$ 45,000. High 3 Average \$ 25,312. Annual
\$ 2,109. Monthly

Deductions:

1. Federal Taxes:

Single, no dependents= \$ 246.

Married no dependents= \$ 149.

2. State Taxes: (Ariz. 19% of Fed. Taxes)

Single, no dependents= \$ 48.

Married no dependents= \$ 28.

3. Health Ins.: (APWU)=

Self= \$ 129.39

Family= \$ 261.10

4. Life Insurance: Basic (\$ 48,000.)

A. No Reduction: Age 55= \$ 103.44

Age 65= \$ 87.84

B. 50% Reduction: Age 55= \$ 44.40

Age 65= \$ 28.80

C. 75% Reduction: Age 55= \$ 15.60

Age 65= \$ 00.00

5. Survivor Benefit = \$ 188.00 Monthly

Estimate Annuity after Deductions CSRS (cont.)

\$ 2,109 Monthly Annuity
 157 Fed. Tax (married no dependents)
\$ 1,952
 28 State Tax (Ariz.) (married no dependents)
\$ 1,924
 261 Health Insurance APWU [Self & Family)
\$ 1,663
 104 Life Insurance
\$ 1,559
 188 Survivor Benefit
\$ 1,371 Monthly Annuity

CSRS/CSRS Offset Annuity Computation

The annuities for CSRS Offset employees are computed in the same manner as if they were covered under CSRS only. Normally, OPM will contact SSA when you are close to age 62 to obtain an entitlement determination. If you are eligible to receive Social Security benefits, SSA will provide OPM with information concerning your benefits. Please note that even if you do not apply for Social Security benefits when first eligible, the reduction in your annuity must still be made if you are eligible for Social Security benefits.

If you retire at age 62 or later and already are entitled to Social Security benefits, the offset in your annuity will be made at retirement. If you never become eligible for Social Security benefits based on your own employment, there is no offset.

How is the Offset Computed?

The Social Security Administration takes the Federal earnings in the period(s) when you are covered by both Social Security and CSRS and computes a Social Security benefit with those earnings included, and then without those earnings included. These two amounts are sent to OPM so that we can determine the CSRS Offset amount. Your CSRS benefit is computed. The offset reduction is then subtracted from the annuity rate to become your new gross annuity rate.

CSRS/CSRS Offset Annuity Computation (cont.)

The offset reduction is the *lesser* of-

- The difference between the Social Security monthly benefit amount with and without CSRS Offset service. or
- The product of the Social Security monthly benefit amount, with Federal earnings, multiplied by a fraction where the numerator is the employee's total CSRS Offset service rounded to the nearest whole number of years and the denominator is 40.

$$\text{Social Security Benefit} \times \frac{\text{Total Years of Offset Service}}{40}$$

EXAMPLE: An employee retires at age 55 with 6 years of Offset service included in the 30 years of service upon which the retirement is based. At age 62 the individual becomes eligible for Social Security benefits in the amount of \$ 500 per month. The reduction is the lesser of:

The \$100 that the Social Security Administration computes is due to the Offset Service;

$$\text{or} \\ \frac{6 \text{ years of Offset Service}}{40} = .15 \times \$500 = \$75$$

Thus, in this example the CSRS annuity would be offset by \$75 per month beginning at age 62.

CSRS/CSRS Offset Annuity Computation (cont.)

NOTE: Spousal survivor annuities and the reduction therefore, are based upon the annuity prior to application of the offset. (However, spousal survivor annuities themselves are subject to their own offset based upon the Social Security survivor benefits attributable to the CSRS Offset Service. The spousal survivor offset applies at all times when the survivor is eligible for both CSRS survivor benefits and Social Security survivor benefits.)

Estimate Annuity After Deductions FERS

Based Retiring Effective 03/01/2005

Age 55 30 Years of Service

\$ 45,000 High 3 Average

\$13,500 Annual Annuity

\$ 1,125 Monthly Annuity

Deductions:

1. Federal Taxes:
 - Single, no dependents= \$ 106.
 - Married no dependents= \$ 46.
2. State Taxes: (Ariz. 19% of Fed. Taxes):
 - Single, no dependents= \$ 20.
 - Married no dependents= \$ 9.
3. Health Ins.: (APWU)
 - Self= \$ 129.
 - Family= \$ 261.

Estimate Annuity After Deductions FERS (cont.)

4. Life Insurance: Basic (\$ 48,000.)		
A. No Reduction:	Age 55=	\$ 103.44
	Age 65=	\$ 87.84
B. 50% Reduction:	Age 55=	\$ 44.40
	Age 65=	\$ 28.80
C. 75% Reduction:	Age 55=	\$ 15.60
	Age 65=	\$ 00.00
5. Survivor Benefit=		\$ 113.00

\$ 1,125	Monthly Annuity
<u>46</u>	Fed. Tax Fed. Tax (married no dependents)
\$ 1,079	
<u>9</u>	State Tax AZ. (married no dependents)
\$ 1,070	
<u>261</u>	Health Insurance APWU [Self& Family)
\$ 809	
<u>104</u>	Life Insurance
\$ 705	
<u>113</u>	Survivor Benefit
\$ 592	Monthly Annuity

Retiree Annuity Supplement (FERS)

The retiree annuity supplement is a benefit paid to certain FERS employees who retire before age 62. The supplement is an estimate of the amount of social security benefits earned during FERS service.

- FERS employees are eligible for the supplement at or after the minimum retirement age; between ages 55 to 57 with 30 years of service or age 60 with 20 years of service.
- At or after the MRA under discontinued service (involuntary) retirement provisions.
- At or after the MRA under early retirement provisions

The supplement is a proration of the expected age 62 Social Security (SSA) benefits to provide retired employees with a temporary source of SSA income until age 62. The amount of the benefit is based on FERS creditable service years only including ALL periods under CSRS Offset (which always convert to FERS) and any CSRS service now changed to FERS due to no frozen CSRS component.

Cost of Living Adjustments (CSRS/CSRS Offset)

After Retirement, you are entitled to an annual Cost of Living adjustment (COLA) increase. The amount of the annual COLA Increase is based:

1. Consumer Price Index (CPI)= The index published monthly by the Department of Labor that reflect changes in consumer prices for urban wage earners and clerical workers
2. Base Quarter Price Index= CPI for the 3 months comprising a base quarter (July, August, and September).

COLA granted for retirees prorated for each month the employee is on retirement rolls the previous year.

Example: Employees retired June 30 will receive 6/12 of cost of living increase.

Cost-of –Living Adjustment FERS

COLAs increase the following FERS benefits annually:

- There are no limitations placed on the CSRS portion of your annuity.
- The FERS portion of your annuity dose not receives COLA until you reach age 62. Matches rate of inflation if less than or equal to 2%. Otherwise, rate equals 1% less than inflation. From then on, the adjustment is usually 1 percent less than the rate of inflation.
- Survivor benefits
- Disability retirement benefits

Survivors and disability retiree receive a COLA regardless of their ages; however, disability retiree receiving 60 percent of their average pay do not receive a COLA during the first year.

USPS FIN 03-6364 NATIONAL RETIREMENT COUNSELING SYSTEM DATE 05/02/2005
 HRIS REPORT AAF24OP1 ANNUITY ESTIMATE AS OF PAY PERIOD 08 OF 2005 PAGE 17
 B/A FDC 862 SUB SSN 123-45-6789
 LOGON-ID WFO060 RET-FICA-CODE 1

CREDITABLE SERVICE 08/01/2005 * ANNUAL LEAVE EARNED BAL. 103
 RETIREMENT ELIGIBILITY DATE 0412211975 * HOURS FORFEITED 103
 RETIREMENT COMPUTATION DATE 08/01/1960 * ANNUAL LEAVE BAL. 103
 DATE OF BIRTH: 08/01/1960 * TERMINAL LEAVE PMT. 2.241

RETIREMENT CONTRIBUTIONS 45,841.35 (INCL MIL DEP, IF ANY)

YEARS MONTHS DAYS	INSURANCE COVERAGE	EMPLOYEE MONTHLY	DEDUCTIONS
30 3 9	LIFE	None	103.44
	BASIC	48,000	1.40
	OPTION A	10,000	5.85
	OPTION B (5X)	230,000	139.61
	OPTION C (1X) (SPOUSE/CHIL0)	5,000 2,500	3.14
	HEALTH	104	27.05
TOTAL TIME			109.87

RSC: P * EXCEPTIONS:
 GR/STEP: 05/0
 *S/P: 45,269.00
 *RETIREMENT TYPE: Optional *

ANNUITY ESTIMATE BASED ON RETIREMENT EFFECTIVE DATE OF 08/01/2005

FROM	TO	YRS	MNS	DAYS	ANNUAL RATE	GROSS PAY	GROSS/ GROSS ANNUITY/ ANNUITY
03/19/2005	08/01/2005	0	4	12	45,269	16,598	
11/27/2004	03/19/2005	0	3	22	45,061	14,018	
09/04/2004	11/27/2004	0	2	23	44,496	10,258	
03/06/2004	09/04/2004	0	5	28	43,872	21,692	
11/16/2003	03/06/2004	0	3	21	43,664	13,463	
08/06/2003	11/16/2003	0	2	9	43,089	8,260	
03/08/2003	08/06/2003	0	5	28	42,608	21,166	
11/16/2002	03/08/2003	0	3	22	42,558	13,240	
09/07/2002	11/16/2002	0	2	9	41,991	8,048	
08/01/2002	09/07/2002	0	1	6	41,679	4,167	

WITH / 22,885 1,907
 WITHOUT 25,128 2,094
 SURVIVOR BENEFITS
 SURVIVORS (SPOUSE) GROSS MONTHLY ANNUITY 1,161

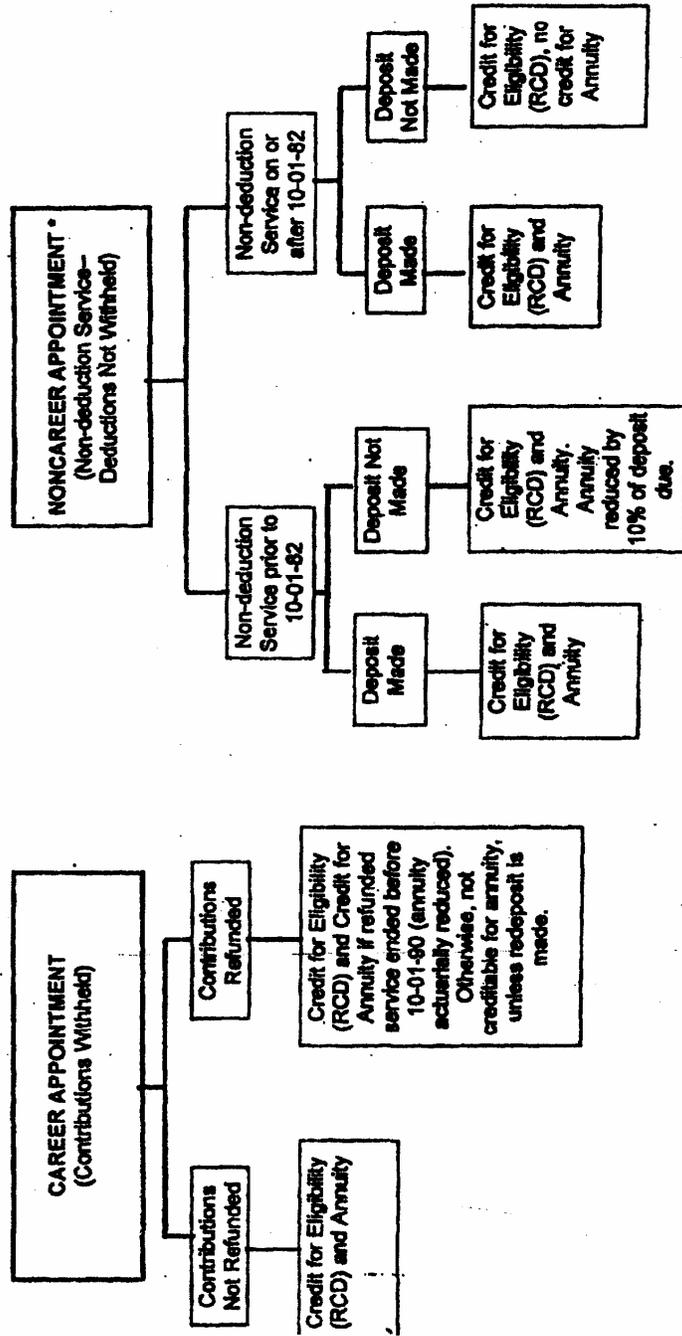
HIGH-3 AVERAGE SALARY \$ 43,638 TOTAL

HIGH-3 AVERAGE SALARY 43,638
 TOTAL 3

JOHN DOE
 1234 L STREET

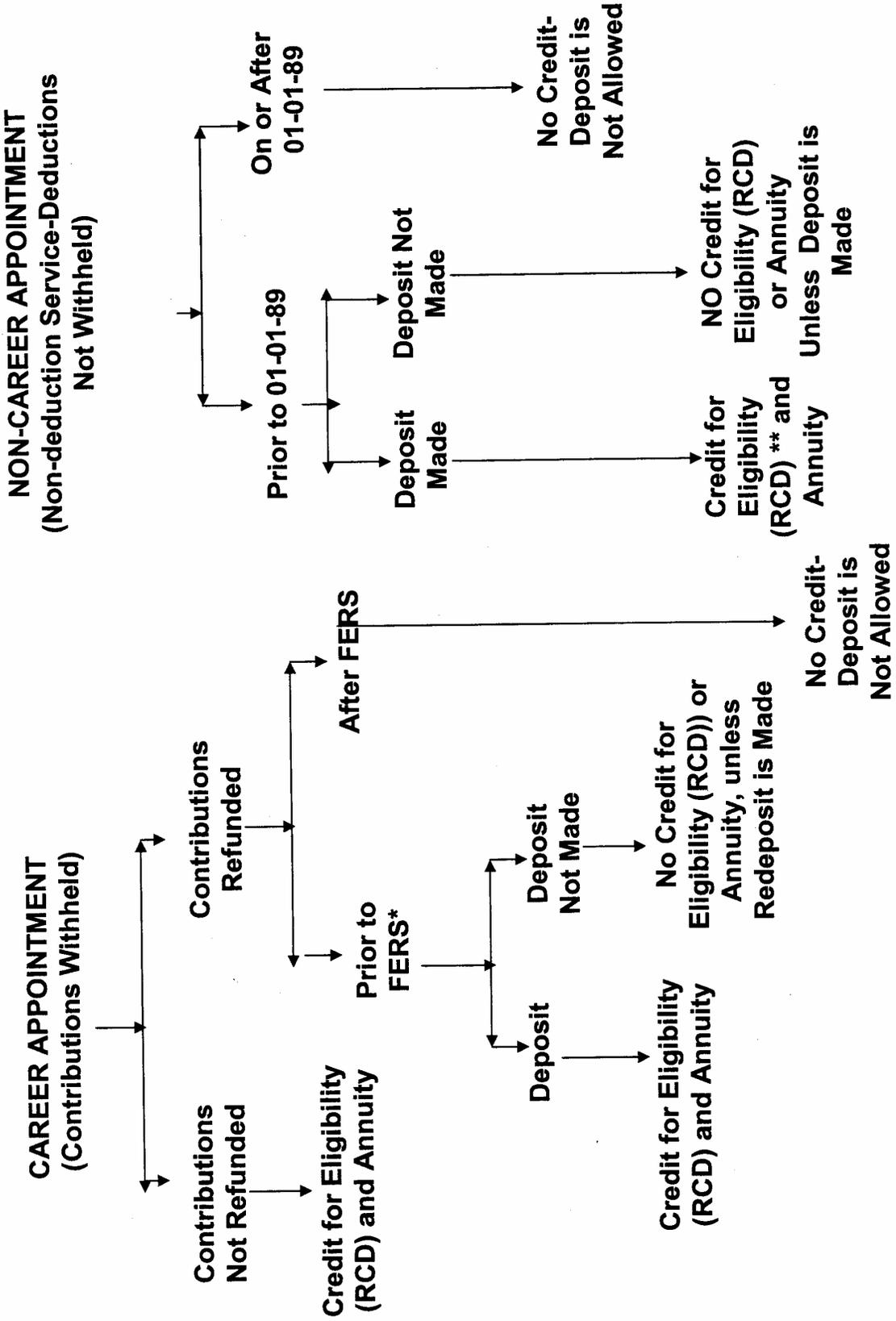
TITLE: MAIL PROCESSING CLERK

**CSRS
CREDITABLE CIVILIAN SERVICE**



Intermittent or WAE (When Actually Employed) Service—Credit only for days worked.

FERS CREDITABLE CIVILIAN SERVICE



Non-Creditable Service

- LWOP - In excess of 6 months in a year unless covered by OWCP
- Retired Military - Unless combat connected or other exception
- Military Lost Time
- Partially Creditable Service - Most non-career
- Rural Service is creditable only for time “While Actually Employed.”

Part-Time Employees Computation for Part-Time Service

Service Performed Before April 7, 1986

Part-time service performed before April 7, 1986, is treated as full-time service for annuity computation.

Service Performed on or After April 7, 1986 Part-time service performed on or after April 7, 1986, is subject to a different annuity formula. This formula reduces an individual's annuity for such service by a fraction called the proration factor. The proration factor is generally the number of hours a part-time employee works divided by the number of hours an employee would have worked if he or she had been a full-time employee over the same period of time. Your personnel office will assist you in obtaining a retirement estimate that reflects the proration factor applicable to the part time service.

Pre- and Post-April 6, 1986, Service

If you have service both before and after April 7, 1986, two separate calculations are made for each period of service. The proration factor method is applied only to the portion of the annuity that represents part-time service performed on or after April 7, 1986.

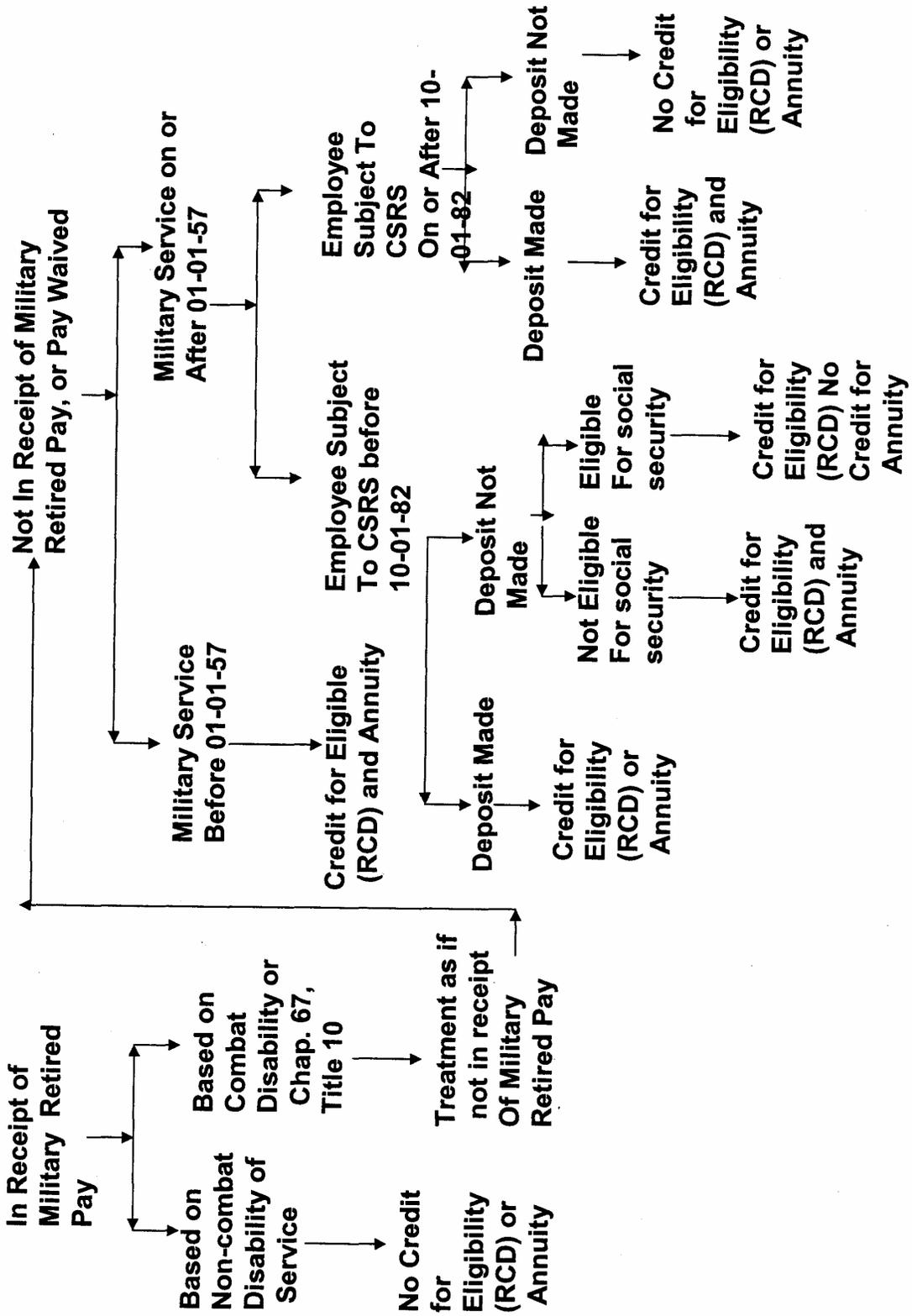
The Military Catch 62 Nightmare

If you have military time and you are a CSRS employee, do you understand you may lose thousands of dollars in retirement annuity payments if you make the wrong decision?

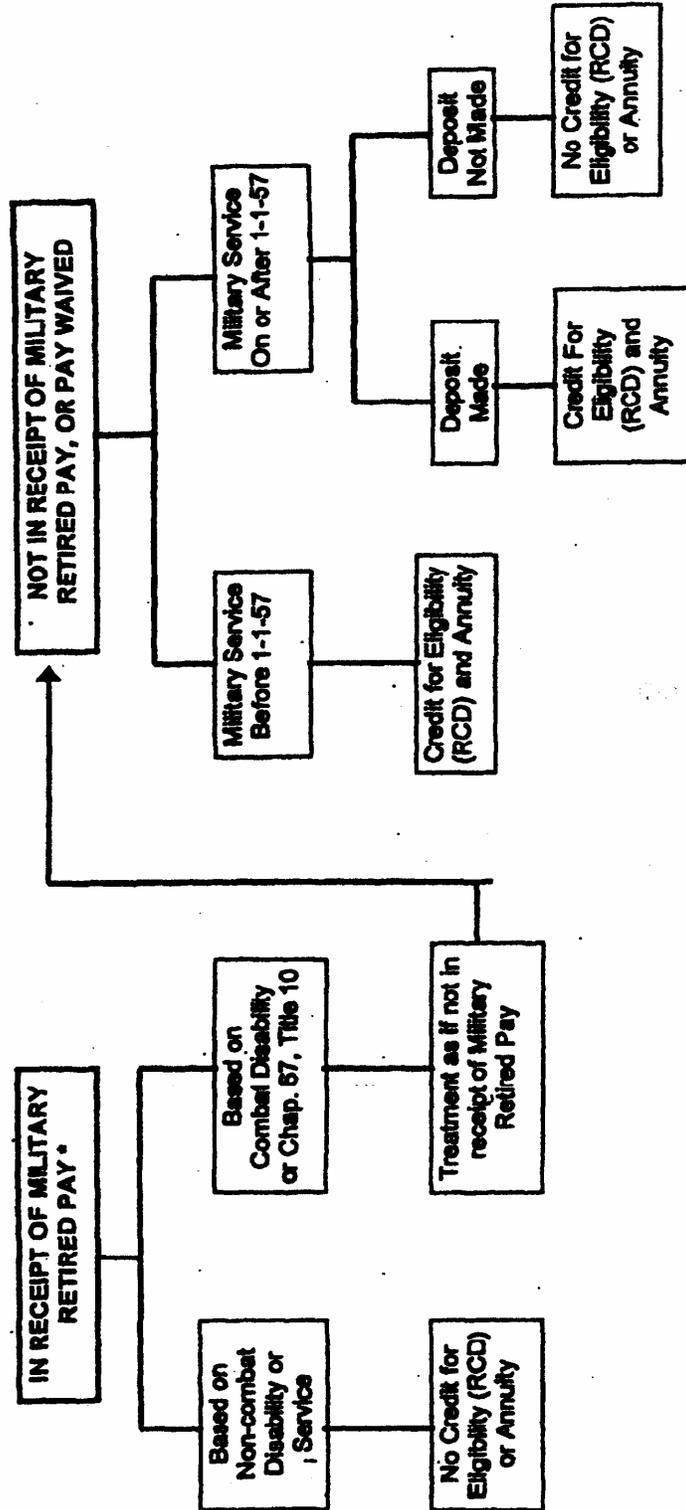
The most common mistake is not considering your Social Security quarters earned and those that may be earned after retirement from federal service. This mistake can be easily researched by requesting a personal earning benefit from the Social Security Administration. If you were in a covered position before October 1, 1992, and you had creditable military service after January 1, 1957, your Civil Service Retirement may be reduced because of the “Catch 62” penalty. The problem arises because the military time is included in the service computation date, but can be removed at age 62 because of your being fully insured for Social Security. Those hired on or after October 1, 1982, must make a deposit to have their military time included for retirement annuity calculations.

The Catch 62 is to keep federal retirees from receiving double credit; CSRS retirement and Social Security without making proper deposits for both. To receive credit for the CSRS annuity, the deposit must be made before retirement. This small detail, if overlooked, can cause a major reduction in your retirement annuity. Many employees, CSRS and FERS, fail to plan for their military service deposit. In addition, the small amount of deposit originally owed often has grown substantially because of interest.

CSRS CREDITABLE MILITARY SERVICE



**FERS
CREDITABLE MILITARY SERVICE**



* Refer to ELM 582.77.

Military Credit CSRS/CSRS Offset

The different in the annuity if deposit is make:

55yrs. with \$ 45,000. High-3 Average with 30 years
\$ 25,312. Annual Annuity or: \$ 2,109 monthly annuity

Two (2) years of military; total service time: 32 years
\$ 27,112 Annual Annuity or: \$ 2,259. monthly annuity
Different of \$ 1,800. annual or \$ 150 monthly

Three (3) years of military; total service time: 33 years
\$ 28,012. Annual Annuity or: \$2,334. monthly annuity
Different of\$ 2,700. annual or \$ 225. monthly

Four (4) years of military; total service time: 34 years
\$ 28,913. Annual Annuity or: \$ 2,409. monthly annuity
Different of \$ 3,601. annual or \$ 300 monthly

Military Credit FERS

The different in the annuity if deposit is make.

55 yrs with \$ 45,000 High-3 Average with 30 years
\$ 13,500 Annual Annuity or: \$ 1,125 monthly annuity

Two (2) years of military; total service time: 32 years
\$ 14,400 Annual Annuity or: \$ 1,200 monthly annuity
Different of \$ 900 annual or \$ 75 monthly

Three (3) years of military; total service time: 33 years
\$ 14,850 Annual Annuity or: \$ 1,237 monthly annuity
Different of \$ 1,190 annual or \$ 112 monthly

Four (4) years of military; total service time: 34 years
\$ 15,300 Annual Annuity or: \$ 1,275 monthly annuity
Different of \$ 1,800 annual or \$ 150 monthly

Retired Military Annuity

- In deciding to waive or not to waive, consider:
- Is military time needed to be eligible to retire?
- How much will the required deposit be?
- What is the difference between separate vs. combined pensions?
- What is the effect on survivor benefits?
- What is the effect on health coverage?

Request for Estimate Earnings During Military Service

ARMY: DFAS-Indianapolis Center

Attn: DFAS in JFJC-A

8899 East 56th. Street

Indianapolis, IN. 46249-0875 Tele. (317) 510-7298

Navy: DFAS-Cleveland Center & FMCS

1240 East 9th. Street

Cleveland, OH. 44199-2055 Tele. (216) 522-6545

Air Force: DFAS-DE-FJY

6760 East Irvington Place

Denver, CO 80279-7408 Tele. (303) 676-7408

Marine Corps: DFAS-Kansas City Center FBL

1500 E. 95th. Center

Kansas City, MO. 64 197-0001 Tele. (816) 926-7652

(Fax) (816) 926-7648

Coast Guard: Commanding Officer (SIR)

Settlement and Records

Military Pay & Personnel Center

444 SE Quincy Street

Topeka, KS. 66683-3591

VER - EARLY OUT

This special retirement option applies only after OPM has determined that an agency is undergoing a major reduction in force, a major reorganization or a major transfer of function (sometimes called “Early Out”).

Minimum Requirements:

Must have served under the retirement system for at least one year within the two- year period immediately preceding the separation upon which the annuity is based.

Must be 50 years old with 20 years of service including five years of civilian, or regardless of age, must have completed at least 25 years of creditable service.

Retiring CSRS employees under age 55 meeting these requirements will have their annuity reduced by 2% for each year. Annuity will not increase when the annuitant reaches age 55.

Retiring FERS employees meeting these requirements will have no percentage reductions for age.

Deferred Retirement CSRS/CSRS Offset

You must meet the general service requirements
5 years of service.

If you meet the general service requirement and are separated from federal service for any reason before you meet the age requirement for immediate retirement and if you do not withdraw your contributions from the Retirement Fund, you may receive a deferred annuity which is payable only upon attainment of age 62.

The annuity is then computed under the law in effect on the date of the employee's last separation from a position under the retirement law on which entitlement to the annuity is based.

No COLA's (Cost of Living Adjustments) will be paid until you begin to draw your annuity at age 62.

If you want to make a deposit for post-1956 military services so you can receive credit for this service in the computation of your deferred annuity, you must pay the deposit to the Postal service before you separate from employment. OPM cannot accept your payment.

You cannot reinstate your health benefits and your life insurance coverage if you receive a deferred annuity.

DEFERRED RETIREMENT CSRS/CSRS Offset (cont.)

No survivor annuity is payable to a former employee's spouse, former spouse, or children if the former employee has title to a deferred annuity but dies before attaining age 62.

The same is true if the former employee attains age 62, but dies before filing an application for retirement. The only benefit payable in either case would be a lump-sum payment of the former employee's retirement contributions, without interest. (Exception: if the former employee had pre-1957 service from which retirement deductions were withheld from his or her salary and not previously refunded, interest will be payable through 12-31-1956.)

A separated employee who is eligible for a deferred annuity should file an "Application for Deferred Retirement" (OPM form 1496 and OPM form 196A) three months before attaining the age of 62. The necessary form may be obtained from the Office of Personnel Management.

Deferred Retirement FERS

A FERS former employee is eligible to receive a deferred retirement annuity if he or she:

- Is not eligible for an immediate annuity within one month of separation,
- Meets the minimum civilian (at least 5 years) service requirement;
- Does not take a refund of retirement deductions after separating from service (or transferring to a non-covered position).

This benefit is commonly referred to as an MRA + 10 annuity. It allows an eligible employee to receive an immediate annuity as early as age 55 with as little as 10 years of service but with a reduction. A deferred annuity is reduced by 5 percent for each full year the employee is under age 62 by which the commencing date of annuity precedes the 62nd birthday of the employee. The deferred annuity will be based on the annuity earned at the time of separation. **EXAMPLE:** Ed is a FERS employee who separates from service in the year 2000. At time of separation, Ed is age 37 and has 15 years of creditable service. His high-3 average salary at separation is \$35,000. He may first apply for a deferred annuity at age 56; his MRA~ The unreduced annual annuity is \$5,250 [$\$35,000$ (high-3) \times 15 percent (1 percent for each year of FERS service)]. Ed will not be 62 for 6 years, so the reduction is \$1,575 (6 years \times 5 percent = 30 percent). The annuity payable to Ed at age 56 is \$5,250 minus \$1,575, or \$3,675.

Deferred Retirement FERS (cont.)

The annuity is not reduced if the employee:

- Completed at least 30 years of service. (The unreduced annuity can begin as early as the first of the month following the employee's attainment of the MRA); or
- Completed at least 20 years of service and postponed the annuity commencing date until age 60; or
- Completed at least 10 years of service and postponed the annuity commencing date until age 62.

As an annuitant you can carry Coverage for Health Insurance and Life Insurance into retirement. If you elect to postpone the commencing date of annuity to avoid the reduction, Coverage for Health Insurance and Life Insurance terminates. When the postponed annuity begins Coverage for Health Insurance and Life Insurance can be reinstated.

If you do not meet MRA requirement and apply for a deferred annuity when reaching your MRA or age 62, Coverage for Health Insurance and Life Insurance terminates at time of separation and can not be reinstated.

Former employees who receive a deferred annuity are not eligible for the retiree annuity supplement.

Disability Retirement CSRS/CSRS Offset

Eligibility:

5 years Civilian Service

Must meet OPM medical criteria

If you are under age 60 and retire because of disability you are granted a minimum basic annuity, which consists of the lesser of these amounts:

40% of your “high 3” average pay

or

The amount obtained by applying the basic annuity formula after increasing your length of service by the time between the date of your separation and the date you reach age 60.

This guaranteed minimum does not apply if you are already age 60 when you retire or if it is less than your regular basic annuity obtained using the basic annuity formula.

Disability retirement is not available to anyone who applies more than one year after being separated from federal employment, unless the applicant was mentally incompetent at the date of separation or within one year thereafter.

A disability annuity commences, at the employee's option, on the date

1. Separation from service; or
2. Pay ceases and the employee meets the requirements for title to an annuity.

Disability Retirement FERS

Eligibility:

1. Eighteen (18) months Civilian Service
2. Must apply for disability Social Security Disability.
3. Approval or disapproval of Social Security Disability does not impact OPM decision
4. Must meet OPM medical criteria

Formula:

First year 60% of high three average salary
minus 100% of any social security

Second year until age 62:
40% high three average salary
minus 60% of any social security benefits received.

At age 62, recomputed as if regular retirement.

When you reach age 62 your disability benefits 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.

Disability retirees are not eligible for the retiree Annuity Supplement.

Employees Must Apply for Both OWCP and Disability Annuity to Preserve Rights

Separated employees who have applied for workers compensation must also apply for retirement benefits to preserve their rights under CSRS or FERS. If the employee is eligible for both benefits, he or she must then choose between them. Applying for retirement benefits is the only way in which the employees (and his or her survivors) future annuity rights will be protected.

If an employee applies for both benefits, OPM will begin annuity payments if OWCP has not awarded benefits by the time the retirement claim has been adjusted. If OWCP subsequently awards benefits, the annuitant must reimburse OPM for annuity that has been paid. Normally, OWCP withholds the amount of annuity paid from benefits payable to reimburse OPM.

Employees Must Apply for Both OWCP And Disability Annuity to Preserve Rights (cont.)

If a separated employee is eligible for an annuity based on age and service, filing an application for annuity is not necessary to protect the employees right to an annuity, but is necessary to preserve survivors rights to survivor annuity benefits and continued health insurance coverage in the event the employee dies and workers compensation benefits are not payable to the survivor on a continuing basis.

If an annuitant elects to receive workers' compensation benefits, OPM suspends payment of his or her annuity during the period that compensation benefits are paid. However, if the compensation benefits end for any reason, OPM will reinstate the annuity if the individual remains entitled.

Time Limit

The disability retirement application of a separated employee must be received by OPM within 1 year of the date separation from Federal Service.

Social Security

Based on:

Age

Years of Social Security Earnings

AIME (Average Indexed Monthly Earnings)

May elect to receive benefits at age 62, but amount will be actuarially reduced.

How much can you earn and still get benefits?

If you are under normal (or full) retirement age when you start getting your Social Security payments, \$1 in benefits will be deducted for each \$2 you earn above the annual limit. For 2007 that limit is \$12,960. Remember, the earliest age that you can receive Social Security retirement benefits remains 62 even though the FRA is rising.

In the year you reach your FRA: \$1 in benefits will be deducted for each \$3 you earn above a different limit, but only counting earnings before the month you reach FRA. For 2007, this limit is \$34,440; for 2006, this limit is \$33,240

Starting with the month you reach FRA:, you will get your benefits with **NO** limit on your earnings

Social Security (cont.)

WEP - Windfall Elimination Provision

The Social Security benefit is calculated using a “modified formula.” The greater the number of years of substantial earnings under Social Security, the less impact this will have on your benefit.

The Social Security benefit is calculated using a “modified formula.” The greater the number of years of substantial earnings under Social Security, the less impact this will have on your benefit.

If you are a federal employee, the windfall elimination provision will affect you if you are receiving a CSRS annuity. Your Social Security annuity will be reduced.

How does it work?

Social Security benefits are based on the worker’s average monthly earnings adjusted for inflation. Your average earnings are separate into three amounts and multiply the amounts using three factors. For example, for a worker who turns 62 in 2006, the first \$656 of average monthly earnings is multiplied by 90 percent; the next \$3,299 by 32 percent; and the remainder by 15 percent.

The 90 percent factor is reduced to 40 percent. The 90 percent factor is not reduced if you have 30 or more years of “substantial” earnings in a job where you paid Social Security taxes. If you have 21 to 29 years of substantial earnings, the 90 percent factor is reduced to between 45 and 85 percent.

Substantial earning in 2007= \$ 18,150

Year	Substantial earnings	Year	Substantial earnings
1937-50	\$ 900	1991	9,900
1951-54	900	1992	10,350
1955-58	1,050	1993	10,725
1959-65	1,200	1994	11,250
1966-67	1,650	1995	11,325
1968-71	1,950	1996	11,625
1972	2,250	1997	12,150
1973	2,700	1998	12,675
1974	3,300	1999	13,425
1975	3,525	2000	14,175
1976	3,825	2001	14,925
1977	4,125	2002	15,750
1978	4,425	2003	16,125
1979	4,725	2004	16,275
1980	5,100	2005	16,725
1981	5,550	2006	17,475
1982	6,075	2007	18,150
1983	6,675		
1984	7,050		
1985	7,425		
1986	7,875		
1987	8,175		
1988	8,400		
1989	8,925		
1990	9,525		

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent

Social Security (cont.)

GPO - Government Pension Offset

If you receive a pension from a federal, state or local government based on work where you did not pay Social Security taxes, your Social Security spouse's, widow's or widower's benefits may be reduced.

How much will Social Security benefits be reduced?

Your Social Security benefits will be reduced by two-thirds 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 deducted from your Social Security benefits. For example, if you are eligible for a \$ 500 spouse, widow or widower benefit from Social Security, you will receive \$ 100 per month from Social Security ($\$ 500. - \$ 400. = \$100.$) Can I still get Social Security benefits from my own work? The offset applies only to Social Security benefits as a spouse, widow or widower.

What about Medicare?

Even if you do not receive cash benefits based on your spouse's work, you still can get Medicare at age 65 on your spouse's record if you are not eligible for it on your own record.

Substantial Earnings Under Social Security

Year	Earnings	Year	Earnings	Year	Earnings
1937-50	\$ 900	1979	\$4,725	1992	\$10,350
1951-54	\$ 900	1980	\$5,100	1993	\$10,725
1955-58	\$1,050	1981	\$5,550	1994	\$11,250
1959-65	\$1,200	1982	\$6,075	1995	\$11,325
1966-67	\$1,650	1983	\$6,675	1996	\$11,625
1968-71	\$1,950	1984	\$7,050	1997	\$12,150
1972	\$2,250	1985	\$7,425	1998	\$12,675
1973	\$2,700	1986	\$7,875	1999	\$13,425
1974	\$3,300	1987	\$8,175	2000	\$14,175
1975	\$3,525	1988	\$8,400	2001	\$14,925
1976	\$3,825	1989	\$8,925	2002	\$15,675
1977	\$4,125	1990	\$9,525	2003	\$16,125
1978	\$4,425	1991	\$9,900	2004	\$16,275
				2005	\$16,725
				2006	\$17,475

Thrift Savings Plan FERS

Before tax savings and tax deferred investments earnings.

A choice of investments options:

- Government Securities (G-Fund)
- Fixed Income Index (C-Fund)
- Common Stock Index (F-Fund)
- Small Capitalization Stock Index (S-Fund)
- International Stock Index (I -Fund)
- Life (L-Fund) (August 2005)

Interfund Transfer

Immediate vesting and entitled to all monies contributed to the TSP, except for the government's 1% contribution. FERS and CSRS employees become vested in the automatic 1% contribution after three years of service.

Thrift Savings Plan FERS (cont.)

Accessing Your Account before Retirement Loan Options: There are certain conditions under which you may borrow from your TSP account but only before you retire. You must have at least \$ 1,000 of your own contributions (including attributable earnings) in your account to borrow from it.

1. Primary Residence Loan:

For a purchase of a primary residence and are repayable over a period of up to 15 years.

2. General Purpose Loan:

Have a four-year maximum repayment period. Minimum loan is \$ 1,000. The maximum loan amount ranges up to \$50,000.

If you leave the employment or retire before the loan is paid off, you must repay the loan in full, including outstanding interest you owe to the date of repayment.

In-Service Withdrawals

The TSP program allows two types of in-service withdrawals:

1. Age-Based: is available at age 59 1/2 for any reason. You can withdraw all or a portion of your TSP account. You can only make an aged-based withdrawal once.
2. Financial Hardship: is available at any age. You must (TSP76) that details your monthly income and expenses and documentation for any extraordinary expenses you claim.

Thrift Saving Plan Tax Saver

If an employee's gross bi-weekly pay is \$ 1,733 this illustration will demonstrate tax savings.

If a FERS employee contributes 10% of their base salary:

Base salary per Pay Period	\$ 1,733
10% Thrift Deduction	<u>173</u>
Taxable Income	\$ 1,560
\$ 1,560 Taxable income	
<u>25% Tax</u>	
7800	
<u>3120</u>	
\$ 390.00 Tax	

If the employee made no contributions

\$ 1,733 Taxable income
<u>25 %Tax</u>
8665
<u>3466</u>
\$ 433.25 Tax

\$ 433.25 Tax (If you make no contributions)

-390.00 Tax (If you make a contribution)

\$ 43.25 Savings from tax per pay period for FERS

\$ 21.63 Savings from tax per pay period for CSRS

Multiplying these savings by 20 or 30 years demonstrates a considerable savings in tax dollars.

TSP Withdrawal Options

- Withdraw account in a single payment.
- All or part of the payment may be transferred to an IRA or other eligible plan.
- Withdraw account in a series of equal monthly payments. All or part of certain monthly payments may be transferred to an IRA or other eligible plan.
- Receive a life annuity. (To purchase an annuity, account balance must be at least \$3,500).
- Defer until 70 1/2

Providing Survivor Benefits CSRS/CSRS Offset

A monthly annuity payable to a spouse, former spouse and/or children after the death of an employee or annuitant.

Requirements:

- Employee must have completed at least 18 months of civilian service covered by CSRS and/or FERS at the date of death.
- Retiree must have elected a survivor benefit at time of retirement or within two years of date of marriage, if married after retirement.
- Spouse must have been married to the employee or retiree for at least nine months at the date of death, or be a parent of a child of the marriage, or the death was accidental.
- Children must be unmarried and under age 18, under age 22 if full time student and any age if disabled prior to age 18.

The Spousal Equity Act of 1984 required spousal consent as to whether they wanted survivor benefits. You and your spouse may elect as low as 1% of the amount of you annuity as Survivors Benefits.

Providing Survivor Benefits CSRS/CSRS Offset (cont.)

- You must elect a survivor annuity in order for spouse to continue health benefits after death of annuitant.
- Your annuity will be reduced to provide a full survivor annuity for your spouse (unless he/she consents to a lesser benefit). The survivor annuity will be 55 percent (the maximum) of the amount of your annuity before reduction.

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

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.

If employee has current and former spouse's entitled to survivor annuity, 55% is still the maximum amount. If former spouse entitled to 55%, the current spouse is not eligible. The current spouse may be a contingent beneficiary if the former spouse dies.

If the former spouse is entitled to 30%, the current spouse is entitled to 25%.

Cost of Providing Survivor Annuity CSRS CSRS/Offset

Amount of Survivor Annuity
55 years of age 30 years of service

Estimate based on retiring during the first pay period of March 1,
2005

Level 5 Step 0	\$ 45,000
Annual Annuity.	\$ 25,312
Monthly Annuity	\$ 2,109

“Full” 55% Survivor Benefits=
 $\$ 25,312 \times .55 = \$ 13,922$ Annual
 $\$ 1,160$ Monthly

Cost of Providing Survivor Annuity

- The 1st. $\$ 3,600 \times 2.5 = \$ 90.00$
- The remainder $\times .10$

$\$ 25,312$	
<u>$- 3,600$</u>	
$\$ 21,712 \times .10 =$	<u>$2,171.00$</u>
	$\$ 2,261.00$ Annual
(cost)	$\$ 188$ Monthly

Cost of Providing Survivor Annuity FERS

Amount of Survivor Annuity:

55 years of age 30 years of service

Estimate based on retiring during the first pay period of March 1, 2005:

Level 5 Step 0	\$ 45,000
Annual Annuity.	\$ 12,977
Monthly Annuity	\$ 1,081

“Full” 50% Survivor Benefits=

\$ 12,977 X .50=	\$ 6,489 Annual
	\$ 541 Monthly

Cost of Providing Survivor Benefits

Your annuity is reduced 10%

\$ 12,977 X .10=	\$ 1,298 Annual
(cost)	\$ 108 Monthly

Federal Employees Health Benefit Program

- Must have been enrolled in any plan for at least 5 years (immediate preceding retirement) or if enrolled less than 5 years, from the date of your first opportunity to enroll.
- Cost varies according to plan; equals federal employee monthly rate.
- Surviving spouse covered only if survivor annuity is elected and family coverage is in place at time of death.

You are not allowed to change plans or options until the next open season or unless you have a qualified life status change.

An employee may change enrollment from one option to another of any available plan at any time beginning on the 30th day before the employee becomes eligible for Medicare.

Medicare

There are two parts to Medicare:

1. Hospital insurance (called Part-A) helps pay the cost of four kinds of care:
 - Inpatient hospital
 - Skilled nursing facility.
 - Home health, and
 - Hospice.
2. Medical insurance (called Part-B) helps pay the cost of:
 - Doctors' service,
 - Outpatient hospital services,
 - Home health visits,
 - Diagnostic, X-ray, laboratory, and other tests,
 - Necessary ambulance service, and
 - Other medical services and supplies.

Medicare (cont.)

When you reach age 65 and are retired, Medicare will become the primary payer and your FEHBP plan will be the secondary payer for you and your covered spouse, if he or she is age 65 or older.

Medicare Premiums for 2007:

- Part A: (Hospital Insurance) Most individuals don't have to pay a monthly premium for Medicare Part- A. This is because they or a spouse paid Medicare taxes while they were working.
- Part B: (Medical Insurance) You pay the Medicare premium of \$ 98.50 per month (in 2007). In some cases the amount may be higher if you did not choose Part-B when you first become eligible at age 65. The cost of Part-B may go up 10% for each 12-month period that you could have had Part B, but did not sign up for it. You will have to pay this extra 10% for the rest of your life. Enrolling in Part-B is your choice.

Federal Employee Group Life Insurance FEGLI

Requirements for Continuing Life Insurance into Retirement

1. Retire on an immediate annuity
2. Covered for the last five years of service or from first opportunity to enroll.

Payment of basic life insurance benefits if no beneficiary is on record.

Order of precedence:

- Designated beneficiary (SF 2823)
- Widow or Widower
- Children
- Parents
- Executor, Administrator Estate
- Next of Kin

**Federal Employee Group
Life Insurance
F E G L I (cont.)
Basic Life**

Life Insurance coverage is equal to actual rate of annual basic pay (rounded to the next \$ 1,000) plus \$ 2,000.

Basic Pay at retirement=	\$ 46,257
Rounded to the next\$ 1,000=	\$ 47,000
Plus=	\$ <u>2,000</u>
Basic Life Insurance=	\$ 49,000

Double life insurance benefits until age 35, decreasing at 10% per year until age 45, at which time the extra coverage will end.

You must elect basic life to be eligible for the options.

	Options	
<u>A</u>	<u>B</u>	<u>C</u>
\$ 10,000 Life Ins Coverage	5 times basic pay Rounded to the next \$ 1,000	5 X 5,000 Spouse 5 X 2,500 each dependant child
\$ 10,000 AD&D		

Continuation of Coverage After Retirement

Basic Insurance Amount at Retirement Age at Retirement = 55 through 59	Amount after final reduction (you elected No Reduction)	Extra Benefit	Total Basic Life Insurance including Extra Benefit	Monthly cost before Age 65:			Monthly cost at Age 65* and after:
				For Basic	For no Reduction	Total	
\$49,000.00	\$49,000.00	\$0.00	\$49,000.00	\$15.93	\$89.67	\$105.60	\$89.67

Basic Insurance Amount At Retirement	Reduction Amount after final reduction (you elected 50% Reduction)	Extra Benefit	Total Basic Life Insurance including Extra Benefit	Monthly cost before Age 65:			Monthly cost at Age 65* and after:
				For Basic	For 50% Reduction	Total	
\$49,000.00	\$24,500.00	\$0.00	\$49,000.00	\$15.93	\$29.40	\$45.33	\$29.40

Change to the amount of your Basic Insurance over time

Age	Basic Insurance Amount	Extra Benefit	Total Basic Life Insurance
45 through month after you reach Age 65	\$49,000.00	\$0.00	\$49,000.00
2nd month after you reach Age 65	\$48,510.00	\$0.00	\$48,510.00

Monthly reductions thereafter = \$490.00 (Based on 50% Reduction).

Basic Insurance Amount at Retirement Age at Retirement = 55 through 59	Amount after final reduction (you elected 75% Reduction)	Extra Benefit	Total Basic Life Insurance including Extra Benefit	Monthly cost before Age 65:			Monthly cost at Age 65* and after:
				For Basic	For 75% Reduction	Total	
\$49,000.00	\$12,250.00	\$0.00	\$49,000.00	\$15.93	\$0.00	\$15.93	\$0.00

Change to the amount of your Basic Insurance over time

Age	Basic Insurance Amount	Extra Benefit	Total Basic Life Insurance
45 through month after you reach Age 65	\$49,000.00	\$0.00	\$49,000.00
2nd month after you reach Age 65	\$48,020.00	\$0.00	\$48,020.00

Monthly reductions thereafter = \$980.00 (Based on 75% Reduction).

If you have Basic insurance, you may also elect Optional Insurance. There is no Government contribution towards the cost of any Optional Insurance. There are three types of Optional insurance: Option A (standard optional insurance), Option B (additional optional insurance), and Option C (family optional insurance).

Option A insurance provides \$10,000 of additional coverage. Option B insurance coverage comes in 1, 2, 3, 4, or 5 multiples of your annual basic rate of pay. Option C coverage insures your spouse for up to 5 multiples of \$5,000 and eligible children for up to 5 multiples of \$2,500.

Option A

Effective at the end of the month after the month in which you become age 65 or retire (if later), your Option A coverage will reduce by 2 percent of the pre-retirement amount per month until it reaches 25% of the pre-retirement amount (\$2,500.00). Coverage is free after you turn age 65 or retire (if later). **You cannot choose No Reduction for Option A.**

Age Group	Monthly cost for Option A Insurance
55 through 59	\$5.85
60 through month you turn 65	\$13.00
65 through 69	\$0.00

Option B

You have two choices at retirement: Full Reduction for all of your multiples or No Reduction for all of your multiples.

- **Full Reduction** — If you choose Full Reduction, coverage is free after you turn age 65 or retire (if later). Effective at the month after the month you become age 65 or retire (if later), the value of your Full Reduction Option B multiples will reduce by 2% of the pre-retirement amount per month for 50 months, at which time coverage on those multiples will end.
- **No Reduction** — If you choose No Reduction, you continue to pay the premium for your age group for the No Reduction multiples for life or until you change your election on those multiples or you otherwise discontinue your coverage. If you choose No Reduction, you can change to Full Reduction at any time.

You will have a second election opportunity shortly before your 65th birthday. At that time, you will be able to choose Full Reduction or No Reduction for any or all multiples of coverage you have under Option B.

Option B - Additional

Amount at Retirement (Number of Multiples 1)	Amount at age 65		Amount after Final Reduction		Monthly Cost	
	Number of Multiples		Number of Multiples		Cost at the age of retirement you selected	Cost at Age: 55 through 59- \$28.53 60 through month you turn 65- \$61.10 65 through 69- \$73.32 70 through 74- \$122.20 75 through 79- \$183.30 80 and Over- \$244.40
	No Reduction 1	Full Reduction 0	No Reduction 1	Full Reduction 0		
\$47,000.00	\$47,000.	\$0.00	\$47,000..	\$0.00	\$28.53	

Option B - Additional

Amount at Retirement (<i>Number of Multiples</i> 5)	Amount at age 65		Amount after Final Reduction		Monthly Cost
	Number of Multiples		Number of Multiples		
\$235,000.	No Reduction 5	Full Reduction 0	No Reduction 5	Full Reduction 0	Cost at the age of retirement you selected 55 through 59 \$142.65 60 through month you turn 65- \$305.50 65 through 69- \$366.60 70 through 74- \$611.00 75 through 79- \$916.50 80 and Over- \$1,222.00
	\$235,000	\$0.00	\$235,000.	\$0.00	

The cost of Option C-Family insurance depends on your age, in five year age brackets. As an annuitant, you pay the same rates for Option C as employees do until you reach age 65. When you have a birthday that moves you to another age group, the change in premiums will be effective at the beginning of the month following your birthday, and will be reflected in the annuity payment that you receive the following month. You have two choices at retirement: Full Reduction for all of your multiples or No Reduction for all of your multiples.

- **Full Reduction** — If you choose Full Reduction, coverage is free after you turn age 65 or retire (if later). Effective on the month after the month you become age 65 or retire (if later), the value of your Full Reduction Option C multiples will reduce by 2% of the pre-retirement amount per month for 50 months, at which time coverage on those multiples will end.
- **No Reduction** — If you choose No Reduction, you continue to pay the premium for your age group for the No Reduction multiples for life or until you change your election on those multiples or you otherwise discontinue your coverage. If you choose No Reduction, you can change to Full Reduction at any time.

You will have a second election opportunity shortly before your 65th birthday. At that time, you will be able to choose Full Reduction or No Reduction for any or all multiples of coverage you have under Option C.

Monthly cost for Option C Insurance

Number of No Reduction Multiples 1	Number of Full Reduction Multiplies 0
Age Group 55 through 59	\$ 3.14
60 through 64	\$ 5.63
65 through 69	\$ 6.50
70 through 74	\$ 7.37
75 through 79	\$ 9.75
80 and Over	\$ 13.00

**Federal Employee Group
Life Insurance
F E G L I**

Assignment of Benefits

Effective October 3, 1994, any FEGLI covered employee, retiree or compensationner may irrevocably assign his/her life insurance benefits to another person or persons including an individual, a corporation or a trust.

Assignment means that you transfer ownership and control of your basic, Option A, or Option B, to the assignee(s) Life insurance premiums will continue be withheld from your salary annuity or compensation payment.

Federal Employee Group Life Insurance FEGLI (cont.)

Living Benefits

Effective July 25, 1995 any FEGLI covered employee, retiree or compensationner who has been diagnosed as terminally ill with a life expectancy of nine months or less may elect a living benefit.

Living benefits are life insurance benefits paid to individuals while they are still living, rather than paid to a beneficiary or survivor upon the individual's death. Only basic insurance is available for living benefits, employees may elect either a full living benefit i.e., all of their basic benefits, or a partial living benefit (in multiples, of \$ 1,000.). Retirees and compensationner may elect only a full living benefit with a full benefit, withholding for premiums ceases with a partial benefit they are recalculated.

Living Benefits payments are reduced by a nominal amount (4.9%) to make up for lost earning to the Life Insurance Fund because of early payments of benefits.

Example:

Basic Insurance Amount is \$ 49,000. You are age 50 and elect a Full Living

less 4.9% or \$ 2,401).

Benefits: If approved, you will receive \$ 46,599 (\$ 49,000 less 4.9% or \$ 2401)

You do not have to return the money if you live longer than expected and can be use as you please.

Death Benefits

Death of an Employee

CSRS/CSRS Offset

Completed at least 18 months of creditable civilian service; and died while subject to CSRS deductions.

Survivor Annuity:

is 55 percent of an annuity computed as if the employee had retired on a disability retirement as of the date of death.

CSRS/Offset:

Survivor benefits to the spouse of a deceased CSRS Offset employee are the same as the benefits payable upon the death of an employee with full CSRS coverage until and unless the survivor becomes eligible for Social Security survivor benefits.

Death Benefits

Death of an Employee

FERS

- Employed less than 18 months or no spouse or children:
Lump sum of retirement will be made.
- Employed more than 18 months, but less than 10 years;
A Basic Employee Death Benefit as follow:
50% of employee's final annual rate of pay
or
Employee's high three average pay
(which ever is higher)
plus
\$ 24,354.75 for 2003 increased by inflation May receive one
payment or 36 monthly installments.
- Employed 10 years or more::
Basic Employee Death Benefit:
A monthly survivor annuity is payable (spousal
survivor annuity is computed as if employee retired
optionally with no age reduction on the date of
death).
- Children will also be protected.

Death Benefits

Death of a Former Employee

CSRS/CSRS Offset

Under CSRS, when employees separate from Federal service and die before electing a refund of their lump-sum credit in the Fund or before fulfilling all the requirements (including filing an application) for a deferred retirement benefit, no survivor annuity is payable to the surviving spouse or children. However, a lump sum payment of the employee's lump-sum credit may be payable. Fulfilling all the requirement (including an application) for a deferred retirement benefit:

A spousal survivor annuity is 55 percent of an annuity computed as if the employee had retired on a disability retirement as of the date of death.

Death Benefits

Death of a Former Employee

FERS

Upon the death of a former employee under FERS who did not meet the requirements for entitlement to retirement benefits before death, including having filed an application:

- Former employed with less than 10 years:
Lump sum of retirement will be made.

- Former employed with at least 10 years:
An annuity may be payable to the appropriate survivor.

Amount of Survivor Annuity

The survivor annuity is equal to 50 percent of the deceased former employee's basic annuity, if the survivor elects to begin receiving the annuity on the date the deceased former employee would have met the age and service requirements for an unreduced annuity. The amount of the survivor annuity is reduced if the survivor elects to receive the annuity beginning the day after death.

Leave

Sick Leave:

- Under CSRS and CSRS/Offset, unused sick leave is added to the number of years and months of service for annuity computation purposes.
- Under FERS, unused sick leave is not creditable for annuity computation purposes. Sick leave never counts for eligibility.
- CSRS Conversion to FERS
If the employee converted to FERS and had more than 5 years CSRS, any sick leave accumulated at the time of transfer to FERS is frozen, will be converted to time served and added to the CSRS portion. Annuity will be a combination of Civil Service and FERS.

Annual Leave:

- Payment for Terminal Leave. A separating employee may receive a lump sum payment for accumulated Annual Leave up to 440 hrs.

Leave (cont.)

LWOP

- LWOP over 6 months in a calendar year is not creditable for annuity computation purposes. If excess LWOP falls within the high-3 average period, subtract the excess LWOP from the high-3 period by backing up the high-3 period equal to the amount of excess LWOP.

For example, if the high-3 average pay period contains 8 months of LWOP, use 6 months of the LWOP in the computation of the high-3 average pay and give no credit for the excess 2 months of LWOP. However, back up the high-3 average pay period by 2 months in order to compute an average pay based on 3 full years of service. An employee who is in a leave-without-pay (LWOP) status while in receipt of OWCP benefits will receive full credit for the LWOP period in the computation of annuity and for high-3 average salary purposes.

CSRS SICK LEAVE RETIREMENT CONVERSION CHART

<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>E</u>	<u>F</u>	<u>G</u>	<u>H</u>	<u>I</u>	<u>J</u>	<u>K</u>	<u>L</u>	<u>M</u>
No. of Days	Under 1 Mo.	1 Mo.	2 Mo.	3Mo.	4 Mo.	5 Mo.	6 Mo.	7 Mo.	8 Mo.	9 Mo.	10 Mo.	11 Mo.
0	—	173	347	520	683	867	1040	1213	1387	1580	1733	1907
1	6	179	352	526	699	872	1046	1219	1392	1566	1739	1912
2	12	185	358	532	705	878	1052	1225	1398	1572	1745	1918
3	17	191	364	537	711	884	1057	1231	1404	1577	1751	1924
4	23	190	370	543	716	800	1063	1236	14*0	1583	1756	1930
5	29	202	376	549	722	896	1069	1242	1416	1589	1762	1936
6	35	208	381	555	728	901	1075	1248	1421	1595	1766	1941
7	40	214	387	560	734	907	1080	1254	1427	1600	1774	1947
8	46	220	393	566	740	913	1086	1260	1433	1606	1780	1953
9	52	225	339	572	745	919	1092	1265	1439	1612	1785	1959
10	58	231	404	576	751	924	1095	1271	1444	1618	1791	1964
11	64	237	410	584	757	930	1104	1277	1450	1624	1797	1970
12	69	243	416	589	763	936	1109	1283	1456	1929	1803	1976
13	75	248	422	595	768	942	1115	1288	1462	1635	1808	1982
14	81	254	428	601	774	948	1121	1294	1468	1641	1814	1988
15	87	260	433	607	780	953	1127	1300	1473	1647	1820	1993
16	92	266	439	612	786	959	1132	1306	1479	1652	1826	1999
17	98	272	445	618	792	965	1138	1312	1485	1658	1832	2005
18	104	277	451	624	797	971	1144	1317	149!	1864	1837	2011
19	110	283	456	630	803	976	1150	1323	1496	1670	1843	2016
20	118	289	462	636	809	982	1156	1329	1502	1676	1849	2022
21	121	295	468	641	815	986	1161	1335	1508	1681	1855	2028
22	127	300	474	647	820	994	1167	1340	1514	1687	1860	2034
23	133	306	480	653	826	1000	1173	1346	1520	1893	1866	2040
24	139	312	485	659	832	1005	1179	1352	1525	1699	1872	2045
25	144	318	491	664	838	1011	1184	1356	1531	1704	1878	2051
26	150	324	497	670	844	1017	1190	1364	1537	1710	1884	2057
27	156	329	503	676	849	1023	1196	1369	1543	1716	1889	2063
28	162	335	508	682	855	1028	1202	1375	1548	1122	1895	2068
29	168	341	514	688	861	1034	1208	1381	1554	1728	1901	2074

Insurable Interest Annuity

An employee retiring in good health may elect a reduced annuity to provide a survivor benefit for a person who has an insurable interest in the employee. An insurable interest may exist between the retiree and any other individual who has a reasonable expectation of financial benefit, which would terminate upon the death of the retiree.

The reduction in the additional annuity depends on the difference in the ages between the retiree and the person named as the survivor.

Percent:	
Older, same age, or less than 5	10%
5 but less than 10	15%
10 but less than 15	20%
15 but less than 20	25%
20 but less than 25	30%
25 but less than 30	35%
30 or more	40%

Suggested Retirement Date

CSRS

General Rule: Annuities commence the first day of the month after the employee separates.

Example 1: Date of separation: October 15

 Annuity commences: November 1

Example 2: Date of separation: April 27

 Annuity commences: May 1

Exception: Three-Day Rule

The annuities of employees who serve in pay status for 3 days (or fewer) in the month of retirement commence on the day after separation.

Example: 1. Date of separation: March 3

 Annuity commences: March 4

FERS

General Rule: Annuities commence the first day of the month after the employee separates.

Unlike CSRS, there is no “Three-Day Rule” special provision.

Example 1: Date of separation: October 31

 Annuity commences: November 1

Example 2: Date of separation: March 3

 Annuity commences: April 1

Flexible Spending Account (FSA)

You have until May 31, 2007 to submit claims for 2006 medical expenses.

Who is eligible to Enroll?

Annuitants are not eligible by law.

Can I get payment if I retire, resign or terminate from employment?

You may request payment only for the expenses of services or items received up to and including your termination date.

Ten Retirement Suggestions

1. Begin planning your retirement at the beginning of employment or start today.
2. Attend several pre-retirement seminars.
3. Keep your retirement plan confidential, this allows you to change your mind if retirement plans change.
4. Discuss your plans with your spouse so both your interests can be preserved in your new life style. Know there is a spousal consent requirement.
5. Learn the facts of your many retirement options from the retirement counselor in your post office.
6. Review your life and health insurance needs and figure the cost as you decide which policies to take with you into retirement. Understand how age will impact your life insurance.
7. Stay where you are for about a year after you retire. This will help you make a wise decision on whether to stay close to family and friends or move to a new area.
8. Take advantage of the various “thrift” plans (CSRS-FERS) available to you. Save the maximum you can, even if you will only be in the program for a year or less.
9. Take financial inventory and budget for unexpected expenses like increasing college tuition for your children or medical care for
10. Take advantage of all the retirement information provided by your APWU Retiree Department, Postal Agency, OPM and independent sources.

**Lastly, do not live your life for retirement. Retirement is just another stage of life we can all look forward to

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For the Golden Years
Must Include joining
the APWU Retirees
Department**

For Just \$2.00 a Month

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