



# FERS

**Federal Employees Retirement System**

(An Overview of Your Benefits)

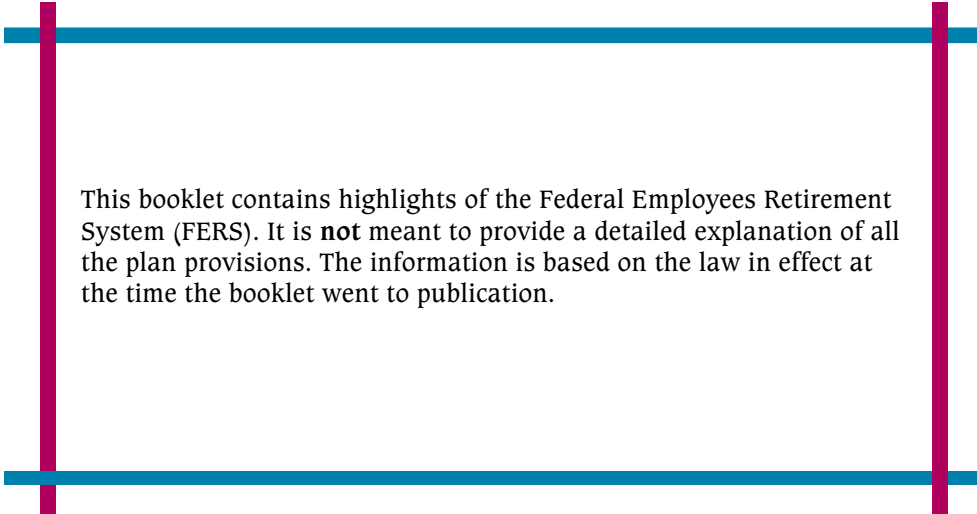


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This booklet contains highlights of the Federal Employees Retirement System (FERS). It is **not** meant to provide a detailed explanation of all the plan provisions. The information is based on the law in effect at the time the booklet went to publication.

Additional retirement information and all publications of the U.S. Office of Personnel Management listed in this pamphlet are available on the Internet.

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# Introduction



**R**etirement. . . a time for reflection, rest, and enjoyment . . . a rewarding time. But, a rewarding retirement doesn't just happen. It takes careful planning. Knowing when you can retire and where you will stand financially are important parts of that planning process. The financial security you will have in the future depends, in part, on the plans you make today.

Recognizing the importance of your future, the Federal Government offers a retirement program that helps provide financial security for you and your family. You are a participant in the **Federal Employees Retirement System (FERS)**. This is one of the most important benefits you receive as a Federal employee.

FERS is a retirement system that is responsive to the changing times and Federal work force needs. Many of its features are "portable," so that if you leave Federal employment, you may still qualify for the benefits. FERS is flexible; you will be able to choose what is best for your individual situation. And FERS enables you to take an active role in securing your future.

This booklet highlights the main features of the Federal Employees Retirement System (FERS).

# Overview



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

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

## The Components

FERS is a three-tiered retirement plan. The three components are:

- ✓ Social Security Benefits
- ✓ Basic Benefit Plan
- ✓ Thrift Savings Plan

The three components of FERS work together to give you a strong financial foundation for your retirement years.

# Social Security Benefits



The first part of your benefit is Social Security.

## What is Social Security?

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

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

## Social Security Benefits

Social Security programs provide:

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

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

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

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

Benefits are subject to individual and family maximums.

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

benefits, ask your servicing personnel office or local Social Security office for copies of the factsheet, A Pension From Work Not Covered by Social Security (Publication No. 05-10045) and the factsheet, Government Pension Offset (Publication No. 05-10007). You may also request these publications by calling the Social Security Administration on (800) 772-1213 or by downloading from the Web at:

<http://www.ssa.gov/pubs>

## Social Security Taxes

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

The maximum taxable wage base is \$118,500 in 2016. It increases automatically each year based on the yearly rise in average earnings of the American work force.

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

# Basic Benefit Plan

The second part of the Federal Employees Retirement System (FERS) is the Basic Benefit plan.

## Eligibility Participation

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

### *Vesting*

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

### *Creditable Service*

Creditable service generally includes:

- ✓ Federal civilian service for which contributions have been made or deposited.
- ✓ Military service, subject to a deposit requirement. To receive credit for military service, generally, you must deposit 3% of your military base pay. Interest begins 2 years

after you are hired. With certain exceptions, you cannot receive credit for military service if you are receiving military retired pay. Also, see the note that follows on credit for National Guard service.

- ✓ Leaves of absence for performing military service or while receiving workers' compensation.

Unused sick leave is not converted into creditable service for any purpose. (There is a limited exception for CSRS employees who transfer to FERS.)

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

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

- ✓ The service must interrupt civilian service creditable under the Civil Service Retirement System (or FERS) and be followed by reemployment in accordance with the appropriate chapter of the laws concerning Veterans Benefits; and



- ✓ It must be full-time (and not inactive duty), and performed by a member of the U.S. Army National Guard, or U.S. Air National Guard; and
- ✓ It must be under a specified law and you must be entitled to pay from the U.S. (or have waived pay from the U.S.) for the service.

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

## Contributions

Your contribution to the Basic Benefit Plan depends on when you were appointed, classified below:

FERS (appointed before 2013): 0.80%,  
 Law Enforcement: 1.3%  
 FERS Revised Annuity Employee (RAE) (January 1, 2013 or later): 3.1%,  
 Law Enforcement: 3.6%  
 FERS Further Revised Annuity Employee (FRAE) (January 1, 2014 or later): 4.4%,  
 Law Enforcement: 4.9%

## Refunds

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

## Retirement Options

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

- ✓ Immediate, and Postponed
- ✓ Early
- ✓ Deferred

Eligibility is determined by your age and number of years of creditable service.

In some cases, you must have reached the **Minimum Retirement Age (MRA)** to receive retirement benefits. The following chart shows the MRA.

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

***Immediate or Postponed***

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

<i>Age</i>	<i>Years of service</i>
62	5
60	20
MRA	30
MRA	10*

\* (Reduced benefit unless postponed to lessen or eliminate age reduction)

***Early***

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

<i>Age</i>	<i>Years of service</i>
50	20
Any age	25

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

***Deferred***

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

<i>Age</i>	<i>Years of service</i>
62	5
60	20
MRA	30
MRA	10*

\* (Reduced benefit unless receipt delayed to lessen or avoid age reduction)

## Benefit Formula

How your benefit is calculated:

Your benefit is based on your “high-3 average pay.” This is figured by averaging your highest basic pay over any 3 consecutive years of creditable service.

Generally, your benefit is calculated according to this formula:

$$\frac{1\% \text{ of your high-3 average pay}}{\text{times}} \times \text{years of creditable service}$$

If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used rather than 1%.

To determine your length of service for computation, add all of your periods of creditable service, then eliminate from the total any fractional part of a month (less than 30 days).

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

## Special Retirement Supplement

If you meet certain requirements, you will receive a Special Retirement Supplement which is paid as an annuity

until you reach age 62. This supplement approximates the Social Security benefit earned while you were employed by the Federal government. You may be eligible for a Special Retirement Supplement if you retire:

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

If you transfer to the Federal Employees Retirement System (FERS) from the Civil Service Retirement System (CSRS), you must have at least one full calendar year of FERS-covered service to qualify for the supplement.

If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount (\$15,720 in 2016), your Special Retirement Supplement will be reduced or stopped.

## Survivor Benefits

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

### ***Spouse***

#### **If you die while you are an employee...**

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

**A lump sum payment**

*plus*

**the higher of**

**1/2 of your annual pay rate at death**

*or*

**1/2 of your high-three average pay.**

The lump sum payment, which increases by cost-of-living adjustments each year, is \$32,326.58 in 2016.

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

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

#### **If you die while you are a retiree...**

A married retiree's annuity is automatically reduced to provide spouse survivor benefits unless those benefits are jointly waived in writing by the retiree and the spouse before retirement.

Your annuity is reduced 10% to give your surviving spouse:

**An annuity of 50% of your unreduced benefit**

*plus*

**a special supplemental annuity payable until age 60, if your spouse will not be eligible for Social Security survivor benefits until age 60.**

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

Separate provisions apply to spouses of disabled annuitants.

### ***Former Spouses***

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

### ***Children***

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

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

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

## Disability Benefits

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

### *What Does Disability Mean?*

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

You may also qualify for Social Security disability benefits if you are unable to work in any substantial gainful activity.

### *Eligibility*

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

## *The Benefits*

The first year:

**60% of your high-3 average pay**  
*minus*

**100% of any Social Security disability**

**benefits to which you are entitled.**

After the first year and until age 62, if your disability prevents you from performing your job and you do not qualify for Social Security disability benefits, your benefit will be:

**40% of your high-3 average pay.**

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

If your earned annuity rate (1% x high 3 average salary x years of service) is higher than the above rates after the reduction for Social Security, you will receive the higher benefit.

When you reach age 62 your disability benefit will be recomputed. Essentially, you will receive the annuity you would have received if you had not been disabled, but had continued working until age 62. For purposes of this recomputation, your average salary will be increased by all FERS cost-of-living adjustments that took effect while you were receiving a disability annuity.

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

### Cost-of-Living Adjustments (COLA's)

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

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

### Form of Payment

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

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

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

# Thrift Savings Plan

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

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

The best way to assure that your retirement income meets your needs is to start investing in the Thrift Savings Plan at the beginning of your Federal service, and to continue to do so throughout your career. This is your way to invest in your own future — to invest in yourself. It is particularly important for higher-paid employees to save enough through the TSP since Social Security replaces less income of higher-paid workers than it does for lower-paid workers.

Additional information about the benefits and features of the TSP has been issued by the Federal Retirement Thrift Investment Board and is available from your agency employing office or the TSP Web site ([www.tsp.gov](http://www.tsp.gov)). In addition to the “Summary of the Thrift Savings Plan for Federal Employees” (stock number TSPB08), separate booklets on the loan program, withdrawal options, and annuities are available.

## Eligibility

All Federal employees covered by FERS are eligible to participate in the Thrift Savings Plan (TSP). However, if you are a newly hired FERS employee, you are automatically enrolled at a rate of three percent (3%). If you are a rehired FERS employee, when you can begin to participate in the TSP depends upon your previous TSP eligibility.

See the “Summary of the Thrift Savings Plan for Federal Employees” for the specific rules on TSP eligibility, or ask your personnel office when you will become eligible to participate in the plan.

## Contributions

Once you become eligible to participate in the Thrift Savings Plan, there are three types of contributions that may be made to your account:

- ✓ Agency Automatic (1%) Contributions
- ✓ Employee Contributions
- ✓ Agency Matching Contributions

### *Agency Automatic (1%) Contributions*

Your agency will set up a Thrift account for you and will automatically contribute an amount equal to 1% of your basic pay each pay period. These Agency Automatic (1%) Contributions are not taken out of your salary, and your agency makes these contributions whether or not you contribute your own money.

### *Employee Contributions*

You may make your own contributions by payroll deductions. The money you contribute is taken out of your pay before Federal and, in almost all cases, State income taxes are calculated (non-Roth). You may contribute up to 10% of the basic pay you earn each pay period up to the Internal Revenue Service (IRS) limit, which is \$18,000 in 2016. (This limit may be adjusted each calendar year according to the Internal Revenue Code.)

## Agency Matching Contributions

When you make employee contributions, your agency will make matching contributions to your TSP account according to the following schedule:

<i>Your Agency</i>	<i>Contribution Match</i>
First 3% of Basic Pay	\$1.00 for each \$1.00 you contribute
Next 2% of Basic Pay	\$0.50 for each \$1.00 you contribute
Next 5% of Basic Pay	0

The agency contributions are not taken out of your salary; they are an extra benefit to you. While your agency will only provide matching contributions on your contributions up to 5% of your basic pay each pay period, you still benefit from before-tax savings and

tax-deferred earnings on amounts you contribute in excess of 5% of your basic pay each pay period if you choose.

The examples at the end of this booklet illustrate the importance of Thrift Plan participation in your total benefits package. The examples also show the effect on a FERS retirement package of contributing 3% of pay and 5% of pay .

## Vesting Requirement

When you separate from Federal service, you must meet the Thrift Plan vesting requirement to be entitled to, or vested in, your Agency Automatic (1%)



Contributions and attributable earnings. For most employees, this vesting requirement is 3 years of Federal, generally civilian, service.

Congressional employees and certain other non-career employees must complete 2 years of Federal, generally civilian, service. Employees who die in service are automatically vested in their Agency Automatic (1%) Contributions.

You are immediately vested in your own contributions and your Agency Matching Contributions and in the earnings attributable these contributions.

# Special Groups of Employees



## Firefighters, Law Enforcement Officers, and Air Traffic Controllers

These groups of employees receive an unreduced benefit at age 50 with 20 years of service, or at any age with 25 years of service. If you are in one of these employee groups, you contribute an additional .5% of pay to the Federal Employees Retirement System (FERS).

Your annual annuity is:

**1.7% of your high-3 average pay**  
*times*  
**20 years of service**  
*plus*  
**1.0% of your high-3 average pay**  
*times*  
**years of service exceeding 20.**

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

## Military Reserve Technicians

If you are a military reserve technician who loses the military status required to maintain your position, you may retire and receive an unreduced annuity if you are at least age 50 with 25 years of service.

In addition, a Special Retirement Supplement is payable until age 62. After you reach your Minimum Retirement Age (MRA), if you have earnings from wages or self-employment that exceed the Social Security annual exempt amount your supplement will be reduced or stopped.

## Part-Time Employees

In calculating the annuity for employees with part-time service, the average high-3 consecutive years of pay will be based on the full-time pay rate. The benefit based on the full-time rate is reduced according to the part-time schedule.

## Members of Congress and Congressional Employees

Members of Congress receive an unreduced annuity at age 50 with 20 years of service, or at any age with 25 years of service. Congressional employees must meet the age and service requirements explained in the Basic Benefit Plan section.

If you are a Member of Congress or a Congressional employee, with at least 5 years of Congressional service, your annuity will be:

**1.7% of high-3 average pay**  
*times*  
**years of Congressional service**  
**up to 20**  
*plus*  
**1.0% of high-3 average pay**  
*times*  
**any other service.**

A Special Retirement Supplement is payable from the Minimum Retirement Age to age 62. If you have earnings from wages or self-employment that exceed the Social Security annual exempt amount, your supplement will be reduced or stopped.

Cost-of-Living-Adjustment's (COLA's) are payable to Congressional retirees before age 62 only if they retire for disability.

Members of Congress and Congressional employees contribute an additional .5% of pay to the Federal Employees Retirement System (FERS).

# Enrolling in FERS



## New Employees

Most new employees hired after December 31 1983, are automatically covered by the Federal Employees Retirement System (FERS). The exceptions are employees in appointments that are limited to 1 year or less, most intermittent employees, anyone who is not eligible for Social Security coverage, or certain persons with non-Federal service which is creditable under the Civil Service Retirement System (CSRS).

## Rehires and Conversions

The general rules on whether you are covered by CSRS, CSRS Offset, or FERS after a break in service or conversion from one type of appointment to another are stated below. Just how those rules apply to you must be determined by your personnel office.

If you leave Federal Government service and return after more than 1 year and you were previously covered under CSRS, then you are automatically covered by Social Security and:

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

In determining whether you have 5 years of service which is creditable under CSRS, count all civilian service as of your last separation from service, even though it may not have been covered by CSRS deductions, or you may have received a refund of CSRS deductions. You will receive credit for your CSRS service if you make any payments for your past service that may be required.

Even if you were never covered by CSRS, you are eligible for CSRS Offset coverage if you had 5 years of creditable civilian service before January 1, 1987.

If you are rehired under CSRS Offset, you may elect to transfer to FERS within 6 months of reemployment. If you elect to transfer to FERS, the following rules apply.

- ✓ Your credit in CSRS is frozen, but your combined CSRS and FERS annuity will be based on the average of your highest 3 consecutive years of pay.
  - ✓ You will receive a full Civil Service Retirement System (CSRS) cost of living adjustment on the CSRS portion of your annuity.
  - ✓ Your service after the date of transfer is treated under the Federal Employees Retirement System (FERS) rules. (If you were under CSRS Offset, your offset service is also treated under rules.) In addition, all of your service is treated under FERS rules if you have less than 5 years of non-Offset CSRS service when you transfer.
  - ✓ All service (CSRS and FERS) counts toward years needed to be eligible for retirement, disability, survivor, and Thrift Saving Plan benefits under FERS.
  - ✓ All survivor and disability benefits are paid under FERS rules.
  - ✓ Unused sick leave is credited under CSRS rules based on the amount accumulated at the date of transfer or date of retirement, whichever is lower.
  - ✓ You have Social Security coverage when you enroll in FERS.
  - ✓ You will receive Government contributions to your TSP account and avoid the 6-12 month waiting period for participation.
- If you are converted from an appointment that is excluded from FERS coverage to an appointment that is not excluded, generally you will automatically be covered by FERS. If you are not automatically covered by the plan, you will have a 6-month opportunity to transfer to it.
- Note:** If you are eligible to elect FERS coverage because of being rehired or converted to a different appointment, you should read the *FERS Transfer Handbook — A Guide To Making Your Decision*, RI 90-3, before making a decision. Your personnel office should provide it to you.

# Examples

The following examples illustrate the annual benefits that you can expect to receive under the Federal Employees Retirement System (FERS). In reviewing these examples, note that the benefits shown are estimates based upon certain assumptions about future salary increases, investment returns, and other factors that directly affect your final level of benefits.

Keep in mind the following features of specific benefit components:

- ✓ Two types of FERS benefits are shown. The “FERS basic benefit” is your regular annuity based on total years of service and your high-3 average salary. The “special supplement” is a substitute for Social Security that may be payable to you from when you retire under FERS until age 62. In most cases your actual Social Security benefit at age 62 will be higher than the FERS supplement you receive before age 62.
- ✓ Estimated Social Security benefits do not include any spousal or dependent benefits that may be available. These additional payments could significantly increase the total value of your Social Security benefits.
- ✓ Estimated benefits from the Thrift Savings Plan are shown in terms of a “single life annuity” purchase

with your account when you retire. The annuity includes 3% annual cost-of-living adjustments to help protect its purchasing power during your retirement years. These projected benefits are based on career-long investments at the stated percentages of pay. Your actual Thrift Savings Plan benefits will depend on your account’s investment earnings and the specific payment form you elect when you retire.

Examples 1 and 2 are good illustrations of how Social Security provides a larger percentage of income to lower income employees than to higher income employees. Example 2 also shows that the higher income employee needs to save more in his TSP account to receive the same percentage of his final salary as the lower paid employee in example 1.

All benefits are shown in 1996 dollars and TSP contributions are pretax. Annual benefits have been rounded to the nearest hundred dollars and percentages may not total exactly due to rounding. The economic assumptions used to create these examples are:

<b>Inflation</b>	3.5%
<b>All wages</b>	3.5%
<b>Federal wages</b>	3.5%
<b>Nominal Interest</b>	7.5%
<b>Real Interest</b>	4.0%

### Example 1. Anne

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*Main Features:*

- ✓ FERS coverage begins at age 25 in 1996
- ✓ Retirement at age 57 with 32 years of service in 2028
- ✓ Entry at Grade 3, Step 1
- ✓ Retirement at Grade 7, Step 10, salary \$32,600
- ✓ 3% Thrift Savings Plan contribution (plus 4% from agency)

Anne's estimated retirement benefits at age 57 under FERS are:

<b>Initial FERS Benefit</b>	<b>Dollar Amount</b>	<b>As % of Final Year's Salary</b>
Basic FERS Annuity	\$9,600	29%
Special Supplement	\$6,200	19%
Thrift Savings Plan	\$6,600	20%
<b>Total Annual Benefits</b>	<b>\$22,300</b>	<b>69%</b>

The special annuity supplement is payable until age 62. Anne's regular Social Security retirement benefits starting at age 62 would be about \$7,200 — 22% of her final salary.

If Anne had contributed 5% of her salary to the Thrift Savings Plan, rather than 3%, her yearly Thrift Savings Plan benefit would have been \$9,400. This would increase Anne's total initial FERS benefit to \$25,200 per year — 77% of her final yearly salary of \$32,600.

## Example 2. Bob

### *Main Features:*

- ✓ FERS coverage begins at age 25 in 1996
- ✓ Retirement at age 57 with 32 years of service in 2028
- ✓ Entry at Grade 7, Step 1
- ✓ Retirement at Grade 13, Step 10, salary \$68,700
- ✓ 3% Thrift Savings Plan contribution (plus 4% from agency)

Bob's estimated retirement benefits at age 57 under FERS are:

<b>Initial FERS Benefit</b>	<b>Dollar Amount</b>	<b>As % of Final Year's Salary</b>
Basic FERS Annuity	\$20,200	29%
Special Supplement	\$8,800	13%
Thrift Savings Plan	\$12,700	18%
<b>Total Annual Benefits</b>	<b>\$41,700</b>	<b>61%</b>

The special annuity supplement is payable until age 62. Bob's regular Social Security retirement benefits starting at age 62 would be about \$10,500 — 15% of his final salary.

If Bob had contributed 5% of his salary to the Thrift Savings Plan, rather than 3%, his yearly Thrift Savings Plan benefit would have been \$18,100. This would increase Bob's total initial FERS benefit to \$47,100 per year — 69% of his final yearly salary of \$68,700.



### Example 3. Charles

*Main Features:*

- ✓ FERS coverage begins at age 40 in 1996
- ✓ Retirement at age 60 with 20 years of service in 2016
- ✓ Entry at Grade 7, Step 1
- ✓ Retirement at Grade 12, Step 8, salary \$54,800
- ✓ 3% Thrift Savings Plan contribution (plus 4% from agency)
- ✓ 15 years prior Social Security
- ✓ Final pre-Federal salary \$23,500

Charles's estimated retirement benefits at age 60 under FERS are:

<b>Initial FERS Benefit</b>	<b>Dollar Amount</b>	<b>As % of Final Year's Salary</b>
Basic FERS Annuity	\$9,900	18%
Special Supplement	\$4,900	9%
Thrift Savings Plan	\$5,500	10%
<b>Total Annual Benefits</b>	<b>\$20,300</b>	<b>37%</b>

The special annuity supplement is payable until age 62. Charles's regular Social Security retirement benefits starting at age 62 would be about \$9,700 — 18% of his final salary. (They include his pre-Federal employment.)

If Charles had contributed 5% of his salary to the Thrift Savings Plan, rather than 3%, his yearly Thrift Savings Plan benefit would have been \$7,900. This would increase Charles's total initial FERS benefit to \$22,700 per year — 41% of his final yearly salary of \$54,800.

#### Example 4. Donna

*Main Features:*

- ✓ FERS coverage begins at age 25 in 1996
- ✓ FERS service ends at age 45 in 2016
- ✓ Deferred benefit at MRA with reduction
- ✓ Entry at Grade 7, Step 1
- ✓ Separation at Grade 12, Step 8, salary \$54,800
- ✓ 3% Thrift Savings Plan contribution (plus 4% from agency)
- ✓ 17 years work after leaving government

Donna can begin receiving deferred FERS benefits at age 62. She also can begin receiving them as early as age 57, which is her Minimum Retirement Age. If she receives them at age 57, they are reduced 5% per year that she is under age 62 — a 25% reduction.

Donna's estimated retirement benefits at age 57 under FERS are:

Initial FERS Benefit	Dollar Amount	As % of Final Year's Salary
Basic FERS Annuity	\$4,900	9%
Special Supplement	\$0	0%
Thrift Savings Plan	\$8,100	15%
<b>Total Annual Benefits</b>	<b>\$13,000</b>	<b>24%</b>

Donna does not receive the special annuity supplement. Donna's regular Social Security retirement benefits based on her Federal employment starting at age 62 would be about \$11,000 — 20% of her final salary. However, since she continued working elsewhere, her age 62 Social Security benefit is based on the cumulative total benefit she earned.

If Donna had contributed 5% of her salary to the Thrift Savings Plan, rather than 3%, her yearly Thrift Savings Plan benefit would have been \$11,500. This would increase Donna's total initial FERS benefit to \$16,400 per year — 30% of her final yearly salary of \$54,800.


# For More Information


There are several sources of assistance if you have questions or want more information about the components of your benefits package.


- ✓ **Your Agency's Personnel Office**—in your agency for questions concerning your individual situation. Your personnel office has your records and is in the best position to answer questions about the basic benefit and TSP rules. In addition, it should have the following publications to help answer questions.


Publications of the Federal Retirement Thrift Board:


Website — <http://www.tsp.gov>


 Summary of the Thrift Savings Plan for Federal Employees

 Investments: TSP Fund Information

 Thrift Savings Plan Loan Program


 Death Benefits


 Withdrawing Your TSP Account After Leaving Federal Service


 Court Orders and Power of Attorney


Publications of the U.S. Office of Personnel Management:


Website — <http://www.opm.gov>


 *Information for Separating FERS Employees Who Are Not Eligible for an Immediate Annuity*, RI 90-11

 *Information about Reemployment for FERS Annuitants*, RI 90-18


 *Court-Ordered Benefits for Former Spouses Under CSRS, FERS, FEHB, and FEGLI*, RI 84-1

 *Work-Related Injuries and Fatalities — What You and Your Family Need to Know About Your Benefits*, RI 84-3

 *Life Events and Your Retirement and Insurance Benefits (For Employees)*, RI 84-3

 *Temporary Continuation of Coverage (TCC) under the Federal Employees Health Benefits Program*, RI 79-27

 *FEGLI Booklet*, RI 76-21

 *Thinking About Retirement?*, RI 83-11

- ✓ **Social Security Administration** — for questions concerning your Social Security benefits. You may call (800) 772-1213 with questions or to request a copy of your earnings record and estimated future benefits.

Website — <http://www.ssa.gov>

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