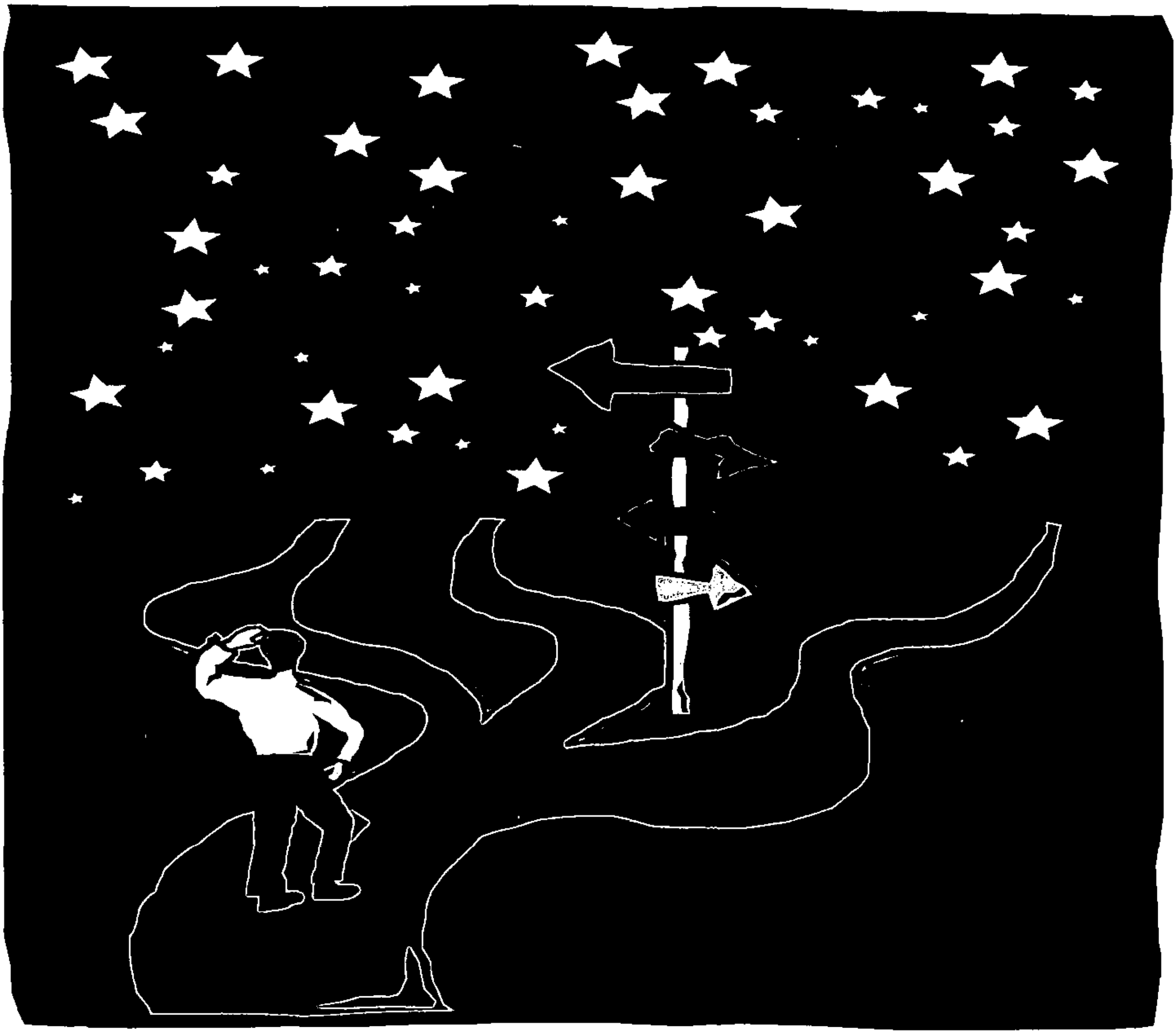
Understanding Your Retirement Benefits

Making the Right Decisions



Civil Service Retirement System (CSRS)

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INTRODUCTION

The material in this book is applicable to Federal employees who will retire under the Civil Service Retirement System (CSRS). **The importance of planning ahead for** retirement cannot be over emphasized. Ideally, benefit planning should begin as early in your career as possible; however, it is never too late to begin. The key to the successful use of your Federal benefits is planning.

As a well informed employee, you will be able to determine the most beneficial date for retirement; estimate your approximate annuity; determine whether to provide a survivor annuity; and how much that survivor annuity should be; know how payment and/or non-payment of refunded service; non-deduction service and military service can affect your future retirement benefits; determine whether you will be entitled to receive Social Security benefits; identify your options for withdrawing Thrift Savings Plan (TSP) funds; identify tax implications for your Federal retirement benefits; what happens to your other benefits, i.e., health insurance, life insurance, leave, etc., and the general procedures for processing retirements.

LEGAL BASIS

The Civil Service Retirement Act became effective August 21, 1920. It is coded in Chapter 83, Title 5 of the U. S. Code. The CSRS and FERS Handbook for Personnel and Payroll Offices covers the administration of the CSRS based upon the law and regulations.

CIVIL SERVICE RETIREMENT AND DISABILITY FUND

This fund now contains retirement contributions from both CSRS and FERS employees. The advent of FERS did not create a separate retirement fund.

MONEY SOURCES

1. Employee Contributions

    a. 7% of CSRS employees' basic pay

    b. 7-1/2% of CSRS Special Employee Groups (Law Enforcement Officers, Firefighters, Air Traffic Controllers)

    c. 80% of FERS employees' basic pay

    d. Special Employee Groups under FERS will contribute 1/2% more than regular FERS employees, including Air Traffic Controllers

2. Agency Contributions

3. Treasury payments to the fund

4. Interest earned

5. Direct appropriations by Congress

PART A- Are You Eligible To Retire?

CSRS Minimum Requirements

1. 5 years of civilian service

2. Subject to retirement system for one out of the two years preceding separation on which retirement is based (excluding disability retirement).

TYPES OF CSRS RETIREMENTS

TYPE	AGE	SERVICE	SPECIAL REQUIREMENTS
Optional (Voluntary)	62	5	None
	60	20	None
	55	30	None
Early	Any age	25	"Early Out"-Major Re-organization, Transfer of Function or RIF(OPM must grant agency the authority to administer the early out.
	50	20	
	Any age	25	Air Traffic Controller
	50	20	Law Enforcement Firefighters, Air Traffic Controllers
Discontinued Service	50	20	Involuntary Separation not for misconduct or delinquency
Disability	Any age	5	Disabled for current position and any vacant position in agency
Deferred	62	5	Must have left retirement contributions in fund when separated
Mandatory	57	20	Law Enforcement, Firefighter
	56	20	Air Traffic Control.

NOTE ---- Under CSRS rules, employees retiring before age 55, excluding disability retirement and Special Employee Groups, will have their annuity reduced by 2% per year, or 1/6 of 1% for each full month they are under age 55.

For special retirement (law enforcement officers & firefighters), employee must serve in a primary position and transfer directly to a secondary position without a break in service exceeding 3 days.

CREDITABLE CIVILIAN SERVICE

Definition of Creditable Service:

1. Service performed for the Federal Government For Civil service annuity purposes, service must meet the following three tests of Federal employment:

a. engaged in performing Federal functions, and
b. hired on a Federal appointment, and
c. be under the supervision and direction of a Federal Officer.

2. Service in the executive, judicial, legislative, and District of Columbia government is creditable.

3. Service can be performed at different times and with different agencies.

4. All periods of service as an employee of the Federal Government are creditable under CSRS, and counts toward determining the amount of CSRS retirement benefits.

To determine an employee's total length of service for computing an annuity estimate under CSRS, the following types of service are added together:

a. creditable civilian service
b. creditable military service
c. unused sick leave credit (only used to extend the length of service in the computation of CSRS benefits, or FERS benefits if there is a CSRS component).

Creditable service is covered in Chapters 20, 21, 22 and 23 in the CSRS and FERS Handbook for Personnel Offices. Another source of information is the Guide to Processing Personnel Actions, subchapter 6.

AMOUNT OF CREDITABLE SERVICE

1. Normally, full credit is allowed for all time between date of appointment and date of separation

2. Leave without pay (LWOP) is fully creditable up to 6 months in each calendar year.

3. Worker's compensation time (OWCP) is fully creditable, if the employee returns to duty.

4. Part-time service, with regularly scheduled tour of duty, receives full-time credit if service was performed before April 7, 1986. If performed on or after April7, 1986, annuity will be calculated based upon the percentage of full-time hours for all years of service. (P.L. 99-272)

5. Intermittent (WAE) service receives credit only for the days actually worked, based on a 260 day work year.

6. Breaks in service of three days or less causes no loss of time.

CREDITABLE SERVICE FOR PART-TIME EMPLOYEES- CSRS

P.L. 99-272, Section 15204, established a new method of computing civil service annuities for part-time employees. This law, the Consolidated Omnibus Reconciliation Act of 1985 applies only to CSRS.

The new provision was designed to prevent the windfall benefit that a longtime part-time employee could receive in annuity when the employee changed to full-time for the last 3 years of service (usually the high-3 average pay period). The new method of computation eliminates this potential abuse, with respect to service on or after the date of enactment, by making the part-time employee's average pay the same as if he or she were on a full-time schedule, but then prorating (i.e., reducing) the annuity benefit to reflect the difference between the full-time and part-time service.

The new rules of computation apply only to part-time service performed on or after April 7, 1986. Service prior to that date is still computed under the old rules.

Computation of Basic Annuity

1.The pre-April?, 1986 basic annuity is computed by multiplying Hi-3 average pay by the percentage for length of service (including all of the employee's sick leave credit) for service performed before April?, 1986. If part of a month is involved, the service is rounded down to the next lower month. In the average pay computation for this benefit, all of the rates of basic pay are prorated according to the

CREDITABLE SERVICE FOR PART-TIME EMPLOYEES- CSRS (CONTINUED)

employee's part-time tour of duty (old method), including part-time service after April6, 1986, that is included in the average pay computation.

2.The post-April6, 1986, basic annuity is computed by multiplying Hi-3 average pay by length of service after April6, 1986 (after adding any leftover days from the pre-April?, 1986 computation, and rounding to the next lower month). The result is then multiplied by the proration factor described below. For the post April 6, 1986 basic annuity, the Hi-3 average pay is computed using the new rules: the rates of basic pay during part-time service performed after April 6, 1986, are deemed to be the rates that would have been in effect if the service had been full-time. However, if the Hi-3 average pay period includes service prior to April?, 1986, that portion of the average pay will be computed in accordance with the "old" rule--rates of basic pay prorated according to the employee's part-time tour.

3.The proration factor is a fraction, expressed as a percentage rounded to the nearest percent. The numerator is the sum of the number of hours the employee actually worked during part-time service, and the denominator is the sum of the number of hours that a full-time employee would be scheduled to work during the same period of service included in the numerator. If an employee has creditable service in addition to part-time service (full-time, intermittent, or temporary service performed on a full-time basis), such service must be included in the numerator and denominator of the fraction. In general, this is done by including the number of days of such intermittent service multiplied by 8, and the number of weeks of such temporary service of full time service multiplied by 40 in both the numerator and the denominator. (If the normal administrative workweek is other than 40 hours, you would multiply by that number).

The pre-April 7, 1986 basic annuity and the post-April 6, 1986 basic annuity are added together to obtain the combined basic annuity. The combined basic annuity is the yearly rate of annuity before any applicable reduction, i.e. under age, survivor benefits, etc.

UNUSED SICK LEAVE

Sick leave credit is added to length of service when computing the annuity (CSRS Retirees only). To receive this credit, an employee must retire on an immediate annuity. **Sick leave credit cannot be used to:**

a. compute the Hi-3 average Salary, or
b. meet the minimum length of service requirement for retirement eligibility.

SICK LEAVE IS CONVERTED TO SERVICE CREDIT AS FOLLOWS:

a. Determine the number of hours of sick leave hours to be credited on date of retirement.

b. Locate the number of hours on the 2087 hour work year chart (next page).

c. Number of months at top of column in which the sick leave hours appear, plus the number of left over days that appear in far left days column, after drawing a straight line across from the month column totals the sick leave credit.

The number of hours of sick leave to the employee's credit at date of separation will be certified to OPM together with other separation records.

EXAMPLE:

A retiring employee has 1045 hours of sick leave at retirement.

Find 1045 hours on the 2087 hour chart on the next page.

The closest figure is 1044 which equals 6 months.

An additional 6 months service time will be added to the employee' s length of service.

Table for Converting Unused Sick Leave Into Additional Service Months

Mo	0	1	2	3	4	5	6	7	8	9	10	11
0	0	174	348	522	696	870	1044	1217	1391	1565	1739	1913
1	6	180	354	528	702	875	1049	1223	1397	1571	1745	1919
2	12	186	360	533	707	881	1055	1229	1403	1577	1751	1925
3	17	191	365	539	713	887	1061	1235	1409	1583	1757	1931
4	23	197	371	545	719	893	1067	1241	1415	1589	1762	1936
5	29	203	377	551	725	899	1073	1246	1420	1594	1768	1942
6	35	209	383	557	731	904	1078	1252	1426	1600	1774	1948
7	41	215	388	562	736	910	1084	1258	1432	1606	1780	1954
8	46	220	394	568	742	916	1090	1264	1438	1612	1786	1960
9	52	226	400	574	748	922	1096	1270	1444	1618	1791	1965
10	58	232	406	580	754	928	II02	1275	1449	1623	1797	1971
11	64	238	412	586	760	933	1107	1281	1455	1629	1803	1977
12	70	244	417	591	765	939	1113	1287	1461	1635	1809	1983
13	75	249	423	597	771	945	1119	1293	1467	1641	1815	1989
14	81	255	429	603	777	951	1125	1299	1473	1646	1820	1994
I5	87	261	435	609	783	957	1131	1304	1478	1652	1826	2000
16	93	267	441	615	789	962	1136	1310	1484	1658	1832	2006
17	99	273	446	620	794	968	1142	1316	1490	1664	1838	2012
18	104	278	452	626	800	974	1148	1322	1496	1670	1844	2018
19	110	284	458	632	806	980	1154	1328	1502	1675	1849	2023
20	116	290	464	638	812	986	1160	1333	1507	1681	1855	2029
21	122	296	470	644	817	991	1165	1339	1513	1687	1861	2035
22	128	302	475	649	823	997	1171	1345	1519	1693	1867	2041
23	133	307	481	655	829	1003	1177	1351	1525	1699	1873	2047
24	139	313	487	661	835	1009	1183	1357	1531	1704	1878	2052
25	146	319	493	667	841	1015	1189	1362	1536	1710	1884	2058
26	151	325	499	673	846	1020	1194	1368	1542	1716	1890	2064
27	157	331	504	678	852	1026	1200	1374	1548	1722	1896	2070
28	162	336	510	684	858	1032	1206	1380	1554	1728	1902	2075
29	168	342	516	690	864	1038	1212	1386	1560	1733	1907	2081

How to Use Th1s Table

Find the number in the table closest to the number of hours of your unused sick leave. In the horizontal column you will find the number of months and in the vertical column the remaining number of days.

For example: 441 hours equals 2 months and 16 days. Another example: 1452 hours equals 8 months and 11 days. (If the number of hours falls between two figures shown on the table, use the next higher figure.)

VERIFYING SERVICE

An employee's service is one of the factors used in computing his/her annuity, and it is very important that an agency verify all service claimed by employees. If that service is not documented in the Official Personnel Folder, missing service can delay the processing of an employee's retirement application from 3 to 6 months.

Some of the sources for verifying service are:

1. SF-50 or other appointment document in possession of employee.

2. Military discharge papers.

3. Copies of SF-2806s or SF-31OOs, Individual Retirement Record Cards. (Payroll offices may have these records on past employment.)

4. Written requests to agencies with which service was performed.

5. Written requests to National Personnel Record Center in St. Louis, MO.

6. Written requests to Military personnel records centers.

Prior to retirement, an agency is responsible for completing SF2801-01, Certified Summary of Federal Service for CSRS employees for each retiring employee.

This form serves several important functions, and accurate completion is mandatory. Retiring employees should be advised to review the summary carefully for their complete service history.

CREDITABLE MILITARY SERVICE

Honorable active duty service is creditable.

Service in all branches of the military is creditable. This includes Army, Navy, Air Force, Marines, Coast Guard, Service Academies, Public Health Service, and Coast and Geodetic Service.

Also see "Catch 62" information on page 27.

CREDITING SERVICE FOR RETIRED MILITARY EMPLOYEES

Usually, the receipt of military retired pay will not permit the crediting of military service towards civil service retirement. However, there are two exceptions:

1. When the military retired pay is based on a disability caused by combat with an enemy of the U.S., or an instrument of war and incurred in the line of duty during a period of war, or

2. When the military retired pay is granted under the provisions of Chapter 67, Title 10, U. S. Code. This provision grants retired pay to members of reserve components who meet certain age and service requirements, usually at age 60 with 20 years of service.

Employees drawing military retired pay who do not meet either of the two exceptions listed above will be required to waive their military retired pay in order to receive credit for their military service for a civil service retirement. **The procedures for waiving military retired pay are found in the CSRS and FERS Handbook for Personnel Offices, Chapter 22.** The waiver should be requested approximately 60 days before the commencing date of the annuity.

Waiver requests may be made only by the employee, survivors may not request waivers for deceased employees.

The following is an example of how to evaluate a decision to waive or not to waive military retired pay:

Employee, age 60- Hi-3 average salary= $50,000
Military service- 20 years (employee is receiving military retired pay); Civilian service- 20 years

If military retired pay is waived, 40 years of service:

40 years= .7625 x $50,000 = **$38,125 Basic Annual Annuity**

If military retired pay is not waived, 20 years of service:

20 years= .3625 x $50,000 = **$18,125 Basic Annual Annuity Plus Military Retired Pay**

Compare both scenarios in order to determine which is more advantageous to you.

PART B How is an Annuity Computed?

ANNUITY COMPUTATION FORMULA

The amount of an annuity depends on:

(1) High-3 Average Pay

(2) Length of Creditable Service

CSRS Formula

1.5% x Hi-3 x for first 5 years of service

1.75% x Hi-3 x second 5 years of service

2% x Hi-3 x remainder of years of service over 10 = basic annuity

CSRS Shortcut Formula

Length of service, multiplied by 2 minus 3.75.

Example: 30 years x 2 = 60 - 3.75 = 56.25.
56.25% x **Hi-3** = shortcut estimate of basic annuity.

OPM makes final determination

ESTIMATING ANNUITY BENEFITS (CSRS ONLY)

YEARS OF SERVICE	%OF AVERAGE SALARY (HIGH-3)	YEARS OF SERVICE	%OF AVERAGE SALARY (HIGH-3)
5	7.50	25	46.25
6	9.25	26	48.25
7	11.00	27	50.25
8	12.75	28	52.25
9	14.50	29	54.25
10	16.25	30	56.25
11	18.25	31	58.25
12	20.25	32	60.25
13	22.25	33	62.25
14	24.25	34	64.25
15	26.25	35	66.25
16	28.25	36	68.25
17	30.25	37	70.25
18	32.25	38	72.25
19	34.25	39	74.25
20	36.25	40	76.25
21	38.25	41	78.25
22	40.25	42	80*
23	42.25	43	80*
24	44.25		

This chart assumes that the individual has met age and service requirements for retirement.

*Annuity in excess of 80% which is produced by credit for unused sick leave is payable.

The general formula computation chart estimates annuity benefits BEFORE reductions are computed for:

1.Age-reduction is 1/6 of 1% for every month under age 55.

2.Non-deduction service- reduction is 10% of amount due.

3.Reduction for refunds of previous contributions.

4.Providing survivor benefit-cost to the retiree is 2.5% of the first $3600 designated and 10% of the balance.

5.Health and Life Insurance.

6.Federal and State Income taxes.

ANNUITY COMPUTATION FORMULA FOR SPECIAL EMPLOYEE GROUPS

Law Enforcement Officers and Firefighters

A. Minimum requirements - CSRS

(1) At least 20 years of creditable service as a law enforcement officer or firefighters or any combination of such service totaling at least 20 years.

(2) Subject to retirement system for 1 out of the 2 years before separation on which retirement is based.

B. Types

	Age	Years of Service
(1) Optional	50	20
(2) Mandatory (age)	57	20

C. Basic annuity computation

(1) 2.5% x Hi-3 x 20 years +

(2} 2% x Hi-3 number of years over 20 (including credit for unused sick leave).

Example:

Jerry Brown- age 55, 25 years special retirement coverage, High-3 Average Salary, $50,000.

2.5% x $50,000 x 20 years = $25,000 plus

2% x $50,000 x 5 years = 5.000

$30,000 Total Annual Annuity

HIGH-3 SALARY COMPUTATION

The "High-3" salary is determined by averaging rates of basic pay in effect during any 3 consecutive years of service. Each rate is weighted by the time it was in effect. Basic pay does not include overtime pay, bonuses, cash awards, holiday pay military pay, or lump-sum payments for annual leave.

Basic pay does include night differential for wage grade employees, environmental differential pay for employees exposed to various degrees of hazard, physical hardship and working conditions of an unusual nature. Also included are premium pay (i.e. standby time, irregular, unscheduled overtime), special pay for recruitment purposes, interim geographic adjustments and locality pay.

Any 3-year consecutive period may be used in computing the High-3 average pay. The service need not be continuous, but it must be consecutive.

Generally, the Hi-3 average will be the last 3 years of service. However, it does not have to be the last three years. **It is that 3-year period of service that produces the highest earnings.**

Example of Hi-3 average computation:

Rates in effect beginning: Annual Basic Rates
1/2/2001.........................$46,000
1/4/2002..........................$47,000
1/3/2003.........." ....'..$48,000
1/1/2004.........'................$50,000

Retirement Date- 1/1/2004 at $50,000

1) Determine the beginning date of the Hi-3 period
2004-01-01
3-00-00
2001-12-31
+ 1
2001-01-02

The beginning date of the Hi-3 period is 1-2-2001.

2) Subtract the dates, beginning and ending to determine how long each rate was in effect. Use the 360-Day Factor Chart, page 14 (next page) to determine the decimal figure which represents the portion of the year the rate was in effect.

3) Multiply the factor times the salary rate.

4) Add down the Total Basic Pay column and divide by 3.

HIGH-3 COMPUTATION SAMPLE

Rate In Effect	Pay Rate	Time Factor	Total Basic Pay
96-01-03 (End Date) 96-01-01 (Start Date) 00-00-03	$46,000		
97-01-02 (End Date) 96-01-04 (Start Date) 00-11-29	$47,000		
97-12-31 (End Date) 97-01-03 (Start Date) 00-11-28	$48,000		
98-12-31 (End Date) 98-01-01 (Start Date) 00-11-30	$50,000		

Divide total salary by three to get high-3 average pay.

BASIC COMPUTATION SAMPLE

CSRS Computation

Employee- J. J. Johnson
Age- 55
Length of service - 31 years
High-3 Average Salary- $50,000

Compute the basic annuity using the CSRS shortcut Formula (or chart on page 11).

DISABILITY RETIREMENTS

Eligibility Requirements-CSRS

1. No age requirement
2. 5 years of creditable civilian service
3. No "one out of two years" coverage required -only subject to CSRS at the time disability began.

CRITERIA

1. Employee must, while employed subject to the retirement system, have become totally disabled for useful and efficient service.

- In the position occupied,
and

- For service in any vacant position in the agency at the same grade and pay level, for which he/she is otherwise qualified, and in the same commuting area.

2. A determination of total disability is made when the information in the file indicates that there is a service deficiency caused by disease or injury, of sufficient degree to preclude useful and efficient' service by the employee.

3. Above determination made based on:

-Documentation of a deficiency in service with respect to performance, conduct, or attendance.

- Documentation of medical condition - disease or injury. A relationship between the service deficiency and the medical condition, such that the medical condition caused the deficiency.

-The duration of the medical condition, both past and present.

-The incompatibility of the medical condition with either useful service in, or retention in the position.

- The availability of another position.

CSRS disability benefits are covered in the CSRS and FERS Handbook for Personnel and Payroll Offices, in Chapter 60.

COMPUTATION OF DISABILITY RETIREMENT

Compute creditable service and High-3 average salary information as for other annuities. All computations are as of the LAST DAY OF PAY, or day title to annuity is attained, if later.

A CSRS disability annuitant receives the **higher** of:

1. The amount obtained under the general formula for computing the basic annual annuity (the "earned annuity"); or

2. The "guaranteed minimum" disability annuity.

Earned Annuity
Compute the annuity in the normal way, reducing for failure to make deposit, if appropriate.

0

Guaranteed Minimum:

1. 40% of the High-3 Average Pay.

OR

2. The "projected" guaranteed minimum rate by projecting service to age 60.

Example: If Gloria had been employed for 16 years before becoming disabled at age 42, add 18 years to the 16 years of service (60- 42 = 18 additional years) to obtain the total years of service (34) to be used for comparison purposes.

Therefore, 40% of the high-3 salary average is Jess than the annuity projecting service to age 60, so the benefit would be based on the 40-percent computation.

Select the LESSER of the two guaranteed minimum annuities.

Compare the **GUARANTEED MINIMUM** figure with the **EARNED** annuity and select the **GREATER** amount as the basic annuity.

No reduction for age.

Compute the reduction for survivor annuity in the normal way.

The annuity usually commences the day after the last day of pay.

NOTE: The guaranteed minimum annuity will not benefit an employee who has 21 years and 11 months of service, or who is age 60 or older.

COMPUTATION OF DISABILITY RETIREMENT - CONTINUED

Example: Employee, age 50, 15 years of service, High-3 Average Salary- $40,000.

Earned Annuity:
26.25% (from table page 11) x $40,000 = $10,500

Guaranteed Minimum:
Lesser of:
1. 40% x $40,000 = $16,000

OR

2. Age 60 - 50 = 10 years + 15 years actual service = 25 years.
   46.25% (from table page 11) x $40,000 = $18,500

The lesser amount is 40% of High-3, the guaranteed minimum =$16,000

Select the greater of the EARNED ANNUITY or the GUARANTEED MINIMUM.

The employee is entitled to the 40% guaranteed minimum. The earned annuity is $10,500 the guaranteed minimum is $16,000. The employee will receive the greater of these two figures which is $16,000.

Example: Employee, age 50, 11 years of service, Hi-3 average salary- $50,000.

Earned Annuity
18.25% (from table page 11) x $50,000 = $9,125

Guaranteed Minimum
Lesser of:
1. 40% x $50,000 = $20,000
OR
2. Age 60-50 = 10 years+ actual service of 11 years = 21 years.
   38.25% (from table page 11) x $50,000 = $19,125

The lesser amount is the annuity computed to age 60 the guaranteed minimum = $19,125

Select the greater of the EARNED ANNUITY or the GUARANTEED MINIMUM.

The employee is entitled to the annuity computed to age 60. The earned annuity is $9,125 and the guaranteed minimum is $19,125. The employee will receive the greater of these two figures which is $19,125.

The guaranteed minimum does not apply to an employee who is in receipt of military retired pay, if that retired pay is not creditable for a regular optional retirement.

CSRS OFFSET EMPLOYEES

1. DEFINITION

The Social Security Amendments of 1983 provided that all employees first hired by the Federal Government after December 31, 1983 be covered by Social Security. This is also applied to former employees with a break in service of more than 365 days, who were previously covered by the CSRS system for 5 years and were re-hired after December 31, 1983. These employees as a group are referred to as "CSRS Offset" employees.

2. CONTRIBUTIONS

Employees subject to the CSRS Offset Plan contribute the normal CSRS contribution of 7% of pay to CSRS. Of this contribution, an amount equal to the Social Security Tax, 6.2%, is transferred to the Social Security Administration. The contribution to the CSRS is .8% for a total of 7%.

3. ENTITLEMENT

At retirement, Offset employees are entitled to the same CSRS benefits as other CSRS employees, and have these benefits reduced by the amount of any Social Security benefits attributable to Federal Service that was covered by Social Security as a result of the Social Security Amendments of 1983. All normal CSRS rules apply to the computation of CSRS benefits.

4. RETIREMENT COMPUTATIONS

The basic CSRS annuity is reduced by the individuals' primary Social Security benefit that was earned in Federal Service. In determining the effects of the offset, the following rules apply:

a. The reduction occurs as soon as the individual is eligible for both a CSRS and Social Security benefit. This would normally be at age 62.

b. The amount of the reduction in CSRS benefits (Soc. Sec. Offset) is almost always less than the full primary Social Security Benefit that the individual would be entitled to. Offsets are always based on the Social Security benefits that an individual is entitled to upon proper and earliest application, whether or not this application is made.

Also, in determining the amount of the offset, reductions for the Social Security earnings test are ignored.

REDUCTION IN ANNUITY - UNDER AGE - CSRS

An employee who retires under the Discontinued Service provision of CSRS, (involuntarily separated), or who is separated by "early" retirement, will have a reduction made in his/her annuity. This reduction is permanent and will not be readjusted at a later age.

The reduction will be 1/6 of 1% for each full month (2% per year) the employee is under age 55. (Reduction for under age 55 does not apply to disability retirements or to Law Enforcement Officers, Firefighters, of Air Traffic Controllers).

EXAMPLE
Separated employee has:
Creditable service of 20 years 2 months 10 days
Sick leave credit 10 months 14 days

Total: 21 years 0 months 24 days

Employee age: 52 years 0 months and 10 days on date of retirement.

High-3 Average Salary: $50,000

Regular formula computation:

38.25% (from table page 11) x $50,000 =Basic Annuity of$19,125

Less reduction for 3 years under age 55

2% per year x 3 years = 6%

	$19,125
	X 6%
Reduction for under age	$1,147.50

Basic Annuity	$19,125
Less Reduction -	$1.148 (Round Up)

Reduced Annuity	$18,977

PART C- Deposits and Re-deposits for Civilian Service and Military Service Credit Deposits

DEPOSITS FOR NON-COVERED SERVICE - CSRS

Deposit service represents civilian service during which retirement contributions **were not** withheld.

Deposit service performed prior to October 1, 1982 is full creditable for length of service and computation purposes. However, **if deposit is not made, annuity is reduced by 10% of deposit due, including interest.** Interest is charged at rate of 4% to 12/31/47, and 3% through October 1, 1982, compounded annually.

EXAMPLE

An employee worked in a position not subject to CSRS retirement deductions from July 1972 to June, 1974 and is retiring effective 12-31-98.

Total earnings from 7-72 to 6-74 = $14,000

Withholdings not taken ($14,000 x 7%) =	$980
Interest accrued	+1 097
Total deposit due including interest	**=2,077**
	x 10%

If deposit not made, the annuity will be reduced 10% annually or $207.70

Assume a basic annuity of	$18,429.00
If deposit not made, subtract	207.70
Reduced annuity will be	$18,221.30

If deposit of $2,077 is made, full annuity of $18,429 will be payable.

If deposit is paid at retirement, it will take 10 years to recover investment.

DEPOSIT SERVICE PERFORMED ON AND AFTER OCTOBER 1, 1982 IS CREDITABLE FOR COMPUTATION PURPOSES ONLY IF THE REQUIRED DEPOSIT PLUS INTEREST IS MADE. There will be a substantial reduction in annuity if deposit in not made.

Interest for deposits of temporary service performed after 10-1-82 is charged at the rate of 3% per year through 12-31-84 and thereafter, at the yearly rate determined by the Secretary of Treasury (See variable interest rates page 42).

REFUNDED SERVICE

Definition -A refund is the return of an employee's contributions to the retirement fund. Upon making a refund, you will be required to pay the applicable interest, before the period of time covered can be credited in the computation of your annuity.

Eligibility requirements- A refund may be paid if:

A. An employee separates from the Government.

B. The employee is not re-employed subject to the Retirement System within 31 days from the date of separation.

C. The employee's separation occurs and the application is filed at least 31 days before the beginning date of any annuity for which the individual may be eligible.

D. The employee notifies his/her current or any former spouse from whom he/she was divorced on or after May 7, 1988 that they are applying for a refund.

Interest Payable on Refunds

a. No interest is payable for service of 1 year or less.

b. Interest is payable for service of more than 1 year but less than 5 years of civilian service.

c. If the refund covers service of more than 5 years, interest is payable only up to 12/31/56.

d. Interest payable at rate of:

4% compounded annually thorough 12/31/47, and
3% compounded annually on or after 1/1/48.
The variable interest became effective 1/1/85.

Interest Charged on Re-deposits or Deposits

If the refund was received **before October 1, 1982,** or the application for the refund was received by OPM or the agency before October 1, 1982, and later re-deposited, the interest rates as listed above will apply.

If the refund was received on or **after October 1, 1982,** interest will be charged at the rate of 3%- per year through December 31, 1984 compounded annually, and thereafter, at the yearly rate determined by the Secretary of Treasury (See variable interest rates, page 42).

REFUNDED SERVICE (CONT'D)

Effect of a Refund

1. An employee who receives a refund gives up all rights to an annuity.

2. An employee may reacquire annuity rights only if later re-employed in a position subject to the retirement system.

3. An employee will receive retirement credit for the period of refunded service; however, their annuity will be reduced to reflect the retirement value of the amount owed.

Refunds - Notification to Spouse and/or Former Spouse

An individual who applies for a refund of retirement deductions after May 6, 1985, must file with the refund application, a notification form signed by the employee's current and/or any former spouse. The signed and witnessed notification form is an acknowledgment that the current/former spouse has been informed of the refund application and its effect on any future annuity entitlement. Notification of the former spouse is not required if the marriage was of less than 9 months duration or the employee has less than 18 months of service covered under the retirement system.

If the employee is unable to secure the current and/or former spouses signature on the notification, the employee must submit with the SF-2802, Application for Refund of Retirement Deductions documenting that either:

1. The current address of the current/former spouse, or
2. Notarized statements by two individuals who witnessed the employee notifying or attempting to notify the current/former spouse of the refund application.

Exceptions - The notification requirement may be waived by OPM if the employee submits evidence to OPM that his/her current/former spouse’s whereabouts are unknown. Such evidence may consist of the following:

1. A determination by a court or administrative agency empowered to make such decisions that the individual is missing, or
2. Notarized statements from the employee and two other persons, one of whom is not related to the employee, attesting to the fact that the individuals whereabouts cannot be determined, and detailing efforts to determine his/her whereabouts.

REDEPOSIT SERVICE REDUCTION - CSRS

Redeposit service represents creditable civilian service where retirement contributions were made, but later refunded and the employee was re-employed by the Federal Government.

Redeposit service is fully creditable for eligibility and computation purposes, however, annuities are reduced to reflect the retirement value of the amount owed, including interest accumulated up to the retirement date.

Redeposit due is the amount of the refund plus interest. Interest is computed in the same manner as for deposits. If a refund was made before 10-1-90, the old interest rates will apply. If after 10-1-82, the new interest rates will apply (See page 42 for variable interest rates).

Example: $7,000 owed at retirement age 55; using the present value factor table on page 25 (next page) we find the factor to be 211.9

7,000.00
211.90 (divide)
33.03

At age 55 the monthly reduction will be $33.

Example: $7,000 owed at retirement age 60; using the present value factor table on page 24, we find the factor to be 188.7

7,000.00
188.70
37.09 (Round-up to $38)

At age 60 the monthly reduction will be $38.

Why would someone make the redeposit payment? To get the maximum monthly benefit, and to protect themselves in the event of disability or death in service. If you retire dueto disability, the option of receiving retirement credit for refunded service without paying a redeposit is not available to you; you must pay the full amount at retirement in one lump sum to receive credit for the refunded service. The same is true for your survivor should you die in service.

If you have started to repay for refunded service, you may stop paying at any time but, the unpaid balance will accumulate interest to the date of your retirement. The amount owed will reduce your annuity as the examples above illustrate.

Refunds for service ending after October 1, 1990 are creditable for eligibility regardless of whether the redeposit is made; however, the period of refunded service cannot be used in the annuity computation.

CSRS PRESENT VALUE FACTORS EFFECTIVE 10/01/2004

USE THESE FACTORS WHEN THE ANNUITY BEGINS ON OR AFTER 10/01/2004

Age At Retirement	Present Value Factor	Age At Retirement	Present Value Factor
40	277.6	66	157.9
41	274.7	67	153.1
42	272.1	68	148.0
43	269.1	69	142.8
44	265.0	70	138.0
45	260.0	71	133.1
46	255.1	72	128.0
47	250.8	73	123.1
48	245.9	74	118.4
49	240.3	75	113.5
50	234.8	76	108.2
51	230.2	77	103.2
52	225.9	78	98.2
53	221.4	79	93.1
54	216.8	80	88.4
55	211.9	81	83.6
56	207.2	82	78.4
57	202.3	83	73.7
58	197.6	84	69.5
59	193.1	85	65.8
60	188.7	86	62.0
61	183.7	87	57.9
62	178.3	88	54.0
63	173.2	89	50.7
64	168.2	90	47.2
65	163.0		

CATCH-62 POST-56 MILITARY SERVICE

Public Law 97-253, The Omnibus Budget Reconciliation Act of 1982 established the requirement of deposits for certain civilian and military service, and also required an increase in interest rates charged on deposits and re-deposits. The effective date of the changes made by this law is October 1, 1982. The following information is provided on military service.

Military service performed prior to January 1, 1957, is automatically credited. Military service performed on or after January 1957 is covered by Social Security, and may be credited toward a Civil Service annuity only under the following conditions:

EMPLOYEES HIRED BEFORE OCTOBER 1, 1982:

a. Make a deposit of 7% of basic military pay for post-56 military service.

or

b. Receive credit for post-56 military service at time of retirement, and at age 62 have your annuity recomputed to eliminate post-56 military service, if eligible for Social Security benefits.

If you are not eligible for Social Security benefits at age 62, and do not become entitled to Social Security after age 62, a re-computation will not be required.

EMPLOYEES HIRED ON OR AFTER OCTOBER 1, 1982:

Employees first employed by the Federal Government under either retirement system on or after October 1, 1982, will be allowed credit for post-56 military service only if a deposit is made, regardless of Social Security entitlement.

INTEREST:

Interest is charged on deposits made after Sept. 30, 1986, or 2 years after date individual was first employed under CSRS, whichever comes later. Interest, if applicable, will be determined on a yearly basis by the Secretary of the Treasury. The rate will depend upon the average yield of new investments purchased by the Retirement Fund during the previous fiscal year. To date, the rates charged are:

1985	13 %	1990	8.75%	1995	7.0%	2000	5.875%
1986	11.125	1991	8.625%	1996	6.875%	2001	6.375%
1987	9%	1992	8.125%	1997	6.875%	2002	5.5%
1988	8.375	1993	7.125%	1998	6.75%	2003	5.0%
1989	9.125%	1994	6.25%	1999	5.75%	2004	3.875%

CREDITABLE MILITARY SERVICE

The amount of deposit due for post-56 military service will be computed by the individual agencies, based on evidence of military basic pay provided by the employee. The agency will collect the deposit and remit the payments to OPM for deposit to the Retirement Fund.

Survivors of employees will be permitted to make the deposit or redeposit for military service, however, **an employee MUST MAKE THE DEPOSIT TO HIS/HER EMPLOYING AGENCY. They may NOT make the deposit to OPM after retirement.**

The following example is an effect of the military deposit:

Employee, age 55 retires with 20 years of civilian service and 10 years of post-56 military service. High-3 average salary $30,000.

$30,000 x .562500 = $16,875 basic annuity

If a deposit for the military service is not made prior to retirement, at age 62, the annuity will be recomputed as follows:

$30,000 x .362500 = $10,875 basic annuity, a reduction of $6,000 per year.

This reduction is made regardless of whether the retiree applies for Social Security benefits. There is no option to waive Social Security benefits.

PART D- Making a Survivor Election

Current Spouse- Employees may elect at retirement:

a. Full survivor annuity for current spouse, or Less than full, or no survivor annuity, with consent of spouse (OPM Form 1431, Spouses Consent Form is required to be signed by spouse in presence of Notary Public), or

"Insurable Interest" survivor annuity for current spouse if the survivor annuity has been awarded (by court order effective after May 6, 1985) to a former spouse of the employee.

If less than full or no survivor annuity is provided at time of retirement, the retiree may increase the amount of survivor benefit for the spouse within 18 months after retirement. The additional reduction in retiree's annuity will be retroactive to date of retirement, plus interest.

EXAMPLE: Reduced Annuity Providing Maximum Survivor Benefits (55% of annuity)

Assume retiring employee's basic annuity is $16,200
Reduction for survivor:
2-1/2% x $3,600... $ 90
16,200-3,600 = $12,600 x 10% ....: $1,260
Total reduction.. $1350

Basic annuity.. $16,200
Minus Reduction... - 1,350

Retiree's annual annuity after reduction $14,850

Spouses survivor benefit: 55% x $16,200 = $8,910

EXAMPLE: Reduced Annuity Providing Lesser Survivor Benefits
Assume retiring employee designates $5,000 as base

Assume retiring employee's basic annuity is $16,200.

2-1/2% x $3,600..................................$ 90
$5,000- $3,600 = $1,400 x 10%............. 140
Total reduction for survivor benefit......230

Basic Annuity....................................$16,200
Reduction... 230

Retiree's annuity after reduction $15,970

Spouses annuity: 55% x $5,000 = $2,750
(Spouses annuity is for life unless he/she remarries before age 55.)

Survivor Benefit to a Person with an "Insurable Interest"

Available only at retirement to married and unmarried employee in good health. Medical examination is required.

Person named must have insurable interest in life of employee, e.g., dependent on employee for substantial portion of support, roughly 50%.

Employee must take a reduced annuity. Reduction depends upon ages of employee and person named as indicated in table

Age of Person Named in Relation to that of Retiring Employee	Reduction in Annuity of Retiring Employee
5 years younger	10%
5 but less than 10 years younger	15%
10 but less than 15 years younger	20%
15 but less than 20 years younger	25%
20 but less than 25 years younger	30%
25 but less than 30 years younger	35%
30 or more years younger	40%

EXAMPLE:

Retiring employee's basic annuity.............. $20,000

Retiring employee elected survivor annuity for current spouse, 8 years younger than retiree (court ordered full survivor annuity for former spouse).

Computation of reduction:

Basic Annuity	$20,000
15% x $20,000	3,000
Annuity after reduction	$17,000

Survivor Benefit - Former Spouse

A former spouse may receive a survivor annuity as a result of a court order, or because the employee elected to provide a survivor annuity for him/her.

1. Court Awarded Survivor Annuity

   a. Employees who are divorced after May 6, 1985, may be required by Court Order to provide a full or partial survivor annuity for a former spouse. If a survivor annuity is awarded to a former spouse the employee's annuity will be reduced automatically to provide this benefit for the former spouse.

   b. If employee has a current spouse, and there is a court awarded benefit for a former spouse, priority will be given to the former spouse.

2. Employee Elects at Retirement to Provide for Former Spouse

   a. Employee whose retirement is after May 6, 1985, may elect a full or partial survivor annuity for a former spouse, from whom divorced after May 6, 1985. If employee is married, current spouses consent is necessary.

   b. Employee may elect to provide an "Insurable Interest" survivor annuity for a former spouse without consent of current spouse. This election will, of course, result in a second reduction in the basic annuity.

3. Court Awarded Survivor Annuity When Annuitant Marries and Divorces after Retirement

   a. Annuitants not married at retirement, who retire after May 6, 1985 and later marry and divorce, may be required to provide a survivor annuity for the ex-spouse. This is true whether or not a survivor benefit was elected within the 2 year period after marriage. If the court orders a full or less than full survivor annuity, OPM will honor the order. The retiree's annuity will be reduced prospectively to provide the survivor benefit. There is no retroactive reduction in the annuity.

A former spouse loses entitlement to survivor annuity upon remarriage before age 55, or at death.

Court-Awarded Survivor Benefits - Effect on Current Spouse

When there is a court order awarding a survivor annuity to a former spouse, the retiring employee will be required to make a survivor election (full, partial, or none) for the current spouse although priority is given to court awarded annuity for former spouse.

If less than full survivor annuity is elected, the current spouse's consent is necessary, even though the current spouse may never be eligible to receive the survivor annuity. In order for the current spouse to become eligible for the survivor benefit, the former spouse would have to lose entitlement by remarrying before age 55 or by death.

Survivor Benefits Elections Availability to Annuitants Who Marry After Retirement

Annuitants who marry after retirement may elect full survivor benefits, partial survivor benefits, or no survivor benefits for the new spouse. **Election must be made within 2 years of marriage.**

If a former spouse loses entitlement due to remarriage before age 55 or death, the retiree has two years from that date to elect a survivor benefit for current spouse acquired after retirement.

An annuitant who makes an election of survivor benefits for a current or former spouse, whom he/she married after retirement, will be required to deposit in the CSRS Fund, the total amount by which his/her annuity would have been reduced if that election had been made at the time of retirement, plus.6% interest, compounded annually. No deposit will be required for any period when the retiree's annuity was being fully reduced to provide a survivor annuity for a previous spouse; and no deposit will be required if a former spouse is awarded a survivor annuity by court order.

Termination of Marriage after Retirement- Effect on Annuity

If marriage terminates after retirement (death or divorce), a reduction in the annuity will be restored to annuitant effective with date of marriage termination, unless, there is a court order providing full or partial survivor annuity. The retiree may elect to provide continuing-survivor benefits within 2-years of divorce.

In order to be entitled to a survivor annuity, the widow or widower must have been married to the employee or annuitant (who retired after May 6, 1985) for 9-months or be the parent of a child born of that marriage. The 9-month requirement will not apply in cases of accidental death.

DEATH OF AN EMPLOYEE BENEFIT

Spouse

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. Benefits begin the day after the employee's death and end when the survivor dies or remarries prior to age 55. If an annuity ended because of remarriage before age 55, it may be restored if the remarriage ends by death, divorce or annulment and the widow or widower pays back any lump-sum benefit paid when the annuity ended.

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 until and unless the survivor becomes eligible for Social Security. When the spouse becomes entitled to Social Security survivor benefits, the CSRS survivor annuity is reduced (offset) by the amount of the survivor's Social Security benefit attributable to the period the deceased was under-CSRS Offset.

No Spouse

If there is no spouse who is entitled to monthly survivor annuity benefits on the death of an employee, the total lump-sum credit in the Civil Service Retirement and Disability Fund is payable to the person(s) entitled under the normal order of precedence. See below.

Health Benefits

If the employee had a self and family enrollment on the date of death and a survivor annuity is payable, the surviving spouse can continue health insurance coverage. If no survivor benefit is payable, the enrollment terminates and the survivor has the right to convert to an individual policy within 30 days. If the employee had self only enrollment on the date of death, the enrollment terminates at death with no right to enroll or convert for the survivor.

DESIGNATION OF BENEFICIARY

A designation of beneficiary is optional, not mandatory. If none is on file, any lump sum benefits payable will be paid according to the order of precedence below. If the retiree elected the Alternative Form of Annuity at time of retirement, and received a refund of the amount equivalent to his/her contributions, no other lump sum benefits are payable.

Payment of Benefits Order of Precedence

1. Designated Beneficiary,
2. Widow or Widower,
3. Children, divided equally,
4. Parents,
5. Executor, Administrator of Estate, or
6. Next of Kin.

A designation of beneficiary affects lump sum payments only. It will not affect survivor benefits, since they are payable by law, or according to election made by a retiring employee.

PART E - LIFE AND HEALTH INSURANCE

FEDERAL EMPLOYEES' BASIC GROUP LIFE INSURANCE POST RETIREMENT

A retiring employee may continue Basic life insurance into retirement if he/she:

1. Retires on an immediate annuity;

2. Is insured on date of retirement; and

3. Has been covered for 5-years of service immediately preceding retirement, or since first opportunity to enroll.

The **accidental death and dismemberment feature** ceases at time of retirement.

The amount of Basic insurance is determined by employee's basic salary, rounded to next higher thousand plus $2,000, with a minimum coverage of $10,000.

Reduction in amount of post-retirement basic life insurance coverage after age 65 depends upon election at time of retirement. The election is made on SF-2818, Election of Post-Retirement Basic Life Insurance Coverage. If employee elects:

1. **75% Reduction** -Reduces 2% per month down to 25% of amount in force at time of retirement. Employees will continue paying premiums until age 65. No premiums after age 65, if retired. The present premium is approximately $.325 per month, per $1,000 of coverage.

2. **50% Reduction** - Reduces 1% per month down to 50% of amount in force at time of retirement. Premiums deducted from annuity for full cost of additional coverage. The cost is $.925 per month, per $1,000 of insurance until age 65. After age 65, the premiums reduced to $.60 per $1,000 of coverage.

3. **No Reduction** - Premiums will be deducted from annuity to cover full cost of additional coverage. The cost is $2.155 per month, per $1,000 of insurance until age 65. After age 65, the premium is reduced to $1.83 per month, per $1,000 of coverage.

Premiums effective

FEDERAL EMPLOYEE'S OPTIONAL GROUP LIFE INSURANCE
POST RETIREMENT

Options A- Standard, Option B-Additional, and Option C-Family may continue into retirement if employee continues basic insurance and meets same requirements as for basic insurance listed above. Premiums for all options continue after retirement through the month the annuitant reaches age 65.

There is no cost after age 65 for the Optional coverage, if retired. However, amount of insurance start reducing by 2% per month of face value until insurance reaches:

$2,500 for Option A-Standard (25% of $10,000)

0 for Option B-Additional

0 for Option C-Family

Costs of all options increase as employee's or retiree's age increases, through age 60.

Age Group	Option A Standard Monthly	Option B Additional Monthly per $1,000	Option C Family Monthly
45 through 49	$1.95	$ .195	$ 1.30
50 through 54	$3.03	$ .303	$1.95
55 through 59	'$ 5.85	$ .607	$3.14
60 and over	$13.00	$1.30	$5.63

P.L 99-335, establishes interim regulations, which in part, allows FERS annuitants to make direct payment of premiums for their FEGLI coverage to OPM, when their annuity is too low to cover the insurance premiums.

Payment of Benefits Order of Precedence

1. Designated Beneficiary,
2. Widow or Widower,
3. Children, divided equally,
4. Parents,
5. Executor, Administrator of Estate, or
6. Next of Kin.

Manner of Payment - Death Benefits

1. Lump Sum,
2. Interest Payments Only,
3. Survivor Payments over 10 or 15 years,
4. Installment Payments from 1 to 20 years, or
5. Life Income - fixed amount depending on age at time of first payment,

LIFE INSURANCE AFTER RETIREMENT

TYPES OF INSURANCE	WHAT HAPPENS AFTER RETIREMENT?	WHAT HAPPENS AFTER AGE 65?	CAN THIS OPTION BE CHANGED AFTER RETIREMENT?
BASIC LIFE· (Regular)	Premium depends on reduction elected at retirement (first column).	Reduction depends on election made at time of retirement.	Can cancel.
75% reduction = $0.325 per $1,000 coverage	Employee chooses at retirement; begins paying at retirement.	If 75% reduction, premium ends. Benefit payable starts 2% per month reduction.	Can change to higher reduction (Example: from 50% to 75%) or cancel.
50% reduction = $0.925 per $1,000 coverage		If 50% reduction, premium goes down to $0.60 per $1,000; benefit payable starts reducing 1 % per month.	
No reduction= $2.155 per $1,000 coverage		If no reduction, premium goes down to $1.83 per $1,000; benefit payable remains in force.	
OPTION A Standard $10,000	Must pay premiums until age 65.	Free, but coverage reduces 2% per month down to 25%.	Can cancel.
OPTION B Additional (1,2,3,4, or 5 times annual salary)	Must pay premiums until age 65. Only lowest multiple carried in last 5 years.	Free, but coverage reduces 2% per month to zero.	Can cancel or change to fewer multiples.
OPTION C Family- $5,000 for spouse - $2,500 for each eligible child.	Must pay premiums until age 65; one premium for entire family.	Free, but coverage reduces 2% per month down to zero.	Can cancel.

Retirees pay the same premium as active employees for coverage between retirement and age 65. Beneficiaries of federal group life insurance proceeds in excess of $7,500 nor receive a money market account instead of a government check. The insurance proceeds therefore begin earning interest immediately. Beneficiaries receive special checkbooks. They may write checks on that account for $250 or more up to the full amount of the insurance payment. Beneficiaries entitled to less than $7500 still get a single check for the full amount.

POST- RETIREMENT FEDERAL EMPLOYEES' HEALTH BENEFITS COVERAGE

Retiring employees may continue health benefits coverage into retirement, with no reduction in benefits if they:

1. Retire on an immediate annuity;

2. Where enrolled or covered as a family member under the health insurance program for:

   a. The 5 years of service immediately preceding retirement,

   OR

   b. Since first opportunity to enroll.

3. Have an annuity sufficient to cover premiums.

4. NOTE: If retiree does not elect a survivor benefit for a current spouse, the surviving spouse will not be eligible to continue FEHB coverage upon the death of the annuitant.

CSRS retirees may make premium payments directly to OPM if the basic annuity is not sufficient to cover the cost.

Coverage under the Uniformed Services Health Benefits Program which includes CHAMPUS or TRICARE can be included to meet the 5-year requirement. However, at the time of retirement, the employee must be enrolled in a Federal Employers Health Benefits Program (FEHBP). The type of health plan has no effect. The only requirement is participation in the FEHBP.

Annuitants pay the same premiums as employees. The premiums will be deducted from the monthly annuity checks. However, there is a difference in the way in which the premiums are withheld. Premium conversion became effective for Federal employees in October 2000.

- Premium conversion allows the FEHB premiums for employees to be withheld before taxes are deducted (pre-tax payments). By contrast, annuitant's premiums are deducted after taxes have been applied.

  Reemployed annuitants and survivor annuitants enrolled in FEHB coverage may be eligible to participate in premium conversion. Each of these situations will have to be reviewed on a case by case basis.

An annuitant's health insurance coverage is the same as for an employee. He/she may make any changes allowed during the health insurance Open Season. However, **if an annuitant cancels his/her FEHB coverage at any time after retirement, he/she cannot re-enroll during Open Season.**

However, annuitants who are eligible for Medicare (age 65 and older), may suspend their FEHB coverage in order to enroll in a Medicare managed care plan (HMO), and may subsequently re-enroll in FEHB if they later lose or cancel the Medicare managed care plan (HMO).

If you voluntarily cancel your Medicare managed care plan coverage, you must wait until the next open season to reenroll in FEHB. If you involuntarily lose your coverage under the Medicare managed care plan, you don't have to wait until the open season to reenroll in FEHB. You may reenroll from 31 days before to 60 days after you lose the Medicare managed care plan coverage. The effective date of your reenrollment will be the day after the Medicare managed care plan coverage ends. An involuntary loss of coverage includes when the Medicare managed care plan is discontinued or when you move outside its service area.

If you wish to suspend FEHB coverage to enroll in a Medicare managed care plan, you must provide OPM with verification of Medicare enrollment.

Temporary Continuation of FEHB coverage:

Under CSRS, if an employee is not eligible to continue FEHB coverage into retirement, he/she can elect Temporary Continuation of Coverage (TCC) under the FEHB program. TCC is extended to:

Employees whose FEHB enrollment terminates upon separation from Federal Service, and
Family members whose coverage terminates upon losing status as an eligible family member.

Notification:

1. Notified by agency within 61 days of separation
2. Employee or retiree must enroll within 60 days o notification
3. 31 day grace period; effective the day after
4. Terminates 18 months after date of separation
5. Family members may be eligible to continue TCC for up to 36 months

Cost: Annuitant share of premiums in addition to the Government's share plus a 2% administrative charge.

If employee loses FEHB coverage other than by cancellation, he/she has a 31-day temporary extension of coverage at no cost. Employee can then convert to a non-group plan. This also applies to family members who lose coverage other than by the employee's voluntary cancellation.

PART F - MISCELLANEOUS

COST OF LIVING ADJUSTMENT (COLA)

Cost of living adjustments (COLA) are payable to CSRS retirees. COLA's are effective on December 1st. with the applicable increases, showing up in the January annuity payments, of those who are eligible to receive them. The date on which an employee retires determines how much he/she will receive the following year. Retirees receive 1i12'h of the COLA for each month that they are in receipt of an annuity before December 1st. So, for example, if an employee retired in August 2004, his/her 2005 COLA would be 4/12ths (or 1/3) of the payable amount. In addition, to receive the full December 1st increase, a retiree's annuity commencing date can be no later than December 31st of the previous year.

For example, if retiree's annuity commencing date is December 2, 2003, he/she would not be eligible to receive a COLA until January 2005.

Annuitants who have a portion of their annuity computed under CSRS rules will receive the CSRS COLA on that portion of their annuity.

The following tables show the prorated percentage increases according to the month in which the annuity began.

CSRS COLA Proration Table:

Month Annuity Began	Amount of Percentage Increase
December 2003 or earlier	2.7%
January 2004	2.5%
February 2004	2.3%
March 2004	2.0%
April2004	1.8%
May 2004	1.6%
June 2004	1.4%
July 2004	1.1%
August 2004	0.9%
September 2004	0.7%
October 2004	0.5%
November 2004	0.2%

RE-EMPLOYED ANNUITANTS SUPPLEMENTAL ANNUITIES

Optional, disability Retirement

1. Annuity continues
2. Pay reduced
3. CSRS deductions if employee so elects and the employment is expected to last one year.
4. No FICA deductions.
5. Supplemental annuity after 1 year of continuous full tine service, or continuous part-time service equivalent to one year of full time service.

Discontinued Service Retirement

1. Appointment subject to CSRS System
   a. Annuity terminates
   b. CSRS deductions withheld
   c. Future annuity rights based on subsequent separation.

2. Appointment not subject to CSRS System
   a. Annuity continues
   b. Pay reduced
   c. No FICA deductions
   d. CSRS deductions optional
   e. Supplemental annuity may be payable.

A re-employed annuitant, whose annuity continues during reemployment in the Federal Service, is eligible for a supplemental annuity if the final period of reemployment consists of at least one year of continuous full time service, or continuous part-time service which is equivalent to at least one year of full-time service.

RE-EMPLOYED ANNUITANTS- CONTINUED

Deposit

If an annuitant is re-employed in the Federal Service on or after October 1, 1982, he/she must make a service credit deposit to cover the reemployment service in order to have such service considered in the computation of a supplemental annuity.

When an annuitant is re-employed:

1. He/she may have retirement contributions withheld from pay, if it is expected that the period of reemployment will continue one year or the equivalent of one year

Or;

2. He/she may elect not to make such contributions until separated from reemployment, in which event, interest will be charged.

The annuitant must apply for supplemental annuity.

Computation

The general formula will be used in the computation. For example, if an employee previously retired with 8 years of service and has worked 3 years as a re-employed annuitant, the supplemental annuity will be computed by using the following parts of the general formula:

1-3/4% x Hi-3 x 2 years (years in excess of 8 and less than 10) plus

2% x Hi-3 x 1 year

Re-Computation of Entire Annuity

If the re-employed annuitant's final reemployment period consists of at least 5 years of continuous full-time (or the equivalent) service, the annuitant may elect to have his/her annuity re-determined instead of receiving a supplemental annuity.

The annuity will be recomputed under the terms of the law in effect at time of separation from reemployment as if the annuitant were retiring for the first time. The annuitant secures a new right of election on the type of annuity he/she wishes.

MAXIMUM ANNUITY BENEFITS - CSRS

The maximum basic annuity under any formula cannot be more than 80% of the Hi-3 average pay. The 80% maximum is reached when an employee has 41 years 11 months of creditable service.

If an annuity exceeds 80% of the Hi-3, it must be reduced to 80% before applying any reductions or increases.

When an employee has reached the maximum annuity, and continues to work, retirement deductions continue to be withheld. At time of retirement, the excess deductions are:

1. Applied toward any deposit or redeposit due, then

2. Any balance is automatically refunded, usually with the initial regular annuity payment, or

3. The excess deductions, at the employee's request, are used as voluntary contributions to increase the amount of annuity.

Unused sick leave

Annuity in excess of the 80% maximum, which is produced by crediting unused sick leave is payable.

VARIABLE INTEREST RATES

Effective January 1, 1985, the interest rates changed from 3% to a variable rate that will be determined by the Secretary of Treasury based on the average rate payable on securities in which the fund was invested during the previous year.

The rate will be reset annually, using the same method.

Interest Rates

1985	13%	1990	8.75%	1995	7.0%
1986	11.125%	1991	8.625%	1996	6.875%
1987	9%	1992	8.125%	1997	6.875%
1988	8.375%	1993	7.125%	1998	6.75%
1989	9.125%	1994	6.25%	1999	5.75%
2000	5.875%	2001	6.375%	2002	5.5%
2003	5%	2004	3.875%		

(Interest rates are in effect from 10-1 of the previous year through 9-30 of the current year)

Accounts Affected:

Voluntary Contributions- VC Accounts in existence or opened on or after 1/1/85 will accrue interest at the new rate.

Deposits -Non-deduction service performed on or after 10/1/82 for which a deposit is outstanding on 1/1/85 will be charged at the new rate.

Re-deposits -Refunds paid on or after 10/1/82 for which re-deposit has not been completed on 1/1/85 will be charged at the new rate.

Not Affected:
Interest paid on, Lump sums, Refunds, and Refunds of excess contributions. Deposits for non-deduction service performed prior to 10/1/82; redeposit for refunds made prior to 10/1/82.

VOLUNTARY CONTRIBUTIONS - CSRS

Voluntary contributions may be made to the CSRS retirement fund to increase the amount of earned annuity. Voluntary contributions are payments made in addition to the regular retirement deductions taken from paychecks.

Eligibility Requirements

To be eligible to make voluntary contributions, an employee:

1. Must first pay a deposit or re-deposits if applicable.

2. Must never have received a refund of previous voluntary contributions unless he/she is subsequently re-employed under CSRS after a break in service of more than three days.

Effect of Voluntary Contributions on Annuity

Additional annuity provided by voluntary contributions depends upon age of employee at time of retirement

Each $100 in the account provides an additional annual annuity of $7.00 at age 55.

Each full year employee is over age 55 increases annuity by 20 cents.
For Example:

Age 55 at retirement yields $7.00 for each $1DO contributed.

56	$7.20
57	$7.40
58	$7.60

The annuity produced by voluntary contributions will not be increased by COLAs after retirement

Survivor benefit election for voluntary contributions portion of annuity is separate from rest of annuity. If additional annuity is used as a base for survivor benefit, the annuity will be reduced by 10% plus 5% for each 5 years spouse is younger than employee up to a maximum of 40%. Survivor's benefit will be 50% of reduced benefit

While employed, voluntary contributions earn interest at 3% compounded annually through 1984.
The variable interest rate applies thereafter, i.e., 8.75% for 1990.

BEGINNING DATES OF ANNUITIES

CSRS

The effective date of annuities for employees retiring on the last day of the month, the 1st, 2nd or 3rd day of the month is the following day.

For example:

If an employee retires on November 2, 2004, the beginning date of his/her annuity is November 3, 2004.

For all other dates, the beginning date of an annuity is the first day of the month following the date of retirement.

Example - Retirement date...................... October 5, 2004
Beginning date of annuity................. November 1, 2004

If the retirement was because of disability, the annuity takes effect the day after separation or the day after the last day of pay, whichever is more advantageous.

A deferred annuity takes effect on the individual's 62nd birthday.

PART G– Thrift Savings Plan

The Thrift Savings Plan (TSP is a retirement savings and investment plan for Federal employees. Congress established the TSP in the Federal Employees' Retirement System Act of 1986. The purpose of the TSP is to provide retirement income. It offers Federal civilian employees the same type of savings and tax benefits that may private corporations offer their employees under so-called "401(k)" plans. TSP regulations are published in title 5 of the Code of Federal Regulations, Parts 1600-1699, and are periodically supplemented and amended in the Federal Register.

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.

Contributions:

CSRS employees may contribute up to 10% (2005) of pay each pay period, and up to the IRS limit, which is $14,000 for 2005. After 2006, limits will be eliminated on the contribution percentage; however, contributions will be capped at $15,000. TSP contributions are tax-deferred, and must be made through payroll deductions.

Catch-Up Contributions- On November 27,2002, the President signed Public Law 107-304, which permits eligible Thrift Savings Plan (TSP) participants to make catch-up contributions into their TSP accounts beginning in or after the year in which they turn age 50. These contributions are a supplement to regular contributions, and does not include IRS elective deferral limit ($14,000 in 2005). Contributions for 2005 have a limit of $4,000.

Open Seasons- Public Law 108-469, which was signed into law on December 21, 2004, eliminates the Thrift Savings Plan open seasons and the restrictions on contribution elections which are tied to open seasons. **The Federal Retirement Thrift Investment Board will implement this law on July 1, 2005. However, there will be one more open season prior to implementation of the new law, April 15 through June 30, 2005.**

This new law does not affect the waiting period for new employees covered by the Federal Employees' Retirement System must serve before they become eligible for agency contributions to their accounts. It also does not affect **contribution allocations or interfunds transfers, which can be made at any time, through the Website, the Thriftline, by submitting an Investment Allocation form to the TSP or through Employee Express.**

Eligibility- A participant is eligible to make catch-up contributions as long as the following requirements have been met.

- participant must be contributing either the maximum TSP contribution percentage or the elective deferral limit
- must be employed and in pay status
- has not received a financial hardship in-service withdrawal (6-month suspension period)
- must be at least 50 years old

Major Features of the TSP:

- tax-deferred savings
- tax-deferred investment earnings
- Investment into five TSP funds
- lnterfund transfers
- Spousal Rights
- Loan Program
- Several Withdrawal Options

TSP Investment Options:

1. G Fund (Government Securities Investment Fund); the G Fund consists of investments in short-term nonmarketable U.S. Treasury securities specially issued to the TSP. This fund is managed by the staff of the Thrift Investment Board. All investments in the G Fund earn interest at a rate that is equal to the average rate of return on outstanding U. S. Treasury marketable securities, with four or more years to maturity.

2.F Fund (Fixed Income Index Investment Fund); the F Fund is a bond market fund that is diversified and is invested U.S. Government, mortgage-backed, corporate, and foreign government securities sectors of the fixed-income securities market. The Bond Index Fund is intended to match as closely as possible the performance of the Lehman Brothers U.S. Aggregate (LBA) index.

3. C Fund (TSP's large-company stock fund); contributions to the C Fund are invested primarily in the Barclays Equity Index Fund. The Equity Index Fund consists of virtually all the common stocks included in the S&P 500 stock index. The C Fund also includes temporary investments in the G Fund and certain short-term securities.

The Equity Index is intended to track as closely as possible the performance of the S&P 500 index.

4. S Fund (Small Capitalization Stock Index Investment Fund); the S Fund consists small to medium sized companies. The objective of the S Fund is to track the returns of the Wilshire 4500 stock index, which includes those U.S. stocks that are not found in the S&P 500 index.

5. I Fund (International Stock.lndex Fund); this fund is to track the investment returns of the Morgan Stanley Capital International EAFE (Europe, Australia and Far East) stock index. It isdesigned to measure the overall performance of the major companies and industries in the European, Australian, and Asian stock market.

lnterfund Transfers: An interfund transfer is the movement of some or all of your existing account balance among the G,F, C, S, and I Funds. lnterfund transfers are processed on a daily basis.

TSP Loan Program: Participants must have at least $1,000 of their own contributions and earnings. The minimum loan amount you can borrow is $1,000. The maximum is $50,000.

General Purpose Loans	Residential Loans
* General purpose loans can be used for any purposes.	* Residential loans are used for purchasing a primary residence;
* Documentation is not required.	* Documentation is required.
* The repayment period is from 1 to 5 years.	* The repayment period is from 1 To 15 years.

Loan Repayment Requirement:

Loans must be repaid through payroll allotments, and are deducted each pay period until the loan is repaid. The loan is repaid back into your account, at the G Fund interest rate. You can re-amortize your loan at any time during the life of the loan, and also can prepay in full without penalty.

TSP In-Service Withdrawals:

TSP participants are limited to the following two types of in-service withdrawals.

Age-Based Withdrawal	Financial Hardship Withdrawal
* TSP participants who are 591/2 or older can make a one-time withdrawal of all or any portion of their vested TSP account;	* TSP participants with a financial hardship, can withdraw all or any portion of their vested TSP account
* Minimum amount of withdrawal is $1,000;	* Minimum amount of withdrawal is $1,000;
* TSP participants cannot repay the money or convert it to a loan;	* TSP participants cannot repay the money or convert it to a loan;
* In-service withdrawals are subject to income taxes in the year funds are distributed.	* In-service withdrawals are subject to income taxes in the year funds are distributed.

When you apply for a TSP loan or an in-service withdrawal, certain spousal requirements must be met. Check with your Human Resources Offices for specific on these two programs.

TSP Withdrawals When Leaving Federal Service:

When you retire or separate from Federal service, you have several options to consider in order to determine which is best for you.

Leave money in the TSP account, at least, until age 701/2 {amounts calculated by IRS).

As a retired TSP participant, you can choose *to* keep your account in the TSP. The money may be left in the plan until April 1st of the year following the year you reach age 70 >, or you separate from Federal service. After you attain the age of 70 >, you will be required to receive an amount each year that meets certain minimum distributions.

Roll the money *over* into an IRA or another qualified retired plan.

If you choose this option, both you and the financial institution that is to receive your money must complete Form TSP-70-T, Transfer Information. Only this form will be accepted for all transfers.

Receive your account balance in a single payment.

You will be subject to a 20% withdrawal, if you elect this option. Based on IRS regulations, you will have 60 days from the date of receipt of your payment to reinvest the amount received in an IRA or other eligible retirement plan to avoid tax penalties {typically 10%).

Receive your account balance in a series of equal monthly payments. You have the option of choosing the number of monthly payment you want to receive or choosing a specific dollar amount, as long as the amount is at least $25.00.

Purchase a life annuity through Metlife Insurance {they are contracted with the TSP to sell annuities to TSP participants).

Your account balance must be at least $3,500. You can also purchase different types of annuities, which contain different features you can select. The three types of annuities you can purchase are: single life annuity, joint life annuity with a spouse, or joint life annuity with another survivor. More information covering annuities can be found in the TSP Annuities Booklet.

The TSP law provides certain rights to spouses. If you are married, and your vested account balance is more than $3,500, the spousal rights requirements must be met before you can withdraw your account.

On the other hand, if you separate from Federal service and are not eligible for retirement benefits, the law specifies that spouses and former spouses must be notified, unless their whereabouts are unknown.

PART H – SOCIAL SECURITY

Social Security is a four-tiered program, which includes a retirement, a disability, and survivor benefits insurance. It also has a health insurance (Medicare) feature. Social Security benefits are administered solely by the Social Security Administration. Its intended purpose is to provide partial replacement of earnings, which have reduced, or ended due to retirement, disability, or death of the wage earner.

This section is reserved for notes.

PART I – LONG TERM CARE

This page is reserved for notes.

Useful Websites and Additional Reading Materials:

http://www. Opm.gov .... Civil Service Retirement System (CSRS)
Federal Employment Retirement System (FERS)
Federal Employees Health Benefits (FEHB)
Federal Employees Group Life Insurance(FEGLI)
Long Term Care Program (LTC)

http://www.ssa.gov .... Social Security
http://www.medicare.gov ...... Medicare
http://www.tsp.gov .... Thrift Savings Plan
http://www.irs.gov .... Tax Issues

Federal Employees Almanac, Federal Employees News Digest, Publisher, Linda Young Gsell

Your Retirement- How to Prepare for It- How to Enjoy It, Federal Employees News Digest, by Bill Olcheski

Your Civil Service Retirement System *(CSRS),* Publisher, Government Retirement & Benefits, Inc.