

& First Class Credit union

08/27/2011



****All information within this presentation is for your review. It is not meant to advise or suggest any specific action on your part. Retirement is such a personal decision that everyone must consider for themselves after reviewing your personal needs.**

Ten Mistakes of Retirement

1. Retiring on the spur of the moment because of a difficult assignment or personality crash on the job. The early out of "92" was a good example.
2. Failing to discuss retirement plans with your spouse.
3. Retiring "from" something without having something better to do.

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4. Expecting to live comfortably on our annuity without making realistic calculations of how much money it will take to maintain your standard of living.
5. Failing to stay abreast of developments and changes in federal retirement entitlements and trends.
6. Retiring without reviewing all the retirement options, and the pros and cons of each.

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7. Basing retirement decisions on the advice of friends rather than consulting with the experts.
8. Selling your house and moving to an area without being sure of the cultural, social and economic realities of the move.
9. Believing that your active productive life is over just because you are retiring.
10. Failing to review all your service and entitlement to be sure you get proper credit. Believing that the estimate you receive from the postal service is the actual amount of your annuity.

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FEDERAL EMPLOYEES **RETIREMENT SYSTEM (FERS)**

The Federal Employees Retirement System (FERS) was established by Public Law 99-335, signed on June 6, 1986 following the enactment of Public Law 98-21, which required that all federal employees hired after December 31, 1983 had to be covered by social security.

In order to be eligible for a vested annuity from the basic annuity plan under FERS; each eligible employee must have at least five (5) years of creditable civilian service and be subject to FERS at the time of his/her retirement.

Basic Annuity

Social Security

Thrift savings (matched)

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HOW MUCH MONEY DO YOU NEED?

- A. 80 percent of your income if you have a house payment.
- B. 60 percent of your income if you have no house payment.
- C. Only 5 percent of all people that retire are financially comfortable in retirement.

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How Much Will You Get?

Based on High-3 Average Pay comprised of:

- ✓ Length of Service
 - Military
 - Civilian
- ✓ High-3 Average Pay - Highest rate of basic pay in effect over any 36 consecutive months of service.

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FERS LEVEL 6 STEP 0 ESTIMATE

\$50,000 High 3 Average @ 55-30 years of service

\$15,000 Gross Annual Annuity

\$1,250 Gross Monthly Annuity

\$1,250

\$ 250 Tax @ 20%

\$ 1,000

\$ 246 Health Insurance APWU (Self & Family)

\$ 754

\$ 125 Survivor Benefit

\$ 629

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ANNUITY ESTIMATE

USPS FIN 03-6364
HRIS
REPORT AAF24OP1
B/A FDC 852 Sub

National Retirement Counseling System
Annuity Estimate As of Pay Period 09 of 2005

Date 05/02/2005
Page 17
SSN 123-45-6789
RET-FICA-CODE-8
LOGON-1D-WFO050

Creditable Service				- Retirement Contributions \$ 13,568 (Incl. Mil. Dep., if any)		
Retirement Eligibility Date=	08/01/2005			- Annual Leave Earned Bal	103	
Retirement Computation Date=	04/22/1975			- Hours Forfeited		
Date of Birth=	08/01/1950			- Annual Leave Bal	103	
				- Terminal Leave Pmt.=	\$ 2,241	
	YEARS	MONTHS	DAYS	- INSURANCE	COVERAGE	DEDUCTIONS
TOTAL ACTUAL SERVICE	30	3	9	- LIFE		EMPLOYEE ANNUITANT MONTHLY
TOTAL TIME	30	3	9	- BASIC	\$ 54,000	NONE \$ 116.37
				- OPTION A	10,000	\$ 1.40 5.85
				- OPTION B (5x)	250,000	32.20 157.82
				- OPTION C (1X)	5,000 2,500	.90 3.14
				-	(SPOUSE/CHILD)	
				- HEALTH	472	60.40 242.34

RSC P
GR/STEP: 05/0
*S/P
*SALARY \$ 50,495.
RETIREMENT TYPE: OPTIONAL

** EXCEPTIONS:

ANNUITY ESTIMATE BASED ON RETIREMENT EFFECTIVE DATE OF 05/01/2005

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SALARY HISTORY

					ANNUAL GROSS					
FROM	TO	YRS.	MNS.	DAYS	RATE	PAY		GROSS/GROSS		
03/19/2005	08/01/2005	0	4	12	45,269	16,598		ANNUAL/MONTHLY		
11/27/2004	03/19/2005	0	3	22	45,081	14,018		ANNUITY/ANNUITY		
09/04/2004	11/27/2004	0	2	23	44,496	10,258				
03/06/2004	09/04/2004	0	5	28	43,872	21,692				
11/15/2003	03/06/2004	0	3	21	43,664	13,463		WITH /	11,782	982
09/06/2003	11/15/2003	0	2	9	43,099	8,260		WITHOUT	14,250	1,188
03/08/2003	09/06/2003	0	5	28	42,808	21,166		SURVIVOR		
11/16/2002	03/08/2003	0	3	22	42,558	13,240		BENEFITS		
09/07/2002	11/16/2002	0	2	9	41,991	8,045		SURVIVORS (SPOUSE) GROSS MONTHLY		
08/01/2002	09/07/2002	0	1	6	41,679	4,167		ANNUITY = 545		

HIGH-3 AVERAGE SALARY \$ 47,500 TOTAL

HIGH-3 AVERAGE SALARY \$ 47,500

TOTAL 3

JOHN DOE 1234 L STREET

TITLE: MAIL PROCESSING CLERK

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- The 36 months period used need not start on January 1, or October 1. It may start and end whichever dates give the highest three (3) years of basic pay. Because an employee's pay tends to 'increase the longer he or she works, the High-3 average salary usually occurs during the last three (3) years of service. However, any other 36 months period will be used if it produces a higher average salary.

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Factors Affecting Annuity

- High-3 Average Salary
- Years of Service
 - Military
 - Civilian
- Cost of Living Allowance (COLA)

ANNUITY COMPUTATION

Computation Formula

- $1\% \times \text{High-3 Average Salary} \times \text{Years of Service}$
- If you retire at age 62 or later with at least 20 years of service, a factor of 1.1% is used.

CREDITING MILITARY SERVICE

General Rule

All military service is creditable for retirement purposes if it was active service, was terminated under favorable conditions and was performed before separation from a civilian position under the retirement system.

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EXCEPTION

- No credit for any military service is given to an employee who receive military retired pay unless the pay has been awarded
 - Service connected disability (combat)
 - Provisions of Chapter 67 Title 10 USC pertains to reserve components
 - The employee waives the retired pay.

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FERS MILITARY CREDIT

- 3% Of the basic pay earned through military service into the CSRS fund, upon entering FERS. 2 year grace period, first assessment occurs one year after the end of the grace period. No interest is charged if paid within 3 years of entering FERS

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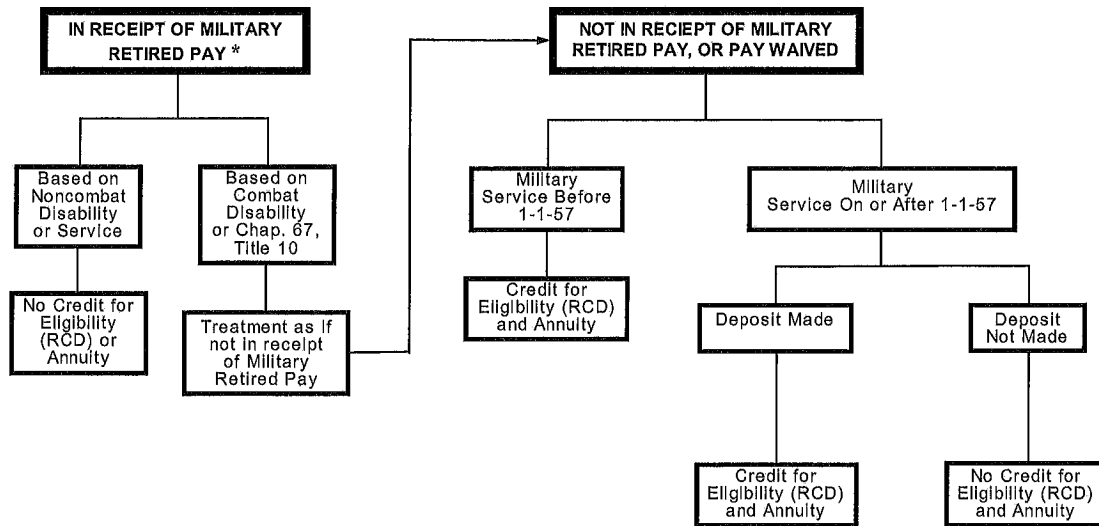
TRANSFER TO FERS CSRS/FERS MILITARY CREDIT

- If entitled to FERS annuity with no CSRS annuity component, all military service performed before the effective date of the FERS election is creditable under FERS rules.
- If entitled to a CSRS annuity component in your FERS annuity, all military service performed prior to the effective date of the FERS election is creditable under CSRS rules.

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CREDITABLE MILITARY SERVICE FERS



* Refer to ELM 582.77.

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✓ **MILITARY**

REQUEST FOR EARNINGS DURING MILITARY SERVICE

ARMY: DFAS-Indianapolis Center

Attn: DFAS in JFJC-A

8899 East 56th Street

Telephone: (317) 510-7298

Indianapolis, IN. 46249-0875

Navy: DFAS-Cleveland Center & FMCS

1240 East 9th Street

Cleveland, OH. 44199-2055

Telephone: (216) 522-6545

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✓ MILITARY

Air Force: DFAS-DE-FJY
6760 East Irvington Place
Denver, CO 80279-7408

Telephone: (303) 676-7408

Marine Corps: DFAS-Kansas City Center FBL
1500 E. 95th Center
Kansas City, MO. 64 197-0001

Telephone: (816) 926-7652

Fax: (816) 926-7648

Coast Guard: Commanding Officer (SIR)
Settlement and Records
Military Pay & Personnel Center
444 SE Quincy Street
Topeka, KS. 66683-3591

RI-20-97 SF 3108

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✓ CIVILIAN SERVICE

Rule is that all service is creditable except:

Any separation that totals more than 3
calendar days is considered a break in service
and the time is deducted from total creditable
service.

Credit is allowed for a period of separation while
an employee is in receipt of workers
compensation benefits if the employee is re-
employed under CSRS/FERS.

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PART-TIME EMPLOYEES

Service Performed Before April 7, 1986

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

Service Performed on or After April 7, 1986

Part-time service performed on or after April 7, 1986, is subject to a different annuity formula. This formula reduces an individual's annuity for such service by a fraction called the pro-ration factor:

$$\frac{\text{Number of hours a part-time employee works}}{\text{Number of hours employee could have worked if full-time}}$$

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PART-TIME EMPLOYEES

Pre- and Post-April 6, 1986 Service

If you have service, both before and after April 7, 1986, two separate calculations are made for each period of service.

The pro-ration factor method is applied only to the portion of the annuity that represents part-time service performed on or after April 7, 1986.

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ANNUAL LEAVE/LWOP

ANNUAL LEAVE:

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

LWOP:

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

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ANNUAL LEAVE/LWOP

For example, if the High-3 average pay period contains eight (8) months of LWOP, use six (6) months of the LWOP in the computation of the High-3 average pay and give no credit for the excess two (2) months of LWOP. However, back up the High-3 average pay period by two (2) months in order to compute an average pay based on three (3) full years of service.

An employee, who is in a leave-without-pay (LWOP) status while in receipt of OWCP benefits, will receive full credit for the LWOP period in the computation of annuity and for High-3 average salary purposes.

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LEAVE

Sick Leave:

Under FERS, unused sick leave is creditable for annuity computation purposes as follows: 50% credit thru 2013; beginning 2014, 100% credit is given. Sick leave never counts for service eligibility.

CSRS Conversion to FERS:

If the employee converted to FERS and had more than 5 years CSRS, any sick leave accumulated at the time of transfer to FERS is frozen, will be converted to time served and added to the CSRS portion. Annuity will be a combination of Civil Service and FERS.

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COST OF LIVING ALLOWANCE

- At age 62, retiree receives COLA on the FERS portion of annuity.
- Matches rate of inflation if less than or equal to two percent (2%). If rate of inflation is higher than 2%, COLA equals one percent (1%) less than inflation.
- After age 62, the COLA is one percent (1%) less than the rate of inflation.

RETIREMENT DEDUCTIONS

Employee Deductions

Social Security	4.2%
Basic retirement	<u>.8%</u>
Total	5.00%
Medicare Tax	<u>1.45%</u>
Total	6.45%

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TSP CONTRIBUTION RULES FERS

- Agency Automatic Contributions (1%)
Subject to vesting
- Employee Contributions
Maximum IRS elective deferral – 2011 - \$16,500

Up to 5% of Employee Contributions are matched
Equates to 4% maximum matching
\$1.00 = \$1.00 for first 3%
\$0.50 = \$1.00 for next 2%

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TSP CATCH-UP CONTRIBUTIONS

- Extra “catch-up” contributions
- Begins in year you turn 50
- In 2011 - \$5,500 ceiling - set by IRS
- Must have contributed \$16,500 elective deferral limit.
- Future years – ceiling will be indexed to inflation

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THRIFT SAVINGS PLAN BENEFITS

- Portability
 - “Pre-tax” Contributions
 - 6 Investment Options
 - Interfund Transfer
 - Loan Program
 - Withdrawal Options
 - Package/Retirement*
- Spousal Rights

Catch-up Provision for age 50+
(\$5000 for 2011)

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THE SIX FUNDS

- G-Fund
Gov't Fund (No risk)
- F-Fund
Fixed Income Inv. (Low risk)
- C-Fund
Equity Index Fund (Risk)
- S- Fund
Small Capitalization
- I- Fund
International Stock Index
- L-Fund
"Fund of Funds"



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TSP CONTRIBUTIONS

If an employee's gross yearly pay is \$ 51,495, this illustration will demonstrate tax savings.

If a FERS employee contributes \$16,500 (IRS limit) of his/her base salary:

Yearly Base salary	\$ 51,495
Deduction	<u>16,500</u>
Taxable Income	\$ 34,995
 Taxable Income	 \$ 34,995
Tax Rate	<u>x 25%</u>
Tax	\$ 8,748

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TSP NO CONTRIBUTIONS

If the employee made no contributions:

Taxable Income	\$ 51,495
Tax	<u>x 25 %</u>
Tax	\$ 12,874

If you make no contributions, your tax is: \$ 12,874

If you make a contribution, your tax is: - 8,748

Savings yearly= \$ 4,126

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

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TSP WITHDRAWAL OPTIONS

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

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MRA - MINIMUM RETIREMENT AGE

	<u>MRA</u>	<u>Years of Service</u>
Before 1947	55	30
1948	55 – 2 months	30
1949	55 – 4 months	30
1950	55 – 6 months	30
1951	55 – 8 months	30
1952	55 – 10 months	30
1953-64	56	30
1965	56 – 2 months	30
1966	56 – 4 months	30
1967	56 – 6 months	30
1968	56 – 8 months	30
1969	56 – 10 months	30
1970	57	30 ³⁷

SUGGESTED RETIREMENT DATE FERS

Suggest end of the month retirement, annuity starts on the first of the month, following the month you retire.

Example: Retired 12/31/11 Annuity starts 1/1/12

Notes:

- Retirement checks issued in 4-6 weeks.
- Interim payments = 85%
- Full payment with back pay within 6 months.

VER “EARLY OUT”

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

Minimum Requirements:

- Must have served under the retirement system for at least one (1) year within the two (2) year period immediately preceding the separation upon which the annuity is based.**
- Retiring FERS employees meeting these requirements will have no percentage reductions for age.**

VER “EARLY OUT” (Cont’d)

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

DEFERRED RETIREMENT

- Must meet the general service requirements (5 years of service).
- If you leave government service before being eligible for an immediate retirement and leave your retirement contributions in the fund, you will be eligible for a deferred retirement at age 62. Annuity is computed under the laws in effect at time you separated.

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DEFERRED RETIREMENT (CONT'D)

- No COLA's until commencement at age 62
- Commonly referred to as an MRA+10 annuity allowing an employee to receive an immediate annuity as early as age 55 with as little as ten (10) years of service, but with a reduction.
- A deferred annuity is reduced by 5% for each full year employee is under age 62 at the commencing date of annuity.

DEFERRED RETIREMENT (CONT'D)

The annuity is not reduced if employee:

- Completed at least 30 years of service. Annuity begins the first of the month following the month MRA is reached.
- Completed at least 20 years of service and postponed the annuity commencing date until age 60;
- Completed at least 10 years of service and postponed the annuity commencing date until age 62.
- If electing to postpone commencement of annuity to avoid the reduction, then Health Benefits and Life Insurance coverage can be reinstated.

DEFERRED RETIREMENT (cont'd)

- **No survivor annuity is payable to a former employee's spouse, former spouse, or children if the former employee has title to a deferred annuity but dies before attaining age 62.**
- **If you do not meet the MRA requirement at time of separation, you cannot reinstate your health benefits and life insurance coverage when reaching your MRA or age 62.**

DISABILITY RETIREMENT

Disability Required Criteria

OPM considers the documentary evidence you, your physician, and your agency provide. Your claim can be allowed only if the evidence established that you meet all of the following criteria:

A medical condition, which is defined as a health impairment resulting from a disease or injury, including a psychiatric disease.

Disability must last more than one year.

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Disability Required Criteria (cont'd)

Become disabled while serving under FERS performance, conduct or attendance, OR in the absence of service deficiency, show that your medical condition is incompatible with either useful service or retention in the position.

Your medical condition has caused a service deficiency.

Your employer is unable to reasonably accommodate your medical condition.

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REQUIRED FORMS FOR DISABILITY (cont'd)

SF 3107 - FERS Application for Immediate Retirement with associated forms.

SF 3112-2 - Application for Disability Retirement including 5 parts, Schedules A, B, C, D, and E.

Once OPM has received your application, you will receive an acknowledgement.

Letter with information and a claim number (beginning with letters "CSA"). OPM will review the application and contact you or the employer, if necessary, before a final opinion is rendered. If disallowed, you will also be given information about requesting reconsideration.

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WORKING WHILE ON DISABILITY

- ❖ Each disability annuitant under age 60 years of age must report to OPM total annual income from wages and or self employment.
- ❖ If on review of the disability annuitant's reported earning OPM finds the annuitant is "restored to earning capacity", payment of the annuity will be discontinued either upon re-employment in the federal service or at the expiration of a six month period from the end of the calendar year in which earning capacity is restored which ever occurs first.

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WORKING WHILE ON DISABILITY (cont'd)

- ❖ Earning capacity is considered restored if, in any calendar year, the annuitant's income from wages or self employment, or both equals at least 80% of the current rate of pay for the position occupied by the disability annuitant immediately prior to retirement.

EARNINGS DEFINED

- ❖ Earnings", for purpose of the 80 percent earnings limitations includes all income from wages and self employment actually received, plus deferred income that was earned during the calendar year in question.

EARNINGS DEFINED (cont'd)

- ❖ “Earnings” does not include: gifts, pension/annuities, social security benefits, workers compensation, insurance proceeds, unemployment compensation, rent/royalties not involving or resulting from personal service, interest/dividends not resulting from the annuitant’s own trade or business, money earned before retirement, inheritances, capital gains, prizes, awards, fellowships scholarship and net business losses.

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MUST APPLY for OWCP and DISABILITY to PRESERVE RIGHTS

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

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MUST APPLY for OWCP and DISABILITY

to PRESERVE RIGHTS (cont'd)

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

Time Limit

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

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F E G L I

- **Basic Life**

- Life Insurance coverage is equal to actual rate of annual basic pay (rounded to the next \$ 1,000), plus \$ 2,000.
- | | |
|---------------------------------|----------------|
| Basic Pay at retirement = | \$ 51,495 |
| – Rounded to the next \$1,000 = | 52,000 |
| | <u>+ 2,000</u> |
| – Basic Life Insurance = | \$ 54,000 |
- Double life insurance benefits until age 35, decreasing at 10% per year until age 45, at which time the extra coverage will end.

- **Coverage Options**

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

- | Option A | Option B | Option C |
|-------------------------|------------------------|--------------------------------------|
| \$10,000 Life Insurance | 5 x Basic Pay, rounded | 5 x \$5,000 Spouse |
| \$10,000 AD & D | to the next \$1000 | 5 x \$2,500 for each dependent child |

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F E G L I

- **BASIC LIFE**
- **No Reduction/50%/75% Reduction**
- **Continuation of Coverage after Retirement**
- **75% Reduction reduces 2% each month beginning second month following 65th birthday or retirement which ever is later.**
- **50% Reduction – reduces 1% - premium cost**
- **No Reduction – premium cost**

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F E G L I

Option A:

Reduces 75%

Option B:

Full Reduction / No Reduction

Option C:

Full Reduction / No Reduction

LIVING BENEFITS

- Effective July 25, 1995 any FEGLI covered employee, retiree or compensationner who has been diagnosed as terminally ill with a life expectancy of nine months or less may elect a living benefit.
- Living benefits are life insurance benefits paid to individuals while they are still living, rather than paid to beneficiary or survivor upon the individual's death.
- Only basic insurance is available for living benefits, employees may elect either a full living benefit i.e., all of their basic benefits, or a partial living benefit (in multiples, of \$1,000.) Retirees and those on compensation, may elect only a full living benefit with a full benefit, withholding for premiums ceases with a partial benefit, they are recalculated.
- Contact office of Federal Employee Group Life Insurance, 200 Park Avenue, New York, NY 10166-0188 or call 1-800-633-4542.

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ASSIGNMENT OF BENEFITS

- ✓ Effective October 3, 1994, any FEGLI covered employee, retiree or compensationner may irrevocably assign his/her life insurance benefits to another person or persons including an individual, a corporation or a trust.
- ✓ Assignment means that you transfer ownership and control of your basic, Option A, or Option B Insurance, to the assignee(s).
- ✓ Life insurance premiums will continue to be withheld from your salary, annuity or compensation payment.
- ✓ If you are an employee and would like to request an assignment form (76-100) which contains more information, ask your personnel office for a copy. If you are a retiree write to the Office of Personnel Management (OPM) Retirement Operations Center, ATT: RI 76-100, Boyers PA 16017.

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Spousal Equity Act 1984

- Requires spousal consent as to whether they want survivor benefits.
- If the annuitant and spouse choose not to take survivor benefits if the annuitant expires the spouse would not be eligible for Federal Health Benefits
- Spouse must have been married to the employee or retiree for at least 9 months at the date of death, or be a parent of a child of the marriage, or the death was accidental.
- Children must be unmarried and under age 18, under age 22 if full time student and any age if disabled prior to age 18.

Survivor Annuity

- A monthly annuity payable to a spouse, former spouse and /or children after the death of an employee or annuitant
- 50% of annuity or 25% of annuity
- If you were divorced after May 6, 1985, your spouse may receive, by court order, all or part of the survivor annuity that your current spouse would otherwise receive.

Requirements Survivor Annuity

- Employee must have completed at least 18 months of civilian service covered by FERS at the date of death
- Retiree must have elected a survivor benefit at time of retirement or within two years of date of marriage, if married after retirement.

Cost of Providing Survivor Annuity

- Your annuity will be reduced by:
 - 10% of your basic annuity to provide 50% of your annuity to survivor
 - 5% of your basic annuity to provide 25% of your annuity to survivor
 - Amount of Survivor Annuity at 55 years of age with 30 years of service
 - Level 6, Step 0 \$ 50,000
 - Annual Annuity \$ 15,000
 - Monthly Annuity \$ 1,250
 - “Full” 50% Survivor Benefits = $\$15,000 \times .50 = \$13,895$ Annual/ \$1,158 Monthly
- The cost is 10%: Annual Annuity of \$15,000 $\times .10 = \$1,500$ Annual Cost
- \$1,500 divided by 12 months = \$125.00 Monthly Cost deducted from annuity

DEATH BENEFITS

Death of an Employee

- Basic Death Benefit Requirements: Completed at least 18 months of creditable civilian service and died while subject to FERS deductions.
- Basic Death Benefit is: \$15,000 (increased by all CSRS COLA's beginning December 1, 198) plus 2.50 percent of the employee's final salary (or high-three average salary if higher).
- Payment of the Basic Death Benefit
 1. One payment
 2. 36 monthly installments
- Survivor Annuity Benefit Requirements: Completed at least 10 years of total creditable service and died while subject to FERS deductions.
- Survivor Annuity Benefit Amount: 50% of an annuity computed as if the employee retired optionally (with no age reduction) on the date of death.

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DEATH BENEFITS (Cont'd)

Death of a Former Employee

Upon the death of a former employee under FERS who did not meet the requirements for entitlement to retirement benefits before death, including having filed an application, either the former employee's lump-sum credit or an annuity may be payable to the appropriate survivor.

DEATH BENEFITS (Cont'd)

Death of a Former Employee

Amount of Survivor Annuity

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

DEATH BENEFITS (Cont'd)

Death of a Former Employee

Survivor Annuity Eligibility Requirements:

If the following requirements are met, the surviving spouse is entitled to a survivor annuity:

1. Meets the definition of spouse
2. Was married to the former employee on the date of his/her separation from Federal service **and**
3. The former employee had:
 - a) At least 5 yrs of civilian service covered by deductions or deposits and
 - b) A total of at least 10 years of creditable service

FEDERAL EMPLOYEES HEALTH BENEFIT PROGRAM (FEHBP)

REQUIREMENTS:

- ☐ Must have been enrolled in any FEHB plan for at least five (5) years (immediately preceding retirement), or if enrolled less than five (5) years from the date of your first opportunity to enroll.
- ✓ Cost varies according to plan; equals federal employee monthly rate.
- ✓ Surviving spouse covered only if survivor annuity is elected and family coverage is in place at time of death.
- ✓ You are not allowed to change plans or options until the next open season or unless you have a qualified life status change.
- ✓ An employee may change enrollment from one option to another of any available plan at any time beginning on the 30th day before the employee becomes eligible for Medicare.

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HEALTH PREMIUM CALCULATOR

- ✓ Paid at federal rate
- ✓ Postal employees calculated on a 13 month year.
- ✓ Retired employees calculated on a 12 month year.
- ✓ Must have a survivor annuity for spouse to continue coverage after your death.

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RETIRE ANNUITY SUPPLEMENT

The supplement is a benefit paid to FERS employees who have at least one year of FERS service and who are entitled to retire with an immediate annuity (met their minimum age and length of service requirements), yet are under the age of 62 so cannot draw social security at time of retirement.

The supplement, paid by OPM and funded by the USPS, is a pro-ration of the expected age 62 Social Security benefits.

RETIREE ANNUITY SUPPLEMENT

Estimate Formula:

Number of civilian years under FERS (military service not included)

Divided By 40 and multiplied by the Social Security benefit at age 62.

Example: 20 years with \$1200 SS benefit

$20 \text{ divided by } 40 = .50$

$.50 \times \$1200 = \600 per month

Note: Supplement not increased by COLA

RETIREE ANNUITY SUPPLEMENT RESTRICTIONS

- Subject to the same earnings test that applies to the payment of social security old age benefits
- Earnings in excess of the amount under social security (\$14,160 in 2011) will reduce the annuity supplement by \$1 for every \$2 earned in excess of the exempt amount.
- In the year you reach your Full Retirement Age (FRA), social security benefits will be reduced \$1 for every \$3 earned over a set limit (\$37,680 is the 2011 limit). Starting with the month that you reach FRA, no limit to earnings apply.

RETIRE ANNUITY SUPPLEMENT

Those not eligible:

- Disability Retirement Annuitants
- Deferred Annuity Annuitants
- Annuitants under the "MRA+10" Provision
- Retired beginning at or after age 62

SOCIAL SECURITY

There are two parts to Medicare:

MEDICARE PART A

Hospital insurance (called Part-A) helps pay the cost of four types of care:

- **1. Inpatient hospital**
- **2. Skilled nursing facility.**
- **3. Home health, and**
- **4. Hospice**

Part A for Hospital Insurance

Most individuals don't have to pay a monthly premium for Medicare Part A. This is because they or a spouse paid Medicare taxes while they were working.

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SOCIAL SECURITY (cont'd)

MEDICARE PART B

- **Medical insurance (called Part-B) helps pay the cost of:**
- **1. Doctors' service**
- **2. Outpatient hospital services**
- **3. Home health visits**
- **4. Diagnostic, X-ray, laboratory, and other test.**
- **5. Necessary ambulance service**
- **6. Other medical services and supplies**

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SOCIAL SECURITY (cont'd)

MEDICARE PART B (cont'd)

- ✓ Federal employees, who become disabled before age 65 and if they receive disability benefits for two (2) years; they should contact Social Security about applying for Medicare.
- ✓ You will get Medicare coverage automatically after you have received disability benefits for two (2) years under Social Security. You will be enrolled in Medicare Part A and Part B automatically. However, because you must pay a premium for Part B coverage, you have the option of turning it down.
- ✓ When you reach age 65 and are retired, Medicare will become the primary payer and your FEHBP plan will be the secondary payer for you and your covered spouse, if he or she is age 65 or older.

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SOCIAL SECURITY (cont'd)

Part B Medical Ins. 2011 Mthly Prem - \$115.40

If you retire before age 65 and you do not elect Medicare B at age 65, but you later decide to enroll in Medicare B, 10% higher premium for each 12 month period you could have been enrolled but were not. The higher premium is for life.

- ✓ The higher premium does not apply if you are working at age 65 or you are covered by a working spouse's health benefit plan.

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LONG TERM CARE

www.ltcfeds.gov

➤ Types of Coverage:

- | | |
|-------------------|------------------|
| ➤ Nursing Home | Home Health Care |
| ➤ Hospice Care | Assisted Living |
| ➤ Adult Day Care | Respite Care |
| ➤ Bed Reservation | |

➤ Maximum Daily Benefit: \$100 - \$150 (\$25)\$300

➤ Length: 3 years, 5 years, or Lifetime

➤ Pool of \$: \$150 x 365 days x 3 years

➤ Lifetime: Limitless

➤ Waiting Period: 30 or 90 days

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RESOURCES

OPM - Office of Personnel Management

www.opm.gov

SSA - Social Security Administration 1-800-772-1213

www.ssa.gov

MEDICARE - Social Security Administration 1-800-772-1213

www.ssa.gov

IRS - Internal Revenue Service 1-800-829-1040

www.irs.ustreas.gov

TSP - Thrift Savings Plan- 1-504-255-8777

www.tsp.gov

NARFE - National Active/Retired Federal Employees 1-703-838-7785 www.narfe.com

FEGLI - Federal Employee Group Life Insurance 1-800-633-4542

www.opm.gov/insure/life/index.asp

APWU - American Postal Workers Union 1-202-842-4200

www.apwu.org

CSRS/FERS Handbook

www.opm.gov/asd/htm/hod.htm

DVD Retirement Information - PEDC 651-293-3770

www.liteblue.usps.gov

HRSSC - 1-877-477-3273 OPTION 5 (TDD/TTY 1-877-260-7507)

www.liteblue.usps.gov

POSTAL EASE

<http://mysite.verizon.net/vze33bcr/id42.html>

RETIREMENT PLANNING CALCULATORS

www.FedCalc.com

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The End

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Thank you.