

The FERS Special Supplement

FERS employees have a lot of moving parts they have to keep up with when it comes to benefits and retirement. It's not enough to know what your pension check is going to be. One of the most important aspects of your FERS retirement is the FERS Special Supplement.

A lot of people have never heard of the Supplement and others have heard of it but don't know how it works. The supplement is a substantial benefit that every FERS employee needs to understand in order to evaluate early outs or normal retirements.

What is it and why does it exist?

The supplement exists because Social Security is a significant part of a FERS retirement but a benefit you cannot claim until you are 62. Most employees will see their minimum retirement age in their mid 50's. The supplement is a payment from the Office of Personnel Management that is in addition to your pension and is meant to be a "substitute" for your Social Security until you are 62. Once you qualify for Social Security at 62 the supplement is turned off and you will draw your normal social security.

Does Everyone get the Supplement

No. There are three categories of employees who will receive the Supplement. Employees who have served 30 years and have reached their Minimum Retirement Age will qualify for the Supplement. Employees who have reached at least age 60 with 20 years of service will qualify for the Supplement. Lastly, employees who have been offered the Early Out will be offered the supplement *BUT CANNOT DRAW THE SUPPLEMENT UNTIL THEY REACH MINIMUM RETIREMENT AGE.*

How much is the Supplement?

EXAMPLE: Joe is retiring at his Minimum Retirement Age of 56. He has 30 years of service and can't afford to retire on his pension alone. Joe finds out he will qualify for the Supplement because he has attained Minimum Retirement Age and has served 30 years. Joe's Social Security statement shows he will receive \$1,200 at age 62. The formula to calculate his Supplement is as follows:

Years of Service:	30
Divided by	<u>40 total years possible</u>
Equals:	75%

Joe now applies the above percentage (75%) to his Social Security at age 62 and will receive a Supplement of \$900 a month from his Minimum Retirement Age (56) until age 62. Once he turns 62 he will draw his normal social security check of \$1,200.

One thing employees have to be careful about is if they are planning on retiring and getting another job. The government treats the Supplement just like Social Security. If an employee makes more than \$14,160 in another job, for every \$2 they make above the limit their Supplement will be reduced by \$1 in the following year. To put it in plain English- if you make \$28,000 roughly while you are on the Supplement you will not get the Supplement the next year because of the Social Security Earnings test. They look at this income on an individual basis so your spouse's income will not affect you. We cover this specific issue because many employees who are considering Early out think they can go get another job. They can, but they have to be aware of the Social Security Earnings Test.

Another quick note you should know. You don't have to apply for the Supplement. It happens automatically when you retire if you are eligible. It's also important to note that drawing the Supplement does not impact any future Social Security checks. In other words, you are not penalized for drawing it like you see drawing your Social Security between age 62 and 66.

The FERS Special Supplement is a good example of a great benefit very few people understand. It's one of those things buried in your Employee Almanac and written in such a way it might as well be written in Japanese. At Postal Benefits Group, we like to talk in plain English and help you come up with the numbers you need to know before you retire. We believe in Straight talk with straight answers. If you have questions about your decision to retire, the Supplement or any other issue, please give us a call. We want you to be confident and comfortable about your decision to retire.

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